

7-Eleven Malaysia Holdings Berhad

[Registration No: 201301028701 (1058531-W)]

Date : 26 Aug 2021

Subject: UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER
ENDED 30 JUNE 2021

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UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2021
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	3 months ended		6 months ended	
	30.6.2021	30.6.2020	30.6.2021	30.6.2020
	RM'000	RM'000	RM'000	RM'000
Revenue	676,669	649,731	1,333,797	1,269,023
Cost of sales	(499,807)	(477,237)	(980,850)	(903,982)
Gross profit	176,862	172,494	352,947	365,041
Other operating income	41,670	42,994	82,165	76,154
Selling and distribution expenses	(156,928)	(157,619)	(304,900)	(317,538)
Administrative and other operating expenses	(37,632)	(36,060)	(71,371)	(71,421)
Profit from operations	23,972	21,809	58,841	52,236
Finance costs	(15,078)	(15,296)	(29,548)	(25,635)
Share of results of an associate	-	(305)	-	(649)
Profit before tax	8,894	6,208	29,293	25,952
Income tax expense	(5,282)	(3,537)	(12,149)	(11,911)
Profit after tax	3,612	2,671	17,144	14,041
Profit after tax attributable to:				
Equity holders of the Company	1,120	1,033	12,799	12,404
Non-controlling interest	2,492	1,638	4,345	1,637
	3,612	2,671	17,144	14,041
Total comprehensive income for the financial year				
Equity holders of the Company	1,120	1,033	12,799	12,404
Non-controlling interest	2,492	1,638	4,345	1,637
	3,612	2,671	17,144	14,041
Basic/diluted earnings per ordinary share (sen) (Note B11)	0.10	0.09	1.13	1.08

UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2021
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	The Group	
	Unaudited	Audited
	As at	As at
	30.6.2021	31.12.2020
	RM'000	RM'000
Assets		
Non-current assets		
Property, plant and equipment	350,442	346,484
Right of use assets	667,089	672,881
Intangible assets	456,360	425,492
Other investments	9,402	5,174
Sundry receivables	15,487	13,782
Deferred tax assets	3,015	6,777
	<u>1,501,795</u>	<u>1,470,590</u>
Current assets		
Inventories	352,797	288,947
Sundry receivables	78,116	96,183
Tax recoverable	2,430	-
Other investment	60,968	46,149
Cash and bank balances	241,908	134,980
	<u>736,219</u>	<u>566,259</u>
Total assets	<u>2,238,014</u>	<u>2,036,849</u>
Equity and liabilities		
Equity attributable to equity holders of the Company		
Share capital	1,485,138	1,485,138
Treasury shares	(161,410)	(157,243)
Capital reorganisation deficit	(1,343,248)	(1,343,248)
Assets revaluation reserve	42,214	42,214
Retained profits	34,677	39,899
	<u>57,371</u>	<u>66,760</u>
Non-controlling interest	110,468	94,461
Total equity	<u>167,839</u>	<u>161,221</u>
Non-current liabilities		
Provisions	9,806	9,572
Borrowings	561,057	331,710
Lease liabilities	552,018	559,833
Contract liabilities	12,692	10,563
Deferred tax liabilities	56,584	61,255
	<u>1,192,157</u>	<u>972,933</u>
Current liabilities		
Provisions	484	1,936
Borrowings	168,865	201,365
Trade payables	465,530	441,498
Other payables	124,092	143,481
Lease liabilities	102,464	100,016
Contract liabilities	8,633	3,981
Taxation	7,950	10,418
	<u>878,018</u>	<u>902,695</u>
Total liabilities	<u>2,070,175</u>	<u>1,875,628</u>
Total equity and liabilities	<u>2,238,014</u>	<u>2,036,849</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>5.09</u>	<u>5.91</u>

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2021
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	Attributable to Equity Holders of the Company							Total equity RM'000
	Share capital RM'000	Treasury shares RM'000	Capital reorganisation deficit RM'000	Assets revaluation reserve RM'000	Retained profits RM'000	Total RM'000	Non-controlling interest RM'000	
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 subsidiaries	-	-	-	-	-	-	13,455	13,455
Acquisition of treasury shares	-	(4,167)	-	-	-	(4,167)	-	(4,167)
Total comprehensive income	-	-	-	-	12,799	12,799	4,345	17,144
Transaction with owners:								
Dividends on ordinary shares, representing total transaction with owners	-	-	-	-	(18,021)	(18,021)	-	(18,021)
Dividends paid to non-controlling interests	-	-	-	-	-	-	(1,793)	(1,793)
At 30 June 2021	1,485,138	(161,410)	(1,343,248)	42,214	34,677	57,371	110,468	167,839
At 1 January 2020								
As previously stated	1,485,138	(128,928)	(1,343,248)	41,969	46,985	101,916	195	102,111
Acquisition of a subsidiary	-	-	-	-	-	-	95,197	95,197
Acquisition of treasury shares	-	(28,315)	-	-	-	(28,315)	-	(28,315)
Changes in subsidiary's ownership interests that do not result in a loss of control	-	-	-	-	(10,398)	(10,398)	(2,394)	(12,792)
Total comprehensive income	-	-	-	245	29,766	30,011	5,587	35,598
Transaction with owners:								
Dividends on ordinary shares, representing total transaction with owners	-	-	-	-	(26,454)	(26,454)	-	(26,454)
Dividends paid to non-controlling interests	-	-	-	-	-	-	(4,124)	(4,124)
At 31 December 2020	1,485,138	(157,243)	(1,343,248)	42,214	39,899	66,760	94,461	161,221

UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2021
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	CUMULATIVE QUARTER	
	6 months ended	
	30.6.2021	30.6.2020
	RM'000	RM'000
Cash flows from operating activities		
Cash receipts from customers and other receivables	1,463,936	1,385,037
Cash paid to suppliers and employees	(1,337,687)	(1,318,838)
Cash generated from operations	126,249	66,199
Interest paid	(11,412)	(8,734)
Tax paid	(18,376)	(5,843)
Net cash generated from operating activities	<u>96,461</u>	<u>51,622</u>
Cash flows from investing activities		
Acquisition of an associate	-	(7,512)
Acquisition of subsidiaries and businesses	(24,595)	(328,597)
Acquisition of quoted shares	(4,714)	-
Purchase of property, plant and equipment	(20,746)	(22,523)
Proceeds from disposal of property, plant and equipment	948	84
Dividend received	45	29
Interest received	1,038	1,102
Increase in pledge fixed deposits with licensed bank	(990)	-
Net change in short term funds	(14,695)	51,632
Net cash used in investing activities	<u>(63,709)</u>	<u>(305,785)</u>
Cash flows from financing activities		
Acquisition of treasury shares	(4,167)	-
Dividends paid to shareholders of the Company	(18,021)	(26,454)
Dividends paid to non-controlling interests	(1,793)	-
Proceeds from bankers' acceptances	176,200	153,100
Proceeds from medium term note	498,939	-
Proceeds from term loan	43,730	377,000
Proceeds from revolving credit	20,000	-
Payment of principal portion of lease liabilities	(73,745)	(61,759)
Repayment of bankers' acceptances	(177,690)	(134,000)
Repayment of term loans	(371,504)	(9,951)
Repayment of revolving credit	(20,000)	-
Repayment of hire purchase and finance lease liabilities	(54)	(43)
Net cash from financing activities	<u>71,895</u>	<u>297,893</u>
Net increase in cash and cash equivalents	104,647	43,730
Cash and cash equivalents at beginning of the financial period	134,649	96,207
Cash and cash equivalents at end of the financial period	<u>239,296</u>	<u>139,937</u>
Cash and cash equivalents at the end of the financial period comprises the following:-		
Cash and bank balances	239,128	139,937
Fixed deposits with licensed banks	2,780	201
	<u>241,908</u>	<u>140,138</u>
Less: Fixed deposit pledged to licensed bank	(2,612)	(201)
	<u>239,296</u>	<u>139,937</u>

UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2021

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 2020.

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 2020 except as follows:

On 1 January 2021, the Group adopted the following amended MFRSs mandatory for annual financial period beginning on or after 1 January 2021:

Description	Effective for annual financial periods beginning on or after
Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16: <i>Interest Rate Benchmark Reform- Phase 2</i>	1 January 2021

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:

	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

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2021
NOTES TO THE INTERIM FINANCIAL REPORT**

A3. CHANGES IN ACCOUNTING POLICIES (CONT'D)

Description	Effective for annual financial periods beginning on or after
Annual improvements to MFRS Standards 2018 - 2020 Cycle	1 January 2022
(i) Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards	
(ii) Amendments to MFRS 3: Business Combination	
(iii) Amendments to MFRS 9: Financial Instruments	
(iv) Amendments to MFRS 16: Leases	
(v) Amendments to MFRS 141: Agriculture	
MFRS 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 112: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023

The Group has not early adopted any of the new or revised standards and amendments to standards that have been issued but not yet effective for the Group's accounting period beginning on or after 1 January 2021. 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. Additionally, the various stages of Movement Control Orders have an influence on trading hours as well as phasing of sales.

A5. ITEMS OF UNUSUAL NATURE

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

A6. CHANGES IN ESTIMATES

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

A7. CHANGES IN COMPOSITION OF THE GROUP

On 29 January 2021, Caring Pharmacy Retail Management Sdn Bhd ("Caring"), an indirect 75%-owned subsidiary of SEM, completed the acquisitions of equity interests in pharmacy companies as well as business assets comprising the following:

- (i) 67% equity interest in The Pill House Pharmacy Sdn Bhd ("TPH") for a cash consideration of about RM24.94 million;
- (ii) 60% equity interest in Wellings Pharmacy Sdn Bhd ("Wellings") for a cash consideration of RM19.90 million;
- (iii) business assets in three (3) pharmacy outlets held by Farmasi Sri Nibong Sdn Bhd for a cash consideration of RM3.00 million; and
- (iv) business assets in one (1) pharmacy outlet held by Farmasi Sri Nibong (Pekaka) Sdn Bhd for a cash consideration of RM0.45 million.

Accordingly, TPH and Wellings, through Caring, are now 67% and 60%-owned subsidiaries of SEM.

UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2021
NOTES TO THE INTERIM FINANCIAL REPORT

A8. DEBT AND EQUITY SECURITIES

There were no issuances and repayments of debt and equity securities, share cancellations and resales of treasury shares for the current financial period ended 30 June 2021 and period up to the date of this announcement other than the following:-

Treasury shares

During the financial period ended 30 June 2021, the Company repurchased 2,930,000 of its issued ordinary shares from the open market at an average price of RM1.42 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 June 2021 are as follows:

Month	Price per share (RM)			Number of shares	Amount (RM'000)
	Lowest	Highest	Average		
Mar 2021	1.36	1.40	1.38	600,000	831
Apr 2021	1.41	1.44	1.43	2,330,000	3,336
				<u>2,930,000</u>	<u>4,167</u>

Medium Term Notes

The Company has established a 30-year medium term notes ("MTN") programme of RM600.0 million in nominal value ("MTN Programme"), which was lodged with the Securities Commission Malaysia ("SC") on 15 April 2021 in accordance with the SC's Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework.

The Company has completed its maiden MTN issuance of RM500.0 million ("Series 1 MTN") under the MTN Programme on 28 June 2021.

A9. DIVIDEND PAID

During the financial period ended 30 June 2021, the Company paid a single tier cash dividend of 1.6 sen per ordinary share on 1,126,320,000 ordinary shares with voting rights. The entitlement date was fixed on 6 May 2021 and the cash dividend was paid on 21 May 2021.

A10. SEGMENT REPORT

Segmental analysis for the financial period ended 30 June 2021 is as follows:

Revenue	External RM'000	Inter-segment RM'000	Total RM'000
For the six months ended 30 June 2021			
Convenience stores	1,125,647	-	1,125,647
Pharmaceutical	208,059	-	208,059
Others	91	340	431
Inter-segment elimination	-	(340)	(340)
	<u>1,333,797</u>	<u>-</u>	<u>1,333,797</u>
For the six months ended 30 June 2020			
Convenience stores	1,129,820	-	1,129,820
Pharmaceutical	139,097	-	139,097
Others	106	348	454
Inter-segment elimination	-	(348)	(348)
	<u>1,269,023</u>	<u>-</u>	<u>1,269,023</u>

UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2021
NOTES TO THE INTERIM FINANCIAL REPORT

A10. SEGMENT REPORT (CONT'D)

	CUMULATIVE QUARTER	
	6 months ended	
Results	30.6.2021	30.6.2020
	RM'000	RM'000
Convenience stores	42,204	54,076
Pharmaceutical	18,120	6,376
Others	(2,521)	(9,318)
	<u>57,803</u>	<u>51,134</u>
Interest income	1,038	1,102
Profit from operations	58,841	52,236
Share of results of an associate	-	(649)
Finance costs	(29,548)	(25,635)
Profit before tax	29,293	25,952
Income tax expense	(12,149)	(11,911)
Net profit for the year	17,144	14,041

A11. PROPERTY, PLANT AND EQUIPMENT

During the 6 months ended 30 June, the Group acquired assets at costs of RM20.7 million (2020 : RM22.5 million). The assets acquired comprise mainly of renovation, furniture, fittings, equipment and computer equipment.

A12. SIGNIFICANT RELATED PARTY TRANSACTIONS

		CUMULATIVE QUARTER	
		6 months ended	
Transacting party	Type of transaction	30.6.2021	30.6.2020
		RM'000	RM'000
With subsidiaries company			
7-Eleven Malaysia Sdn Bhd ("7-Eleven Malaysia" or "7EMSB")	Advances (to)/from 7EMSB	(10,622)	6,035
	Interest expense on advances from 7EMSB	2,733	1,577
		<u> </u>	<u> </u>
Convenience Shopping (Sabah) Sdn Bhd ("CSSSB")	Interest income on advances to CSSSB	(9,801)	-
		<u> </u>	<u> </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	5,175	7,788
	Payments to U Mobile for reload transaction values for in-store services for sale of mobile phone reloads	82,902	122,480
	Receipts of payment from U Mobile for advertisement placement fees	4,662	4,464
		<u> </u>	<u> </u>

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2021
NOTES TO THE INTERIM FINANCIAL REPORT**

A12. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

Transacting party	Type of transaction	CUMULATIVE QUARTER 6 months ended	
		30.6.2021 RM'000	30.6.2020 RM'000
With companies in which TSVT is deemed interested*			
Securexpress Services Sdn. Bhd. ("Securexpress")	Payments to Securexpress for fees relating to the delivery of merchandise to stores	3,845	4,337
Berjaya Food Trading Sdn Bhd ("B Food")	Payment to B Food for purchase of beverages	2,691	1,428
Nural Enterprise Sdn Bhd ("Nural")	Payments to Nural for rental of property	724	691
Sun Media Corporation Sdn Bhd ("Sun Media")	Advertising fees on placement of advertisement in The Sun newspaper	416	679
	Display fees from placement of The Sun newspaper in 7-Eleven's stores	360	360
Razer Pay Holdings Pte. Ltd. and its subsidiary companies ("Razer")	Receipts of commission from Razer for in-store services	17,288	16,389
	Payments to Razer for transaction values for in-store services	1,829,537	1,314,372
	Receipts of transaction values from Razer for e-wallet transactions	104,122	62,699

A13. CONTINGENT LIABILITIES

The Group has bank guarantees amounting to RM9,076,481 (31 December 2020: RM9,114,563) 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 30.6.2021 RM'000	Audited As at 31.12.2020 RM'000
Property, plant and equipment		
- approved and contracted for	9,363	9,492
- approved but not contracted for	91,595	116,252
	<u>100,958</u>	<u>125,744</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 2021
ADDITIONAL INFORMATION REQUIRED BY THE BURSA SECURITIES LR**

B1. REVIEW OF THE PERFORMANCE OF THE GROUP

Review of Current Quarter Performance versus Corresponding Quarter Last Year

	Convenience store	Pharmaceutical	Corporate exercise	Total 2Q 2021	Total 2Q 2020
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	436,700	239,969	NA	676,669	649,731
PAT	5,458	6,750	(8,596)	3,612	2,671

The re-introduction of Movement Control Order 3.0 starting 3 May 2021 in several states and the nationwide Full Movement Control Order effective 1 June 2021 have affected the group's performance in the current quarter. Stores are operating under strict SOPs and reduced operating hours affecting customer footfalls. In comparison to previous year corresponding quarter, the country was in a less restrictive Conditional Movement Control Order and Recovery Movement Control Order which started on 10 June 2020.

Convenience Stores Segment

Revenue from convenience stores declined by RM74.3m or 14.5%. Most product categories except fresh foods recorded lower revenue while sales mix improved resulting in lower gross profits of RM9.8m or 6.9%.

Operating expenses decreased for the current quarter by RM13.1m or 8.1%, due to lower wages from better manpower planning, shorter operating hours and lower shrinkages. Despite lower gross profits, the convenience store segment still achieved a core Profit After Tax of RM5.4mil which is an increase of RM1.2mil compared to previous year corresponding quarter.

Corporate exercise expenses which is primarily professional fees from issuance of Medium Term Note, interest to finance the acquisition of Caring Group and fair value gain from investments in quoted shares, increased by RM1.0m to RM8.5m for the quarter.

Pharmaceutical segment

Revenue from pharmaceutical segment increased by RM100.9m or 72.5% to RM240.0m. While Profit After Tax increased by RM0.9m or 15.7% to RM6.8m, mainly driven by higher revenue. The acquisition of The Pill House and Wellings contributed revenue of RM66.8mil.

Consolidated Group

The Group's consolidated Profit after Tax for the current quarter, after taking into consideration corporate exercise expenses stands at RM3.6m, an increase of RM0.9m or 35.2%.

Review of 6 Months Period Performance versus Corresponding Period Last Year

	Convenience store	Pharmaceutical	Corporate exercise	Total YTD 2Q 2021	Total YTD 2Q 2020
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	885,769	448,028	NA	1,333,797	1,269,023
PAT	15,631	13,099	(11,586)	17,144	14,041

Convenience Stores Segment

Revenue from the convenience stores declined by RM244.9m or 21.7%, Most product categories recorded lower revenue resulting in lower gross profits. Excluding expenses incurred in the corporate exercise, the convenience store segment recorded a core Profit After Tax of RM15.5m, a decline of RM8.7m or 35.9%.

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2021
ADDITIONAL INFORMATION REQUIRED BY THE BURSA SECURITIES LR**

B1. REVIEW OF THE PERFORMANCE OF THE GROUP (CONT'D)

Review of 6 Months Period Performance versus Corresponding Period Last Year (cont'd)

Corporate exercise expenses incurred for 6 months ended 30 June 2021 reduced by RM4.7m.

Pharmaceutical segment

Revenue from pharmaceutical segment increase by RM117.7m or 35.6% to RM448.0m. While Profit After Tax closed at RM13.2m. The acquisition of The Pill House and Wellings contributed revenue of RM108.9m.

Consolidated Group

The Group's consolidated Profit After Tax for the 6 months ended 30 June 2021 after taking into consideration the corporate exercise expenses is reported at RM17.1m.

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 RM11.5m or 56.4% against the immediate preceding quarter mainly due to higher operating and administrative expenses incurred in current quarter.

B3. PROSPECTS

With consumers focusing on their wellbeing and overall health, our retail pharmaceutical segment proved to be a resilient and defensive acquisition for The Group amidst this pandemic. This has and will continue to support the Group's performance. Though consumer sentiments remain a challenge for our convenience stores during these trying times, The Group is hopeful that the combination of a successful implementation of the National Recovery Plan; and the progress of the National Immunisation Programme will help with overall trading conditions. We will continue to focus on our customer's needs by pursuing our core strategic pillars for both segments of our Group.

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 2021
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	
	30.6.2021	30.6.2020	30.6.2021	30.6.2020
	RM'000	RM'000	RM'000	RM'000
Amortisation of intangible assets	1,129	1,130	2,259	2,259
Amortisation of right of use	30,834	28,900	60,676	50,821
Bad debts written off	-	-	1	-
Depreciation of property, plant and equipment	17,659	17,058	35,303	32,928
Dividend income	(30)	-	(45)	(29)
Fair value changes of FVTPL for investments in quoted shares	2,276	174	487	1,432
Gain on foreign exchange translation differences	-	(2)	-	(32)
Impairment on property, plant and equipment	-	86	-	86
Interest income	(564)	(878)	(1,038)	(1,102)
Loss/(Gain) on disposal of property, plant and equipment	111	436	(314)	511
Property, plant and equipment written off	433	1,512	708	1,773
Provision for and write off of inventories	2,809	2,841	5,327	6,064

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 2021.

B6. TAXATION

	CURRENT QUARTER		CUMULATIVE QUARTER	
	3 months ended		6 months ended	
	30.6.2021	30.6.2020	30.6.2021	30.6.2020
	RM'000	RM'000	RM'000	RM'000
Income tax:				
Current period provision	5,756	4,784	13,123	13,829
Over provision in prior year	-	(1)	-	(1)
	<u>5,756</u>	<u>4,783</u>	<u>13,123</u>	<u>13,828</u>
Deferred tax:				
Relating to reversal of temporary differences	(474)	(1,266)	(974)	(1,937)
Under provision in prior year	-	20	-	20
	<u>(474)</u>	<u>(1,246)</u>	<u>(974)</u>	<u>(1,917)</u>
	<u>5,282</u>	<u>3,537</u>	<u>12,149</u>	<u>11,911</u>

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B6. TAXATION (CONT'D)

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 2021 were higher than the Malaysian's statutory tax rate mainly due to certain expenses not deductible under tax legislation.

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 2021 are as follows: -

	Unaudited As at 30.6.2021 RM'000	Audited As at 31.12.2020 RM'000
Short term borrowings		
Secured:		
Term loan	25,612	39,225
Unsecured:		
Bankers' acceptances	81,450	82,940
Term loan	1,803	19,200
Revolving credit	60,000	60,000
	<u>168,865</u>	<u>201,365</u>
Long term borrowings		
Secured:		
Term loan	38,973	325,710
Unsecured:		
Term loan	22,084	6,000
Medium term notes	500,000	-
	<u>561,057</u>	<u>331,710</u>
Total borrowings		
Bankers' acceptances	81,450	82,940
Medium term notes	500,000	-
Term loan	88,472	390,135
Revolving credit	60,000	60,000
	<u>729,922</u>	<u>533,075</u>

Medium Term Notes

The Company has established a 30-year medium term notes ("MTN") programme of RM600.0 million in nominal value ("MTN Programme"), which was lodged with the Securities Commission Malaysia ("SC") on 15 April 2021 in accordance with the SC's Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework.

The Company has completed its maiden MTN issuance of RM500.0 million ("Series 1 MTN") under the MTN Programme on 28 June 2021.

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B8. GROUP BORROWINGS (CONT'D)

Medium Term Notes (cont'd)

The proceeds from the MTN Programme will be utilised by the Company and its subsidiaries to refinance its existing borrowings, capital expenditure, investments, working capital requirements, general corporate purposes and/or to defray expenses in setting up the MTN Programme.

As at 30 June 2021, the Company has utilised the proceeds from the Series 1 MTN as follows:

Details of utilization	RM'000
Repayment of borrowings	341,324
Defray expenses for the issuance of MTN	981
Working capital	156,634

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 Dego Malaysia Sdn Bhd (previously known as Myinteractivelab Sdn Bhd) ("Dego") for respective claims arising from a Subscription Agreement dated 27 December 2019 ("SA") made between 7EMSB, Encik Nabil and Dego ("the Parties") and a Share Sales Agreement ("SSA") 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 Encik Nabil Bin Feisal Bamadhaj and Dego Malaysia Sdn Bhd to pay a sum of RM2,800,000 ("Settlement Sum") to 7-Eleven and Qinetics Solutions Sdn Bhd as full and final settlement of the claims made against them. The Settlement will not have any material effect on the earnings, net assets and gearing of the SEM Group for the financial year ending 31 December 2021.

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	
	30.6.2021	30.6.2020	30.6.2021	30.6.2020
Net profit attributable to equity holders of the company (RM'000)	1,120	1,033	12,799	12,404
Weighted average number of ordinary shares in issue ('000)	1,126,331	1,150,191	1,127,779	1,150,191
Basic/diluted earnings per ordinary share (sen)	0.10	0.09	1.13	1.08

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 2020 was not qualified.