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**MR D.I.Y. GROUP (M) BERHAD**  
(Company No.: 201001034084 (918007-M))

INTERIM FINANCIAL REPORT  
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2020

5 NOVEMBER 2020

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

**CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME <sup>(1)</sup>**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	30/09/2020 RM'000	30/09/2019 RM'000	30/09/2020 RM'000	30/09/2019 RM'000
Revenue	740,234	561,723	1,790,983	1,658,456
Cost of sales	(426,080)	(334,541)	(1,028,786)	(967,886)
<b>Gross profit</b>	<b>314,154</b>	<b>227,182</b>	<b>762,197</b>	<b>690,570</b>
Other operating income	7,534	2,817	15,680	6,057
Administrative expenses	(21,886)	(10,129)	(62,350)	(48,363)
Other operating expenses	(127,801)	(103,559)	(348,891)	(292,657)
<b>Profit from operations</b>	<b>172,001</b>	<b>116,311</b>	<b>366,636</b>	<b>355,607</b>
Finance costs	(16,661)	(19,432)	(52,701)	(46,339)
Share of profit of an associate	141	635	1,255	1,375
<b>Profit before tax</b>	<b>155,481</b>	<b>97,514</b>	<b>315,190</b>	<b>310,643</b>
Income tax expense	(42,029)	(23,897)	(86,293)	(83,963)
<b>Profit for the period</b>	<b>113,452</b>	<b>73,617</b>	<b>228,897</b>	<b>226,680</b>
<b>Other comprehensive loss</b>				
<b>Items that may be reclassified subsequently to profit or loss</b>				
Loss on foreign currency translation	(188)	(51)	(85)	(50)
Other comprehensive loss, net of tax	(188)	(51)	(85)	(50)
<b>Total comprehensive income for the period</b>	<b>113,264</b>	<b>73,566</b>	<b>228,812</b>	<b>226,630</b>
<b>Profit attributable to:</b>				
Owners of the Company	113,452	73,617	228,897	226,680
Non-controlling interests	-	-	-	-
	<b>113,452</b>	<b>73,617</b>	<b>228,897</b>	<b>226,680</b>
<b>Total comprehensive income attributable to:</b>				
Owners of the Company	113,264	73,566	228,812	226,630
Non-controlling interests	-	-	-	-
	<b>113,264</b>	<b>73,566</b>	<b>228,812</b>	<b>226,630</b>
<b>Basic earnings per share<sup>(2)</sup>(sen)</b>	<b>1.86</b>	<b>1.21</b>	<b>3.76</b>	<b>3.72</b>

**Notes:**

- (1) The condensed consolidated statements of profit or loss and other comprehensive income should be read in conjunction with the Accountants' Report as disclosed in the Prospectus of the Company dated 6 October 2020 and the accompanying explanatory notes attached to the interim financial report.
- (2) Computed based on profit attributable to owners of the Company divided by the number of ordinary shares outstanding (after the completion of the Pre-IPO Exercise as disclosed in the Prospectus of the Company dated 6 October 2020) of 6,088,200,000.

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

**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION <sup>(1)</sup>**

	<b>Unaudited As At 30/09/2020 RM'000</b>	<b>Audited As At 31/12/2019 RM'000</b>
<b>ASSETS</b>		
<b><i>Non-current assets</i></b>		
Property, plant and equipment	388,471	354,035
Intangible assets	4,393	3,731
Right-of-use assets	787,793	690,468
Investment in an associate	5,563	4,758
Deferred tax assets	14,134	11,859
	<u>1,200,354</u>	<u>1,064,851</u>
<b><i>Current assets</i></b>		
Inventories	573,145	496,646
Trade and other receivables	144,051	121,802
Cash and bank balances	200,623	140,671
	<u>917,819</u>	<u>759,119</u>
<b>TOTAL ASSETS</b>	<u>2,118,173</u>	<u>1,823,970</u>
<b>EQUITY AND LIABILITIES</b>		
<b><i>Equity attributable to owners of the Company</i></b>		
Share capital	2,070	1,970
Reserves	517,316	338,504
<b>TOTAL EQUITY</b>	<u>519,386</u>	<u>340,474</u>
<b>LIABILITIES</b>		
<b><i>Non-current liabilities</i></b>		
Borrowings	21,850	611,541
Lease liabilities	720,968	632,690
Provision for restoration costs	16,310	14,218
Deferred tax liabilities	1,586	2,338
	<u>760,714</u>	<u>1,260,787</u>
<b><i>Current liabilities</i></b>		
Trade and other payables	125,791	81,798
Borrowings	536,104	11,814
Lease liabilities	115,389	94,214
Provision for restoration costs	801	510
Current tax liabilities	59,988	34,373
	<u>838,073</u>	<u>222,709</u>
<b>TOTAL LIABILITIES</b>	<u>1,598,787</u>	<u>1,483,496</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>2,118,173</u>	<u>1,823,970</u>
<b>Net assets per share attributable to owners of the Company (sen) <sup>(2)</sup></b>	<u>8.53</u>	<u>5.59</u>

**Notes:**

- (1) The condensed consolidated statements of financial position should be read in conjunction with the Accountants' Report as disclosed in the Prospectus of the Company dated 6 October 2020 and the accompanying explanatory notes attached to the interim financial report.
- (2) Computed based on total equity divided by the number of ordinary shares outstanding (after the completion of the Pre-IPO Exercise as disclosed in the Prospectus of the Company dated 6 October 2020) of 6,088,200,000.

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

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY <sup>(1)</sup>**

	Share capital RM'000	Merger reserve RM'000	Foreign currency translation reserve RM'000	Distributable Retained earnings RM'000	Total equity RM'000
<b>At 1 January 2020</b>	1,970	(117,450)	59	455,895	340,474
Net profit for the period	-	-	-	228,897	228,897
Other comprehensive income	-	-	(85)	-	(85)
<b>Total comprehensive income</b>	-	-	(85)	228,897	228,812
<b>Transactions with owners</b>					
Issuance of shares	100	-	-	-	100
Dividend paid	-	-	-	(50,000)	(50,000)
<b>Total transactions with owners</b>	100	-	-	(50,000)	(49,900)
<b>At 30 September 2020</b>	<b>2,070</b>	<b>(117,450)</b>	<b>(26)</b>	<b>634,792</b>	<b>519,386</b>
<b>At 1 January 2019</b>	1,970	(117,450)	42	640,000	524,562
Net profit for the period	-	-	-	226,680	226,680
Other comprehensive income	-	-	(50)	-	(50)
<b>Total comprehensive income</b>	-	-	(50)	226,680	226,630
<b>Transactions with owners</b>					
Dividend paid	-	-	-	(501,667)	(501,667)
<b>Total transactions with owners</b>	-	-	-	(501,667)	(501,667)
<b>At 30 September 2019</b>	<b>1,970</b>	<b>(117,450)</b>	<b>(8)</b>	<b>365,013</b>	<b>249,525</b>

**Note:**

- (1) The condensed consolidated statements of changes in equity should be read in conjunction with the Accountants' Report as disclosed in the Prospectus of the Company dated 6 October 2020 and the accompanying explanatory notes attached to the interim financial report.

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

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS <sup>(1)</sup>**

	CUMULATIVE QUARTER	
	30/09/2020 RM'000	30/09/2019 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	315,190	310,643
Adjustments for:		
Amortisation of intangible assets	854	650
Depreciation of property, plant and equipment	37,646	30,143
Depreciation of right-of-use assets	86,313	70,045
Interest expense	52,701	46,339
Interest income	(2,287)	(2,521)
Other non-cash items	7,912	21,301
Operating profit before changes in working capital	498,329	476,600
Changes in working capital:		
Inventories	(94,392)	(73,572)
Trade and other receivables	(22,249)	(20,825)
Trade and other payables	42,788	(951)
Cash generated from operations	424,476	381,252
Tax paid	(63,705)	(74,270)
Tax refunded	-	74
Net cash from operating activities	360,771	307,056
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additional investment in a subsidiary	-	(104,843)
Dividends received from an associate	450	300
Interest income received	2,287	2,521
Purchase of property, plant and equipment	(72,716)	(85,625)
Purchase of intangible assets	(1,516)	(1,500)
Proceeds from disposal of property, plant and equipment	602	152
Proceeds from disposal of intangible assets	-	2
Net cash used in investing activities	(70,893)	(188,993)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend paid	(50,000)	(501,667)
Drawdowns of term loans	-	400,000
Drawdowns of revolving credits	110,500	200,000
Interest expense paid on:		
-borrowings	(17,660)	(16,876)
-lease liabilities	(33,287)	(27,197)
Payments of lease liabilities	(63,266)	(56,653)
Placements in restricted bank balances	(16)	(8,076)
Proceeds from share issuance	100	-
Repayments of hire purchase creditors	(114)	(580)
Repayments of term loans	(2,717)	(3,463)
Repayments of revolving credits	(188,000)	(50,600)
Withdrawal of deposit with a licensed bank with original maturity of more than three (3) months	104	-
Net cash used in financing activities	(244,356)	(65,112)
Net increase in cash and cash equivalents	45,522	52,951
Effects of exchange rate changes on cash and cash equivalents	(35)	159
Cash and cash equivalents at the beginning of financial period	125,376	50,885
Cash and cash equivalents at the end of financial period	170,863	103,995

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

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS <sup>(1)</sup> (continued)**

	CUMULATIVE QUARTER	
	30/09/2020	30/09/2019
	RM'000	RM'000
Cash and cash equivalents comprise:		
Cash and bank balances	75,181	64,118
Deposits with licensed banks	125,442	50,337
	<u>200,623</u>	<u>114,455</u>
Less: Deposits with a licensed bank with original maturity of more than three (3) months	-	(101)
Less: Restricted bank balances	(8,097)	(8,077)
Less: Bank overdraft included in borrowings	(21,663)	(2,282)
	<u>170,863</u>	<u>103,995</u>

**Note:**

- (1) The condensed consolidated statements of changes in cash flows should be read in conjunction with the Accountants' Report as disclosed in the Prospectus of the Company dated 6 October 2020 and the accompanying explanatory notes attached to the interim financial report.

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

**1. Basis of Preparation**

The interim financial report of Mr D.I.Y. Group (M) Berhad (the "Company") and its subsidiaries (collectively, the "Group") is unaudited and has been prepared in accordance with the requirements of the Malaysian Financial Reporting Standards ("MFRS") 134: *Interim Financial Reporting* issued by the Malaysian Accounting Standards Board and Paragraph 9.22 and Appendix 9B of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial report should be read in conjunction with the Accountants' Report as disclosed in the Prospectus of the Company dated 6 October 2020 and the accompanying explanatory notes attached to the interim financial report.

**2. Accounting Policies**

The significant accounting policies adopted by the Group in this interim financial report are consistent with those adopted in the Audited Financial Statements of the Group for the financial year ended 31 December 2019 except for the adoption of the following new accounting standards, amendments and interpretation:

**2.1 New MFRS adopted during the financial period**

<b>Title</b>	<b>Effective Date</b>
Amendments to <i>References to the Conceptual Framework in MFRS Standards</i>	1 January 2020
Amendments to MFRS 3 <i>Definition of a Business</i>	1 January 2020
Amendments to MFRS 101 and MFRS 108 <i>Definition of Material</i>	1 January 2020
Amendments to MFRS 9, MFRS 139 and MFRS 7 <i>Interest Rate Benchmark Reform</i>	1 January 2020
Amendment to MFRS 16 <i>Covid-19-Related Rent Concessions</i>	1 June 2020 (early adopted)

The Group has early adopted Amendment to MFRS 16 and elected to apply the practical expedient to all rent concession relating to leases with similar characteristics and in similar circumstances. Consequently, the Group do not recognise changes in these lease payments as lease modifications and instead, recognise these as variable lease payments in profit or loss. The effects of early adoption of the Amendment resulted in variable lease payments arising from COVID-19 related rent concessions recognised in other operating income as follows:

	<b>INDIVIDUAL QUARTER</b>		<b>CUMULATIVE QUARTER</b>	
	<b>30/09/2020</b>	<b>30/09/2019</b>	<b>30/09/2020</b>	<b>30/09/2019</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Rent concessions	4,586	N/A	8,007	N/A

**Note:**

N/A Not applicable.

**3. Auditors' Report**

There was no qualification on the audited financial statements of the Group for the financial year ended 31 December 2019.

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

**4. Seasonal or Cyclical Factors**

The business operations of the Group typically experience higher customer traffic, transaction value and sales during weekends, public holidays, school holidays and festive periods.

**5. Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows**

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

**6. Material Changes in Estimates**

There was no changes in estimates of amounts reported that have a material effect in the current quarter and financial period under review.

**7. Debts and Equity Securities**

	Number of ordinary shares '000	Amount RM'000
<b>Issued share capital:</b>		
As at 1 January 2020	10	1,970
Issuance of shares	60,872	100
	<u>60,882</u>	<u>2,070</u>
Subdivision of 1 existing ordinary share to 100 new ordinary shares	6,088,200	2,070
As at 30 September 2020	<u>6,088,200</u>	<u>2,070</u>

On 23 September 2020, the Company issued and allotted 60,872,000 new ordinary shares in the Company to the shareholders of the Company (except for Mr D.I.Y. Holdings (M) Sdn. Bhd. (“MDHM”)) and the shareholders of MDHM and/or their investment holding companies at a total consideration of RM100,000 (“Share Issuance”) to facilitate the re-organisation of the shareholding structure whereby the interests in the Company are held directly by the shareholders of MDHM and/or their investment holding companies together with Hyptis Limited. Upon completion of the Share Issuance, the total number of ordinary shares increased from 10,000 to 60,882,000 shares.

Upon completion of the Share Issuance, the Company had carried out a subdivision of 1 existing ordinary share in the Company to 100 new ordinary shares in the Company (“Subdivision”) on 23 September 2020. Upon completion of the Subdivision, the total number of ordinary shares in the Company increased to 6,088,200,000 shares.

**8. Dividend**

	RM'000
In respect of the financial year ending 31 December 2020:	
Interim single tier dividend of RM5,000.00 per ordinary share, paid on 30 July 2020	<u>50,000</u>

Declared

On 5<sup>th</sup> November 2020, the Company declared an interim single tier dividend of RM0.0073 per ordinary share in respect of the financial year ending 31 December 2020, to be paid on 18 December 2020 to shareholders of the Company whose names appear in the Record of Depositors on 1 December 2020.



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

**9. Segment reporting**

The Group is organised into two (2) reportable segments based on their geographical locations. The reportable segments are summarised as follows:

- (i) Malaysia; and
- (ii) Brunei

The segmental information for the financial period ended 30 September 2020 is as follows:

	<b>Malaysia RM'000</b>	<b>Brunei RM'000</b>	<b>Eliminations RM'000</b>	<b>Total RM'000</b>
<b>Revenue</b>				
Sales to external customers	1,774,176	16,807	-	1,790,983
Inter-segment sales	8,148	-	(8,148)	-
<b>Total revenue</b>	<b>1,782,324</b>	<b>16,807</b>	<b>(8,148)</b>	<b>1,790,983</b>
<b>Results</b>				
Profit from operations	368,619	5,709	(7,692)	366,636
Interest expense	(52,288)	(413)	-	(52,701)
Share of profit of an associate	1,255	-	-	1,255
Profit before tax	317,586	5,296	(7,692)	315,190
Income tax expense	(85,350)	(973)	30	(86,293)
<b>Net profit for the financial period</b>	<b>232,236</b>	<b>4,323</b>	<b>(7,662)</b>	<b>228,897</b>
<b>Segment assets</b>	<b>2,097,533</b>	<b>22,058</b>	<b>(1,418)</b>	<b>2,118,173</b>
<b>Segment liabilities</b>	<b>1,586,063</b>	<b>13,862</b>	<b>(1,138)</b>	<b>1,598,787</b>

The segmental information for the financial period ended 30 September 2019 is as follows:

	<b>Malaysia RM'000</b>	<b>Brunei RM'000</b>	<b>Eliminations RM'000</b>	<b>Total RM'000</b>
<b>Revenue</b>				
Sales to external customers	1,643,450	15,006	-	1,658,456
Inter-segment sales	5,721	-	(5,721)	-
<b>Total revenue</b>	<b>1,649,171</b>	<b>15,006</b>	<b>(5,721)</b>	<b>1,658,456</b>
<b>Results</b>				
Profit from operations	350,610	4,972	25	355,607
Interest expense	(45,861)	(478)	-	(46,339)
Share of profit of an associate	1,375	-	-	1,375
Profit before tax	306,124	4,494	25	310,643
Income tax expense	(82,917)	(826)	(220)	(83,963)
<b>Net profit for the financial period</b>	<b>223,207</b>	<b>3,668</b>	<b>(195)</b>	<b>226,680</b>
<b>Segment assets</b>	<b>1,658,760</b>	<b>22,117</b>	<b>(866)</b>	<b>1,680,011</b>
<b>Segment liabilities</b>	<b>1,418,320</b>	<b>12,736</b>	<b>(571)</b>	<b>1,430,485</b>

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

**10. Property, Plant and Equipment**

(a) Acquisitions and disposals

During the quarter ended 30 September 2020, the Group has entered into sale and purchase agreements to acquire a freehold industrial land together with a warehouse building and a leasehold industrial land for purchase considerations of RM17.8 million and RM12.6 million respectively for the purposes of expanding the Group's warehousing facilities. A total cash deposit of approximately RM3.0 million was paid by the Group during the financial period and the balance of the purchase considerations shall be paid upon completion of the respective acquisitions. The above acquisitions have yet to be completed as at the date of the interim financial report.

There was no material disposals of property, plant and equipment during the current quarter and financial period under review.

(b) Valuation

There was no valuation of property, plant and equipment in the current quarter and financial period under review as the Group has not adopted a revaluation policy on its property, plant and equipment.

**11. Capital Commitments**

Capital expenditure in respect of purchase of property, plant and equipment:

	<b>As at 30/09/2020 RM'000</b>	<b>As at 31/12/2019 RM'000</b>
- Approved but not contracted for	26,136	78,800
- Contracted but not provided for	66,801	40,320
	<u>92,937</u>	<u>119,120</u>

**12. Material Events Subsequent to the End of Financial Period**

(a) Initial Public Offering ("IPO")

The Company launched its IPO and issued its prospectus in relation to the IPO on 6 October 2020 ("Prospectus"). The IPO involves the offering of 941,490,000 ordinary shares ("IPO Shares") in Mr D.I.Y. Group (M) Berhad ("MDGM") in conjunction with the listing of and quotation for the entire ordinary shares in MDGM ("Shares") on the Main Market of Bursa Malaysia Securities Berhad comprising an offer for sale of up to 753,090,000 existing Shares ("Offer Shares") and a public issue of 188,400,000 new Shares ("Issue Shares") (collectively "the Listing"). Further details of the IPO are set out in the Prospectus of the Company dated 6 October 2020.

On 14 October 2020, the Company announced that both Institutional Price and final retail price have been fixed at RM1.60 per IPO Share.

The Listing was completed on 26 October 2020.

(b) Employees' Share Option Scheme ("ESOS")

In conjunction with the Listing, the Company has established the ESOS which involved the granting of ESOS Options ("the Options") to the eligible directors and employees of the Group as set out in the By-Laws governing the ESOS.

The Company has on 23 October 2020, offered a total of 46,700,000 ESOS options to its eligible Directors and employees, pursuant to, and further details of which are set out in Section 4.2.5 of the Prospectus of the Company dated 6 October 2020.

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

**13. Changes in the Composition of the Group**

There was no material changes in the composition of the Group during the current quarter and financial period under review.

**14. Changes in Contingent Liability**

There was no material contingent liability as at the end of the current financial period and up to the date of the interim financial report.

**15. Significant Related Party Transactions**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	30/09/2020	30/09/2019	30/09/2020	30/09/2019
	RM'000	RM'000	RM'000	RM'000
<b>Associate:</b>				
Purchases of equipment and computer software	1,203	1,481	3,215	3,405
Purchases of goods	552	1,430	1,950	2,178
<b>Companies in which certain Directors have financial interests:</b>				
Sales of goods	6,939	4,790	15,969	11,251
Management fees	1,708	-	3,172	-
Reimbursable expenses paid on behalf	15	937	120	2,519

The related party transactions described above were carried out in the ordinary course of business and have been established under negotiated and mutually agreed terms.

**16. Fair Value of Financial Liabilities**

There was no gain or loss arising from fair value changes of the Group's financial liabilities for the current quarter and financial period under review.

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

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**17. Performance Review**

**3QFY2020 vs 3QFY2019**

The Group reported a revenue of RM740.2 million for the current quarter as compared to a revenue of RM561.7 million in the preceding year's corresponding quarter. Revenue for the quarter surged 31.8% or RM178.5 million year-on-year ("y-o-y") driven by increased transactions following strong consumer demand sentiment towards home improvement products post the enforcement of the Movement Control Order ("MCO") as well as an increase in the number stores to 688 versus 556 in the prior year's quarter.

Gross profit increased 38.3% to RM314.2 million in the third quarter 2020 compared to third quarter 2019, lifted by the higher revenue as well as an increase of gross profit margin in the current quarter to 42.4% compared to 40.4% in the preceding year's corresponding quarter. The lower GP margin in the latter was mainly attributed to the removal and write off of certain non-compliance products from our stores.

Higher other operating income reported in the current quarter of RM7.5 million as compared to preceding year's corresponding quarter of RM2.8 million mainly due to recognition of rent concessions of approximately RM4.6 million, received from landlords following the closure of our stores' during the MCO period.

Administrative and operating expenses rose 31.7% y-o-y in the third quarter of 2020 mainly due to higher store openings in line with business expansion resulting in a corresponding increase in staff cost and depreciation of right-of-use assets.

Profit before tax and profit after tax had increased by 59.4% and 54.1% to RM155.5 million and RM113.5 million respectively in the current quarter as compared to preceding year's corresponding quarter. This is mainly due to the higher sales achieved during the current quarter as mentioned above.

**Financial review for current financial year-to-date ("YTD") vs preceding year's corresponding financial YTD**

The Group reported a cumulative revenue of RM1.8 billion for the financial period ending September 2020, which was 8% higher compared to RM1.7 billion in the preceding financial year's corresponding period despite the closure of our stores following the implementation of the MCO offset by positive consumer demand towards home improvement products post the enforcement of the MCO and increase in the number of stores.

Correspondingly, gross profit for the financial period rose 10.4% y-o-y to RM762.2 million driven by higher revenue.

Other operating income reported in the current year financial period of RM15.7 million as compared to corresponding preceding year's financial period of RM6.1 million mainly due to recognition of rent concessions of approximately RM8.0 million, received from landlords for the stores' closures during the MCO period.

Administrative and operating expenses increased 20.6% y-o-y primarily attributed to business expansion which resulted in an increase of cost e.g. higher staff cost and depreciation of right of use assets as well as listing expenses of approximately RM3.8 million.

Consequently, profit before tax and profit after tax had increased by 1.5% and 1.0% to RM315.2 million and RM228.9 million respectively during the current financial period as compared to preceding financial year's corresponding period.

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

**18. Prospects**

The Group remains cautiously optimistic about its prospects going forward, premised on the strength and resilience of our business, despite the challenging market outlook and the uncertainties from COVID-19. This is underpinned by our position as a clear market leader, our growing market share, and the home improvement retail sector's projected compounded annual growth rate of 10.2% between 2019 and 2024.

For Malaysia, the IMF predicted that the economy will shrink by 6.0% this year. Bank Negara Malaysia has also revised the economic growth projection to -5.5% in its quarterly outlook reflecting the sharp drop in economic activity recorded in 2Q20, which saw GDP shrink 17.1% attributed to the Movement Control Order impact. However, the central bank does expect the Malaysian economy to rebound to between 5.5% to 8.0% in 2021, underpinned by an upturn in both external and domestic demand, albeit that there may still be an acceleration in new virus cases and extended lockdowns.

Our growth drivers remain on track with an aggregate 307 new store openings in 2020 and 2021 across our 3 brands -- MR DIY, MR TOY, and MR DOLLAR. Regardless of market conditions going forward, we believe our value-driven customers will continue to patronize our stores given our convenience, wide range of products, and affordable prices, which make us a highly-accessible to everyone.

**19. Variance of Actual Profit from Profit Forecast or Profit Guarantee**

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

**20. Status of Corporate Proposal**

There was no corporate proposal announced but not completed as at the date of this interim financial report.

**21. Utilisation of Proceeds From IPO**

The status of utilisation of proceeds from IPO as at 30<sup>th</sup> October 2020 (being a date not earlier than 7 days from the date of the interim financial report) is as follows:

Details of use of proceeds	Proposed	Actual	Balance	Estimated timeframe for use from the date of Listing
	utilisation	utilisation	unutilised	
	RM'000	RM'000	RM'000	
Repayment of bank borrowings	276,140	-	276,140	Within 6 months
Defray fees and expenses for IPO and Listing	25,300	(16,682)	8,618	Within 6 months
<b>Total</b>	<b>301,440</b>	<b>(16,682)</b>	<b>284,758</b>	

The utilisation of proceeds as disclosed above should be read in conjunction with the Prospectus of the Company dated 6 October 2020.

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

**22. Profit Before Tax**

Profit before tax for the current quarter and current year is arrived at after charging/(crediting):-

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	30/09/2020	30/09/2019	30/09/2020	30/09/2019
	RM'000	RM'000	RM'000	RM'000
Amortisation of intangible assets	317	263	854	650
Depreciation of property, plant and equipment	13,382	10,619	37,646	30,143
Depreciation of right-of-use assets	29,963	24,814	86,313	70,045
Interest income	(789)	(544)	(2,287)	(2,521)
Inventory losses	5,135	12,333	12,255	20,241
Inventories written off	2,425	(433)	5,639	3,814
Gain on disposal of property, plant and equipment	(18)	(60)	(150)	(219)
Gain on reassessments and modifications of leases	(92)	(2,475)	(536)	(1,877)
Realised gain on foreign exchange	(70)	(117)	(61)	(145)
Unrealised loss/(gain) on foreign exchange	11	(208)	(36)	(197)

Save as disclosed above, the other disclosure items pursuant to Paragraph 16, Part A of Appendix 9B of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad are not applicable.

**23. Taxation**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	30/09/2020	30/09/2019	30/09/2020	30/09/2019
	RM'000	RM'000	RM'000	RM'000
Current year tax expense				
- current period	43,470	26,250	89,223	84,753
- under/(over) provision in prior years	63	(2,301)	97	(2,285)
	<u>43,533</u>	<u>23,949</u>	<u>89,320</u>	<u>82,468</u>
Deferred tax				
- relating to origination and reversal of temporary differences	(1,503)	102	(3,521)	(1,433)
- (over)/under provision in prior years	(1)	(154)	494	2,928
	<u>(1,504)</u>	<u>(52)</u>	<u>(3,027)</u>	<u>1,495</u>
Tax expense	<u>42,029</u>	<u>23,897</u>	<u>86,293</u>	<u>83,963</u>
Effective tax rate	<u>27.0%</u>	<u>24.5%</u>	<u>27.4%</u>	<u>27.0%</u>

The tax charge for the Group reflects an effective tax rate which is higher than the statutory tax rate of 24% mainly due to certain expenses which are not deductible for tax purposes.

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

**24. Borrowings**

	As at 30/09/2020 RM'000	As at 31/12/2019 RM'000
<b>Non-current liabilities</b>		
<b>Secured</b>		
Revolving credits	-	187,000
Hire purchase creditors	2,348	2,141
Term loans	19,502	422,400
	21,850	611,541
<b>Current liabilities</b>		
<b>Secured</b>		
Bank overdraft	21,663	7,109
Revolving credits	109,500	-
Hire purchase creditors	488	433
Term loans	404,453	4,272
	536,104	11,814
<b>Total borrowings</b>		
Bank overdraft	21,663	7,109
Revolving credits	109,500	187,000
Hire purchase creditors	2,836	2,574
Term loans	423,955	426,672
	557,954	623,355

The above borrowings are denominated in Ringgit Malaysia.

**25. Derivatives**

There was no derivatives in the current quarter and financial period under review.

**26. Material Litigation**

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

**27. Earnings Per Share**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	30/09/2020	30/09/2019	30/09/2020	30/09/2019
Profit attributable to owners of the Company (RM'000)	113,452	73,617	228,897	226,680
Weighted average number of ordinary shares in issue ('000) <sup>(1)</sup>	6,088,200	6,088,200	6,088,200	6,088,200
Basic earnings per ordinary share (sen)	1.86	1.21	3.76	3.72
Diluted earnings per ordinary share (sen) <sup>(2)</sup>	1.86	1.21	3.76	3.72

**Notes:**

- (1) Based on the number of shares after completion of the Pre-IPO Exercise as disclosed in the Prospectus of the Company dated 6 October 2020.
- (2) The diluted earnings per ordinary share equal basic earnings per ordinary share because there were no potential dilutive ordinary shares as at the end of the interim financial period.