

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

Date : 24 November 2023

Subject: UNAUDITED INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED
30 SEPTEMBER 2023

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	3 months ended		9 months ended	
	30.9.2023	30.9.2022	30.9.2023	30.9.2022
	RM'000	RM'000	RM'000	RM'000
Continuing operations				
Revenue	705,307	658,488	2,089,275	1,826,693
Cost of sales	(484,193)	(443,667)	(1,436,373)	(1,234,980)
Gross profit	221,114	214,821	652,902	591,713
Other operating income	39,137	33,881	111,934	100,590
Selling and distribution expenses	(187,904)	(170,417)	(544,763)	(472,577)
Administrative and other operating expenses	(33,360)	(33,916)	(98,186)	(95,588)
Profit from operations	38,987	44,369	121,887	124,138
Finance costs	(16,244)	(15,731)	(48,749)	(44,931)
Share of results of joint ventures	(862)	-	(3,162)	-
Profit before tax from continuing operations	21,881	28,638	69,976	79,207
Income tax expense	(12,596)	(18,577)	(30,269)	(37,821)
Profit after tax from continuing operations	9,285	10,061	39,707	41,386
Discontinued operations				
Profit after tax for the year from discontinued operations	8,517	5,880	21,945	34,579
Profit for the year	17,802	15,941	61,652	75,965
Other comprehensive income not to be reclassified to profit or loss in subsequent year:				
<u>Discontinued operations</u>				
Foreign currency translation	-	33	-	43
Total other comprehensive income (net of taxation):	-	33	-	43
Total comprehensive income for the financial year	17,802	15,974	61,652	76,008
Profit after tax attributable to:				
Equity holders of the Company				
- continuing operations	9,773	8,432	40,811	33,871
- discontinued operations	4,609	5,225	14,614	29,935
	14,382	13,657	55,425	63,806
Non-controlling interest				
- continuing operations	(488)	1,629	(1,104)	7,515
- discontinued operations	3,908	655	7,331	4,644
	3,420	2,284	6,227	12,159
	17,802	15,941	61,652	75,965
Total comprehensive income for the financial year				
Equity holders of the Company				
- continuing operations	9,773	8,432	40,811	33,871
- discontinued operations	4,609	5,250	14,614	29,967
	14,382	13,682	55,425	63,838
Non-controlling interest				
- continuing operations	(488)	1,629	(1,104)	7,515
- discontinued operations	3,908	663	7,331	4,655
	3,420	2,292	6,227	12,170
	17,802	15,974	61,652	76,008
Basic/diluted earnings per ordinary share (sen) (Note B11)				
- continuing operations	0.88	0.75	3.68	3.01
- discontinued operations	0.42	0.46	1.32	2.66
	1.30	1.21	4.99	5.66

UNAUDITED INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	The Group	
	Unaudited As at 30.9.2023 RM'000	Audited As at 31.12.2022 RM'000
Assets		
Non-current assets		
Property, plant and equipment	377,342	361,620
Investment properties	-	20,584
Right of use assets	596,722	684,363
Intangible assets	12,312	473,375
Investment in joint ventures	8,698	9,665
Other investments	126,680	33,392
Sundry receivables	23,598	23,598
Deferred tax assets	7,161	12,382
	<u>1,152,513</u>	<u>1,618,979</u>
Current assets		
Inventories	321,491	453,054
Sundry receivables	97,117	220,356
Tax recoverable	8,287	8,411
Other investment	-	77,794
Cash and bank balances	214,722	298,633
	<u>641,617</u>	<u>1,058,248</u>
Assets held for sale	1,039,930	-
Total assets	<u>2,834,060</u>	<u>2,677,227</u>
Equity and liabilities		
Equity attributable to equity holders of the Company		
Share capital	1,410,881	1,485,138
Treasury shares	(99,108)	(194,302)
Capital reorganisation deficit	(1,343,248)	(1,343,248)
Reserves	80,403	82,937
Retained profits	72,152	103,636
Reserves of a disposal group held for sale	2,534	-
	<u>123,614</u>	<u>134,161</u>
Non-controlling interest	84,633	96,080
Total equity	<u>208,247</u>	<u>230,241</u>
Non-current liabilities		
Provisions	14,619	15,251
Borrowings	600,000	643,476
Lease liabilities	540,288	579,417
Contingent consideration	-	33,423
Contract liabilities	11,470	12,698
Deferred tax liabilities	484	65,787
	<u>1,166,861</u>	<u>1,350,052</u>
Current liabilities		
Provisions	1,418	1,982
Borrowings	120,088	77,566
Trade payables	490,443	668,370
Other payables	183,712	211,332
Lease liabilities	91,201	113,042
Contract liabilities	10,419	11,783
Taxation	-	12,859
	<u>897,281</u>	<u>1,096,934</u>
Liabilities directly associated with the assets held for sale	561,671	-
	<u>1,458,952</u>	<u>1,096,934</u>
Total liabilities	<u>2,625,813</u>	<u>2,446,986</u>
Total equity and liabilities	<u>2,834,060</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>11.15</u>	<u>11.06</u>

UNAUDITED INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023
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	FVTOCI reserves RM'000	Retained profits RM'000	Reserve of disposal group held for sale RM'000	Total RM'000	Non-controlling interest RM'000	Total equity 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
Discontinued operation	-	-	-	(2,534)	-	-	2,534	-	-	-
Acquisition of treasury shares	-	(1,960)	-	-	-	-	-	(1,960)	-	(1,960)
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	402	402
Cancellation of treasury shares	(74,257)	97,154	-	-	-	(22,897)	-	-	-	-
Changes in subsidiary's ownership interests that do not result in a loss of control	-	-	-	-	-	(27)	-	(27)	140	113
Total comprehensive income	-	-	-	-	-	55,425	-	55,425	6,227	61,652
Transaction with owners:										
Allocation of profit to non-controlling interests	-	-	-	-	-	(4,042)	-	(4,042)	4,042	-
Dividends on ordinary shares, representing total transaction with owners	-	-	-	-	-	(59,943)	-	(59,943)	-	(59,943)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(22,258)	(22,258)
At 30 September 2023	1,410,881	(99,108)	(1,343,248)	43,065	37,338	72,152	2,534	123,614	84,633	208,247
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 THIRD QUARTER ENDED 30 SEPTEMBER 2023
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

	CUMULATIVE QUARTER	
	9 months ended	
	30.9.2023	30.9.2022
	RM'000	RM'000
Cash flows from operating activities		
Cash receipts from customers and other receivables	3,219,090	2,935,734
Cash paid to suppliers and employees	<u>(2,918,174)</u>	<u>(2,494,770)</u>
Cash generated from operations	300,916	440,964
Interest paid	(25,644)	(21,126)
Tax paid	(63,626)	(31,738)
Tax refund	21	54
Net cash generated from operating activities	<u>211,667</u>	<u>388,154</u>
Cash flows from investing activities		
Acquisition of subsidiaries and businesses	(2,678)	(1,476)
Acquisition of intangible assets	(5,148)	-
Investment in joint ventures	(6,147)	(7,162)
Changes in subsidiary's ownership interests that do not result in a loss of control	116	42
Purchase of property, plant and equipment	(116,756)	(59,932)
Proceeds from disposal of property, plant and equipment	312	678
Dividend income received	450	135
Interest received	4,059	2,526
Withdrawal/(Placement) with broker under a Discretionary Investment Fund, net	8,427	(135,000)
Withdrawal/(Placement) short term fund	<u>38,412</u>	<u>(23,695)</u>
Net cash used in investing activities	<u>(78,953)</u>	<u>(223,884)</u>
Cash flows from financing activities		
Acquisition of treasury shares	(1,960)	-
Dividends paid on ordinary shares	(59,943)	(29,284)
Dividends paid to non-controlling interests	(22,258)	(13,193)
Proceeds from bankers' acceptances	144,400	62,700
Proceeds from medium term note	-	100,000
Proceeds from revolving credit	17,000	-
Payment of principal & interest portion of lease liabilities	(124,386)	(115,846)
Advances from non-controlling shareholders	3,893	-
Repayment of bankers' acceptances	(96,400)	(58,700)
Repayment of term loans	(9,318)	(15,100)
Repayment of hire purchase and finance lease liabilities	(39)	(263)
Net cash used in financing activities	<u>(149,011)</u>	<u>(69,686)</u>
Net (decrease)/increase in cash and cash equivalents	(16,297)	94,584
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>280,480</u>	<u>253,064</u>
Cash and cash equivalents at the end of the financial period comprises the following:-		
Cash and bank balances	280,579	250,522
Fixed deposits with licensed banks	<u>1,410</u>	<u>2,810</u>
	281,989	253,332
Less: Fixed deposit pledged to licensed bank	<u>(1,509)</u>	<u>(268)</u>
	<u>280,480</u>	<u>253,064</u>

UNAUDITED INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 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
MFRS 121: Lack of Exchangeability (Amendments to MFRS 121)	1 January 2025

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 THIRD QUARTER ENDED 30 SEPTEMBER 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 and resales of treasury shares for the current financial period ended 30 September 2023 and period up to the date of this announcement other than the following:-

Treasury shares

During the financial year ended 30 September 2023, the Company repurchased 980,000 of its issued ordinary shares from the open market at an average price of RM2.00 per share with internally generated funds. The shares repurchased are being held as treasury shares.

The number of treasury shares bought back and held in hand as at 30 September 2023 are as follows:

Month	Price per share (RM)			Number of shares	Amount (RM'000)
	Lowest	Highest	Average		
Jul 2023	1.99	2.01	2.00	980,000	1,960

A9. DIVIDEND PAID

During the financial period ended 30 September 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.

UNAUDITED INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023
NOTES TO THE INTERIM FINANCIAL REPORT

A10. SEGMENT REPORT

The results of the Continuing Operations are as follows:

	External RM'000	Inter- segment RM'000	Total RM'000
Revenue			
For the nine months ended 30 September 2023			
Convenience stores	2,088,940	-	2,088,940
Others	335	393	728
Inter-segment elimination	-	(393)	(393)
	<u>2,089,275</u>	<u>-</u>	<u>2,089,275</u>
For the nine months ended 30 September 2022			
Convenience stores	1,826,548	-	1,826,548
Others	145	463	608
Inter-segment elimination	-	(463)	(463)
	<u>1,826,693</u>	<u>-</u>	<u>1,826,693</u>

	CUMULATIVE QUARTER 9 months ended	
	30.09.2023	30.09.2022
	RM'000	RM'000
Results		
Convenience stores	121,466	124,308
Others	(1,720)	(1,565)
	<u>119,746</u>	<u>122,743</u>
Interest income	2,141	1,395
Profit from operations	121,887	124,138
Finance costs	(48,749)	(44,931)
Share of results of joint ventures	(3,162)	-
Profit before tax	69,976	79,207
Income tax expense	(30,269)	(37,821)
Net profit for the year	39,707	41,386

The results of the Discontinued Operations are as follows:

	CUMULATIVE QUARTER 9 months ended	
	30.09.2023	30.09.2022
	RM'000	RM'000
Results		
Revenue	1,003,387	945,163
Cost of Sales	(807,921)	(757,225)
Gross Profit	195,466	187,938
Operating Expenses	(192,875)	(167,245)
Other Operating Income	33,699	31,367
Profit from operations	36,290	52,060
Finance costs	(5,181)	(3,156)
Share of results of joint ventures	(1,054)	-
Profit before tax	30,055	48,904
Income tax expense	(8,110)	(14,325)
Net profit for the year	21,945	34,579

UNAUDITED INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023
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 RM116.8million (2022 : RM59.9million). 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 9 months ended	
		30.09.2023 RM'000	30.09.2022 RM'000
With subsidiaries company			
7-Eleven Malaysia Sdn Bhd ("7-Eleven Malaysia" or "7EMSB")	Advances from 7EMSB	47,780	1,454
	Interest income on advances to 7EMSB	<u>2,067</u>	<u>1,707</u>
Convenience Shopping (Sabah) Sdn Bhd ("CSSSB")	Repayment from/(Advances to) CSSSB	30,000	(60,000)
	Interest income on advances to CSSSB	<u>21,045</u>	<u>14,362</u>
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	6,838	6,525
	Payments to U Mobile for reload transaction values for in-store services for sale of mobile phone reloads	(132,915)	(113,251)
	Receipts of payment from U Mobile for advertisement placement fees	<u>8,144</u>	<u>5,494</u>
Securexpress Services Sdn. Bhd. ("Securexpress")	Payments to Securexpress for fees relating to the delivery of merchandise to stores	<u>(7,032)</u>	<u>(5,816)</u>
Berjaya Food Trading Sdn Bhd ("B Food")	Payment to B Food for purchase of beverages	<u>(938)</u>	<u>(5,268)</u>
Berjaya Times Square Sdn. Bhd. ("Berjaya Times Square")	Payment to BT SB for rental of property	<u>(986)</u>	<u>(770)</u>
Nural Enterprise Sdn Bhd ("Nural")	Payments to Nural for rental of property	<u>(1,557)</u>	<u>(1,542)</u>

UNAUDITED INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023
NOTES TO THE INTERIM FINANCIAL REPORT

A12. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

Transacting party	Type of transaction	CUMULATIVE QUARTER 9 months ended	
		30.09.2023 RM'000	30.09.2022 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	(328)	(138)
	Display fees from placement of The Sun newspaper in 7-Eleven's stores	270	270
Razer Fintech Holdings Pte. Ltd. and its subsidiary companies ("Razer")	Receipts of commission from Razer for in-store services	32,428	28,798
	Payments to Razer for transaction values for in-store services	(3,697,403)	(3,283,038)
	Commission paid for e-wallet transactions (Merchant Discount Rate)	(1,360)	(1,097)
	Receipts of transaction values from Razer for e-wallet transactions	399,552	300,401
With companies in which Director of a subsidiary is deemed interested			
Bioscenergy International Sdn. Bhd. ("BIO")	Purchase of healthcare products by Caring	(21,717)	(2,326)

A13. CONTINGENT LIABILITIES

The Group has bank guarantees amounting to RM19,601,693 (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 on a clean basis.

A14. CAPITAL COMMITMENTS

	The Group	
	Unaudited As at 30.09.2023 RM'000	Audited As at 31.12.2022 RM'000
Property, plant and equipment		
- approved and contracted for	7,466	10,595
- approved but not contracted for	120,785	237,611
	128,251	248,206

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 THIRD QUARTER ENDED 30 SEPTEMBER 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	3Q23	3Q22	Variance	%	YTD 2Q23	YTD 2Q22	Variance	%
Revenue:								
Convenience stores	705,307	658,487	46,820	7.1%	2,089,275	1,826,693	262,582	14.4%
Pharmaceutical - Discontinued Operations	343,987	329,723	14,264	4.3%	1,003,387	945,163	58,224	6.2%
Total	1,049,294	988,210	61,084	6.2%	3,092,662	2,771,856	320,806	11.6%
Core profit:								
Convenience stores	15,381	15,260	121	0.8%	58,406	56,785	1,621	2.9%
Pharmaceutical - Discontinued Operations	7,655	7,594	61	0.8%	18,783	36,293	(17,510)	-48.2%
Total	23,036	22,854	182	0.8%	77,189	93,078	(15,889)	-17.1%
Corporate exercise expenses	(5,234)	(6,913)	1,679		(15,537)	(17,113)	1,576	
PAT	17,802	15,941	1,861	11.7%	61,652	75,965	(14,313)	-18.8%

The Group registered an overall Revenue of RM1,049.3m, increased by RM61.1m, or +6.2%, whilst Core profit increased by RM0.2m or +0.8% to RM23.0m for the current quarter ended 30 September 2023.

The Convenience Stores segment recorded higher APSD and customer count as consumer spending and trading activities remained upbeat, fueled by the festivities of Awal Muharram, Merdeka and several other public holidays in the current quarter, leading to a positive SSSG of +4.5%. In this regard, Revenue increased by RM46.8m or +7.1% 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 RM6.3m or +2.9% to RM221.1m.

Operating Expenses increased by RM16.6m or +8.2%, driven by higher store operation related expenses vis-a-vis longer operating hours and with +86 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 RM15.4m, an increase of RM0.1m or +0.8% as compared to previous year corresponding quarter.

We had in the current quarter, successfully rolled-out 42 new 7-Café store format, bringing a total count of 186 7-Café stores for the period ended 30 September 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 2,532 stores.

The Pharmaceutical segment recorded a Revenue of RM344.0m for the current quarter, an increase of RM14.3m or +4.3%, primarily driven by new stores sales contribution. Resulting in higher Gross Profit by RM6.8m or +11.2%. Gross Profit margins increased from 18.5% to 19.7%, mainly due to higher rebate income received. Accordingly, Core Profit for the segment closed at RM7.7m, an increase of +0.8% as compared to previous year corresponding quarter. Total store count stood at 247 stores, a net increase of +35 stores.

Corporate exercise expenses of RM5.2m 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 RM17.8m, a increase of RM1.8m or +11.7%.

Review of 9 Months Period Performance versus Corresponding Period Last Year

With the overall longer operating hours in the nine month of 2023 and net new store growth, Revenue for the Convenience Stores segment increased by RM262.6m or +14.4% to RM2,089.3m; 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 RM58.4m, an increase of RM1.6m or +2.9%.

Revenue from the Pharmaceutical segment increased by RM58.2m or +6.2% to RM1,003.4m mainly driven by net new store growth; whilst Gross Profits improved by RM7.5m or +4.0% to RM195.5m. In this regard, Core Profit closed at RM18.8m, a decrease of RM17.5m or -48.2%.

The Group's Consolidated Profit After Tax for the period ended 30 September 2023 after corporate exercise expenses is reported at RM61.7m, a decrease of RM14.3m or -18.8%.

The discontinued operations disclosed Group's unaudited interim financial report refers to the on-going sale of the Pharmaceutical segment, which is expected to be completed in the current financial year. Further details on the same are as disclosed in note B7 of the unaudited interim financial report.

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 third quarter by RM18.1m or -45.3% against the immediate preceding quarter mainly due to lower revenue and gross profit resulted from the discontinued operation 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.).

Essentially, the proposed disposal of our Pharmaceutical segment provides an opportunity for the Group to un-lock and realise the value of our investment. In addition, cash proceeds from the proposed disposal will be re-invested into strategic initiatives for our Convenience Store segment, which is expected to contribute positively to the Group's future income. Notable key tactical investments in the immediate pipeline includes (a) Continued expansion of our 7-Café stores network; (b) Upgrading of POS systems for our Convenience Stores; and (c) Setting up our self-operated distribution center in Shah Alam.

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 2023
ADDITIONAL INFORMATION REQUIRED BY THE BURSA SECURITIES LR**

B5. PROFIT FROM CONTINUING OPERATIONS

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

	CURRENT QUARTER		CUMULATIVE QUARTER	
	3 months ended		9 months ended	
	30.09.2023	30.09.2022	30.09.2023	30.09.2022
	RM'000	RM'000	RM'000	RM'000
Amortisation of intangible assets	1,119	2,844	3,356	5,102
Amortisation of right of use	26,434	23,116	76,171	70,043
Bad debts written off	-	-	-	19
Depreciation of property, plant and equipment	22,129	15,145	55,626	45,773
Dividend income	(75)	(61)	(450)	(136)
Loss/(Gain) on foreign exchange translation differences	5	18	(24)	20
Impairment loss on:				
- Property, plant and equipment	-	-	-	10
- Receivables	-	-	-	500
Interest income	(677)	(462)	(2,140)	(781)
Loss on disposal of property, plant and equipment	297	92	718	103
Property, plant and equipment written off	566	228	2,093	595
Provision for and write off of inventories	8,601	3,645	25,972	9,337

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 2023.

B6. TAXATION

	CURRENT QUARTER		CUMULATIVE QUARTER	
	3 months ended		9 months ended	
	30.09.2023	30.09.2022	30.09.2023	30.09.2022
	RM'000	RM'000	RM'000	RM'000
Income tax:				
Current period provision	12,886	17,384	31,043	37,420
Over provision in prior year	-	(1,985)	-	(1,985)
	12,886	15,399	31,043	35,435
Deferred tax:				
Relating to reversal of temporary differences	(290)	(406)	(774)	(1,198)
Under provision in prior year	-	3,584	-	3,584
	(290)	3,178	(774)	2,386
	12,596	18,577	30,269	37,821

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 2023 were higher than the Malaysian's statutory tax rate mainly due to certain expenses not deductible under tax legislation.

B7. STATUS OF CORPORATE PROPOSALS

On 21 September 2023, RHB Investment Bank Berhad had, on behalf of the Board of Directors of the Company, announced that Convenience Shopping (Sabah) Sdn Bhd ("CSSSB"), a wholly-owned subsidiary of the Company, had entered into a conditional sale and purchase agreement with BIG Pharmacy Holdings Sdn Bhd ("BIG Pharmacy") and Motivasi Optima Sdn Bhd ("MOSB") ("SPA") for the following:

- (a) the proposed disposal by CSSSB of its entire 75% equity interest in Caring Pharmacy Group Berhad ("Caring") to BIG Pharmacy for a cash consideration of RM675.0 million, subject to the terms and conditions of the SPA ("Proposed Disposal").
- (b) the proposed disposal by MOSB of its entire 25% equity interest in Caring to BIG Pharmacy ("Proposed MOSB Disposal").

The Proposed Disposal and the Proposed MOSB Disposal, collectively shall be referred to as "Proposed Transaction".

For the avoidance of doubt, the Proposed MOSB Disposal shall not form part of the Company's corporate exercise.

The Proposed Transaction does not include the disposal of the Indonesian businesses operated by Caring group in the Republic of Indonesia ("Indonesian Businesses"). The Indonesian Businesses would be carved out from the Proposed Transaction as a condition precedent in accordance with the terms and conditions of the SPA and as mutually agreed between the parties.

Upon the completion of the Proposed Disposal in accordance with the terms of the SPA, Caring will cease to be a subsidiary of the Company and the Indonesian Businesses will be held by CSSSB or an entity nominated by CSSSB and approved by BIG Pharmacy.

The Proposed Disposal is subject to approvals being obtained from the following:

- (a) the shareholders of the Company at an extraordinary general meeting to be convened;
- (b) the shareholder of CSSSB;
- (c) the holders of the MTN issued by the Company under its MTN programme of RM600 million in nominal value for the sale and transfer of the CSSSB sale shares in accordance with the terms and conditions of the SPA, which was obtained on 26 October 2023; and
- (d) any other relevant regulatory authorities and/or parties, if required.

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023
ADDITIONAL INFORMATION REQUIRED BY THE BURSA SECURITIES LR**

B8. GROUP BORROWINGS

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

	Unaudited As at 30.09.2023 RM'000	Audited As at 31.12.2022 RM'000
Short term borrowings		
Secured:		
Term loan	-	12,066
Unsecured:		
Bankers' acceptances	53,500	5,500
Term loan	6,588	-
Revolving credit	60,000	60,000
	<u>120,088</u>	<u>77,566</u>
Long term borrowings		
Secured:		
Term loan	-	43,476
Unsecured:		
Medium term notes	600,000	600,000
	<u>600,000</u>	<u>643,476</u>
Total borrowings		
Bankers' acceptances	53,500	5,500
Medium term notes	600,000	600,000
Term loan	6,588	55,542
Revolving credit	60,000	60,000
	<u>720,088</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)

B11. EARNINGS PER SHARE

	CURRENT QUARTER		CUMULATIVE QUARTER	
	3 months ended		9 months ended	
	30.09.2023	30.09.2022	30.09.2023	30.09.2022
Net profit attributable to equity holders of the company (RM'000)				
- Continuing operations	9,773	8,432	40,811	33,871
- Discontinued operations	4,609	5,225	14,614	29,935
	<u>14,382</u>	<u>13,657</u>	<u>55,425</u>	<u>63,806</u>
Weighted average number of ordinary shares in issue ('000)	1,109,333	1,126,320	1,109,806	1,126,320
Basic/diluted earnings per ordinary share (sen)				
- Continuing operations	0.88	0.75	3.68	3.01
- Discontinued operations	0.42	0.46	1.32	2.66
	<u>1.30</u>	<u>1.21</u>	<u>4.99</u>	<u>5.66</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.