

7-Eleven Malaysia Holdings Berhad
[Registration No: 201301028701 (1058531-W)]

Date : 24 August 2023

**Subject: UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER
ENDED 30 JUNE 2023**

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**UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2023
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	3 months ended		6 months ended	
	30.6.2023	30.6.2022	30.6.2023	30.6.2022
	RM'000	RM'000	RM'000	RM'000
Revenue	1,066,448	943,670	2,043,368	1,783,645
Cost of sales	(771,619)	(672,188)	(1,483,798)	(1,279,697)
Gross profit	294,829	271,482	559,570	503,948
Other operating income	47,079	43,037	95,253	87,507
Selling and distribution expenses	(231,468)	(208,273)	(452,513)	(382,187)
Administrative and other operating expenses	(50,176)	(47,063)	(97,169)	(88,194)
Profit from operations	60,264	59,183	105,141	121,074
Finance costs	(18,689)	(15,220)	(35,948)	(31,445)
Share of results of joint ventures	(1,566)	-	(3,067)	-
Profit before tax	40,009	43,963	66,126	89,629
Income tax expense	(12,883)	(15,152)	(22,280)	(29,605)
Profit after tax	27,126	28,811	43,846	60,024
Other comprehensive income not to be reclassified to profit or loss in subsequent year:				
Foreign currency translation	-	10	-	10
Total other comprehensive income (net of taxation):	-	10	-	10
Total comprehensive income for the financial year	27,126	28,821	43,846	60,034
Profit after tax attributable to:				
Equity holders of the Company	25,364	25,771	41,039	50,148
Non-controlling interest	1,762	3,040	2,807	9,876
	27,126	28,811	43,846	60,024
Total comprehensive income for the financial year				
Equity holders of the Company	25,364	25,779	41,039	50,156
Non-controlling interest	1,762	3,042	2,807	9,878
	27,126	28,821	43,846	60,034
Basic/diluted earnings per ordinary share (sen) (Note B11)	2.28	2.29	3.70	4.45

UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2023
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	The Group	
	Unaudited As at 30.6.2023 RM'000	Audited As at 31.12.2022 RM'000
Assets		
Non-current assets		
Property, plant and equipment	386,095	361,620
Investment properties	20,584	20,584
Right of use assets	692,923	684,363
Intangible assets	475,345	473,375
Investment in joint ventures	12,746	9,665
Other investments	74,009	33,392
Sundry receivables	23,598	23,598
Deferred tax assets	8,321	12,382
	<u>1,693,621</u>	<u>1,618,979</u>
Current assets		
Inventories	515,245	453,054
Sundry receivables	114,089	220,356
Tax recoverable	10,829	8,411
Other investment	29,077	77,794
Cash and bank balances	368,602	298,633
	<u>1,037,842</u>	<u>1,058,248</u>
Total assets	<u>2,731,463</u>	<u>2,677,227</u>
Equity and liabilities		
Equity attributable to equity holders of the Company		
Share capital	1,485,138	1,485,138
Treasury shares	(194,302)	(194,302)
Capital reorganisation deficit	(1,343,248)	(1,343,248)
Reserves	82,937	82,937
Retained profits	84,678	103,636
	<u>115,203</u>	<u>134,161</u>
Non-controlling interest	81,454	96,080
Total equity	<u>196,657</u>	<u>230,241</u>
Non-current liabilities		
Provisions	14,476	15,251
Borrowings	639,245	643,476
Lease liabilities	590,891	579,417
Contingent consideration	33,423	33,423
Contract liabilities	11,899	12,698
Deferred tax liabilities	61,584	65,787
	<u>1,351,518</u>	<u>1,350,052</u>
Current liabilities		
Provisions	1,418	1,982
Borrowings	130,703	77,566
Trade payables	710,272	668,370
Other payables	199,808	211,332
Lease liabilities	113,126	113,042
Contract liabilities	12,496	11,783
Taxation	15,465	12,859
	<u>1,183,288</u>	<u>1,096,934</u>
Total liabilities	<u>2,534,806</u>	<u>2,446,986</u>
Total equity and liabilities	<u>2,731,463</u>	<u>2,677,227</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>10.38</u>	<u>9.84</u>

UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2023
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	FVTOCI reserves RM'000	Retained profits RM'000	Total RM'000		
At 1 January 2023									
As previously stated	1,485,138	(194,302)	(1,343,248)	45,599	37,338	103,636	134,161	96,080	230,241
Acquisition of subsidiaries	-	-	-	-	-	-	-	402	402
Changes in subsidiary's ownership interests that do not result in a loss of control	-	-	-	-	-	(54)	(54)	22	(32)
Total comprehensive income	-	-	-	-	-	41,039	41,039	2,807	43,846
Transaction with owners:									
Dividends on ordinary shares, representing total transaction with owners	-	-	-	-	-	(59,943)	(59,943)	-	(59,943)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	(17,857)	(17,857)
At 30 June 2023	1,485,138	(194,302)	(1,343,248)	45,599	37,338	84,678	115,203	81,454	196,657
At 1 January 2022									
As previously stated	1,485,138	(161,410)	(1,343,248)	43,236	-	66,266	89,982	92,061	182,043
Acquisition of treasury shares	-	(32,892)	-	-	-	-	(32,892)	-	(32,892)
Changes in subsidiary's ownership interests that do not result in a loss of control	-	-	-	-	-	(221)	(221)	(68)	(289)
Total comprehensive income	-	-	-	2,363	37,338	66,875	106,576	18,229	124,805
Transaction with owners:									
Dividends on ordinary shares, representing total transaction with owners	-	-	-	-	-	(29,284)	(29,284)	-	(29,284)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	(14,142)	(14,142)
At 31 December 2022	1,485,138	(194,302)	(1,343,248)	45,599	37,338	103,636	134,161	96,080	230,241

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2023
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

	CUMULATIVE QUARTER	
	6 months ended	
	30.6.2023	30.6.2022
	RM'000	RM'000
Cash flows from operating activities		
Cash receipts from customers and other receivables	2,122,982	1,892,850
Cash paid to suppliers and employees	(1,932,611)	(1,627,523)
Cash generated from operations	190,371	265,327
Interest paid	(17,105)	(15,368)
Tax paid	(22,301)	(18,870)
Tax refund	20	54
Net cash generated from operating activities	<u>150,985</u>	<u>231,143</u>
Cash flows from investing activities		
Acquisition of subsidiaries and businesses	(2,678)	-
Acquisition of intangible assets	(2,452)	-
Investment in joint ventures	(6,147)	(8,645)
Changes in subsidiary's ownership interests that do not result in a loss of control	(34)	-
Purchase of property, plant and equipment	(62,905)	(37,830)
Proceeds from disposal of property, plant and equipment	183	543
Dividend income received	375	75
Interest received	2,889	1,346
Withdrawal/(Placement) with broker under a Discretionary Investment Fund, net	61,099	(135,000)
Withdrawal/(Placement) short term fund	40,921	(3,192)
Net cash generated from/(used in) investing activities	<u>31,251</u>	<u>(182,703)</u>
Cash flows from financing activities		
Dividends paid on ordinary shares	(59,943)	(29,284)
Dividends paid to non-controlling interests	(17,857)	(11,000)
Proceeds from bankers' acceptances	79,800	47,700
Proceeds from medium term note	-	100,000
Proceeds from revolving credit	17,000	-
Payment of principal & interest portion of lease liabilities	(81,761)	(74,543)
Advances from/(Repayment to) non-controlling shareholders	661	-
Repayment of bankers' acceptances	(43,500)	(30,700)
Repayment of term loans	(6,172)	(11,897)
Repayment of hire purchase and finance lease liabilities	(148)	(29)
Net cash used in financing activities	<u>(111,920)</u>	<u>(9,753)</u>
Net increase in cash and cash equivalents	70,316	38,687
Cash and cash equivalents at beginning of the financial period	<u>296,777</u>	<u>158,480</u>
Cash and cash equivalents at end of the financial period	<u>367,093</u>	<u>197,167</u>
Cash and cash equivalents at the end of the financial period comprises the following:-		
Cash and bank balances	367,414	194,631
Fixed deposits with licensed banks	1,188	2,804
	<u>368,602</u>	<u>197,435</u>
Less: Fixed deposit pledged to licensed bank	(1,509)	(268)
	<u>367,093</u>	<u>197,167</u>

UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2023
NOTES TO THE INTERIM FINANCIAL REPORT

A1. CORPORATE INFORMATION

7-Eleven Malaysia Holdings Berhad ("SEM" or "the Company") is a public limited liability company, incorporated and domiciled in Malaysia.

SEM is an investment holding company, with 2 major subsidiaries:-

- (a) 7-Eleven Malaysia Sdn Bhd ("7EMSB"), which manages the operations and franchising of the convenience store chain under the "7-Eleven" brand; and
- (b) Caring Pharmacy Group Berhad, which operates the pharmaceutical retail chain under the "Caring", "Wellings" and "Georgetown" brands.

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 2022.

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 2022 except as follows:

On 1 January 2023, the Group adopted the following amended MFRSs mandatory for annual financial period beginning on or after 1 January 2023:

Description	Effective for annual financial periods beginning on or after
MFRS 17 Insurance Contracts ("MFRS 17") and Amendments to MFRS 17 Insurance Contracts	1 January 2023
Amendments to MFRS 112 Income Taxes	1 January 2023

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:

Description	Effective for annual financial periods beginning on or after
MFRS 7 & MFRS 107: Supplier Finance Arrangements (Amendments to MFRS 107 and MFRS 7)	1 January 2024
MFRS 16: Lease Liability in a Sale and Leaseback (Amendments to MFRS 16)	1 January 2024
MFRS 101: Non-current Liabilities with Covenants (Amendments to MFRS 101)	1 January 2024
MFRS 128: Sales or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to MFRS 10 and MFRS 128)	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 2023. 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.

UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2023
NOTES TO THE INTERIM FINANCIAL REPORT

A4. SEASONALITY OR CYCLICALITY OF OPERATIONS

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

A5. ITEMS OF UNUSUAL NATURE

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

A6. CHANGES IN ESTIMATES

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

A7. CHANGES IN COMPOSITION OF THE GROUP

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

A8. DEBT AND EQUITY SECURITIES

There were no issuances and repayments of debt and equity securities, share buy-backs, share cancellations and resales of treasury shares for the current financial period ended 30 June 2023 and period up to the date of this announcement.

A9. DIVIDEND PAID

During the financial period ended 30 June 2023, the Company paid a single tier cash dividend of 5.4 sen per ordinary share on 1,110,046,500 ordinary shares with voting rights. The entitlement date was fixed on 11 May 2023 and the cash dividend was paid on 25 May 2023.

A10. SEGMENT REPORT

Segmental analysis for the financial period ended 30 June 2023 is as follows:

	External RM'000	Inter- segment RM'000	Total RM'000
Revenue			
For the six months ended 30 June 2023			
Convenience stores	1,383,742	-	1,383,742
Pharmaceutical	659,400	-	659,400
Others	226	262	488
Inter-segment elimination	-	(262)	(262)
	2,043,368	-	2,043,368
For the six months ended 30 June 2022			
Convenience stores	1,168,109	-	1,168,109
Pharmaceutical	615,440	-	615,440
Others	96	340	436
Inter-segment elimination	-	(340)	(340)
	1,783,645	-	1,783,645
		CUMULATIVE QUARTER	
		6 months ended	
		30.06.2023	30.06.2022
Results		RM'000	RM'000
Convenience stores		82,912	80,052
Pharmaceutical		20,812	39,178
Others		(1,472)	498
		102,252	119,728
Interest income		2,888	1,346
Profit from operations		105,140	121,074
Finance costs		(35,947)	(31,445)
Share of results of joint ventures		(3,067)	-
Profit before tax		66,126	89,629
Income tax expense		(22,280)	(29,605)
Net profit for the year		43,846	60,024

UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2023
NOTES TO THE INTERIM FINANCIAL REPORT

A11. PROPERTY, PLANT AND EQUIPMENT

During the 6 months ended 30 June, the Group acquired assets at costs of RM62.9million (2022 : RM37.8million). The assets acquired comprise mainly of renovation, furniture, fittings, equipment and computer equipment.

A12. SIGNIFICANT RELATED PARTY TRANSACTIONS

Transacting party	Type of transaction	CUMULATIVE QUARTER 6 months ended	
		30.06.2023 RM'000	30.06.2022 RM'000
With subsidiaries company			
7-Eleven Malaysia Sdn Bhd ("7-Eleven Malaysia" or "7EMSB")	Advances from 7EMSB	45,143	838
	Interest income on advances to 7EMSB	1,697	988
Convenience Shopping (Sabah) Sdn Bhd ("CSSSB")	Repayment from/(Advances to) CSSSB	30,000	(60,000)
	Interest income on advances to CSSSB	10,429	9,101
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	4,505	4,513
	Payments to U Mobile for reload transaction values for in-store services for sale of mobile phone reloads	(87,502)	(73,893)
	Receipts of payment from U Mobile for advertisement placement fees	5,438	3,249
Securexpress Services Sdn. Bhd. ("Securexpress")	Payments to Securexpress for fees relating to the delivery of merchandise to stores	(4,814)	(3,529)
Berjaya Food Trading Sdn Bhd ("B Food")	Payment to B Food for purchase of beverages	(678)	(3,967)
Berjaya Times Square Sdn. Bhd. ("Berjaya Times Square")	Payment to BTSB for rental of property	(637)	(523)
Nural Enterprise Sdn Bhd ("Nural")	Payments to Nural for rental of property	(1,038)	(1,027)

UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2023
NOTES TO THE INTERIM FINANCIAL REPORT

A12. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

Transacting party	Type of transaction	CUMULATIVE QUARTER	
		30.06.2023 RM'000	30.06.2022 RM'000
With companies in which TSVT is deemed interested*			
Sun Media Corporation Sdn Bhd ("Sun Media")	Advertising fees on placement of advertisement in The Sun newspaper	(239)	(66)
	Display fees from placement of The Sun newspaper in 7-Eleven's stores	180	180
Razer Fintech Holdings Pte. Ltd. and its subsidiary companies ("Razer")	Receipts of commission from Razer for in-store services	21,500	18,311
	Payments to Razer for transaction values for in-store services	(2,429,064)	(2,072,395)
	Commission paid for e-wallet transactions (Merchant Discount Rate)	(852)	(716)
	Receipts of transaction values from Razer for e-wallet transactions	253,215	193,394
With companies in which Director of a subsidiary is deemed interested			
Bioscenergy International Sdn. Bhd. ("BIO")	Purchase of healthcare products by Caring	(9,667)	(1,387)

A13. CONTINGENT LIABILITIES

The Group has bank guarantees amounting to RM10,141,493 (31 December 2022: RM10,122,912) as security deposits in favour of various government and statutory bodies, and private companies.

The bank guarantee facility is granted to 7EMSB and Caring on a clean basis.

A14. CAPITAL COMMITMENTS

	The Group	
	Unaudited As at 30.06.2023 RM'000	Audited As at 31.12.2022 RM'000
Property, plant and equipment		
- approved and contracted for	13,752	10,595
- approved but not contracted for	167,471	237,611
	<u>181,223</u>	<u>248,206</u>

A15. 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 SECOND QUARTER ENDED 30 JUNE 2023
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

RM'000	2Q23	2Q22	Variance	%	YTD 2Q23	YTD 2Q22	Variance	%
Revenue:								
Convenience stores	727,986	644,283	83,703	13.0%	1,383,968	1,168,205	215,763	18.5%
Pharmaceutical	338,462	299,387	39,075	13.1%	659,400	615,440	43,960	7.1%
Total	1,066,448	943,670	122,778	13.0%	2,043,368	1,783,645	259,723	14.6%
Core profit:								
Convenience stores	26,019	24,979	1,040	4.2%	43,021	41,651	1,370	3.3%
Pharmaceutical	6,575	8,959	(2,384)	-26.6%	11,128	28,699	(17,571)	-61.2%
Total	32,594	33,938	(1,344)	-4.0%	54,149	70,350	(16,201)	-23.0%
Corporate exercise expenses	(5,468)	(5,127)	(341)		(10,303)	(10,326)	23	
PAT	27,126	28,811	(1,685)	-5.8%	43,846	60,024	(16,178)	-27.0%

The Group registered an all-time high quarterly Revenue of RM1,066.4m, an increase of RM122.8m or +13.0%, whilst Core profit declined by RM1.3m or -4.0% to RM32.6m for the current quarter, mainly due to lower profits generated by the Pharmaceutical segment.

The Convenience Stores segment recorded higher APSD and customer count as consumer spending and trading activities remained upbeat, fueled by the festivities of Hari Raya, leading to a positive SSSG of +10.5%. In this regard, Revenue increased by RM83.7m or +13.0% higher as compared to previous year corresponding quarter. Notably, Revenue across all product categories grew in the current quarter, resulting in higher Gross Profit by RM16.6m or +7.8% to RM229.3m.

Operating Expenses increased by RM17.6m or +8.8%, driven by higher store operation related expenses vis-a-vis longer operating hours and with +73 net new stores added, an expansion in our workforce to meet anticipated business demands also contributed to this increase. Excluding corporate exercise expenses, the Convenience Store segment recorded a Core Profit After Tax of RM26.0m, an increase of RM1.0m or +4.2% as compared to previous year corresponding quarter.

We had in the current quarter, successfully rolled-out 28 new 7-Café store format, bringing a total count of 144 7-Café stores for the period ended 30 June 2023. It is encouraging to note that these 7-Cafés are more productive and have higher fresh food sales participation as compared to a classic store. Total store count stood at 2,499 stores.

The Pharmaceutical segment recorded a Revenue of RM338.5m for the current quarter, an increase of RM39.1m or +13.1%, primarily driven by new stores sales contribution. However, Gross Profit margins declined slightly from 19.6% to 19.4%, mainly due to (a) Significantly lower offtake of COVID related items (i.e. test-kits, face mask, sanitizers etc) in the current quarter, which also carries relatively higher product margins; and (b) Lower sales productivity of newly acquired stores during the refurbishment/rebranding period. Accordingly, Core Profit for the segment closed at RM6.6m, a decline of RM2.4m or -26.6% as compared to previous year corresponding quarter. Total store count stood at 239 stores, a net increase of +36 stores.

Corporate exercise expenses of RM5.5m primarily consists of finance costs for the acquisition of Caring Group. The Group's Consolidated Profit after Tax for the current quarter after corporate exercise expenses is reported at RM27.1m, a decrease of RM1.7m or -5.8%.

Review of 6 Months Period Performance versus Corresponding Period Last Year

With the overall longer operating hours in the first half of 2023 and net new store growth, Revenue for the Convenience Stores segment increased by RM215.8m or +18.5% to RM1,384.0m; with all product categories recording higher Revenue, thereby resulting in higher Gross Profits. Excluding corporate exercise expenses, the Convenience Store segment recorded a Core Profit After Tax of RM43.0m, an increase of RM1.4m or +3.3%.

Revenue from the Pharmaceutical segment increased by RM44.0m or +7.1% to RM659.4m mainly driven by net new store growth. However, Gross Profits improved marginally by RM0.7m or +0.6% to RM127.8m, in line with the significantly lower sales of COVID related items recorded as compared to the previous year. In this regard, Core Profit closed at RM11.1m, a decrease of RM17.6m or -61.2%.

The Group's Consolidated Profit After Tax for the period ended 30 June 2023 after corporate exercise expenses is reported at RM43.8m, a decrease of RM16.2m or -27.0%.

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 second quarter by RM13.9m or +53.2% against the immediate preceding quarter mainly due to higher revenue and gross profit in current quarter.

B3. PROSPECTS

Notwithstanding the continued positive turnaround in trading conditions and retail sentiment, the Group is cognizant and will remain steadfast in monitoring potential headwinds arising from global supply chain disruptions, workforce supply constraints and cost pressures on the back of an increase in minimum wages, rising interest rates and inflation; essentially, we will take appropriate measures to mitigate these impacts, as necessary.

The Convenience Store segment will continue to focus on the roll-out of its 7-Café store format, which entails improved product offerings and in-store customer experience. The 7-Café format is expected to contribute positively to the growth of our fresh food category. We will also continue our efforts to enhance our product assortment, fresh food and private labels to drive stronger sales mix for margin improvement.

The construction of our new fresh food commissary is progressing well as scheduled and is expected to be fully operational by the end of this year. This commissary has a capacity to serve up to 1,000 stores in Klang Valley and with better equipment/machines aiding automation of key processes at this new facility (i.e. prepping, cooking, packing etc.), we envisage to elevate the quality and consistency of our fresh food offerings to our customers.

As we continue to uplift our supply chain infrastructure, we are pleased to share that we had recently completed the construction of our first self-operated ambient warehouse which will be fully operational by end of the year. This 300,000sqft facility is setup based on a full inventory put-away model and coupled with the automation of handling activities, we will be able to serve over 2,000 stores more efficiently (i.e. shorter delivery lead-time, better on-shelf availability, picking accuracy etc.).

The Pharmaceutical segment, which had shown much resilience over the pandemic and will continue to strengthen its market share together with The Pill House and Wellings group. At the date of this report, Wellings had successfully opened seventeen (17) stores in Indonesia via our joint venture with PT Era Caring Indonesia. More importantly, our plans to improve our SSSG and sales mix to protect Gross Margins, alongside stringent cost control initiatives have shown encouraging results; we will remain focused in our execution to mitigate potential downside risks to the segment's profitability for the year-to-go.

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 SECOND QUARTER ENDED 30 JUNE 2023
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		6 months ended	
	30.06.2023	30.06.2022	30.06.2023	30.06.2022
	RM'000	RM'000	RM'000	RM'000
Amortisation of intangible assets	2,369	1,129	3,491	2,259
Amortisation of right of use	33,530	33,814	66,587	60,924
Bad debts written off	129	107	163	165
Depreciation of property, plant and equipment	18,545	17,132	37,736	33,938
Dividend income	(75)	(45)	(375)	(75)
Loss/(Gain) on foreign exchange translation differences	(36)	45	(29)	2
Impairment loss on:				
- Property, plant and equipment	-	-	-	10
- Receivables	-	-	-	500
Interest income	(1,475)	(710)	(2,958)	(1,346)
Loss/(Gain) on disposal of property, plant and equipment	54	290	421	(129)
Property, plant and equipment written off	238	213	1,633	568
Provision for and write off of inventories	9,723	2,702	17,577	5,692

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 June 2023.

B6. TAXATION

	CURRENT QUARTER		CUMULATIVE QUARTER	
	3 months ended		6 months ended	
	30.06.2023	30.06.2022	30.06.2023	30.06.2022
	RM'000	RM'000	RM'000	RM'000
Income tax:				
Current period provision	13,235	15,405	22,952	30,397
Deferred tax:				
Relating to reversal of temporary differences	(352)	(252)	(672)	(792)
Under provision in prior year				
	12,883	15,153	22,280	29,605

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 June 2023 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 21 July 2023, RHB Investment Bank Berhad had, on behalf of the Board of Directors of the Company ("**Board**"), announced that Convenience Shopping (Sabah) Sdn Bhd ("**CSSSB**"), a wholly-owned subsidiary of the Company accepted a binding term sheet dated 28 June 2023 from BIG Pharmacy Healthcare Sdn Bhd ("**BIG Pharmacy**" or "**Purchaser**") to acquire its entire 75% equity interest in Caring Pharmacy Group Berhad ("**Caring**") for a consideration of RM637.5 million ("**Offer**") ("**Proposed Disposal**").

The Offer includes the acquisition by the Purchaser of the following:

(a) All Caring's subsidiaries and associated companies, which own and operate the retail pharmacy businesses under the 'CARiNG', Georgetown' and 'Wellings' brands, as well as any manufacturing and distribution of in-house products in Malaysia (collectively, "**Caring Group**"); and

(b) All intellectual property rights presently owned and utilised by Caring Group and the Indonesian Businesses (as defined below), including the brands 'CARiNG', 'Georgetown', 'Wellings' and all in-house brands sold by Caring Group.

However, the Offer excludes the businesses in Indonesia operated by PT Era Caring Indonesia, a 50.1%-owned indirect joint venture of Caring, and PT Era Farma Indonesia, a 49.9%-owned indirect joint venture of Caring (collectively, the "**Indonesian Businesses**"), which will be subject to a carve out as a condition precedent to the completion of the Proposed Disposal in accordance with the terms of the sale and purchase agreement ("**SPA**" to be executed between CSSSB and BIG Pharmacy).

The acceptance of the Offer is subject to the execution of a binding agreement in respect of the Proposed Disposal in accordance with the Offer, including the SPA and any other ancillary agreement as may be required in respect of the Proposed Disposal.

B8. GROUP BORROWINGS

The Group borrowings which are denominated in Ringgit Malaysia ("RM") as at 30 June 2023 are as follows: -

	Unaudited As at 30.06.2023 RM'000	Audited As at 31.12.2022 RM'000
Short term borrowings		
Secured:		
Term loan	11,904	12,066
Unsecured:		
Bankers' acceptances	41,800	5,500
Revolving credit	77,000	60,000
	<u>130,704</u>	<u>77,566</u>
Long term borrowings		
Secured:		
Term loan	39,244	43,476
Unsecured:		
Medium term notes	600,000	600,000
	<u>639,244</u>	<u>643,476</u>
Total borrowings		
Bankers' acceptances	41,800	5,500
Medium term notes	600,000	600,000
Term loan	51,148	55,542
Revolving credit	77,000	60,000
	<u>769,948</u>	<u>721,042</u>

B9. MATERIAL LITIGATION

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

B10. DIVIDEND

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

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B11. EARNINGS PER SHARE

	CURRENT QUARTER		CUMULATIVE QUARTER	
	3 months ended	3 months ended	6 months ended	6 months ended
	30.06.2023	30.06.2022	30.06.2023	30.06.2022
Net profit attributable to equity holders of the company (RM'000)	25,364	25,771	41,039	50,148
Weighted average number of ordinary shares in issue ('000)	1,110,047	1,126,320	1,110,047	1,126,320
Basic/diluted earnings per ordinary share (sen)	<u>2.28</u>	<u>2.29</u>	<u>3.70</u>	<u>4.45</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 2022 was not qualified.