

7-Eleven Malaysia Holdings Berhad

[Registration No: 201301028701 (1058531-W)]

Date : 25 Aug 2022

**Subject: UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER
ENDED 30 JUNE 2022**

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UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2022
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	3 months ended		6 months ended	
	30.6.2022	30.6.2021	30.6.2022	30.6.2021
	RM'000	RM'000	RM'000	RM'000
Revenue	943,670	676,669	1,783,645	1,333,797
Cost of sales	(672,188)	(499,807)	(1,279,697)	(980,850)
Gross profit	271,482	176,862	503,948	352,947
Other operating income	43,037	41,670	87,507	82,165
Selling and distribution expenses	(208,273)	(156,928)	(382,187)	(304,900)
Administrative and other operating expenses	(47,063)	(37,632)	(88,194)	(71,371)
Profit from operations	58,995	23,972	121,074	58,841
Finance costs	(15,220)	(15,078)	(31,445)	(29,548)
Profit before tax	43,963	8,894	89,629	29,293
Income tax expense	(15,152)	(5,282)	(29,605)	(12,149)
Profit after tax	28,811	3,612	60,024	17,144
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:				
Foreign currency translation	10	-	10	-
Total other comprehensive income (net of taxation):	10	-	10	-
Total comprehensive income for the financial year	28,821	3,612	60,034	17,144
Profit after tax attributable to:				
Equity holders of the Company	25,771	1,120	50,148	12,799
Non-controlling interest	3,040	2,492	9,876	4,345
	28,811	3,612	60,024	17,144
Total comprehensive income for the financial year				
Equity holders of the Company	25,779	1,120	50,156	12,799
Non-controlling interest	3,042	2,492	9,878	4,345
	28,821	3,612	60,034	17,144
Basic/diluted earnings per ordinary share (sen) (Note B11)	2.29	0.10	4.45	1.13

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2022
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	The Group	
	Unaudited As at 30.6.2022 RM'000	Audited As at 31.12.2021 RM'000
Assets		
Non-current assets		
Property, plant and equipment	326,900	321,045
Investment property	20,797	21,029
Right of use assets	652,063	652,534
Intangible assets	476,726	478,949
Other investments	214,963	72,801
Sundry receivables	24,622	24,666
Deferred tax assets	2,724	2,092
	<u>1,718,795</u>	<u>1,573,116</u>
Current assets		
Inventories	434,265	384,061
Sundry receivables	88,950	101,561
Tax recoverable	-	3,726
Other investment	44,719	41,527
Cash and bank balances	197,435	158,748
	<u>765,369</u>	<u>689,623</u>
Total assets	<u>2,484,164</u>	<u>2,262,739</u>
Equity and liabilities		
Equity attributable to equity holders of the Company		
Share capital	1,485,138	1,485,138
Treasury shares	(161,410)	(161,410)
Capital reorganisation deficit	(1,343,248)	(1,343,248)
Foreign currency translation reserve	8	-
Assets revaluation reserve	43,236	43,236
Retained profits	87,146	66,266
	<u>110,870</u>	<u>89,982</u>
Non-controlling interest	92,367	92,061
Total equity	<u>203,237</u>	<u>182,043</u>
Non-current liabilities		
Provisions	9,619	10,774
Borrowings	649,466	555,363
Lease liabilities	555,702	553,087
Contingent consideration	36,083	36,083
Contract liabilities	13,504	12,816
Deferred tax liabilities	62,117	63,182
	<u>1,326,491</u>	<u>1,231,305</u>
Current liabilities		
Provisions	844	1,074
Borrowings	95,874	84,874
Trade payables	580,804	517,864
Other payables	153,915	134,160
Lease liabilities	107,491	103,307
Contract liabilities	7,281	8,112
Taxation	8,227	-
	<u>954,436</u>	<u>849,391</u>
Total liabilities	<u>2,280,927</u>	<u>2,080,696</u>
Total equity and liabilities	<u>2,484,164</u>	<u>2,262,739</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>9.84</u>	<u>7.99</u>

UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2022
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	Foreign currency translation reserve RM'000	Retained profits RM'000	Total RM'000	Non- controlling interest RM'000	Total equity RM'000
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 a subsidiaries							-	1,476	1,476
Total comprehensive income	-	-	-	-	8	50,148	50,156	9,878	60,034
Transaction with owners:									
Changes in subsidiary's ownership interests that do not result in a loss of control	-	-	-	-	-	16	16	(48)	(32)
Dividends on ordinary shares, representing total transaction with owners						(29,284)	(29,284)	-	(29,284)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	(11,000)	(11,000)
At 30 June 2022	1,485,138	(161,410)	(1,343,248)	43,236	8	87,146	110,870	92,367	203,237
At 1 January 2021									
As previously stated	1,485,138	(157,243)	(1,343,248)	42,214	-	39,899	66,760	94,461	161,221
Acquisition of a subsidiary	-	-	-	-	-	-	-	2,480	2,480
Acquisition of treasury shares	-	(4,167)	-	-	-	-	(4,167)	-	(4,167)
Changes in subsidiary's ownership interests that do not result in a loss of control	-	-	-	-	-	40	40	(207)	(167)
Total comprehensive income	-	-	-	1,022	-	44,348	45,370	14,709	60,079
Transaction with owners:									
Dividends on ordinary shares	-	-	-	-	-	(18,021)	(18,021)	-	(18,021)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	(19,513)	(19,513)
Issuance of shares by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	131	131
At 31 December 2021	1,485,138	(161,410)	(1,343,248)	43,236	-	66,266	89,982	92,061	182,043

UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2022
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	CUMULATIVE QUARTER	
	6 months ended	
	30.6.2022	30.6.2021
	RM'000	RM'000
Cash flows from operating activities		
Cash receipts from customers and other receivables	1,892,850	1,463,936
Cash paid to suppliers and employees	(1,627,523)	(1,337,687)
Cash generated from operations	265,327	126,249
Interest paid	(15,368)	(11,412)
Tax paid	(18,870)	(18,376)
Tax refund	54	-
Net cash generated from operating activities	<u>231,143</u>	<u>96,461</u>
Cash flows from investing activities		
Acquisition of subsidiaries and businesses	-	(24,595)
Acquisition of other investments	(143,645)	(4,714)
Purchase of property, plant and equipment	(37,830)	(20,746)
Proceeds from disposal of property, plant and equipment	543	948
Dividend received	75	45
Interest received	1,346	1,038
Increase in pledge fixed deposits with licensed bank	-	(990)
Net change in short term funds	(3,192)	(14,695)
Net cash used in investing activities	<u>(182,703)</u>	<u>(63,709)</u>
Cash flows from financing activities		
Acquisition of treasury shares	-	(4,167)
Dividends paid	(29,284)	(18,021)
Dividends paid to non-controlling interests	(11,000)	(1,793)
Proceeds from bankers' acceptances	47,700	176,200
Proceeds from medium term note	100,000	498,939
Proceeds from term loan	-	43,730
Proceeds from revolving credit	-	20,000
Payment of principal portion of lease liabilities	(74,543)	(73,745)
Repayment of bankers' acceptances	(30,700)	(177,690)
Repayment of term loans	(11,897)	(371,504)
Repayment of revolving credit	-	(20,000)
Repayment of hire purchase and finance lease liabilities	(29)	(54)
Net cash (used in)/from financing activities	<u>(9,753)</u>	<u>71,895</u>
Net increase in cash and cash equivalents	38,687	104,647
Cash and cash equivalents at beginning of the financial period	158,480	134,649
Cash and cash equivalents at end of the financial period	197,167	239,296
Cash and cash equivalents at the end of the financial period comprises the following:-		
Cash and bank balances	194,631	239,128
Fixed deposits with licensed banks	2,804	2,780
	<u>197,435</u>	<u>241,908</u>
Less: Fixed deposit pledged to licensed bank	(268)	(2,612)
	<u>197,167</u>	<u>239,296</u>

UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2022

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 2021.

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 2021 except as follows:

On 1 January 2022, the Group adopted the following amended MFRSs mandatory for annual financial period beginning on or after 1 January 2022:

Description	Effective for annual financial periods beginning on or after
MFRS 3: Reference to Conceptual Framework (Amendments to MFRS 3)	1 January 2022
MFRS 9: Fees in the 10% Test for Derecognition of Financial Liabilities	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	

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

UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2022
NOTES TO THE INTERIM FINANCIAL REPORT

A3. CHANGES IN ACCOUNTING POLICIES (CONT'D)

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

Description	Effective for annual financial periods beginning on or after
MFRS 108: Definition of Accounting Estimates (Amendments to MFRS 108)	1 January 2023
MFRS 101: Disclosure of Accounting Policies (Amendments to MFRS 101)	1 January 2023
Amendments to MFRS 101 Presentation of Financial Statements: <i>Classification of Liabilities as Current or Non-current</i>	1 January 2023
MFRS 17: Insurance Contracts	1 January 2023
Amendments to MFRS 17 Insurance Contracts	1 January 2023
Amendments to MFRS 17: Initial Application of MFRS 17 and MFRS 9- Comparative information	1 January 2023
Amendments to MFRS 112: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
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 2022. 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

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

UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2022
NOTES TO THE INTERIM FINANCIAL REPORT

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 2022 and period up to the date of this announcement.

A9. DIVIDEND PAID

During the financial period ended 30 June 2022, the Company paid a single tier cash dividend of 2.6 sen per ordinary share on 1,126,320,000 ordinary shares with voting rights. The entitlement date was fixed on 11 May 2022 and the cash dividend was paid on 27 May 2022.

A10. SEGMENT REPORT

Segmental analysis for the financial period ended 30 June 2022 is as follows:

Revenue	External RM'000	Inter- segment RM'000	Total RM'000
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)
	<u>1,783,645</u>	<u>-</u>	<u>1,783,645</u>
For the six months ended 30 June 2021			
Convenience stores	885,678	-	885,678
Pharmaceutical	448,028	-	448,028
Others	91	340	431
Inter-segment elimination	-	(340)	(340)
	<u>1,333,797</u>	<u>-</u>	<u>1,333,797</u>
		CUMULATIVE QUARTER	
		6 months ended	
		30.06.2022	30.06.2021
Results		RM'000	RM'000
Convenience stores		80,052	42,204
Pharmaceutical		39,178	18,120
Others		498	(2,521)
		<u>119,728</u>	<u>57,803</u>
Interest income		1,346	1,038
Profit from operations		121,074	58,841
Finance costs		(31,445)	(29,548)
Profit before tax		89,629	29,293
Income tax expense		(29,605)	(12,149)
Net profit for the year		60,024	17,144

UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2022
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 RM37.8 million (2021 : RM20.7 million). 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	
		30.06.2022 RM'000	30.06.2021 RM'000
With subsidiaries company			
7-Eleven Malaysia Sdn Bhd ("7-Eleven Malaysia" or "7EMSB")	Advances from/(to) 7EMSB	838	(10,622)
	Interest expense on advances from 7EMSB	-	(2,733)
	Interest income on advances to 7EMSB	998	-
Convenience Shopping (Sabah) Sdn Bhd ("CSSSB")	Advances to CSSSB	(60,000)	-
	Interest income on advances to CSSSB	9,101	9,801
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	4,513	5,175
	Payments to U Mobile for reload transaction values for in-store services for sale of mobile phone reloads	(73,893)	(82,902)
	Receipts of payment from U Mobile for advertisement placement fees	3,249	4,662
Securexpress Services Sdn. Bhd. ("Securexpress")	Payments to Securexpress for fees relating to the delivery of merchandise to stores	(3,529)	(3,845)
Berjaya Food Trading Sdn Bhd ("B Food")	Payment to B Food for purchase of beverages	(3,967)	(2,691)
Berjaya Times Square Sdn. Bhd. ("Berjaya Times Square")	Payment to BTSB for rental of property	(523)	(631)

UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2022
NOTES TO THE INTERIM FINANCIAL REPORT

A12. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

Transacting party	Type of transaction	CUMULATIVE QUARTER 6 months ended	
		30.06.2022 RM'000	30.06.2021 RM'000
With companies in which TSVT is deemed interested*			
Nural Enterprise Sdn Bhd ("Nural")	Payments to Nural for rental of property	(1,027)	(724)
Sun Media Corporation Sdn Bhd ("Sun Media")	Advertising fees on placement of advertisement in The Sun newspaper	(66)	(416)
	Display fees from placement of The Sun newspaper in 7-Eleven's stores	180	360
Razer Fintech Holdings Pte. Ltd. and its subsidiary companies ("Razer")	Receipts of commission from Razer for in-store services	18,311	17,288
	Payments to Razer for transaction values for in-store services	(2,072,395)	(1,829,537)
	Receipts of transaction values from Razer for e-wallet transactions	193,394	104,122
With companies in which Director of a subsidiary is deemed interested			
Bioscenergy International Sdn. Bhd. ("BIO")	Purchase of healthcare products by Caring	(1,387)	(266)

A13. CONTINGENT LIABILITIES

The Group has bank guarantees amounting to RM8,991,727 (31 December 2021: RM9,018,534) 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 30.06.2022 RM'000	Audited As at 31.12.2021 RM'000
Property, plant and equipment		
- approved and contracted for	23,981	9,141
- approved but not contracted for	179,079	238,108
	<u>203,060</u>	<u>247,249</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 2022
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	2Q22	2Q21	Variance	%	YTD 2Q22	YTD 2Q21	Variance	%
<u>Revenue:</u>								
Convenience stores	644,283	436,700	207,583	47.5%	1,168,205	885,769	282,436	31.9%
Pharmaceutical	299,387	239,969	59,418	24.8%	615,440	448,028	167,412	37.4%
Total	943,670	676,669	267,001	39.5%	1,783,645	1,333,797	449,848	33.7%
<u>Core profit:</u>								
Convenience stores	24,979	5,458	19,521	357.7%	41,651	15,631	26,020	166.5%
Pharmaceutical	8,959	6,750	2,209	32.7%	28,699	13,099	15,600	119.1%
Total	33,938	12,208	21,730	178.0%	70,350	28,730	41,620	144.9%
Corporate exercise expenses	(5,127)	(8,596)	3,469		(10,326)	(11,586)	1,260	
PAT	28,811	3,612	25,199	697.6%	60,024	17,144	42,880	250.1%

On the back of a more jubilant Hari Raya with local travel restrictions lifted and the re-opening of international borders, the Convenience Stores segment registered a Revenue of RM644.3m, an increase of RM207.6m or +47.5% 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 RM80.2m or +60.5% to RM212.7m. In addition, Gross Profit margin improved by +270 basis points, mainly due to lower contribution of tobacco sales.

We had in the current quarter successfully rolled out sixteen (16) of our 7-Café store format, bringing a total count of thirty-one (31) 7-Café stores for the period ended 30 June 2022. It is encouraging to note that these 7-Cafés are more productive and have higher fresh food sales participation as compared to a normal store.

Operating Expenses increased by RM50.1m or +33.3%, driven by higher store operation related expenses vis-a-vis longer operating hours and minimum wage effect. Excluding corporate exercise expenses, the Convenience Store segment recorded a Core Profit After Tax of RM25.0m, an increase of RM19.5m or +365.9% higher as compared to previous year corresponding quarter.

The Pharmaceutical segment also benefited from more robust trading activity and the re-opening of international borders spurred medical tourism, especially for Wellings Pharmacy. The segment recorded a Revenue of RM299.4m for the quarter, an increase of RM59.4m or +24.8% higher than previous year corresponding quarter.

Gross Margin improved from 18.5% to 19.6% mainly driven by higher sales contribution from Blue Ocean products. As a result, Core Profit After Tax increased by RM2.2m or +32.4% to RM9.0m for the quarter.

Corporate exercise expenses of RM5.1m 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 RM28.8m, an increase of RM25.2m or +697.6%.

Review of 6 Months Period Performance versus Corresponding Period Last Year

With the overall longer operating hours in the first half of 2022 and a bumper second quarter performance, Revenue for the Convenience Stores segment increased by RM282.4m or +31.9% to RM1,168.2m; 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 RM41.7m, an increase of RM26.0m or +166.5%.

Revenue from the Pharmaceutical segment increased by RM167.4m or +37.4% to RM615.4m, while Profit After Tax closed at RM28.7m, an increase of RM15.6m or +119.1%.

The Group's Consolidated Profit After Tax for the period ended 30 June 2022 after corporate exercise expenses is reported at RM60.0m, an increase of RM42.9m or +250.1%.

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

The Group recorded a lower Profit before Tax for the second quarter by RM1.7m or -3.7% against the immediate preceding quarter mainly due to higher store operation related expenses in the current quarter.

B3. PROSPECTS

Notwithstanding the recent positive turnaround in trading conditions and retail sentiment, the Group is cognisant and will continue to monitor potential headwinds arising from global supply chain disruptions, workforce supply constraints and costs pressures on the back of rising minimum wages 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 new 7-Café store format, which entails much improved product offerings and in-store customer experience. In addition, this 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 and/or preservation.

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, we have opened our first Caring store in Sarawak and with that, the Group has now established its store footprint nationwide except for Terengganu. On the same note, Wellings had also successfully opened seven (7) stores in Indonesia via our joint venture in PT Era Caring Indonesia.

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 2022
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	
	30.6.2022	30.6.2021	30.6.2022	30.6.2021
	RM'000	RM'000	RM'000	RM'000
Amortisation of intangible assets	1,129	1,129	2,259	2,259
Amortisation of right of use	33,814	30,834	60,924	60,676
Bad debts written off	107	-	165	1
Depreciation of property, plant and equipment	17,132	17,659	33,938	35,303
Dividend income	(45)	(30)	(75)	(45)
Fair value changes of FVTPL for investments in quoted shares	-	2,276	-	487
Loss on foreign exchange translation differences	45	-	2	-
Impairment loss on:				
- Property, plant and equipment	-	-	10	-
- Receivables	-	-	500	-
Interest income	(710)	(564)	(1,346)	(1,038)
Loss/(Gain) on disposal of property, plant and equipment	290	111	(129)	(314)
Property, plant and equipment written off	213	433	568	708
Provision for and write off of inventories	2,702	2,809	5,692	5,327

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 2022.

B6. TAXATION

	CURRENT QUARTER		CUMULATIVE QUARTER	
	3 months ended		6 months ended	
	30.6.2022	30.6.2021	30.6.2022	30.6.2021
	RM'000	RM'000	RM'000	RM'000
Income tax:				
Current period provision	15,404	5,756	30,397	13,123
Deferred tax:				
Relating to reversal of temporary differences	(252)	(474)	(792)	(974)
	15,152	5,282	29,605	12,149

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 2022 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 SECOND QUARTER ENDED 30 JUNE 2022
ADDITIONAL INFORMATION REQUIRED BY THE BURSA SECURITIES LR**

B7. STATUS OF CORPORATE PROPOSALS

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

B8. GROUP BORROWINGS

The Group borrowings which are denominated in Ringgit Malaysia ("RM") as at 30 June 2022 are as follows: -

	Unaudited As at 30.6.2022 RM'000	Audited As at 31.12.2021 RM'000
Short term borrowings		
Secured:		
Term loan	11,874	11,874
Unsecured:		
Bankers' acceptances	24,000	7,000
Term loan	-	6,000
Revolving credit	60,000	60,000
	<u>95,874</u>	<u>84,874</u>
Long term borrowings		
Secured:		
Term loan	49,466	55,363
Unsecured:		
Medium term notes	600,000	500,000
	<u>649,466</u>	<u>555,363</u>
Total borrowings		
Bankers' acceptances	24,000	7,000
Medium term notes	600,000	500,000
Term loan	61,340	73,237
Revolving credit	60,000	60,000
	<u>745,340</u>	<u>640,237</u>

B9. MATERIAL LITIGATION

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

On 12 April 2021, all parties to the legal action have reached an amicable settlement and recorded a Consent Judgment (a sealed copy of which was extracted on 14 April 2021) at Kuala Lumpur High Court ("Settlement"). The Settlement will envisage, amongst others, both Nabil and Deگو to pay a sum of RM2,800,000 ("Settlement Sum") to 7EMSB and Qinetics as full and final settlement of the claims made against them.

After the record of the Settlement, Nabil and Deگو had breached the Consent Judgment and the Settlement by defaulting in paying monthly installment of the Settlement Sum ("the Default"). Due to the Default, 7EMSB and Qinetics have initiated a Bankruptcy Proceeding at Kuala Lumpur High Court against Nabil to recover the outstanding sum under the Consent Judgment. The Bankruptcy Proceeding envisages a demand from Nabil a total sum of RM1,813,808 (inclusive of late payment payment interest). The bankruptcy proceeding will not have any material effect on the earnings, net assets and gearing of the 7-Eleven Group for the financial year ending 31 December 2022.

UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2022
ADDITIONAL INFORMATION REQUIRED BY THE BURSA SECURITIES LR

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		CUMULATIVE QUARTER	
	3 months ended		6 months ended	
	30.6.2022	30.6.2021	30.6.2022	30.6.2021
Net profit attributable to equity holders of the company (RM'000)	25,771	1,120	50,148	12,799
Weighted average number of ordinary shares in issue ('000)	1,126,320	1,126,331	1,126,320	1,127,779
Basic/diluted earnings per ordinary share (sen)	<u>2.29</u>	<u>0.10</u>	<u>4.45</u>	<u>1.13</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 2021 was not qualified.