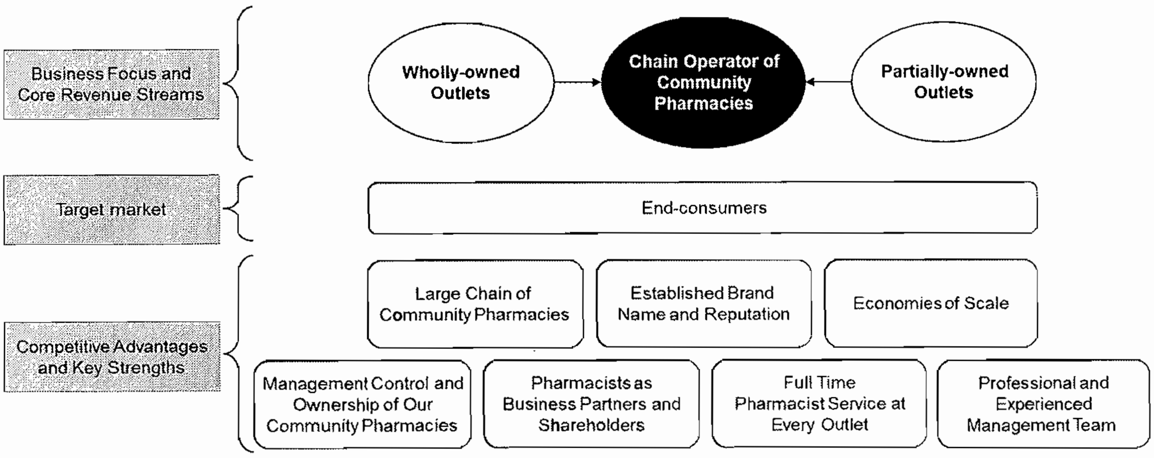
6. BUSINESS AND INDUSTRY OVERVIEW

6.1 OVERVIEW OF OUR GROUP'S BUSINESS ACTIVITIES

6.1.1 Principal Business Activities

Our business activity is focused on operation of a chain of community pharmacies. In addition, we also undertake supporting activities including advertising and promotion and distribution.

6.1.2 Business Model



(i) **Business Focus and Core Revenue Stream**

Our business is focused on the operation of a chain of community pharmacies. As at LPD, we have a total of 85 community pharmacies operating under the brand of 'CARiNG' in Malaysia, which include wholly and partially-owned community pharmacies.

(a) **Wholly and Partially-owned Outlets**

Determination of Type of Outlet

The process of determining the type of outlets is generally based on the following:

- Identify possible locations for new outlets;
- Assess the suitability and viability of locations.

The preferred criteria for wholly-owned outlets include some or all of the following:

- High profile outlet; - Good for corporate branding;	*Such as outlets located in reputable shopping complexes in the country, airports, etc*
- Require huge financial commitment; - Possible long gestation period.	*Certain locations may have good potential but may take a longer time to mature and therefore may require higher financial commitment. In this respect, we are concern that the JV partner(s) may not have the financial capability to undertake such commitment.*

Otherwise, the Group may consider establishing partially-owned outlets under the Caring Joint Venture Scheme.

Generally, all 'CARiNG' community pharmacy outlets shall not be located within 1km radius of each other, unless deemed suitable by the management on the basis of potential business opportunity.

All of our 'CARiNG' community pharmacy outlets are owned by the respective subsidiaries who set-up the operations. Generally, wholly-owned outlets are set-up by wholly-owned subsidiaries whereas partially-owned outlets are set-up by partially-owned subsidiaries. Nevertheless, as our Group retains management control of all wholly and partially-owned outlets, we also manage the recruitment of employees in all outlets.

We have no intention of converting our existing wholly-owned outlets into partially-owned outlets. However, when opportunity arises or under certain circumstances, our partially-owned outlets may be converted into wholly-owned outlets as mentioned in "Acquisition of Our Partially-owned Outlets" below.

Advantages and Disadvantages of Wholly and Partially-owned Outlets

For wholly-owned outlets, all returns of investment will be kept within our Group whereas for partially-owned outlets, returns of investment will have to be shared according to the proportion of shareholdings and the pre-agreed terms.

Nevertheless, partially-owned outlets have their advantages, which include the following:
- Gain full commitment and dedication from joint venture partners;
- Provide joint venture partners a sense of ownership and thus they will run the outlets wholeheartedly;
- Having pharmacists as business partners will ensure our Group that the outlets are managed by personnel with the necessary qualifications, experience and knowledge in operating a community pharmacy.

Acquisition of Our Partially-owned Outlets

Our Group may consider acquiring our existing partially-owned outlets based on the following factors:
- To involve those committed business partners with leadership qualities in the overall management of our Group
- When there is an offer from the minority shareholders to sell their interests in partially-owned outlets.

(b) Core Revenue Stream

As part of our operation of community pharmacies, we undertake retail sales of pharmaceutical products which include scheduled drugs, OTC drugs and health supplements. Part of our portfolio of products also includes non-pharmaceutical products like personal care products, medical and healthcare devices, health food, confectionery, beverages, and household products.

We mainly carry products of third party brands at our chain of community pharmacies. Nevertheless, we also offer a range of products of the brand 'CARiNG'. These products include bottled mineral water, wet wipes and a range of personal care products.

Within our operation of community pharmacies, a small proportion of our revenue was contributed by sales derived from internet, warehouse and roadshow, which mainly consist of health supplements, OTC drugs, personal care products, and medical and healthcare devices.

(ii) Target Market

Our target market is mainly the end-consumers.

(iii) Competitive Advantages and Key Strengths

For further details of our competitive advantages and key strengths, please refer to Section 6.2 of this Prospectus.

(iv) Revenue Segmentation by Business Activity and Products

The breakdown of our Group's revenue by business activity and products for FYE 31 May 2013 is as follows:

Revenue Breakdown by Business Activity and Products for FYE 31 May 2013

	RM '000	%
Operation of Community Pharmacies		
Pharmaceutical Products	187,399	62.17
- *Scheduled drugs*	*88,208*	*29.26*
- *Health supplements*	*81,055*	*26.89*
- *OTC drugs* (1)	*18,136*	*6.02*
Personal Care Products	75,707	25.12
Medical and Healthcare Devices	15,694	5.21
Other Products and Services (2)	22,617	7.50
TOTAL	**301,417**	**100.00**

Notes:

(1) Include a small proportion of traditional medicine;

(2) Include mainly health food, confectionery, beverages, household products and blood glucose tests.

For the FYE 31 May 2013, 100% of our revenue was derived from operation of community pharmacies. Of this, pharmaceutical products accounted for 62.17% of our total revenue, representing the largest group of products sold at our 'CARiNG' community pharmacies.

Within pharmaceutical products, scheduled drugs accounted for 29.26% of our total revenue for the FYE 31 May 2013. This was followed by health supplements and OTC drugs, which accounted for 26.89% and 6.02% of our total revenue for the FYE 31 May 2013 respectively.

Personal care products and medical and healthcare devices accounted for 25.12% and 5.21% of our total revenue for the FYE 31 May 2013. The remaining 7.50% of our total revenue was contributed by other products and services, including mainly health food, confectionery, beverages, household products and blood glucose tests.

(v) Revenue Segmentation by Types of Outlets

The breakdown of our Group's revenue by types of outlets for FYE 31 May 2013 is as follows:

Revenue Breakdown by Types of Outlets for FYE 31 May 2013

	RM '000	%
Shopping Complex	148,216	49.17
Street Outlet	138,414	45.92
Specialised Retail Centre	13,217	4.38
Others [(1)]	1,570	0.53
TOTAL	**301,417**	**100.00**

Notes:

(1) Include sales of health supplements, OTC drugs and personal care products via other retail channels namely internet, warehouse and roadshows.

For the FYE 31 May 2013, 49.17% of our total revenue was derived from our 'CARiNG' community pharmacies located in shopping complexes. This was followed by our 'CARiNG' community pharmacies located on streets which accounted for 45.92% of our total revenue for the FYE 31 May 2013.

Our 'CARiNG' community pharmacies located within specialised retail centres accounted for 4.38% of our total revenue for the FYE 31 May 2013. The remaining 0.53% of our total revenue for the FYE 31 May 2013 was derived from other retail channels namely internet, warehouse and roadshows.

(vi) Revenue Segmentation by Third Party Brands and 'CARiNG' Brand

The breakdown of our Group's revenue by third party brands and 'CARiNG' brand for FYE 31 May 2013 is as follows:

Revenue Breakdown by Third Party Brands and 'CARiNG' Brand for FYE 31 May 2013

	RM '000	%
Third Party Brands	300,006	99.53
'CARiNG' Brand	1,411	0.47
TOTAL	**301,417**	**100.00**

For the FYE 31 May 2013, 99.53% of our total revenue was derived from retail sales of third party brand products.

The remaining 0.47% of our total revenue for the FYE 31 May 2013 was derived from 'CARiNG' brand of products including bottled mineral water and personal care products such as beauty accessories, hand wash, body wash and wet wipes.

6.1.3 Products And Services

(i) Operation of Retail Pharmacy Outlets

Generally, products and services available at our 'CARiNG' community pharmacies include the following:

- Pharmaceutical products including health supplements, scheduled drugs and OTC drugs;
- Personal care products;
- Medical and healthcare devices; and
- Other products and services such as health food, confectionery, beverages, household products and blood glucose tests, blood pressure test as well as free consultation and advice.

We mainly undertake retail sales of third party brand of products at our 'CARiNG' community pharmacies. In addition to third party brands, we also carry a small proportion of the 'CARiNG' brand of products in our community pharmacies including bottled mineral water, wet wipes and personal care products such as beauty accessories, hand wash and body wash.

Within our operation of community pharmacies, a small proportion of our sales which amounted to 0.53% of our Group revenue for FYE 31 May 2013 were contributed by sales from internet, warehouse and roadshow. Internet sales are mainly focused on sales of our health supplements, OTC drugs, personal care products and medical and healthcare devices via Rakuten Malaysia's online shopping website. Warehouse sales refer to sales conducted at our warehouse including promotions of selected goods to the public and staff purchases. Roadshow sales are usually undertaken during organised promotions and activities.

As at LPD, we have a total of 85 community pharmacies, all of which operate under the brand of 'CARiNG'. The breakdown of our 'CARiNG' community pharmacies are as follows:

Number of 'CARiNG' Community Pharmacies by Wholly and Partially-Owned Outlets

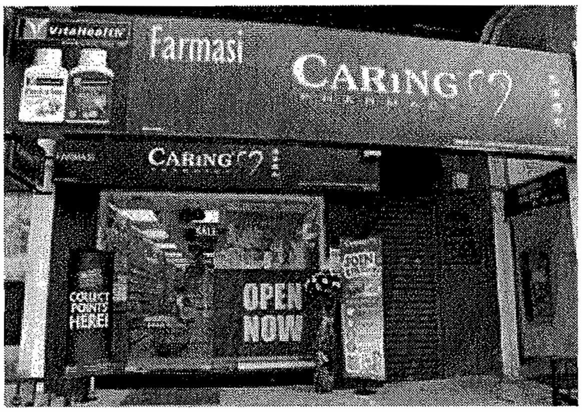
	Number of Community Pharmacies		
	Wholly-Owned	Partially-Owned	Total
Malaysia................................	**26**	**59**	**85**
Selangor.................................	*11*	*27*	*38*
Kuala Lumpur.........................	*13*	*17*	*30*
Johor.......................................	-	*11*	*11*
Melaka	-	*2*	*2*
Perak.......................................	*2*	-	*2*
Penang....................................	-	*2*	*2*

In addition, our 'CARiNG' community pharmacies can also be segmented by types of outlets. As at LPD, the breakdown of our 'CARiNG' community pharmacies by types of outlets is listed below:

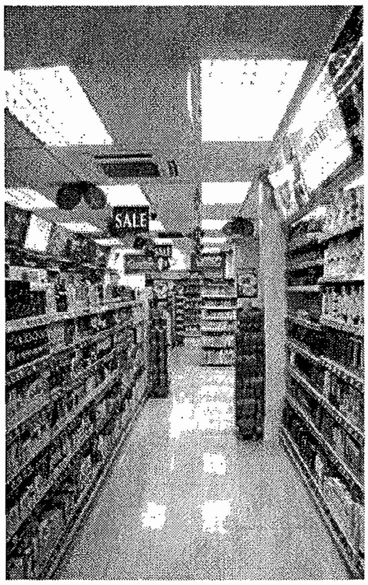
Number of 'CARiNG' Community Pharmacies by Types of Outlets

	Number of Community Pharmacies			
	Street Outlet	Shopping Complex	Specialised Retail Centre	Total
Malaysia	**43**	**36**	**6**	**85**
Selangor	*20*	*16*	*2*	*38*
Kuala Lumpur	*17*	*11*	*2*	*30*
Johor	*6*	*3*	*2*	*11*
Melaka	-	*2*	-	*2*
Perak	-	*2*	-	*2*
Penang	-	*2*	-	*2*

'CARiNG' Community Pharmacy on Street Shopping Areas



Front View of Outlet



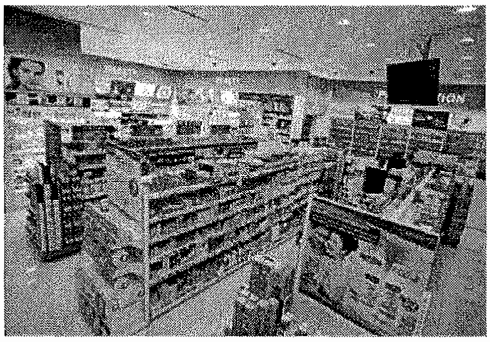
Overview of Product Display in Outlet

Dispensing Counter for Scheduled Drugs

'CARiNG' Community Pharmacy in Shopping Complex

Front View of Outlet

Dispensing Counter for Scheduled Drugs



Overview of Product Display in Outlet

'CARiNG' Community Pharmacy in Specialised Retail Centre

Dispensing Counter for Scheduled Drugs

Products sold at our 'CARiNG' community pharmacies within specialised retail centres are on consignment basis. Nevertheless, we have our own pharmacists and retail staff to operate and manage these outlets.

(a) Pharmaceutical Products

Our community pharmacies carry a range of pharmaceutical products comprising scheduled drugs, health supplements and OTC drugs. Our health supplements and OTC drugs also include products with ingredients such as plant extracts that are sometimes perceived as traditional medicine.

We only undertake retail sales of pharmaceutical products that are registered with the National Pharmaceutical Control Bureau of Malaysia. As a retailer, we are not responsible for product registrations.

Scheduled Drugs

Scheduled drugs refer to medicinal products for medical treatment regulated under the Poisons Act 1952. The sales and supply of scheduled drugs are restricted to licensed personnel and registered professionals only.

Our range of scheduled drugs generally includes Group B and Group C drugs:

- Group B drugs can be supplied by a licensed pharmacist in accordance with a prescription from a registered medical practitioner; and
- Group C drugs can be supplied by a licensed pharmacist on premises specified in his or her licence for the purpose of the medical treatment of a particular individual.

Some of the main types of scheduled drugs available at our 'CARiNG' community pharmacies include the following:

- Analgesic applications in the form of gel and plaster;
- Anaesthetics;
- Antibiotics;
- Antidiabetic drugs;
- Antiemetics drugs to treat nausea and vomiting;
- Antivertigo drugs;
- Antihyperlipidaemic drugs to treat high cholesterol;
- Antiobesity drugs;
- Bone metabolism drugs;
- Chemotherapeutic drugs to treat cancer;
- Cough and cold drugs;
- Cardiovascular drugs;
- Dermatological drugs;
- Drugs for allergy and immune system;
- Drugs for obstructive airway diseases such as asthma;
- Gastrointestinal drugs;
- Genito-urinary drugs;
- Hypothyroidism and hyperthyroidism drugs;
- Muscle relaxants;

- Nasal preparations;
- Non-steroidal anti-inflammatory drugs for pain relief, fever-reducing and anti-inflammatory;
- Ophthalmological and otological drugs for sensory organs;
- Oral contraceptives;
- Smoking cessation drugs; and
- Throat preparations.

Health Supplements

Health supplements are commonly referred to as diet supplements, food supplements or nutritional supplements and they include the following:

- products intended to supplement the diet with one or more dietary substances such as vitamins, minerals, amino acids, fatty acids, fibres and enzymes; and

- products intended to maintain or improve the functioning of the human body including, among others, minerals and extracts from plants and animals.

Health supplements available at our 'CARiNG' community pharmacies commonly come in different forms such as pills, capsules, tablets, liquid or powder.

The range of health supplements carried by our 'CARiNG' community pharmacies contain various dietary substances and extracts from plants and animals, including, among others, the following:

- Vitamins such as Vitamin A, Vitamin B1, Vitamin B2, Vitamin B3, Vitamin B5, Vitamin B6, Vitamin B7/H, Vitamin B9, Vitamin B12, Vitamin C, Vitamin D, Vitamin E and Vitamin K;

- Minerals such as potassium, calcium, phosphorus, magnesium, zinc, iron, manganese, copper, iodine, selenium, fluoride and chromium;

- Amino acids such as carnitine, lysine and taurine;

- Plants extracts such as celery, evening primrose oil, ginkgo, spirulina, red yeast rice, garlic, barley grass, wheat grass, grape seed, ginseng, cordyceps, gugulipid, coenzyme Q10 and lecithin;

- Animal extracts such as chondroitin, colostrum and coenzyme Q10;

- Fatty acids such as fish oil and flaxseed oil; and

- Others including amino sugar such as glucosamine, pre and probiotic and weight management products.

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OTC Drugs

OTC drugs are medicinal products that are made available to the public without professional supervision and prescriptions. These drugs are commonly used for self-medication to treat minor ailments and conditions. These OTC drugs are either taken orally or for external application.

Some of the common OTC drugs available at our 'CARiNG' community pharmacies include the following:

- Cough syrup;
- Analgesic applications in the forms of gel, liniment, plaster, spray, balm and oil;
- Laxative;
- Cold and flu drugs;
- Mucolytic drugs for loosening and clearing mucus;
- Pain relief and fever patches;
- Deworming drugs for treating soil-transmitted intestinal worms;
- Antacid and indigestion drugs for treating heartburn and indigestion;
- Electrolytes to prevent dehydration by replacing fluids and minerals lost due to diarrhoea and vomiting;
- Haemorrhoid topical applications;
- Topical applications for treating skin diseases and conditions; and
- Topical applications for treating insect bites.

(b) Personal Care Products

We also carry non-pharmaceutical products including a range of personal care products of local and international brands at our community pharmacies. Some of the common types of personal care products available at our community pharmacies include the following:

Types of Personal Care Products	Examples
Hair care products	Shampoo, conditioners, colouring products, styling products, treatments, tonic and accessories.
Skin care products	Facial, eye, hand and body moisturisers, suncare products, facial and body washes, facial and body scrubs, facial and body soaps, facial wipes, facial toner, facial masks, makeup remover, talcum powder, hand sanitizer, body massage oil, facial blotters, lip balms, as well as specialised skin care products for various skin conditions including scars, dry and sensitive skin, acne and blackheads, anti-cellulite and stretch marks.
Colour cosmetics	Lipstick, lip liner, lip gloss, eye shadow, eyeliner, mascara, eyebrow pencil, blush, foundation, face powder, concealer, nail polish and blemish balm (BB) cream.
Dental and oral care	Toothbrushes, toothpaste, mouthwash, dental floss, breath freshener, denture care, tongue cleaner and oral care accessories.
Baby care products	Perinatal care, baby wipes, nursing and feeding accessories.

Types of Personal Care Products	Examples
Foot care products	Heel balm, hosiery, foot spray, foot support and other accessories.
Family planning products	Condoms, lubricant, pregnancy testers and ovulation testers.
Other personal care products	Deodorant, antiperspirant, sanitary protection, wet wipes, disposable panties, feminine hygienic wash, hair removal, fragrance, perfume and cologne, facial cotton and cotton buds, facial tissues, beauty accessories, razor blade, shaving foam and after shave care.

(c) Medical and Healthcare Devices

We also carry a range of medical and healthcare devices at our 'CARiNG' community pharmacies, which include first aid, rehabilitation aid as well as diagnostic and other healthcare devices.

Some common types of medical and healthcare devices available at our 'CARiNG' community pharmacies include the following:

Types of Medical and Healthcare Devices	Examples
First aid devices	Antiseptics, gauze pads, bandages, first aid kits, pain relief hot and cold pads, examination gloves, surgical and face masks, plasters and surgical tapes, cotton wool as well as syringes and needles for emergency needs.
Rehabilitation aid devices	Adult diapers and underpads, rehabilitation support for various body parts, toilet and bathroom equipment, mobility aids and compression stockings.
Diagnostic devices	Blood glucose meters, blood pressure monitors, fat analysers, thermometers, nebulisers, respiratory equipment and blood screening for general health control and diagnosis.
Healthcare devices	Pedometers, air sterilisers and purifiers, various guards for the knee, elbow, ankle, shoulder, chest and wrist, as well as shaping belts, massage socks and eye massagers for general health promotion.

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(d) **Other Products and Services**

Other Products

We also carry a range of other products at our 'CARiNG' community pharmacies which include the following:

- Health food include, among others, organic food, vinegar, soybean, sweetener, salt and sugar, oats and cereals, dried fruits, energy drinks, fruit based beverages, bird's nest, enzymes, yogurt and energy bars; and
- Confectionery such as lozenges, and beverages such as bottled mineral water and Asian drinks as well as household products such as disinfectant sprays and batteries.

Other Services

We also provide a range of services to our customers including blood glucose test and blood pressure test.

Blood pressure test is generally provided to our customers for free while a small fee is charge of blood glucose test.

Furthermore, we also provide free consultation and advice to our customers such as the following:

- General OTC and health supplement product selection and usage;
- Patient medication review;
- Smoking cessation;
- Weight management; and
- Diabetic management.

We also collaborate with product principals to provide free health testing services to our customers as part of our promotional campaign for their brands or products. However, these are generally not the regular health testing services available at our 'CARiNG' community pharmacies and are conducted by the professionals and personnel assigned by the product principals.

(ii) **Advertising and Promotions**

We also undertake advertising and promotional activities for various product principals. As part of our business operations, we also derive income in the form of product listing fees, advertising and promotional funds from either the product principals or suppliers for these activities.

These advertising and promotional activities include, among others, the following:

- Product and/or brand display at our 'CARiNG' community pharmacies;
- Product and/or brand display on the signage of our 'CARiNG' community pharmacies;
- Participation in our advertising and promotional activities for example newspaper advertisements as well as sales campaigns and events such as health talks and roadshows;
- Product and/or brand display on banners, posters, bunting and stickers at our community pharmacies; and

- Product and/or brand display on our gift items.

For the FYE 31 May 2013, income generated from advertising and promotions amounted to RM14.66 million, represented 74.86% of our other income. Advertising and promotions income may also include contribution from suppliers for opening of new stores and incentives for achieving sales targets.

(iii) Distribution

We also undertake distribution activities for some of our suppliers. Generally, this involves transportation of products from our central distribution centre in Bedford Business Park to our chain of 'CARiNG' community pharmacies. We derive income from our suppliers for undertaking these distribution activities.

For the FYE 31 May 2013, distribution income amounted to RM3.59 million which represented 18.31% of our other income. We do not collect any distribution fee from suppliers who undertake their own distribution to our outlets.

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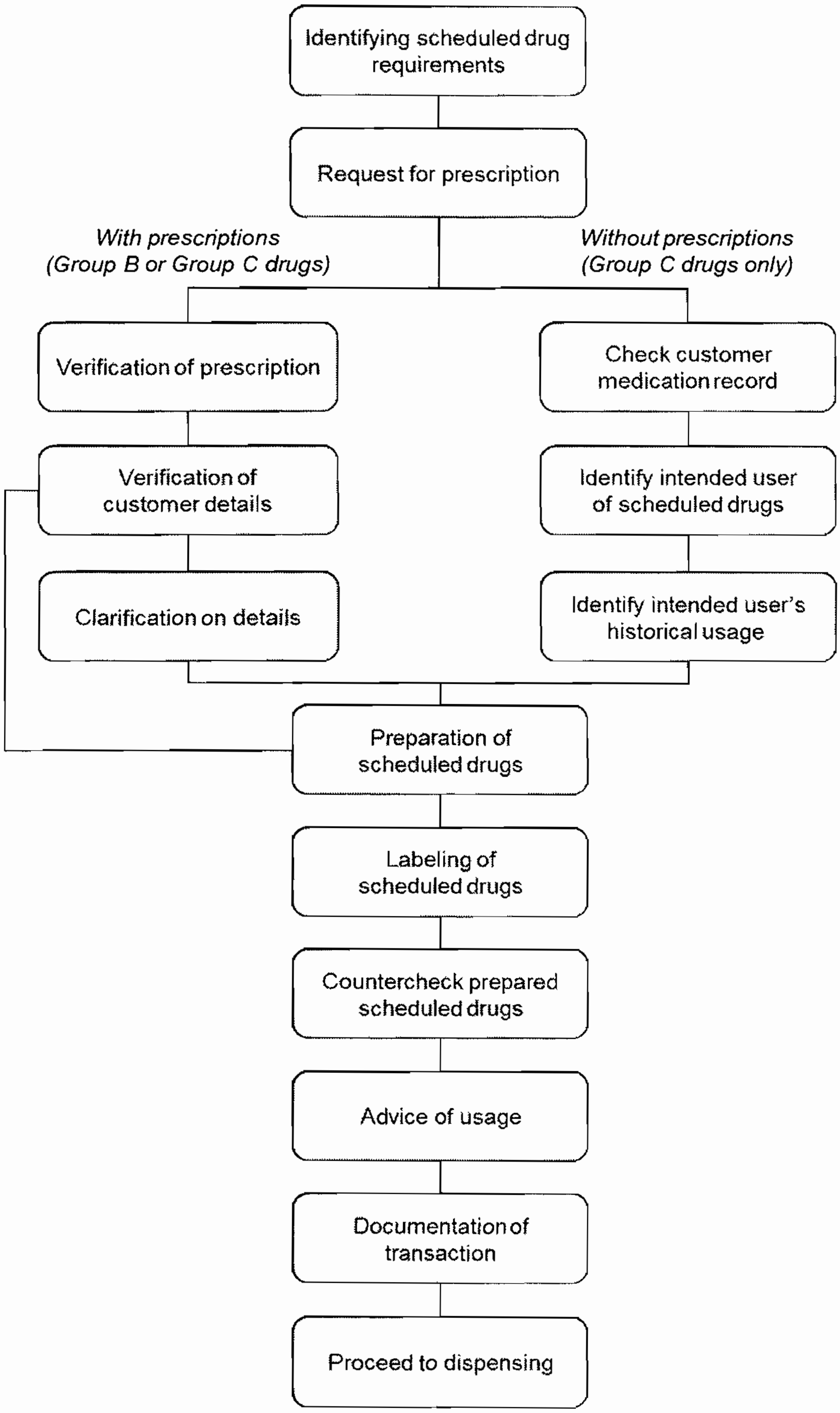
6.1.4 Process Flow

(i) Process Flow for Supply of Scheduled Drugs

The process flow put in place by our Group for our pharmacists to adhere to for the supply of scheduled drugs is as follows:



The following procedure put in place by our Group to be adhered to by our pharmacists for supply of scheduled drugs begins with identifying the customer's scheduled drug requirements.

The pharmacist on duty will then proceed to request for the prescription by medical practitioners. For Group B scheduled drugs, dispensing will be declined without a valid prescription save for permitted circumstances.

Upon receipt of the prescription for Group B or Group C scheduled drugs, the pharmacist on duty will then proceed to verify validity of the prescription including name and address of prescribed patient, the routes of administration and other drug instructions, dosage and dosage forms, possible side-effects, risk of adverse drug reactions and contraindications.

Upon verification of the prescription, the pharmacist on duty will proceed to request for identification of customer to verify customer details. If required, the pharmacist would clarify details in prescription with the customer.

For Group C scheduled drugs without a prescription, the pharmacist on duty will proceed to check if the customer had previously purchase the same types of scheduled drugs with any of the 'CARiNG' community pharmacies.

As a precautionary step, the pharmacist on duty will then proceed to identify with the customer the intended user of the drugs such as age group of the patient and his or her historical usage and experience of such drugs such as dosage consumed, routes of administration and the conditions of the patient following the use of the drugs.

The pharmacist on duty or retail staff under the supervision of a pharmacist on duty will then proceed to prepare the scheduled drugs.

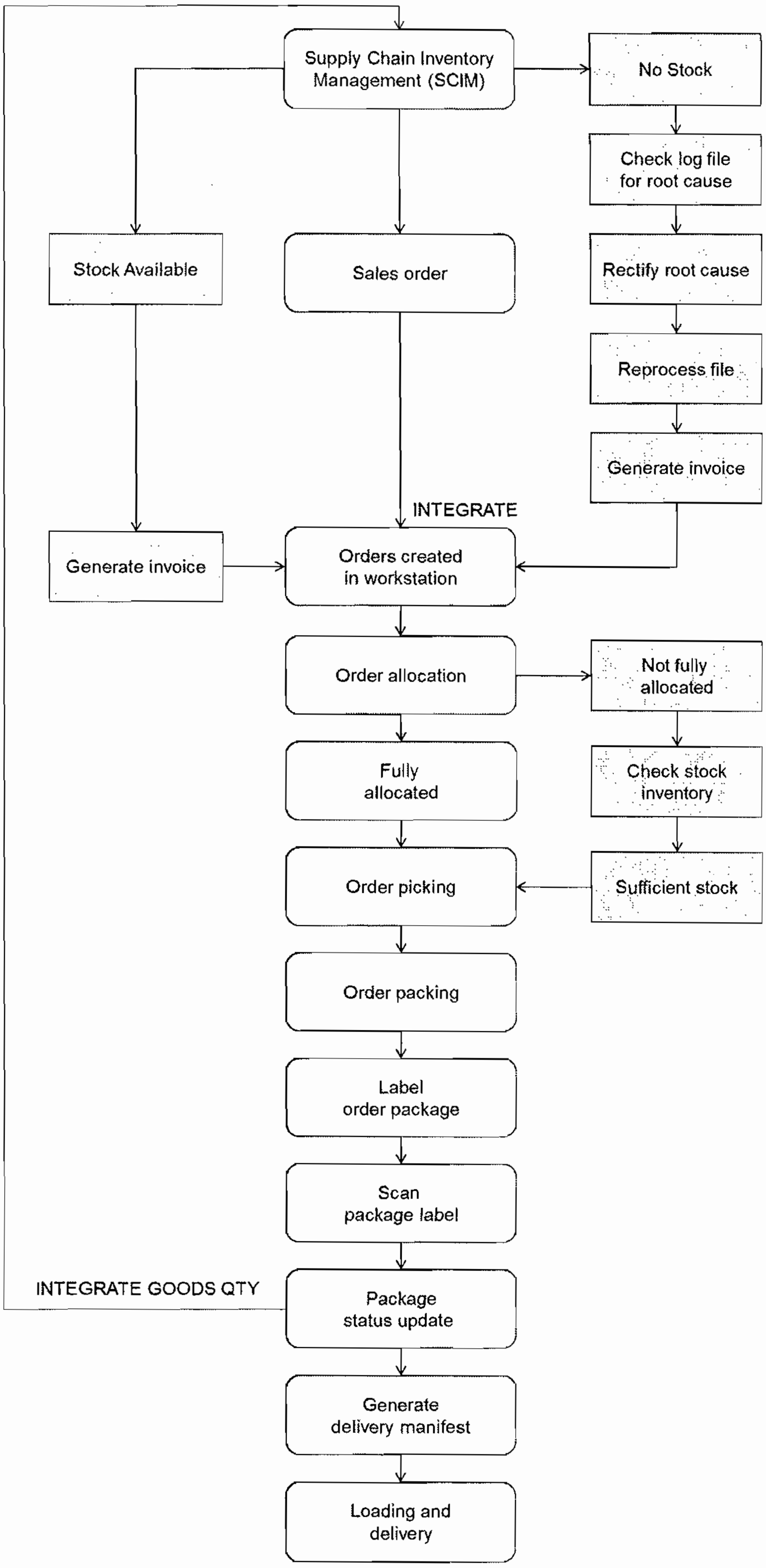
Upon preparation of scheduled drugs, the pharmacist on duty or retail staff under the supervision of a pharmacist will proceed to label the packaging containing the scheduled drugs including patient's name, generic and trade name of the scheduled drugs, strength and quantity per unit dosage form and dosage form itself, direction for use, precautions and cautionary labels, date of supply, expiry of the scheduled drugs, 'controlled medicine' label where required, name, address and contact number of the respective 'CARiNG' community pharmacy.

Upon labelling of scheduled drugs, the pharmacist on duty must countercheck the prepared scheduled drugs against the prescription or customer request. The pharmacist on duty will then proceed to advice the customer on usage and consumption of the scheduled drugs including direction for use, dosage to be taken and the proper precautions to be taken.

Prior to dispensing the scheduled drugs, all transactions must be recorded including, among others, date and quantity of supply of scheduled drugs, name, address and identification number of customer or patient, invoice number, name and address of the respective 'CARiNG' community pharmacy.

After satisfying all of the above, the pharmacist on duty will proceed to dispense the scheduled drugs to customers.

(ii) Process Flow for Warehousing and Distribution



The following is the procedure for warehousing and distribution of drugs and other products via the SCIM. This system is key part of the supply chain for processing and delivering stock orders.

Stock is ordered through the SCIM for replenishment and a sales order is issued. An invoice is prepared and generated upon availability of stock. If stock for the item is unavailable, a thorough check of its log file and replenishment of the stock is undertaken. Once the stock is available, the order file is then reprocessed.

Invoices for the orders are generated in the workstation and an order allocation is entered into the system for order picking. The order is then packed and labelled in readiness for delivery.

Upon readiness of the package for delivery, the label is then scanned for identification and tracking purposes. A delivery manifest is generated before loading into truck for delivery and distribution.

6.1.5 Technology Used/ To Be Used

Relevant Technologies

As our business is focused on the operation of chain community pharmacies, technologies are not directly relevant to our business with the exception of the use of information technology (IT) in the form of retail management software system for inventory management and control.

In July 2012, we have commenced the implementation of a financial and warehousing software system and a supply chain inventory management software system to facilitate more timely and efficient inventory control process. The completion of the system is expected to be in the fourth quarter of 2013.

The systems are integrated with our in-house point-of-sale (POS) system, which is linked among all of our 'CARiNG' community pharmacies and head office via virtual private network.

6.2 OUR COMPETITIVE ADVANTAGES AND KEY STRENGTHS

Our competitive advantages and key strengths provide us with the platform for future growth. This includes the following:

(i) Large Chain of Community Pharmacies

As at June 2013, we had a total of 83 'CARiNG' community pharmacy outlets in Malaysia. Based on the number of community pharmacy outlets, we ranked among the top three (3) community pharmacy operators in Malaysia as at June 2013 *(Source: Vital Factor Consulting Sdn Bhd)*. As we operate in a consumer-oriented industry, an extensive network of community pharmacies is important to ensure our products and services reach as many consumers as possible. In this respect, a wide network of community pharmacies would provide convenience and proximity to a larger base of consumers, as our outlets are mainly located in two of the most densely-populated areas in Malaysia with 38 outlets in Selangor and 30 outlets in Kuala Lumpur. We also have 11 outlets in Johor, two (2) each in Melaka, Perak and Penang to reach consumers outside the Klang Valley area. In total, we have 85 'CARiNG' community pharmacy outlets as at LPD.

Our large chain of community pharmacies is a competitive advantage as it enables us to reach a larger base of population, which would provide us with the platform for growth opportunities.

(ii) Established Brand Name and Reputation

We have developed an established brand of community pharmacies under 'CARiNG' which has been operating since 1994 when we started our first community pharmacy in Cheras, Kuala Lumpur. Since then, we have expanded our chain of community pharmacies to a total of 85 outlets in Malaysia as at LPD. All of our community pharmacies continue to operate under the brand of 'CARiNG', which include 26 wholly-owned and 59 partially-owned community pharmacies. Our extensive chain of community pharmacies has enabled us to increase our profile and awareness of our brand among urban consumers in a number of states and federal territory of Kuala Lumpur in Malaysia.

In addition, our established brand name and reputation is also supported by our continuous investment in advertising and promotion whereby we spent a total of RM11.36 million in advertising and promotional activities over the last 4 FYE 2010, 2011, 2012 and 2013.

Our established brand and reputation provide us with a competitive advantage by assisting us in creating brand loyalty, which is the key to our business sustainability and growth within a retail environment.

(iii) Economies of Scale

Operating a large number of community pharmacies enables us to enjoy economies of scale from the following perspectives:

- Bulk purchases where we are able to command better pricing and commercial terms including credit terms, logistic support and timely delivery of products;

- Sharing of overheads over a large number of operating community pharmacies. Some of these overheads include head office functions, administrative functions, information technology, and sales and marketing expenses; and

- Centralised logistics, where we maintain a central warehouse and provide regular deliveries to all our community pharmacies. In this manner, our community pharmacy outlets are able to maximise its retail space without need to have space to keep stocks. This also enables our community pharmacies to optimise retail space to carry a wider range of products.

(iv) Management Control and Ownership of Our Community Pharmacies

As at LPD, we have 59 partially owned community pharmacies operating under 'CARiNG', which represented approximately 69% of our total number of community pharmacies.

Despite the significant number of partially owned community pharmacies, we continue to retain management control of all of our wholly and partially-owned community pharmacies through our shareholding of at least 50% or more in every subsidiary company.

Retaining management control of all of our community pharmacies is important in ensuring control over corporate and brand image, marketing, pricing, product and service quality, and range of products and services carried at our community pharmacies.

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(v) Pharmacists as Business Partners and Shareholders

For each of our partially-owned subsidiaries, all our business partners are generally registered and trained pharmacists (with the exception of one individual who was an existing shareholder of a chain of community pharmacies which we acquired). This is one of the preferred criteria under our Caring Joint Venture Scheme for individual shareholders. Therefore our business partners to possess the necessary qualifications, licences, experience and knowledge to operate our community pharmacies including dispensing of scheduled drugs.

Our business partners who are pharmacists also required to devote full-time to the management and operation of their respective community pharmacies on a daily basis.

(vi) Full Time Pharmacist Service at every Outlet

All of our community pharmacies have full time pharmacists who are licensed to dispense scheduled drugs throughout our retail operating hours to service our customers. As at LPD, we have a total of 85 community pharmacies, with a total of 154 pharmacists for our retail operations.

Full time pharmacist services are important to ensure that the needs and requirements of our walk-in customers relating to the purchase of scheduled drugs, health supplements as well as blood pressure tests and blood glucose tests are met. The availability of a pharmacist would also enable our customers to seek professional advice and recommendations on health issues and product requirements during our retail operating hours.

The provision of full time pharmacist services is an important competitive advantage as it assists us in building good customer relationships and ensures that a certain level of service quality is met. In addition, being able to provide professional advice differentiates ourselves from other retail outlets like health food stores that also sell health related products.

(vii) Professional and experienced management team with proven track record of delivering sustainable growth and profitability

The Executive Directors and key management personnel of the Group have extensive management and operational experience and an in-depth understanding of the community pharmacy business and they have been responsible for formulating and implementing the overall business strategy and corporate development of the Group.

Our management team has shown a loyal, continued commitment to our Group. The executive directors have, on average, served our Group for approximately 16-19 years. The Group is characterised by a culture of balanced entrepreneurship and professionalism, whereby the directors serve its best interests, whilst always applying professional care and judgment to decision making. The management team is dedicated to raise corporate standards and has a proven track record of achieving results, which is reflected in the financial and operational improvements recorded over the years. They use their expertise, experience and ability to collaborate as a team to contribute positively to the operations and growth of the business.

The Group has in place a well-defined management structure that supports its wide network and planned growth. The Group has invested significant resources to recruit, retain and motivate qualified managerial personnel. Such management structure enables greater operational efficiency whilst being able to provide management support to the Group's outlets in different geographic regions. Further details of the Group's management structure are set out in Section 8.6 of the Registrable Prospectus.

6.2.1 Caring Joint Venture Scheme

We launched our Caring Joint Venture Scheme in 2000 to enable us to expand our market coverage by engaging individuals who are branch managers and are registered pharmacists to set up new subsidiaries of our Group in which these individuals become shareholder of the subsidiaries to undertake operation of community pharmacy under 'CARiNG'. Through this joint-venture scheme, we have individual partners with a maximum of shareholding up to 50% with our Group.

The selection of registered pharmacists is part of our emphasis on service quality, to ensure that our business partners have the necessary qualifications, experience and knowledge to operate our community pharmacies, particularly in dispensing scheduled drugs.

Generally, the key criteria and prerequisites considered in selecting a CARiNG Joint Venture business partner include, inter-alia the following:

- The applicant must be a registered pharmacist with the Pharmacy Board of Malaysia (except for one individual shareholder of Caring (IDR), who was one of the original vendors during the acquisition of a chain of community pharmacies in Johor operating under the trade name of "Medi-home". This individual is now an area manager for the Johor Bahru outlets);
- The applicant must have been a branch manager of a CARiNG community pharmacy outlet for at least one year (except for vendors of "Medi-home");
- The applicant must be financially secured;
- The applicant must not have any partnership or shares in other pharmacy business; and
- The applicant must share the same vision and mission of the CARiNG Group

The cumulative number of CARiNG Joint Venture business partners and the JVA entered into by CARiNG Group as at the financial years under review and LPD are as follows:

FYE	2010	2011	2012	2013	LPD
Number of business partners	32	35	40	58	65
Number of JVA	20	22	23	33	36

Under the JVA, a new company will be set up reflecting the pre-agreed equity interest of the respective parties to the joint-venture.

We will then contribute the initial capital commitment based on our equity interest in the relevant partially-owned subsidiaries to start up the business. Thereafter, the respective subsidiaries will bear all costs in operating the business of the company. The advertising and promotions efforts of all partially-owned subsidiaries are centralised and managed by our Group. Each partially-owned subsidiary is required to pay a specific proportion of their gross turnover as contribution towards our advertising and promotion fund. However, currently the advertising and promotion income from the suppliers of the Company is sufficient to cover the advertising and promotion expenses. Hence, we have not commenced collection of the said fund from our partially-owned subsidiaries.

The return of investment for JV business partners are shared and paid as dividends, based on their shareholdings proportions.

The terms of the JVA are standard. However, certain terms may vary depending on circumstantial factors.

Terms of JVA

The salient terms of the JVAs includes, inter-alia, the following:

(i) Transfer of shares

The party desiring to sell transfer or dispose any of its shares in the company ("**Selling Party**") shall not do so without first making an offer in writing ("**Transfer Notice**") to sell such shares to the other party ("**Non-Selling Party/Parties**") in proportion with their shareholdings in the company. The Non-Selling Party/Parties shall accept or decline such offer within thirty (30) days from the date of the Transfer Notice. If the offer is not accepted, the Selling Party may sell or transfer such shares at any time within three (3) months thereafter to any outside party or parties who are not shareholders of the company at a price and on terms no more favourable than the offer price and the offer terms. If the shares so offered have not been accepted in full after the expiration of the aforesaid thirty (30) days, then the balance shall be offered at a price and on terms which it/they has/have been first offered under the Transfer Notice ("**Second Offer**"). The Second Offer shall be accepted or declined within fourteen (14) days from the date of the Second Offer and any balance of shares of the Second Offer may be sold and transferred by the Selling Party at any time within three (3) months thereafter to any outside party or parties who are not shareholders of the company.

If the shares are sold to any outside party or parties who are not shareholders of the company, the Selling Party shall deliver to the company a written agreement or undertaking from such outside party or parties purchasing such shares to be bound by the provisions of the JVA.

However, the parties agree that this provision shall not apply if the shares are transferred by CPRM to a transferee who is a member of the CPRM Group provided that CPRM shall procure that such transferee comply with all the provisions of the JVA.

(ii) Undertaking of the parties

CPRM shall provide the following services to the company:

- to allow the company to operate its business by using the trade name of CARING PHARMACY for the duration of the JVA;
- to provide the know-how and assist in the planning and establishment of the business;
- to assist in the planning of the budget;
- to provide management and staff training;
- to provide marketing, purchasing, advertising and cost guidelines;
- to assist and advise in the setting up of the outlets including layout and renovation works;
- to advise on any contracts entered with suppliers;
- to supply pharmaceutical products at cost on credit terms of 60 days; and
- to provide back-up and support staff in cases of shortage of staff.

The parties to the JVA have agreed that the company shall do the following:

- to setup the first retail outlet within the first six months of the JVA and the subsequent second retail outlet shall not be set up within the first six months of the opening of the first retail outlet;
- any retail outlets set up by the company shall be at least 1km beyond any of the pharmaceutical retail outlets owned or operated by the CPRM Group;

- pay CPRM management service fee;
- pay CPRM loyalty fee;
- contribute towards the Advertising & Promotion fund which is been administered by CPSB; and
- to procure insurance coverage against burglary, theft, fire and all types of public liability.

The joint venture parties (save for CPRM) will agree to the following:

- to devote their best full-time efforts to the management and operation of the company or CPRM Group as the business requires their day-to-day supervision at all times. If they are unable to perform this obligation for a continuous period in excess of 3 consecutive months, CPRM have the right to terminate the JVA in accordance to the term of the agreement;
- to manage and operate the business professionally by maintaining high standards of service;
- to be responsible to ensure that there are always adequate finances including working capital and cash flow; and
- to maintain monthly sales reports.

(iii) Term and Termination

The JVA shall be deemed to have come into force and effect as at the date of this agreement and shall continue in force for such time until the company shall be wound up or until this agreement is terminated earlier in accordance with the terms of the JVA.

The parties agree that in the event if the company is operating at a continual loss for the first three (3) years of the business commencing from the unconditional date, the parties shall mutually agree on the transfer of shares to such remaining party or third party who intend to continue with the business. If the parties cannot mutually agree on the transfer of shares between themselves, then any party may by notice in writing to the other party(ies) require a general meeting to be convened and other actions to be taken, including but not limited to for the purpose of winding-up the company.

(iv) Acquisition of shares by the shareholders

For community pharmacy outlets acquired from other parties, the parties agree that if any of the shareholders commits or permit to occur any one of the following circumstances, the JVA may be terminated immediately with respect to the affected shareholder any one or more of the remaining shareholders by notice in writing to the affected shareholder and the remaining shareholders shall have the right and option to acquire the affected shareholders' shares in accordance with the JVA:

- death of the affected shareholder;
- total and permanent disability (as a result of injury or illness, the shareholder is permanently disabled and unable to continue his employment with the Group, for which he is qualified by reason of his education, training and/or experience;
- the affected shareholder's decision of retirement from the company;
- voluntary departure from the company or the business for any reason of whatsoever;
- a breach of any of the terms or covenants of this JVA and, where remediable, the affected shareholder has failed to remedy the breach within a period of 30 days upon receipt of a notice in writing from any one or more of the remaining shareholders giving particulars of the breach and requiring the affected shareholder to remedy the breach;

- a criminal offence or other legal proceedings which may affect the business or the image of the business or CPRM Group; or
- declared insolvent, bankrupt, or have a receiver appointed n respect of the whole or any part of his/its assets or undertaking or in the case of corporate bodies, have steps taken for its winding up (otherwise than for the purpose of a bona fide amalgamation or reconstruction) or have made a general assignment for the benefit of creditors.

In the event the remaining shareholders opt not to purchase all the shares of the affected shareholder, then the affected shareholder can nominate a third party to purchase the shares subject to the approval of and absolute discretion of the remaining shareholders. In the event that the approval of the remaining shareholders is not forthcoming within twenty one (21) days from the date of the notice of the nomination given by the affected shareholder to the remaining shareholders, the remaining shareholders shall be deemed to have approved the sale by the affected shareholder to such third party.

(v) Profit sharing

Unless otherwise from time to time mutually agreed upon by the parties, the company shall not declare, pay or make any dividend or other distribution until all loans (if any) made to the company by the parties have been repaid in full. The company will thereafter procure that in each financial year all profits available for distribution will be declared and distributed to the parties by way of dividend in proportion to the amount paid-up or credited as paid-up on the shares held by them respectively in the company, upon making provisions for inter alia taxation, extraordinary items, company's expenses and directors' remuneration and subject to reasonable and proper reserves being retained as the board may consider appropriate. Unless otherwise agreed between the parties in writing and subject to the foregoing, if the company has earned an audited net profit after tax for a financial year, then not less than 50% of the net profit after tax of the company shall be declared as dividend in two (2) periods of payment.

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6.3 MARKETING INITIATIVES AND MAJOR CUSTOMERS

6.3.1 Strategies and Modes of Marketing/ Sales

(i) Marketing Strategies

Marketing and promotions play a key role in creating brand awareness as well as building brand equity and corporate image of our community pharmacies.

We adopt the following strategies to sustain and expand our business:

- Continue to place emphasis on branding by promoting the 'CARiNG' brand, which is key in building brand equity and customer loyalty;

- Maximise on the established 'CARiNG' brand by expanding our community pharmacies in Malaysia;

- Maintain our corporate image as a community pharmacy whereby we position ourselves as a one-stop centre for pharmaceutical products coupled with the provision of full time pharmacist service for personal healthcare advice during retail operating hours; and

- Provide proximity and convenience to our customers by locating our 'CARiNG' community pharmacies in highly visible areas on streets near densely populated residential areas, busy commercial areas, and in shopping complexes and specialised retail centres.

We utilise the following marketing and promotional methods to continually create brand awareness and build our brand equity:

- Undertake advertisements and promotions on various mediums including television, radio and newspapers;

- Tying up with third party loyalty card companies namely BonusLink since 2006 to gain access into customer databases in order for us to undertake marketing to our members via short message service (SMS), emails and newsletters. In addition, we were also featured in BonusLink's Pointers Magazine as well as participated in campaigns, programmes and promotional activities organised by BonusLink;

- As at LPD, we also maintain our own customer database of approximately 180,000 members through our customer loyalty programme named "Caring Regular Card" which was launched in 2002. Our Caring Regular Card programme is for us to keep track of our customers' purchasing history as well as for our Group to undertake marketing to these members via short messaging service (SMS), emails and newsletters; and

- The BonusLink programme is not in competition and is partly different from our Caring Regular Card programme.

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- BonusLink programme enables our customers to collect BonusLink points when making purchases at our CARiNG community pharmacy outlets. These BonusLink points may be used to redeem a wide range of free gifts. Since tying up with BonusLink programme, our Caring Regular Card programme has ceased its rewarding element. Our Caring Regular Card programme is now mainly used by our Group to keep track of the purchasing history of our customers whilst the BonusLink is used to collect BonusLink points for redemption purposes.

- Distribute and provide free leaflets and catalogues to residential areas through post box drop or insertions in newspapers, and via our website and community pharmacies to inform customers of promotional products;

- Notify customers of events such as free health talks and health testing services by displaying notices on our website, in our community pharmacies and via short messaging service (SMS), emails and newsletters to members of our Caring Regular Card programme. Free health talks and health testing services are generally organised in conjunction with various product principals as joint promotional activities. These are normally conducted at our 'CARiNG' community pharmacy outlets or our 'Caring Wellness Centre' located above CARiNG's outlet in Taman Overseas Union, Kuala Lumpur, which was set-up during the second quarter of 2013; and

- To build on our corporate image as community pharmacy, we also publish health related information on our website to educate our customers.

For the Financial Years Under Review, we spent a total of RM11.36 million on advertising and promotional activities.

As part of our Group's strategy to promote the 'CARiNG' brand, we have also organised various health talks and roadshows in Malaysia in conjunction with various product principals and suppliers. Between 1 January 2012 and LPD, we have organised approximately 60 health talks, roadshows, 'Care Home Visit' and awareness programmes with various product principals, suppliers and non-government organisations in Selangor, Kuala Lumpur and Melaka. Our 'Care Home Visit' programme involves visiting residences and old folks homes and providing the elderly with various screening tests including blood pressure and glucose tests, complimentary personal care products and health supplements as well as health counselling sessions.

As at LPD, we have six (6) sales and marketing personnel in our Group focusing on implementing our marketing strategy including advertising and promotional activities.

(ii) Distribution Channel Strategy

Our distribution channel strategy is principally based on direct distribution channel where we service our walk-in customers directly. Our direct sales approach enables us to service our customers better from dispensing of scheduled drugs to general healthcare advice on health supplements as well as the provision of blood pressure and blood glucose tests.

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6.3.2 Principal Markets for Products and Services

For FYE 31 May 2013, our principal market is Malaysia as it accounted for 100.00% of our total Group revenue. Within Malaysia, our revenue for the FYE 31 May 2013 was mainly derived from Selangor and Kuala Lumpur, which accounted for 47.06% and 42.98% of our total Group revenue respectively. This was followed by Johor, Melaka, Perak and Penang, which accounted for 7.18%, 1.94%, 0.82% and 0.02% of our total Group revenue for the FYE 31 May 2013 respectively.

Revenue Contribution by Geographical Markets for FYE 31 May 2013

	RM'000	%
Malaysia	**301,417**	**100.00**
- Selangor	141,858	47.06
- Kuala Lumpur	129,540	42.98
- Johor......................................	21,654	7.18
- Melaka	5,848	1.94
- Perak	2,461	0.82
- Penang....................................	56	0.02

6.3.3 Major Customers

As our customers are mainly individual walk-in customers to our community pharmacies, none of our customers represented 10% or more of our total Group revenue for the past 4 FYE 2010 to FYE 2013.

6.4 SEASONALITY

Generally, there are no sharp contrasts in seasonality as our products are for general use and applications that are not generally tied to any seasonality factors.

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6.5 MAJOR SUPPLIERS AND RESOURCES

6.5.1 Major Suppliers

Our Group's major suppliers are mainly pharmaceutical product and personal care product suppliers. Our Group's major suppliers (i.e. those individually contributing 10% or more of our Group's total purchases for the past four (4) FYE 2010 to FYE 2013) are as depicted in the table below:

			FYE 2010		FYE 2011		FYE 2012		FYE 2013	
Suppliers	Major Products Purchased	Approximate Length of Relationship (years)	Purchases (RM'000)	Proportion of Group's Purchases (%)	Purchases (RM'000)	Proportion of Group's Purchases (%)	Purchases (RM'000)	Proportion of Group's Purchases (%)	Purchases (RM'000)	Proportion of Group's Purchases (%)
Zuellig Pharma Sdn Bhd	Pharmaceutical and personal care products	19	49,274	35.30	55,065	33.65	73,932	36.43	90,101	39.04
DKSH Malaysia Sdn Bhd	Pharmaceutical and personal care products	19	15,113	10.83	17,072	10.43	30,609	15.08	39,946	17.31
Total purchases[(1)] (RM'000)			**64,387**	**46.13**	**72,137**	**44.08**	**104,541**	**51.51**	**130,047**	^56.34

Notes:

(1) Total purchases of Zuellig Pharma Sdn Bhd and DKSH Malaysia Sdn Bhd only

^ *Figures do not tie up due to rounding*

Our top two (2) suppliers namely Zuellig Pharma Sdn Bhd and DKSH Malaysia Sdn Bhd individually accounted for more than 10% of our total purchases for the Financial Years Under Review.

Zuellig Pharma Sdn Bhd and DKSH Malaysia Sdn Bhd are our suppliers for pharmaceutical products as well as personal care products. As a mitigating factor, we have been dealing with Zuellig Pharma Sdn Bhd and DKSH Malaysia Sdn Bhd since 1994. This indicates a stable business relationship with our top suppliers.

Our reliance on these suppliers is also mitigated by eight (8) other suppliers of pharmaceutical products and/or personal care products from our top 10 suppliers. This indicates that we have access to other suppliers of pharmaceutical products and personal care products should there be a need to purchase from alternative suppliers.

In addition, Zuellig Pharma Sdn Bhd is a distributor of pharmaceutical products in Malaysia with distribution rights of various patented drugs while DKSH Malaysia Sdn Bhd is a distributor of a wide range of consumer products. As such, a larger proportion of our supply of pharmaceutical products and personal care products were sourced from these suppliers.

Furthermore, it is also our strategy to undertake bulk purchases from major suppliers to enable us to obtain bulk discounts from these suppliers.

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6.5.2 Types, Sources and Availability of Resources

For the FYE 31 May 2013, the major types of products that we purchased for our operations are as follows:

	VALUE OF PURCHASES (RM'000)	% OF TOTAL GROUP PURCHASES (%)
Pharmaceutical Products	**153,839**	**66.65**
- *Health supplements*	*65,252*	*28.27*
- *Scheduled drugs*	*64,536*	*27.96*
- *OTC drugs*[(1)]	*24,051*	*10.42*
Personal care products	**61,628**	**26.70**
Medical and healthcare devices	**11,864**	**5.14**
Others [(2)]	**3,485**	**1.51**
TOTAL	**230,816**	**100.00**

Notes:

(1) Including traditional medicine;

(2) Others include mainly health food, confectionery, beverages and household products.

Our operation of chain community pharmacies is generally a retail business which services end-consumers. For the FYE 31 May 2013, all of our purchases were sourced from local suppliers, whose supply may include local or imports.

Pharmaceutical products constituted the largest proportion of our total purchases at 66.65%. The bulk of our purchases of pharmaceutical products were health supplements followed by scheduled drugs, which accounted for 28.27% and 27.96% respectively of our total Group purchases for FYE 31 May 2013. Purchases of OTC drugs accounted for 10.42% of our total Group purchases.
Personal care products constituted 26.70% of our total purchases. Personal care products include hair care, skin care, colour cosmetics, dental and oral care, baby care, foot care, family planning products and others.

Medical and healthcare devices constituted 5.14% of our total purchases. Some of the medical devices include first aid, rehabilitation aid as well as diagnostic devices.

Other products accounted for the remaining 1.51% of our total purchases.

As at LPD, our Group has not experienced any material shortages in the supply of products mentioned above that has materially affected our business performance and operations in the past four (4) FYE 2010 to FYE 2013.

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6.6 QUALITY CONTROL PROCEDURES/ QUALITY MANAGEMENT PROGRAMMES

We placed emphasis on our product and service quality. In general, our Group adopts the following approaches and measures in our operations:

- Incoming products including pharmaceutical products, personal care products, medical and healthcare devices and other products have to go through inspection on validity of dates and registrations;
- Internal checks on scheduled drugs prior to dispensing including counter checking on types of drugs, dosage, drug instructions and date of supply;
- Provide training to all of our pharmacists in the form of induction programmes for new pharmacists, product training for pharmacists including two to three weeks in-store training with a senior pharmacist;
- Undertake a store audit on each of our outlets at least twice a year and followed by informal visits and reviews;
- Prepare standard operating procedures for all of our 'CARiNG' community pharmacies to ensure a consistent standard and mode of operations; and
- Availability of registered licensed pharmacists during retail operating hours to ensure that customer needs and requirements, particularly on scheduled drugs are met.

As part of our internal control procedures for our chain of community pharmacies, we have common practices and standards that have to be adhered to by all our community pharmacies including wholly and partially-owned outlets. Some of the internal procedures in place are:

- All scheduled drugs are stored in cabinets with locks, as well as in fridge behind the counter;
- Dispensing and labelling of scheduled drugs must be in accordance to guidelines;
- Patient medication records are kept for purchasing of scheduled drugs with a record of each transaction in a prescription book;
- Standard personnel attire such as uniforms with name tags and covered shoes to maintain a professional and standard appearance of our pharmacists and retail staff;
- Standard product display guidelines are maintained to ensure that products are displayed in a consistent manner throughout all of our community pharmacies; and
- Regular housekeeping of community pharmacies to ensure cleanliness.

6.7 RESEARCH AND DEVELOPMENT ("R&D")

(i) Policy on Research Development

As we are engaged in the operation of chain community pharmacies, we do not undertake any product research and development in our business operations. As a result, R&D activities and R&D policy are not relevant to our operations.

(ii) R&D Expenditure

In view that we do not undertake any research and development activities in our business operations, we did not recognise any R&D expenditure for the Financial Years Under Review.

6.8 BRAND NAMES, PATENTS, TRADE MARKS, LICENCES, TECHNICAL ASSISTANCE AGREEMENTS, FRANCHISES AND OTHER INTELLECTUAL PROPERTY RIGHTS

Save as disclosed below, as at the LPD, our Directors confirm that the CARiNG Group does not presently hold any brand names, patents, trade marks, licenses, technical assistance agreements, franchises and other intellectual property rights.

No.	Trade Mark	Registered Owner	Registration Number/ Application Number	Place of Registration	Validity Period	Specification of Goods/ Services	Class of Trade Mark	Purchase Consideration / Costs to CPRM (RM'000)
1.		CPRM	02014241	Malaysia	15 November 2002 till 15 November 2022	Retailing services in relation to medicines, pharmaceutical goods and services and all other goods commonly sold in pharmacies, all included in Class 35	35	-
2.		CPRM [(1)]	09016571	Malaysia	24 September 2009 to 24 September 2019	Retailing services in relation to medicines, pharmaceutical goods and services and all other goods commonly sold in pharmacies, all included in Class 35	35	1,874
3.		CPRM	100045890	Taiwan[(2)]	1 November 2012 till 31 October 2022	Business management consultancy; sales promotion for others; product promotion for others; retailing and wholesaling of skincare products; retailing and wholesaling of hair care products; retailing and wholesaling of cosmetics; retailing and wholesaling of beauty accessories; retailing and wholesaling of confectioneries, all included in Class 35	35	-

6. BUSINESS AND INDUSTRY OVERVIEW *(Cont'd)*

No.	Trade Mark	Registered Owner	Registration Number/ Application Number	Place of Registration	Validity Period	Specification of Goods/ Services	Class of Trade Mark	Purchase Consideration / Costs to CPRM (RM'000)
4	康寧心 CARiNG 專業情 is our Profession 康寧心 CARiNG 專業情 is our Profession	CPRM	Application submitted in November 2012, pending for approval	Malaysia	Application pending for approval[(3)]	Retailing services in relation to medicines, pharmaceutical goods and services and all other goods commonly sold in pharmacies, all included in Class 35	35	-

Notes:

(1) *The original trade mark application was filed by CPH as it was originally the holding company of CPRM. In 2011, CPH divested 36% equity interest in CPRM to Jitumaju. Subsequently, in 2012 CPH distributed the balance of its equity interest in CPRM (52.65%) back to its shareholders namely Chong Yeow Siang, Soo Chan Chiew, Tan Lean Boon, Chia Kia, Ang Khoon Lim and Tan Lye Suan. As such, CPH no longer form part of the enlarged CARiNG Group. Pursuant to the TM15 form (Application and Declaration of an Assignment/ A Transmission for Registration as Proprietor of a Trade Mark) to the Trade Mark Registry on 28 February 2011, this trade mark was assigned to CPRM.*

(2) *Historically, there were plans to expand our business to Taiwan. However, the plans have been shelved and CARiNG are not considering proceeding with the plan in the near future*

(3) *Subsequent to LPD, our trade mark search results dated 28 March 2013 shows that the application for the registration of this trade mark is currently at the initial stage of formality examination.*

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6.9 APPROVALS, MAJOR LICENCES AND PERMITS OBTAINED

Details of the approvals obtained by our Company for the Listing from the SC, ECU and MITI together with the conditions imposed by these authorities and status of compliance are set out in Section 9 of this Prospectus.

As at LPD, the details of the licences, permits and approvals obtained by the CARiNG Group for the operation of our business are as set out below:

6.9.1 Business and Signage Licence

(i) Subsisting Business and Signage Licence

Save as disclosed, as at the LPD, all of the CARiNG Group's outlets have the requisite business and signage licences, issued by the relevant local authorities, all of which will expire on 31 December 2013. The business and signage licenses of the following outlets however, expire on a different date:

No.	Licence Holder	Issuer	Outlet	Expiry Date
1.	CPRM	Dewan Bandaraya Kuala Lumpur	Megamall outlet	31 November 2013
2.	Caring 'N' You	Dewan Bandaraya Kuala Lumpur	Pudu Pasar outlet	30 November 2013
3.	Caring (KLP)	Dewan Bandaraya Kuala Lumpur	Pavilion outlet	31 October 2013
4.	Caring (KLP)	Dewan Bandaraya Kuala Lumpur	Fahrenheit 88 outlet	31 January 2014
5.	Caring Always	Dewan Bandaraya Kuala Lumpur	Taman Midah outlet	31 August 2014
6.	Caring Paradise	Dewan Bandaraya Kuala Lumpur	Taman Segar Perdana outlet	29 May 2014
7.	Green Surge	Majlis Perbandaran Subang Jaya	Setiawalk outlet	30 May 2014
8.	MN Pharmacy	Dewan Bandaraya Kuala Lumpur	Jalan Kuchai Maju 1 outlet	31 May 2014
9.	My Caring	Majlis Perbandaran Subang Jaya	Empire Shopping Gallery outlet	29 July 2014
10.	One Caring	Dewan Bandaraya Kuala Lumpur	1MK outlet	4 April 2014 (in relation to the business licence only)
11.	One Caring	Dewan Bandaraya Kuala Lumpur	1MK outlet	31 March 2014 (in relation to the signage licence only)

No.	Licence Holder	Issuer	Outlet	Expiry Date
12.	URX Care	Dewan Bandaraya Kuala Lumpur	Tesco Bandar Manjalara outlet	31 July 2014
13.	URX Care	Dewan Bandaraya Kuala Lumpur	Taman Bukit Maluri Kepong outlet	30 November 2013
14.	Victorie Caring	Dewan Bandaraya Kuala Lumpur	Desa Sri Hartamas outlet	31 May 2014
15.	Caring (MSF)	Dewan Bandaraya Kuala Lumpur	Publika outlet	30 November 2013
16.	Caring (SK)	Majlis Perbandaran Subang Jaya	Seri Kembangan outlet	14 December 2013
17.	Caring (SW)	Dewan Bandaraya Kuala Lumpur	Plaza Sungei Wang outlet	31 July 2014
18.	CPSB	Majlis Bandaraya Ipoh	AEON Ipoh Station 18 outlet	31 March 2014 (in relation to the business licence only)
19.	CPSB	Dewan Bandaraya Kuala Lumpur	Warehouse/ Store	31 July 2014
20.	CPSB	Dewan Bandaraya Kuala Lumpur	Taman OUG outlet	7 February 2014 (in relation to the signage licence only)
21.	CPSB	Majlis Bandaraya Ipoh	Ipoh Parade outlet	2 May 2014
22.	Viva Caring	Dewan Bandaraya Kuala Lumpur	BV outlet	30 November 2013
23.	Cosy Vision	Majlis Perbandaran Kajang	Kajang outlet	31 January 2014
24.	Caring Trio	Dewan Bandaraya Kuala Lumpur	Berjaya Times Square outlet	31 January 2014
25.	Viva Caring[(1)]	Dewan Bandaraya Kuala Lumpur	The Store, Sri Petaling	31 May 2014

Note:

(1) The business and signage licence issued by Dewan Bandaraya Kuala Lumpur is a temporary business licence.

6.9.2 Annual Retention Certificate for Body Corporate

As at the LPD, all of the CARiNG Group's outlets have the requisite annual retention certificate for body corporate, issued by the Pharmacy Board of Malaysia, which will expire on 31 December 2013.

6.9.3 Annual Retention Certificate for Pharmacist

As at the LPD, all of the pharmacists of the CARiNG Group have the requisite annual retention certificates for pharmacist issued by the Pharmacy Board of Malaysia. The annual retention certificate for pharmacist is issued annually and all of the subsisting annual retention certificates for pharmacist which were issued to the pharmacists of the CARiNG Group will expire on 31 December 2013.

6.9.4 Type A Licence

As at the LPD, all of the pharmacists of the CARiNG Group have the Type A licence issued by the relevant states' health departments. The Type A licence is issued annually and all of the subsisting Type A licences which were issued to the pharmacists of the CARiNG Group will expire on 31 December 2013.

6.10 EMPLOYEES

The breakdown of our employees as at the end of the past four (4) FYE 2010 to FYE 2013 and as at the LPD is as follows:

	Total Number of Employees/ Workers				
Category of Employees	**As at 31.5.2010**	**As at 31.5.2011**	**As at 31.5.2012**	**As at 31.5.2013**	**As at the LPD**
Head Office and Warehouse	**79**	**86**	**109**	**112**	**120**
Management and professionals [(1)]	12	12	16	23	23
Sales and marketing [(2)]	5	6	7	6	6
Administrative [(3)]	22	29	35	39	42
Warehousing and distribution	40	39	51	44	49
Retail Operation	**258**	**312**	**540**	**684**	**730**
Pharmacists [(4)]	72	85	130	150	154
Area manager[(5)]	-	-	1	1	1
Retail staff	186	227	409	533	575
Total	**337**	**398**	**649**	**796**	**850**

Notes:

(1) *Includes directors, accountants and managers*

(2) *Includes marketing managers, sales executives, marketing executives and merchandise executives*

(3) *Includes executives and co-ordinators*

(4) *Includes directors of partially owned subsidiaries, area managers, branch managers and outlet pharmacists, which are all registered pharmacists.*

(5) *Some pharmacists are also area managers and are not included here to avoid double counting.*

Our Group's workforce is located in Malaysia.

As at the LPD, our Group has a total workforce of 850 employees, comprising 713 permanent employees and 137 part-time employees, representing 83.88% and 16.12% of the total employees in our Group, respectively.

The increase in the total number of employees for the past four (4) FYE 2010 to FYE 2013 and up to LPD was mainly due to the expansion of the CARiNG Group's businesses.

Our Group's employees are not part of any union. The relationship and co-operation between our management and our employees have always been good and this is expected to continue. As at the LPD, our Group has not been involved in, or aware of any industrial dispute with any of our employees. We regard our employees as invaluable and key components to our continued growth and view sound human resource management as our critical success factors. We believe a well-trained, well-motivated and well-managed workforce is essential for efficient operations and the success of our business. As such, we proactively cultivate a positive working culture by having good working relationships with our employees and place great emphasis on conducive working environment for our employees.

We believe in developing our human capital. It is our policy to develop and train employees to improve their skill sets and professionalism in order to enhance productivity and operational efficiencies. As training and development is a continuing process, we encourage our employees to continually increase their skills and knowledge through hands-on training.

In addition, our human resource department will also evaluate and hold one-to-one talks with the employees where both parties engage freely and discuss about the employee's performance in relation to our Group's objectives. Our Group also hold internal company functions regularly where employees are encouraged to interact with each other to foster close relationships.

We conduct both internal and external training programmes for our employees. Some of the external training programmes undertaken by our employees over the last 4 financial years are as follows:

Financial Year	Name of Programme	Job Grade	Skills
2013	Power of Change	JV Director, Branch Manager, Area Manager and Creative Manager	Personal talent development
	Employee termination guideline	Area Manager	Employment
	Employee salary guidelines	Senior Accounts Executive	Finance
	Preparation of Group Account	Account Officer	Finance
	National minimum wages	Senior Accounts Executive	Finance
	Advance company secretarial practice	Accounts Executive	Secretarial
	Purchasing and procurement management practices	Purchasing Manager	Finance
	Better grammar for business writing	Accounts Executive and Accounts Officer	Soft skill
	Digital Marketing and Advertising Asia	Director and Pharmacists	Marketing
	Malaysia Association of Pharmaceutical Suppliers	Director	Purchasing
2012	Accounting principles and practices	Accounts Officer and Assistant	Finance
	Advanced Conso Principle	Accounts Manager	Finance
	Corporate Tax Practice	Accounts Executive	Finance
	Equity Valuation	Finance Manager and Director	Finance
	Preparation of group accounts	Accounts Executive	Finance
	Collateral of bank borrowings	Finance Manager and Director	Finance
	Power of Change	JV Director and Training Executive	Personal talent development

6. BUSINESS AND INDUSTRY OVERVIEW *(Cont'd)*

Financial Year	Name of Programme	Job Grade	Skills
	Company Secretarial workshop	Accounts Executive	Secretarial
	Advanced company secretarial	Accounts Manager, Finance Manager and Director	Secretarial
2011	Employment Act	Chief Pharmacist, Area Manager, Senior Account Executive and Account Officer	Employment
	Consolidated Financial Statement	Finance Manager and Accounts Manager	Finance
	Update on company laws and practice	Finance Director and Finance Manager	Finance
	Your role as a Finance Executive	Accounts Executive	Finance
	Leadership training	Training Executive	Leadership
	Power of Change	JV Director, Area Manager and Purchasing Executive	Personal talent development
	Microsoft Excel	IT Manager, IT Executive and Account Executive	Soft skill
2010	Reinventing end to end working capital management	Director and Accounts Manager	Finance
	Power of Change	Director and Area Manager	Personal talent development
	Better grammar for business writing	Senior Accounts Executive and Accounts Executive	Soft skill
	Supply Chain	Director and Supply Chain Manager	Personal talent development

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6.11 PROPERTY, PLANT AND EQUIPMENT

6.11.1 Material Tangible Fixed Assets

As at 31 May 2013, the total audited net book value of our Group's land and buildings is RM6.86 million. The details of the land and buildings that are owned by our Group are as follows:

No.	Registered Owner/ Beneficial Owner	Postal Address/ Title Identification	Description of Property/ Existing Use	Approximate Land Area (sq ft)/ Approximate Built-up Area (sq ft)	Approximate Age of Building/ Tenure/ Category of Land Use	Date of Issuance of Certificate of Fitness ("CF")	Restriction in Interest/ Express Conditions/ Major Encumbrances	Audited Net Book Value as at 31.5.2013 (RM'000)
1.	CPRM	• No. 18, Jalan Sembilang, Taman Tenaga, Off Jalan Cheras, 56000 Kuala Lumpur, Wilayah Persekutuan • Pajakan Negeri (WP) 14748, Lot 33765, Mukim Kuala Lumpur, Daerah Kuala Lumpur, Negeri Wilayah Persekutuan Persekutuan	**Description of Property:** Four (4) Storey Intermediate Shop Office **Existing Use:** Ground floor – CARiNG outlet Other floors – for rental purposes	**Land area:** 1,615 **Built up area:** 6,967	**Approximate age of building:** 30 years **Tenure:** 99 years - Till 18 April 2076 **Category of land use:** Building	16 December 1983	**Restriction in interest:** None **Express Conditions:** The land shall only be used for commercial building and development on the land shall comply with the Development Order issued by Dewan Bandaraya Kuala Lumpur ("**DBKL**") **Major Encumbrances:** None	1,243

6. BUSINESS AND INDUSTRY OVERVIEW *(Cont'd)*

No.	Registered Owner/ Beneficial Owner	Postal Address/ Title Identification	Description of Property/ Existing Use	Approximate Land Area (sq ft)/ Approximate Built-up Area (sq ft)	Approximate Age of Building/ Tenure/ Category of Land Use	Date of Issuance of Certificate of Fitness ("CF")	Restriction in Interest/ Express Conditions/ Major Encumbrances	Audited Net Book Value as at 31.5.2013 (RM'000)
2.	CPRM	• No. 22-1, 22-2, 22-3, Jalan Radin Anum 1, Taman Sri Petaling, 57000 Kuala Lumpur, Wilayah Persekutuan • Pajakan Mukim No. 2286, Lot 21207, Mukim Petaling, Daerah Kuala Lumpur, Negeri Wilayah Persekutuan Persekutuan KL	**Description of Property:** Three (3) Storey Shop Office End Lot **Existing Use:** Ground floor – CARiNG outlet Other floors – for rental purposes	**Land area:** 2,476 **Built up area:** 7,225	**Approximate age of building:** 30 years **Tenure:** 99 years - Till 5 April 2078 **Category of land use:** Building	11 October 1983	**Restriction in interest:** None **Express Conditions:** The land shall only be used for commercial building and development on the land shall comply with the Development Order issued by DBKL **Major Encumbrances:** The land is currently charged to Alliance Bank Malaysia Berhad (Company No. 88103-W), Commercial Banking (BPF), 29th Floor, Menara Multi-Purpose, Capital Square, No. 8, Jalan Munshi Abdullah, 50100 Wilayah Persekutuan, Kuala Lumpur	1,717

6. BUSINESS AND INDUSTRY OVERVIEW *(Cont'd)*

No.	Registered Owner/ Beneficial Owner	Postal Address/ Title Identification	Description of Property/ Existing Use	Approximate Land Area (sq ft)/ Approximate Built-up Area (sq ft)	Approximate Age of Building/ Tenure/ Category of Land Use	Date of Issuance of Certificate of Fitness ("CF")	Restriction in Interest/ Express Conditions/ Major Encumbrances	Audited Net Book Value as at 31.5.2013 (RM'000)
3.	Pembangunan Kalung (M) Sdn Bhd/Caring Pharmacy (Kinrara) Sdn Bhd[(1)]	• No. 19, Jalan TK 1/11B, No. 19A, 19B & 19C, Jalan TK 1/11A, Taman Kinrara Seksyen 1, Batu 7 ½, Jalan Puchong, 58200 Kuala Lumpur • Master Title H.S. (D) 104492, PT 2068, Mukim Petaling, District of Petaling, State of Selangor Darul Ehsan	**Description of Property:** Four (4) Storey Intermediate Shop Office **Existing Use:** Ground floor – CARiNG outlet Other floors – for rental purposes	**Land area:** 1,650 **Built up area:** 5,916	**Approximate age of building:** 16 years **Tenure:** 99 years - Till 27 August 2088 **Category of land use:** Building	20 January 1997	**Restriction in interest:** This land can only be transferred with the consent of the Land Office **Express Conditions:** Residential Building [(2)] **Major Encumbrances:** None	1,276
4.	CPRM	• No. 22, Jalan Manis 4, Taman Segar, Cheras, 56100 Kuala Lumpur Wilayah Persekutuan • Pajakan Negeri 10493, Lot No. 39187, Mukim Kuala Lumpur, District Kuala Lumpur	**Description of Property:** Three (3) Storey Intermediate Shop House **Existing Use:** Ground floor – CARiNG outlet Other floors – for rental purposes	**Land area:** 1,679 **Built up area:** 4,002	**Approximate age of building:** 30 years **Tenure:** 99 years - Till 10 December 2077 **Category of land use:** Building	Not available[(3)]	**Restriction in interest:** None **Express Conditions:** The land shall only be used for commercial building and development on the land shall comply with the Development Order issued by DBKL **Major Encumbrances:** None	2,625

Notes:

(1) The registered owner of this property is Pembangunan Kalung (M) Sdn Bhd because the individual title to this property has not been issued and Pembangunan Kalung (M) Sdn Bhd is the proprietor of the said land on which the property was built. A deed of assignment was executed on 14 April

2008 to assign Caring Pharmacy (Kinrara) Sdn Bhd's rights, title and interest to the property to Public Bank Berhad as a security in consideration of the facilities being made available to Caring Pharmacy (Kinrara) Sdn Bhd to finance the purchase of this property.

(2) The property is one of the 54 units of 4 storey intermediate shop office in a mixed development consisting of commercial and residential properties. The CF of the property was issued by Majlis Daerah Petaling on 20 January 1997. The master title of the property was surrendered to the Land Office vide presentation no. 149/2010, registered on 20 January 2010 and the strata title of the property is currently pending issuance by the Land Office.

(3) CARiNG does not have in possession the CF of this property. The property was acquired by CPRM from a third party vendor on 18 February 2013. It is an intermediate lot amongst 2 rows of other long standing operating shop lots that have been around for more than 30 years. Notwithstanding this, the Company is making a continuous effort to locate the CF and has appointed a property agent to search for CF of properties from the same vicinity, which may provide a lead to the Company locating the CF of their property or to facilitate in applying for a new CF based on the details of the said CF.

Further to the above, as at LPD, the properties rented by our Group are listed in Section 6.11.5.

Other than disclosed as above, all of the abovementioned land and buildings have obtained the necessary certificates of fitness and there are no breaches of any law, rules and building regulations including land-use conditions or permissible land use on the land and buildings which may result in a potential adverse impact to our Group. Valuation on the abovementioned land and buildings has not been undertaken for inclusion in this Prospectus.

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6.11.2 Material Machinery and Equipment

For the FYE 31 May 2013, our Group did not utilise any major machinery and equipment for our operations.

6.11.3 Material Capital Expenditure and Divestitures

The details of material capital expenditure for the past 4 FYE 2010 to FYE 2013 and up to the LPD are as follows:

Capital Expenditure	FYE 2010 (RM'000)	FYE 2011 (RM'000)	FYE 2012 (RM'000)	FYE 2013 (RM'000)	LPD (RM'000)
Leasehold land	-	-	^746	2,250	-
Buildings	-	-	^540	419	-
Assets in progress*	-	-	1,980	12,941	1,980
New Outlets:					
- Furniture and fittings	793	572	1,400	705	159
- Renovation	347	273	921	593	129

Notes:

^ *The amount is in relation to the property acquired by CPRM, i.e. located at No. 18, Jalan Sembilang, Taman Tenaga, Off Jalan Cheras, 56000 Kuala Lumpur.*

* *The assets in progress refer to the new office and warehouse building in Tiong Nam Industrial Park in PJ Old Town.*

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6.11.4 Material Plans to Construct, Expand or Improve Facilities

As at LPD, our Group has no immediate plan to construct, expand or improve on existing facilities, save for the following:

Description	Estimated expenditure amount (RM'000)	Amount already paid as at LPD (RM'000)	Method of financing	Estimated commencement date and completion date
Purchase of a customised new building [1] with an estimated built up area of 68,000 sq.ft. on an industrial land with an area of 33,778 sq.ft. located at Pajakan Negeri 10310, Lot 73, Seksyen 20, Bandar Petaling Jaya, Daerah Petaling, Negeri Selangor Darul Ehsan	19,800	16,830	RM11,880,000 financed by Business Premises Smart-I Facility from HSBC Amanah Malaysia Berhad ("**HSBC Amanah**")[2] and the balance is funded by the Group's internally generated funds. Upon IPO, a total utilisation proceeds of RM6.00 million will be used to pare down the borrowings of the financing	December 2011 / 2014
Renovation, furniture and fittings for above customised new building	4,000	-	Utilisation of IPO Proceeds	2014 / 2014
Enterprise Resource Planning System	2,985	2,202	Internally generated funds	Fourth quarter of 2013

Notes:

(1) A building to be built according to the specification of CARiNG.

(2) The RM11,880,000 loan with HSBC Amanah taken to finance the purchase of a customized new building to serve as the new warehouse and head office. The customized building is not charged but assigned to HSBC Amanah. The security documents required for the said facility includes the facility agreement, the purchase undertaking, the deed of assignment and power of attorney. According to the Letter of Offer dated 20 April 2012, CPRM undertakes to inform the Bank of any change of its management structure, composition of its Board of Directors and/or substantial shareholders in its business. CPRM also undertakes to inform the Bank of any significant internal or external development which may affect the financial position of its business or its financial position.

We are investing into the customised new building, which is located in Tiong Nam Industrial Park in PJ Old Town, to serve as our new warehouse and head office for our expanding operations. Upon completion of the construction work on the building, we shall be undertaking further renovation works, details of which are outlined in Section 6.15(ii) of this Prospectus.

With the completion of our new warehouse, we will be able to expand the storage capacity for our products. This is in line with the Group's expansion strategy. The new warehouse acts to serve as the central distribution centre for our chain of community pharmacies, the increase in storage capacity is essential to cater for the storage, administration and distribution of stocks to CARiNG Group outlets.

With the implementation of the ERP System, we plan to achieve the following objectives:

- To improve on employee effectiveness (through. including, but not limited to, modern user interface, streamlined processes, better access to transaction information and enhanced business function support);

- To enhance resource productivity of the Company by logistics improvements, enhanced supply chain management, better preparation for globalisation and internationalisation and full life cycle support and service management; and

- End to end business process.

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6.11.5 Rented Properties

As at LPD, the number of the properties rented by our Group including the approximate built up area and tenure of tenancy are summarised as follows:

Location	Existing Use			Approximate Total Built Up Area / Approximate Built Up Area per Property (Sq ft)	Tenure of Tenancy
	Community Pharmacy				
	Shopping Complex Outlets	Street Outlets	Others		
Selangor	16	19	-	54,461 / (920 – 2,679)	2 – 3 years
Kuala Lumpur	11	14	Office – headquarters No. of unit: 1 Warehouses No. of units: 2	• For community pharmacies: 40,462 / (762 – 2,800) • For others: 23,200/ (6,400 – 9,600)	1 – 6 years
Johor	3	5	Office No. of unit: 1	• For community pharmacies: 11,008 / (230 – 2, 111) • For others: 1,674 / (1,674)	2 – 3 years
Melaka	2	-	-	4,477 / (1,582 – 2,895)	3 years
Perak	2	-	-	4,020 / (1,980 – 2,040)	3 years
Penang	2	-	-	3,726 / (1,859 – 1,867)	3 years
Total	**36**	**38**(1)		**143,028**	

Note:

(1) The number of street outlets does not add up to the total street outlets of the Group as some of these outlets are not operating under a rented premises for example outlets operating in properties owned by the Group.

The total rental paid by our Group during the FYE 2013 and two months up to LPD is approximately RM12.14 million and RM4.41 million respectively, which translate to the rental paid per square foot of RM7.07 (FYE2013) per month and RM8.23 (LPD) per month.

Save for the properties listed below, our rented properties are not in breach of any laws, rules and buildings regulations which may materially affect our Group's operations:

Outlet	Type of Outlet
The Store, Sri Petaling, Kuala Lumpur[(1)]	Shopping Complex
Bangunan JB Sentral, Johor Bahru, Johor[(2)]	Shopping Complex

Notes:

(1) The Company does not have in its possession the certificate of fitness for occupation of this property. However, they have received a letter from the local authority, Dewan Bandaraya Kuala Lumpur on 13 May 2013 to confirm that the outlet is located in a building that has a certificate of fitness.

(2) The building is a government owned building, whereby the compliance confirmation has to be obtained from the Bahagian Pengurusan Hartanah, Jabatan Perdana Menteri - Putrajaya. As such, we have sought confirmation via a letter dated 29 August 2013 from the said government department. Currently, the reply from the said department is still pending.

Any relocation of the outlets in the above areas will not have a material adverse effect on the profitability of the Group.

Please refer to Section 5.1 of the Prospectus for further details of CARiNG's community pharmacies.

6.12 REGULATORY REQUIREMENTS, HEALTH AND SAFETY POLICIES, AND ENVIRONMENTAL ISSUES

Save as disclosed in Section 6.8, 6.9 and 6.11.1 of this Prospectus, our Group are in compliance in respect of material regulatory requirements, health and safety policies, and environmental issues which may materially affect our Group's operations and/or utilisation of assets. As at the LPD, our Group is not aware of any health and safety, and environmental proceedings or investigations to which we are or might become a party to.

6.13 DEPENDENCY ON CONTRACTS/ ARRANGEMENTS/ DOCUMENT OR OTHER MATTER

(i) Dependency on Registration, Patents and Intellectual Rights

Save for the trade marks as disclosed in Section 6.8 of this Prospectus, our Group is not dependent on any other registrations, patents and intellectual rights for our business operations.

(ii) Dependency on Major Licences

Save for the major licences as disclosed in Section 6.9 of this Prospectus, our Group is not dependent on any other major licences.

(iii) Dependency on Industrial, Commercial and Financial Contracts

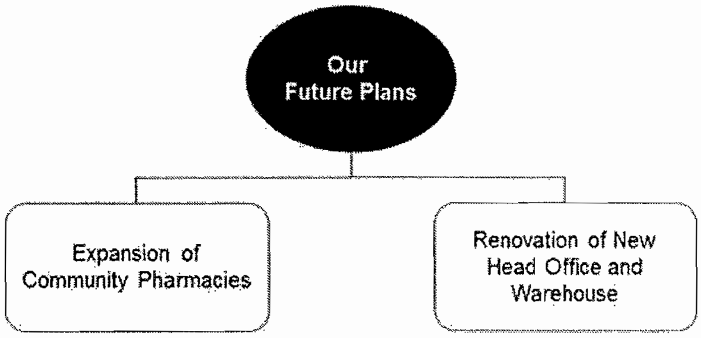
Our Board is of the opinion that, as at the LPD, we are not highly dependent on any single contract/ agreement/ arrangement (including informal arrangements or understandings) that could materially affect our business or profitability.

6.14 INTERRUPTIONS IN BUSINESS OPERATIONS

There have been no material interruptions to our business operations in the past 12 months.

6.15 FUTURE PLANS AND STRATEGIES

Our future plans are focused in two (2) key areas as depicted in the figure below:



(i) Expansion of Community Pharmacies

Part of our future plans is to expand the coverage of our 'CARiNG' community pharmacies in Malaysia to provide convenience to our customers as well as enlarge our customer base. As at LPD, we have a chain of 85 'CARiNG' community pharmacies in Malaysia. This includes wholly and partially-owned community pharmacies.

Barring any unforeseen circumstances, we plan to establish an additional 30 to 35 'CARiNG' community pharmacies in Peninsular Malaysia by FYE 2016.

As at LPD, we have identified 17 locations in the following street areas, shopping complexes and airport for our new 'CARiNG' community pharmacies:

- Jonker Walk in Melaka;
- Pearl Point Shopping Mall in Kuala Lumpur;
- Cheras Sentral Shopping Mall in Kuala Lumpur;
- Avenue K in Kuala Lumpur;
- Encorp Strand Mall in Selangor;
- Jaya Shopping Centre in Selangor;
- One City in Selangor;
- KLIA2 (International Departure Ground Level (Airside)) in Selangor;
- KLIA2 (International Departure Level (Airside)) in Selangor;
- D'Pulze Cyberjaya in Selangor;
- The Main Place Shopping Mall in Selangor;
- Klang Parade in Selangor;
- Kompleks Tun Abdul Razak (KOMTAR) in Johor;
- Atria Shopping Gallery in Selangor;
- DA:MEN in Selangor;
- Gamuda Walk Retail Centre in Selangor; and
- IOI City Mall (also known as IOI Resort City) in Putrajaya.

We envisage opening the abovementioned 'CARiNG' community pharmacies between third quarter of 2013 and FYE 2015. As at LPD, we have either signed tenancy agreements, letters of offers or in negotiation for the abovementioned locations.

We plan to utilise internally generated funds to set up 5 to 10 community pharmacies, while we will use our IPO proceeds to set-up the remaining 25 to 30 community pharmacies.

(ii) Renovation of New Head Office and Warehouse

To cater to our expanding operations, our subsidiary CPRM purchased a factory lot with an estimated land area of 33,778 sq. ft. and a built-up area of approximately 68,000 sq. ft. in an industrial park development in PJ Old Town, Selangor in 2011 to serve as our new warehouse and head office. The developer has commenced construction work on the building and this is scheduled to be completed by 2014.

Following the completion of the construction works of building, we plan to undertake further renovation works which include among others, painting, interior design and decoration works, cabling and electrical works, warehousing facilities including racking system, installation of air conditioning and ventilation system, security and surveillance systems, fire fighting equipment and telecommunication systems.

We plan to utilise RM4 million from our IPO proceeds for the renovation of our new head office building and warehouse.

For further details on the proposed utilisation of proceeds, please refer to Section 3.9 of the Prospectus.

6.16 PROSPECTS OF OUR GROUP

The prospects of our Group are dependent on the following factors:

- Sustainable business performance;
- Competitive advantages and key strengths;
- Future plans to provide sustainable growth; and
- Industry prospects and outlook.

(i) Sustainable Business Performance

Our sustainable business performance is supported by the following financial achievements between the FYE 2012 and FYE 2013:

- Revenue grew by 21.40%;
- GP grew by 21.30%;
- PBT grew by 10.66%; and
- PAT grew by 11.22%.

Between FYE 2010 and FYE 2013, our financial performance was as follows:

- Revenue grew at an average annual rate of 20.90%;
- GP grew at an average annual rate of 19.39 %;
- PBT grew at an average annual rate of 14.56%; and
- PAT grew at an average annual rate of 13.48%.

The sustainable financial performance over the last four (4) years will provide us with the platform for continuing business success and growth.

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(ii) Competitive Advantages and Key Strengths

Our competitive advantages and key strengths will provide a platform for continuing growth and success. This includes the following:

- Large chain of community pharmacies;
- Established brand name and reputation;
- Economies of scale;
- Management control and ownership of our community pharmacies;
- Pharmacists as business partners and shareholders;
- Full time pharmacist service at every outlet; and
- Professional and experienced management team with proven track record of delivering sustainable growth and profitability.

(Please refer to Section 6.2 of this Prospectus for further details)

(iii) Future Plans to Provide Sustainable Growth

We have in place a sound business and expansion plan for moving forward. Our future plans are as follows:

- Expansion of our community pharmacies to expand our coverage in Malaysia to provide convenience and enlarge our base of customers; and
- Renovation of our new head office and warehouse to cater to our expanding operations.

Our future plans would provide us with the platform to grow our business.

(iv) Industry Prospects and Outlook

(Please refer to Section 13 in the Independent Assessment of the Community Pharmacy Industry in Malaysia prepared by Vital Factor Consulting Sdn Bhd)

Given the sustainable business performance of our Group, the competitive advantages and key strengths, the future plans to provide sustainable growth for our Group, and the industry prospects and outlook of Community Pharmacy Industry, the Directors believe that the prospects of our Group are favourable.

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VITAL FACTOR CONSULTING
Creating Winning Business Solutions

Vital Factor Consulting Sdn Bhd
(Company No.: 266797-T)
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Selangor Darul Ehsan, Malaysia
Tel: (603) 7728-0248
Fax: (603) 7728-7248
Email: enquiries@vitalfactor.com
Website: www.vitalfactor.com

17 September 2013

The Board of Directors
Caring Pharmacy Group Berhad
No 3-2, 3rd Mile Square
No 151, Jalan Kelang Lama
Batu 3½
58100 Kuala Lumpur

Dear Sirs and Madam

Independent Assessment of the Community Pharmacy Industry in Malaysia

The following is an Independent Assessment of the Community Pharmacy Industry in Malaysia prepared by Vital Factor Consulting Sdn Bhd (Vital Factor Consulting) for inclusion in the prospectus of Caring Pharmacy Group Berhad (herein together with all or any one or more of its subsidiaries will be referred to as CARiNG Group or the Group) in relation to its proposed listing on the Main Market of Bursa Malaysia Securities Berhad.

1. BACKGROUND AND INTRODUCTION

- CARiNG Group is primarily an operator of a chain of community pharmacies. As at 6 September 2013, the Group had 85 community pharmacies in Malaysia operating under the brand name of 'CARiNG'. This includes wholly and partially owned community pharmacies.

- As such, this report focuses on the Community Pharmacy Industry in Malaysia, which covers physical store based retailing of pharmaceutical products where there is at least one pharmacist licensed to dispense scheduled drugs. It is also common for a community pharmacy to retail non-pharmaceutical products such as medical and surgical devices, health food, personal care products and other items.

- While according to the Poisons Act 1952 which states that "dispensed medicine" means medicine supplied for the purpose of medical, dental or animal treatment, the focus of this report will be for medical purposes only, and will exclude dental and veterinary purposes.

- Within the context of this report, the term "drugs" has a similar meaning as "pharmaceutical products". Some drugs are also classified as poisons, under the Poisons Act 1952.

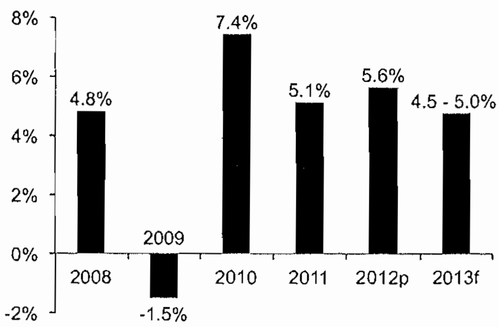
2. MACROECONOMIC INDICATORS

2.1 Key Macroeconomic Indicators for Malaysia

- Generally, a favourable macroeconomic environment provides an environment conducive for businesses to sustain and expand.

- Overall, Malaysia's key economic indicators in terms of real GDP grew at an average annual growth rate (AAGR) of 4.1% between 2008 and 2012. An exception to the growth during this period was a decline in 2009 due to the global economic downturn.

Malaysia's Real GDP Growth



p = preliminary; f = forecast.
(Source: Bank Negara Malaysia)

- In 2012, growth of 5.6% was driven by resilient domestic demand despite the weak external environment. During the first and second quarters of 2013, real GDP grew by 4.1% and 4.3% respectively, contributed by strong domestic demand.

- While global growth prospects are expected to improve in 2013, uncertainty in the external environment in view of the prolonged European sovereign debt crisis, expected tapering of the US Federal Reserve's quantitative easing policy, and concerns about a reduction in China's economic growth rate, would continue to be major concerns. Despite these uncertainties, the Malaysian economy is forecasted to grow between 4.5% and 5.0% in 2013 with expectations of growth being driven by expansion in the private sector investment and consumption, as well as a gradual improvement in external demand.

2.2 Consumer Confidence

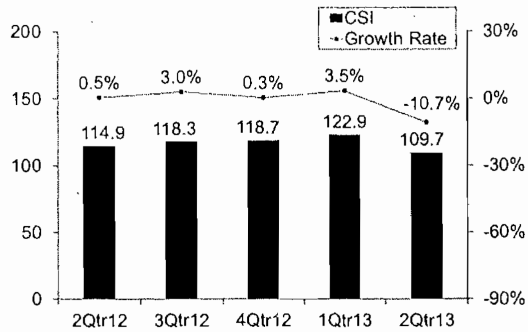
- The level of consumer confidence in the economy will have an impact on consumer spending patterns. A high consumer confidence level may lead to an increase in consumer spending that will benefit businesses in Malaysia.

- In the second quarter of 2012, the Consumer Sentiment Index (CSI) improved slightly to 114.9 points led by stronger finances, positive financial and employment outlook, and subsiding fears of inflation.

- The CSI grew by 3.0% to 118.3 points in the third quarter of 2012 where consumer confidence increased due to positive outcomes in incomes and spending plans, encouraging financial and employment expectations, and easing of inflationary concerns.

- During the fourth quarter of 2012, the CSI improved marginally to 118.7 points. Although expectations on present and expected incomes remained favourable with moderate outlook of the employment market, price pressures were expected to build up with delays in consumer spending.

Consumer Sentiment Index (CSI)



(Source: Malaysian Institute of Economic Research)

- In the first quarter of 2013, the CSI increased by 3.5% to 122.9 points, which was the highest in six years. This was contributed by the positive expectations on financial and employment outlook, easing of inflationary concerns and stabilisation of current incomes which led to the increase in consumer confidence.

- However by the second quarter of 2013, CSI registered a contraction of 10.7% to 109.7 points due to concerns of inflation coupled with bleak employment and financial expectations.

3. INDUSTRY OVERVIEW AND STRUCTURE

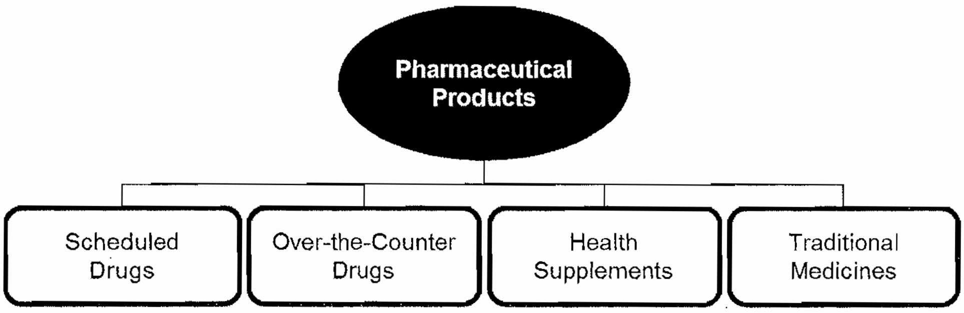
3.1 Introduction

- Generally, pharmaceutical products refer to any substance or mixture of substances that are intended to be used for medicinal purposes. According to the Drug Control Authority (DCA), medicinal purposes mean any of the following purposes:
  - Alleviating, treating, curing or preventing a disease or a pathological condition or symptoms of a disease;
  - Diagnosing a disease or ascertaining the existence, degree or extent of a physiological or pathological condition;
  - Contraception;
  - Inducing anaesthesia;
  - Maintaining, modifying, preventing, restoring, or interfering with, the normal operation of a physiological function;
  - Controlling body weight;
  - General maintenance or promotion of health or wellbeing.

- Some food items can provide health benefits and satisfy one or more of the above criteria. However, certain food items particularly those with less than 20% active ingredients that are not in pharmaceutical dosage form such as pills, capsules, tablets, liquids or powders, are generally not classified as pharmaceutical products. For example, fruit juices may contain various vitamins that are beneficial to human, however, fruit juices generally contain less than 20% active ingredients and consumption of fruit juices are not restricted to a particular pharmaceutical dosage.

- In Malaysia, pharmaceutical products are regulated by the Drug Control Authority (DCA) and must be registered with the National Pharmaceutical Control Bureau (NPCB) before being sold to the general public.

- Pharmaceutical products can be broadly categorised as follows:



CARiNG Group operates within these segments

- **Scheduled Drugs** are medicinal products regulated under the Poisons Act 1952. These drugs contain substances listed under the Poison List in the Act and their sale and supply are generally restricted to licensed personnel and registered professionals including licensed wholesalers, licensed pharmacists and medical practitioners, and persons employed in healthcare institutions in the course of undertaking his or her duties. Generally, the public can only purchase scheduled drugs from healthcare institutions and community pharmacies. The purchase of scheduled drugs from community pharmacies may require prescriptions from registered professionals, such as medical practitioners, and can only be dispensed by licensed pharmacists.

- **Over-the-Counter (OTC) Drugs** are medicinal products that are made available to the public without professional supervision and prescriptions. Some common over-the-counter drugs include, among many others, analgesics, antihistamines, antacids, cough suppressants, anti-fungal lotions and laxatives. These drugs are commonly used for self-medication to treat minor ailments and conditions. OTC drugs are widely available in most retail outlets such as community pharmacies, Chinese Medical Halls, supermarkets and convenience stores.

- **Health Supplements** commonly fall into one or two of the following categories:
  - products intended to supplement the diet with one or more dietary substances such as vitamins, minerals, amino acids, fatty acids and fibres;
  - products intended to maintain or improve the healthy functioning of the human body, such as extracts from plants and animals.

  Health supplements normally come in different forms such as pills, capsules, tablets, liquid or powder. Consumption of health supplements is commonly restricted to a particular recommended pharmaceutical dosage within a specific period. Although some supplements are taken orally to supplement one's diet, it is not intended for use as a replacement or an alternative to food for normal body sustenance or as a sole item of a meal.

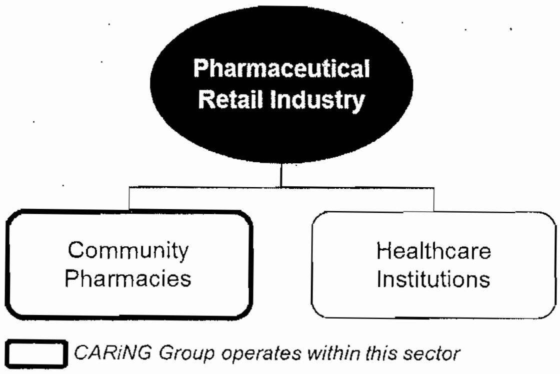
- **Traditional Medicines** are generally products consisting solely of one or more naturally occurring substances of a plant, mineral or animal, or parts in dried, unextracted or in crude extract form, including homeopathic medicine, primarily for the diagnosis, treatment or prevention of a disease or ailment, or for maintaining or improving the health and wellbeing of a person. Homeopathic medicines are used to induce symptoms similar to the disease to be treated, which would stimulate the body to counter the original disease.

- As an operator of a chain of community pharmacies, pharmaceutical products constitute the core products of CARiNG Group.

3.2 Industry Structure

3.2.1 Overview of the Pharmaceutical Retail Industry

- The Pharmaceutical Retail Industry is primarily involved in dispensing and retailing pharmaceutical products. The general structure of the Pharmaceutical Retail Industry can be depicted as follows:



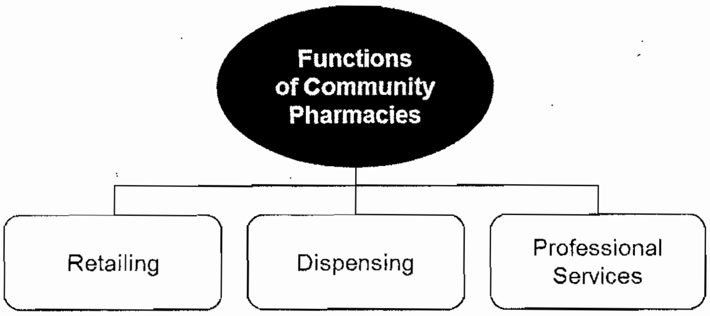
- Community pharmacies are store based retailing of pharmaceutical products where there is at least one pharmacist licensed to dispense scheduled drugs. Community pharmacies generally undertake retail sales of pharmaceutical products as well as other non-pharmaceutical products such as medical and surgical devices, health food, personal care products, and other items.

- Healthcare institutions include, among others, clinics, hospitals, medical centres and hospices in the public and private sector. This includes the dispensing of drugs by medical practitioners as well as pharmacists, typically to the patients or customers of the healthcare institutions. Nevertheless, these premises may also supply medicinal drugs to walk-in customers on a small scale basis.

- CARiNG Group is primarily an operator of a chain of community pharmacies. As such, the focus of this report is on the Community Pharmacy Industry.

3.2.2 Functions of Community Pharmacies

- Generally, community pharmacies perform the following functions:



- **Retailing:** This component covers the retailing of pharmaceutical products including scheduled drugs, OTC drugs, health supplements and traditional medicines. In Malaysia, it is also common for community pharmacies to undertake retailing of non-pharmaceutical products.

- **Dispensing:** This component refers to the dispensing of scheduled drugs and can only be carried out under the supervision of a licensed pharmacist.

- **Services:** This component refers to professional services that may be provided in community pharmacies, although the availability of such services may differ from one pharmacy to another. Some examples include:
  - Consultation on minor ailments or general health;
  - Medication review;
  - Smoking cessation counselling;
  - Diabetic management counselling;
  - Weight management counselling;
  - Various health tests, e.g. blood glucose test and blood pressure test.

4. SUPPLY

4.1 Number of Community Pharmacies

- The number of community pharmacies in Malaysia are shown below:

Number of Community Pharmacies in Malaysia

	2008	2009	2010	2011	2012	2013*	AAGR 2008-2012 (%)
Selangor	346	541	368	423	477	522	8.4
Kuala Lumpur	199	230	217	225	270	271	7.9
Pulau Pinang	263	250	280	290	236	239	-2.7
Johor	156	162	155	163	186	206	4.5
Sarawak	151	153	141	143	167	170	2.5
Perak	175	176	174	150	162	167	-1.9
Sabah	97	129	119	127	143	152	10.2
Kedah	113	125	111	121	137	141	4.9
Negeri Sembilan	54	57	58	63	70	76	6.7
Kelantan	68	69	70	75	74	75	2.1
Melaka	49	56	57	55	62	72	6.1
Pahang	54	56	57	65	68	68	5.9
Terengganu	25	25	24	26	25	26	0.0
Perlis	11	13	13	12	13	15	4.3
Labuan	6	5	5	5	5	5	-4.5
Total	**1,767**	**2,047**	**1,849**	**1,943**	**2,095**	**2,205**	**4.3**

**Data up to June 2013 only; AAGR = Average Annual Growth Rate.*
(Source: Pharmaceutical Services Division, Ministry of Health)

- Between 2008 and 2012, the total number of community pharmacies in Malaysia grew at an AAGR of 4.3%.

- Generally, Sabah experienced the highest AAGR at 10.2% in terms of number of community pharmacies between 2008 and 2012.

- In 2012, out of the 2,095 community pharmacies in Malaysia, 35.7% or 747 outlets were located in Kuala Lumpur and Selangor respectively.

- The number of community pharmacies in Malaysia continued to grow and reached 2,205 outlets in June 2013.

4.2 Number of Body Corporates

- In Malaysia, all body corporates carrying a business of keeping, retailing, dispensing and compounding of poisons, dangerous drugs or therapeutic substances, including operators of community pharmacies, are required to be registered with the Pharmacy Board. As such, the number of body corporates registered with the Pharmacy Board would provide an indication on the supply of community pharmacies in Malaysia.

Number of Body Corporates Registered with the Pharmacy Board

	2008	2009	2010	2011	2012	AAGR 2008-2012 (%)
Total	414	493	711	838	605	9.9
--Newly Registered	*43*	*48*	*48*	*44*	*57*	*7.3*
--Annual Retention Certificates	*371*	*445*	*663*	*794*	*548*	*10.2*

(Source: Pharmacy Board)

- Between 2008 and 2012, the total number of body corporates registered with the Pharmacy Board grew at an AAGR of 9.9%, as newly registered body corporates and annual retention certificates of body corporates both grew, at AAGR of 7.3% and 10.2% respectively.

- In 2012, the number of body corporates registered with the Pharmacy Board fell by 27.8% to 605, of which 57 were newly registered body corporates.

- However, the number of body corporates does not represent the number of premises engaged in the specified business as there is no limit to the number of premises operated by a single body corporate.

5. SUPPLY DEPENDENCIES

- The operations of community pharmacies are mainly dependent on the following:
  - Availability of registered pharmacists licensed to dispense scheduled drugs;
  - Availability of pharmaceutical products.

- As such, the following statistics will be used to assess the supply of pharmacists and pharmaceutical products from local and imported sources.

5.1 Number of Registered Pharmacists

Number of Pharmacists Registered with the Pharmacy Board

	2008	2009	2010	2011	2012	AAGR 2008-2012 (%)
Provisionally Registered	722	813	925	922	1,208	13.7
Fully Registered	6,541	6,202	9,591	9,680	9,886	10.9
--Newly Registered	*617*	*705*	*739*	*934*	*918*	*10.4*
--Annual Retention Certificates	*5,924*	*5,497*	*8,852*	*8,746*	*8,968*	*10.9*

(Source: Pharmacy Board)

- Between 2008 and 2012, the supply of pharmacists has generally increased. During the period, the number of provisionally registered pharmacists and fully registered pharmacists grew at an AAGR of 13.7% and 10.9% respectively.

- Fresh graduates with a degree in pharmacy or equivalent who wish to operate pharmacy practices in Malaysia have to be provisionally registered for a period of one year before being fully registered. During the provisional period, pharmacists are legally required to undergo training in the public sector. At any point in time, the number of provisionally registered pharmacists would provide an indication of the future supply of fully registered pharmacists.

- Newly registered pharmacists refer to those who had undergone one year of training as provisionally registered pharmacists and had become fully registered pharmacists for the first time. Newly registered pharmacists are still required to serve in the public sector for one year before being made available to the private sector, including practicing in community pharmacies.

5.2 Number of Licensed Pharmacists

- Licensed pharmacists refer to pharmacists issued with a 'Type A Licence' under the Poisons Act 1952.

- The key pre-requisites to obtain a Type A Licence include:
  - full registration with the Pharmacy Board of Malaysia;
  - degree in pharmacy or equivalent recognised by the Pharmacy Board of Malaysia;
  - 2 years' experience working in the public sector, under the purview of the Ministry of Health.

- For the community pharmacy industry, the relevant types of drugs that can be dispensed by licensed pharmacists are mainly Group B and Group C drugs.

- All community pharmacies are required to have at least one licensed pharmacist to deal with scheduled drugs on a retail basis. Type A Licences are renewable on a yearly basis.

Number of 'Type A Licence' Holders

	2008	2009	2010	2011	2012	AAGR 2008-2012 (%)
Type A Licence Holders........	3,055	3,000	3,187	3,314	3,814	5.7

(Source: Pharmaceutical Services Division, Ministry of Health)

- Between 2008 and 2012, the number of new and renewed Type A Licences issued by the Ministry of Health grew every year with the exception of 2009, to register an overall AAGR of 5.7%.

- In 2012, there were 3,814 pharmacists with Type A Licences issued by the Ministry of Health in Malaysia.

5.3 Student Enrolments in Pharmacy Courses

Student Enrolments for Bachelor and Masters Degree in Pharmacy in Malaysia

	2008	2009	2010	2011	2012	AAGR 2008 -2012 (%)
Public HEI	**2,201**	**2,262**	**2,335**	**2,527**	**2,620**	**4.5**
- Bachelor Degree	*1,946*	*1,982*	*2,033*	*2,131*	*2,270*	*3.9*
- Masters Degree	*255*	*280*	*302*	*396*	*350*	*8.2*
Private HEI	**2,881**	**2,088**	**2,429**	**1,923**	**2,400**	**-4.5**
- Bachelor Degree	*2,595*	*1,600*	*1,902*	*713*	*1,862*	*-8.0*
- Masters Degree	*286*	*488*	*527*	*1,210*	*538*	*17.1*
Total Public and Private HEI	**5,082**	**4,350**	**4,764**	**4,450**	**5,020**	**-0.3**

HEI = Higher Education Institutions

Note: A registered pharmacist will require a minimum of a bachelor degree in pharmacy recognised by the Pharmacy Board. As such, student enrolment of lower levels such as diploma and other certificates are not included here.

(Source: Ministry of Higher Education)

- Between 2008 and 2012, the total number of student enrolments for bachelor and masters degree in pharmacy at public and private higher education institutions declined marginally at an average annual rate of 0.3%, although it fluctuated on a year-to-year basis.

- In 2012, pharmacy students from public higher education institutions represented 52.2% of the total number of student enrolments for bachelor and masters degree while the remaining 47.8% were from private higher education institutions.

- While the above figures are for public and private higher education institutions in Malaysia, other overseas higher education institutions offering pharmacy degree courses may also be a source of supply of pharmacy graduates for Malaysia. In 2013, there were approximately 30 pharmacy courses conducted by overseas higher education institutions that are recognised by the Pharmacy Board.

- As such, the steady supply of students pursuing a bachelor or masters degree in pharmacy provide a good base of future pharmacists to support the continuous growth of the Community Pharmacy Industry.

5.4 Local Production of Pharmaceuticals

Sales Value of Manufacture of Selected Pharmaceuticals

	2008	2009	2010	2011	2012	AAGR 2008-2012 (%)
Medicinal Pills[1]	684.1	594.8	639.0	698.9	805.2	4.2
Medicinal Drinks[2]	168.6	129.1	137.2	175.2	200.9	4.5
Medicinal Oils, Ointment and Lotions	131.4	130.7	125.0	170.6	190.1	9.7
Medicinal Solutions[3]	67.1	86.1	13.1	94.9	143.7	21.0
Other Pharmaceuticals[4]	63.2	36.2	63.6	92.0	90.5	9.4
Vitamin Pills	61.6	56.2	62.2	76.9	74.0	4.7
Herbal Medicines	40.6	12.4	10.2	16.2	34.4	-4.1
Medicinal Powder	46.0	39.3	10.3	51.4	13.8	-26.0

Notes: All units in RM million except percentages
(1) Includes tablets and capsules forms; (2) Includes cough mixtures and syrups;
(3) Includes ophthalmic solutions and intravenous fluid; (4) Includes medicinal salt and medicaments & pharmaceutical preparations (not elsewhere classified).
(Source: Department of Statistics)

- Between 2008 and 2012, the majority of selected pharmaceuticals registered growth, with the exception of herbal medicines and medicinal powder.

- Local production of medicinal pills was the largest subgroup of pharmaceuticals with a total sales value of RM805.2 million in 2012. Between 2008 and 2012, local production of medicinal pills registered an AAGR of 4.2%.

- Local production of medicinal solutions registered the highest growth among the selected group of pharmaceuticals with an AAGR of 21.0% between 2008 and 2012.

5.5 Import of Pharmaceuticals

Import Value of Selected Pharmaceuticals

	2008	2009	2010	2011	2012	AAGR 2008-2012 (%)
Medicaments in measured dosage forms[1]	2,073.3	2,607.8	2,483.1	2,974.8	3,437.8	13.5
Wadding, Gauze, Bandages and Similar Articles[2]	84.9	132.2	91.3	141.8	196.0	23.3
Antibiotics	116.6	182.6	151.7	177.3	159.3	8.1
Provitamins and Vitamins	126.2	137.5	149.5	157.2	159.2	6.0
Medicaments not in measured dosage forms[3]	125.7	127.7	110.2	122.2	139.4	2.6
Other Pharmaceutical Goods[4]	81.0	98.6	91.7	101.1	79.5	-0.5

Notes: All units in RM million except percentages
(1) Excludes veterinary medicaments; (2) Impregnated or coated with pharmaceutical substances (also includes dressings, adhesive plasters and poultices); (3) Excludes veterinary medicaments; (4) Includes items such as sterile surgical catgut, diagnostic reagents, blood-grouping reagents, dental and bone reconstruction cements, first-aid kits and chemical contraceptive preparations.
(Source: Department of Statistics)

- Between 2008 and 2012, the above import of selected pharmaceuticals registered growth in terms of AAGR with the exception of other pharmaceutical goods.
- Import of medicaments in measured dosage forms was the largest subgroup with an import value of approximately RM3.4 billion in 2012. This subgroup consists of scheduled drugs that are sold only at healthcare institutions and community pharmacies. Between 2008 and 2012, import of medicaments in measured dosage forms registered an AAGR of 13.5%.
- Import of wadding, gauze, bandages and similar articles registered the highest growth among selected group of pharmaceuticals with an AAGR of 23.3% between 2008 and 2012.

5.6 Export of Pharmaceuticals

Export Value of Selected Pharmaceuticals

	2008	2009	2010	2011	2012	AAGR 2008-2012 (%)
Medicaments in measured dosage forms[1]	342.2	373.4	427.4	458.3	515.9	10.8
Antibiotics	40.3	65.6	59.8	67.7	68.3	14.1
Provitamins and Vitamins	38.2	26.9	35.6	41.3	46.6	5.1
Other Pharmaceutical Goods[2]	47.3	58.7	75.7	42.9	32.5	-9.0
Wadding, Gauze, Bandages and Similar Articles[3]	13.7	18.7	17.3	27.8	22.1	12.7
Medicaments not in measured dosage forms[4]	22.8	31.8	18.1	18.8	21.7	-1.2

Notes: All units in RM million except percentages.
(1) Excludes veterinary medicaments; (2) Includes items such as sterile surgical catgut, diagnostic reagents, blood-grouping reagents, dental and bone reconstruction cements, first-aid kits and chemical contraceptive preparations; (3) Impregnated or coated with pharmaceutical substances (also includes dressings, adhesive plasters and poultices); (4) Excludes veterinary medicaments.
(Source: Department of Statistics)

- Between 2008 and 2012, the export of the above selected pharmaceuticals registered growth in terms of AAGR with the exception of other pharmaceutical goods and medicaments not in measured dosage forms.
- Export of medicaments in measured dosage forms was the largest subgroup with an export value of approximately RM515.9 million in 2012. Between 2008 and 2012, export of medicaments in measured dosage forms registered an AAGR of 10.8%.
- Export of antibiotics registered the highest growth among the selected group of pharmaceuticals with an AAGR of 14.1% between 2008 and 2012.

5.7 Number of Registered Products

- In Malaysia, all pharmaceutical products are required to be registered with the Drug Control Authority. As such, product registration with the Drug Control Authority would also provide some indication on the supply of pharmaceutical products in Malaysia.

Product Registration with the Drug Control Authority

	2007	2008	2009	2010	2011	AAGR 2007-2011 (%)
Application for Registration						
Prescription Products	555	604	492	402	510	-2.1
Non-Prescription Products	560	483	381	268	52	-44.8
Traditional Products	1,325	1,120	902	671	643	-16.5
Total Number of Registered Products						
Prescription Products	11,805	12,214	12,626	13,067	13,392	3.2
Non-Prescription Products	9,098	9,370	9,683	9,918	9,973	2.3
Traditional Products	18,200	19,153	20,193	20,775	21,242	3.9

(Source: National Pharmaceutical Control Bureau)

- Between 2007 and 2011, the number of applications for prescription products, non-prescription products and traditional products decreased at an average annual rate of 2.1%, 44.8% and 16.5% respectively. Both applications for non-prescription products and traditional products had been on a decreasing trend since 2007 while application for prescription products had only started decreasing since 2008.

- Between 2007 and 2011, the total number of registered pharmaceutical products continued to register growth. Traditional products registered an AAGR of 3.9% followed by prescription and non-prescription products at AAGR of 3.2% and 2.3% respectively.

6. DEMAND

- The sales of pharmaceutical products constitute the bulk of the revenue generated from the Community Pharmacy Industry. In addition, various other products such as personal care products, health food, and medical and surgical devices are also commonly available in community pharmacies.

- As such, the following statistics will focus on household expenditure on pharmaceutical products and a range of other products that are commonly available in community pharmacies in view of assessing demand for this industry.

6.1 Household Expenditure

Average Monthly Household Expenditure on Selected Items

	2004/05	2009/10	AAGR 2004/05-2009/10 (%)
Malaysia			
Overall Average Mthly Household Expenditure	1,953.02	2,190.37	2.3
- Healthcare	27.05	28.82	1.3
--Pharmaceutical Products[1]	*12.41*	*14.27*	*2.8*
--Other Medical Products[2]	*0.48*	*0.96*	*14.9*
--Therapeutic Appliances and Equipment[3]	*2.28*	*2.93*	*5.1*
- Personal Care Products[4]	38.16	55.84	7.9
Peninsular Malaysia			
Overall Average Mthly Household Expenditure	2,035.40	2,274.02	2.2
-Healthcare	29.33	30.27	0.6
--Pharmaceutical Products[1]	*13.36*	*15.09*	*2.5*
--Other Medical Product[2]	*0.52*	*0.99*	*13.7*
--Therapeutic Appliances and Equipment[3]	*2.59*	*3.26*	*4.7*
-Personal Care Products[4]	40.42	56.09	6.8

Notes: All units in RM except percentages.
(1) Refers to scheduled and OTC drugs, medicines for health upkeep and traditional medicines. Note that this subgroup is not confined to pharmaceutical products spent in community pharmacies alone, but is inclusive of those supplied by other retailers and healthcare institutions;
(2) Includes products such as bandages, cotton wool, contraceptive pills, contact lens solution, disinfectant, pregnancy tests and others;
(3) Includes products such as hearing aids, dentures, wheel chairs, orthopaedic braces and supports and others;
(4) Refers to electrical or other appliances, articles and products for personal care.
(Source: Department of Statistics)

- Overall, the average monthly household expenditure in Malaysia has increased from RM1,953.02 in 2004/05 to RM2,190.37 in 2009/10. This reflects an AAGR of 2.3% during the period under review.
- Overall, healthcare expenditure registered an AAGR of 1.3%, of which expenditure on pharmaceutical products as one of the subgroups, recorded an AAGR of 2.8% between 2004/05 and 2009/10. Thus, this indicates a continuing demand for such products.
- The average monthly expenditure on specifically pharmaceutical products, other medical products and therapeutic appliances and equipment in Malaysia increased from RM15.17 in 2004/05 to RM18.16 in 2009/10. This reflects an AAGR of 3.7% during the period under review.

7. DEMAND DEPENDENCIES

- As the demand for pharmaceutical products and other products sold in community pharmacies is ultimately dependent on end-consumers, the following factors will have an impact on the Community Pharmacy Industry:
  - Per capita income;
  - Population growth;
  - Average life expectancy.

7.1 Per Capita Income

- The increase in the affluence of Malaysia, which can be represented by per capita income, will generally mean greater affordability and higher consumer spending on consumer products including pharmaceutical products.

Malaysia's Per Capita Income (Based on Current Prices)

	2008	2009	2010	2011	2012e	AAGR 2008-2012 (%)
Per Capita Income	26,041	23,850	26,882	29,661	30,809	4.3

Notes: All units in RM except percentages; e = estimate.
(Source: Bank Negara Malaysia)

- In 2012, Malaysia's per capita income grew by 4.3% to reach RM30,809 from RM29,661 in 2011.

- Between 2008 and 2012, Malaysia's per capita income grew at an AAGR of 4.3%.

7.2 Population Growth

- Growth in Malaysia's population will provide the impetus for demand for pharmaceutical products as well as other products sold in community pharmacies.

Malaysia's Mid-Year Population Estimate by Age Groups

	2008	2009	2010	2011	2012	AAGR 2008-2012 (%)
0 – 14	7,757	7,724	7,822	7,785	7,757	0.0
15 – 64......................	18,547	18,890	19,342	19,704	20,034	1.9
65 and above	1,236	1,282	1,425	1,475	1,545	5.7
Total	**27,541**	**27,895**	**28,589**	**28,964**	**29,337**	**1.6**

Notes: All units in thousands except percentages; Total does not add-up due to rounding.
(Source: Department of Statistics)

- The population of Malaysia in 2012 was estimated to be 29.3 million. This reflects an AAGR of 1.6% since 2008.

- Between 2008 and 2012, Malaysia's population aged 65 and above recorded an AAGR of 5.7%, which is significantly higher than the other age groups. An ageing population would continue to drive the demand for pharmaceutical products.

7.3 Average Life Expectancy

- An increase in average life expectancy would mean an increase in the ageing population. A larger ageing population segment would normally place higher demands on pharmaceutical products including those sold through community pharmacies.

Malaysia's Average Life Expectancy at Birth

	2008	2009	2010p	2011e	2012e	AAGR 2008 - 2012 (%)
Male.............	71.6	71.6	71.7	72.0	72.3	0.2
Female	76.4	76.5	76.8	77.1	77.2	0.3

Notes: All units in years except percentages.
(Source: Department of Statistics)

- Between 2008 and 2012, the life expectancies at birth of average male and average female in Malaysia registered an AAGR of 0.2% and 0.3% respectively.

- In 2012, the average life expectancy for male and female in Malaysia grew by 0.4% and 0.1% respectively.

8. COMPETITIVE ANALYSIS

8.1 Nature of Competition in the Industry

- In general, operators in the Community Pharmacy Industry in Malaysia face normal competitive conditions, which is similar to a free enterprise environment characterised by the following:
  - There are no undue government regulations or licensing requirements with the exception of the following:
    - Each community pharmacy premises must have a registered pharmacist licensed to dispense scheduled drugs;
    - Operator of a community pharmacy must be registered with the Pharmacy Board.
  - The industry is not dominated by a single or small number of operators;
  - Operators may enter or leave the industry freely;
  - No single or small group of operators is large enough to dictate pricing;
  - Supply of patented and generic drugs, scheduled and non-scheduled, are made equally available to all community pharmacies and other licensed premises.

- In such an environment, the industry is subjected to normal supply and demand conditions moderated by the price mechanism. Operators in the industry, including CARiNG Group, compete on service differentiations, and other factors of competition.

8.2 Factors of Competition

- As with most free enterprise environment, competition within the Community Pharmacy Industry is based on a number of factors, including:
  - Brand name and market reputation;
  - Range of products and services;
  - Quality of service;
  - Economies of scale;
  - Location.

- **Brand Name and Market Reputation**

  With the target market for the Community Pharmacy Industry being consumers, brand name and reputation are key competitive factors in this industry. As such, an established brand name with a strong market reputation that appeals to target customer groups would be able to garner higher customer loyalty from existing customers as well as be in a stronger position to attract new customers through strong brand equity.

- **Range of Products and Services**

  Operators that provide a wide range of products and services, especially pharmaceutical and health related products and services would have an advantage over operators with small or limited range of products and services. Operators with a wider range of products and services are better positioned to attract more customers and cater to their diverse preferences and requirements.

- **Quality of Service**

  As community pharmacies are retail based operations, quality of service in terms of customer service and meeting customers' requirements are paramount in cultivating customer loyalty. In addition, community pharmacies staffed by professional pharmacists that are able to provide advice concerning minor ailments or general health is also an important factor in garnering customer loyalty, which could in turn generate repeat sales and patronage.

- **Economies of Scale**

  Operators of a chain of community pharmacies would have stronger negotiation power to obtain better commercial terms in terms of product costs, credit terms, logistics arrangements and others. Similarly, community pharmacies that are part of a buying and marketing group are also able to maximise on some economies of scale through the group's combined purchases of products and/or services. Economies of scale would provide operators with higher gross margin, which would enable them to compete more effectively.

- **Location**

  Community pharmacies operate in a consumer-based industry. As such, pharmacies located in densely populated areas, for example urban areas, and in high pedestrian traffic areas, for example shopping malls and shopping areas, would have a competitive advantage over those in low density population areas or in areas with low pedestrian traffic.

8.3 Operators in the Industry

- In June 2013, there were 2,205 community pharmacies in Malaysia *(Source: Pharmaceutical Services Division, Ministry of Health)*.

- Some of the chain community pharmacies in Malaysia operating under their common brand names include the following (listed in alphabetical order):
  - Aeon Wellness;
  - Alpro Pharmacy;
  - **Caring Pharmacy**;
  - Constant Pharmacy;
  - Cosway Farmasi;
  - D'Apotic Pharmacy;
  - Farmasi Alpha.com[(1)];
  - Farmasi Vitacare;
  - Georgetown Pharmacy;
  - Guardian;
  - Health Lane Family Pharmacy;
  - Multicare Pharmacy;
  - My Pharmacy;
  - Tigas Farmasi[(1)];
  - Watsons.

  Notes:
  This is not an exhaustive list.
  (1) This is the common brand name carried by a group of independent community pharmacies that have contractual agreements with the brand owner to allow them to use the brand name.
  (Source: Vital Factor Consulting)

9. GOVERNMENT REGULATIONS

- Some of the regulations and policies applicable to the Community Pharmacy Industry are listed below:

9.1 Registration of Pharmacists

- According to the Registration of Pharmacists Act 1951 (Revised – 1989), registration of pharmacists can be broadly segmented into two types as follows:

  Provisionally Registered Pharmacist

  - A person who holds any registrable qualifications specified in the Act or a qualification in pharmacy, which is deemed suitable for registration, shall be entitled to be provisionally registered as a pharmacist, solely for the purpose of obtaining experience, by engaging in employment as a pharmacist to the satisfaction of the Pharmacy Board for a period of not less than one year in any of the public sector premises listed in the relevant section of the Act.

  Fully Registered Pharmacist

  - Upon gaining the experience required for a provisionally registered pharmacist, a person shall be entitled to be a fully registered pharmacist with the Pharmacy Board.

  Every fully registered pharmacist who desires his or her name to be retained on the register shall have to apply for an annual certificate on a yearly basis.

  (Source: Registration of Pharmacists Act 1951 (Revised – 1989))

9.2 Registration of Body Corporate

- Any body corporate undertaking the business of keeping, retailing, dispensing and compounding of poisons, dangerous drugs or therapeutic substances shall register with the Pharmacy Board.

- Every registered body corporate who desires its name to be retained on the register shall apply for an annual certificate on a yearly basis.

  (Source: Registration of Pharmacists Act 1951 (Revised – 1989))

9.3 Poisons Act 1952 (Revised – 1989)

- According to the Poisons Act 1952 (Revised – 1989), no poison shall be sold by wholesale or retail except by a licensed wholesaler or retailer respectively.

- 'Type A Licence' is issued to a pharmacist to import, store and deal generally by wholesale and retail or by wholesale only or by retail only in all poisons in the Act. As such, community pharmacies that undertake retailing of pharmaceutical products would require a pharmacist with 'Type A Licence'.

- Some of the common types of poisons sold in community pharmacies are as follows:

  Group B

  Supply by retail is restricted to the following:
  - by a registered medical practitioner to his patient in accordance to the Act;
  - by a licensed pharmacist, as a dispensed medicine on and in accordance with a prescription prescribed by a registered medical practitioner in accordance to the Act.

  Notwithstanding the above, in cases of emergency, it shall be lawful to sell or supply such poison without a prescription, provided that an entry is made in the prescription book, upon the verbal or telephoned instructions of a medical practitioner personally known to him or her.

  Group C

  Supply by retail is restricted to the following:
  - as a dispensed medicine or an ingredient in a dispensed medicine supplied by a registered medical practitioner or a licensed pharmacist.

- Any poison sold or supplied as a dispensed medicine or as an ingredient in a dispensed medicine shall be entered into a prescription book.

(Source: Poisons Act 1952 – revised 1989)

9.4 Poisons (Psychotropic Substances) Regulations 1989

- According to the Poisons (Psychotropic Substances) Regulations 1989, possession, sale, supply and/or dispensing of psychotropic substances are restricted to authorised persons, including a licensed pharmacist.

- Any person who sells or supplies or administers any psychotropic substances for the purposes of medical treatment of a particular patient shall keep and maintain a register to be called the "Prescription Register for Psychotropic Substances" and for other purposes, a register to be called the "Supply Register for Psychotropic Substance".

- Any disposal of psychotropic substances must be done in the presence and in accordance with the instructions of a Drug Enforcement Officer.

- The date and quantity of psychotropic substances disposed must be entered into the register and shall be acknowledged by the Drug Enforcement Officer.

(Source: Poisons (Psychotropic Substances) Regulations 1989)

9.5 Dangerous Drugs Act 1952

- Under the Dangerous Drugs Regulations 1952, a person shall not be in possession, supply or procure, or offer to supply or procure, to or for any person (including himself) whether in Malaysia or elsewhere, or advertise for sale of a drug or preparation listed in the First Schedule of the Act, unless he is authorised under the Act to do so.
- The supply of any drug or preparation under the Act must be entered into a Dangerous Drugs Register with proper reference to each entry in the Prescription Book.

(Source: Dangerous Drug Regulations 1952)

9.6 Sale of Drugs Act 1952 (Revised 1989)

- Under the Control of Drugs and Cosmetics Regulations 1984 within the Sale of Drug Act 1952, no person shall manufacture, sell, supply, import or possess or administer any drugs unless:
  - the drug is a product registered with the Drug Control Authority (DCA); and
  - the person holds the appropriate licence required and issued under these Regulations, which includes a manufacturer's licence, a wholesaler's licence, a clinical trial import licence or an import licence.

(Source: Control of Drugs and Cosmetic Regulations 1984)

9.7 Medicine Advertisement Sale Act 1956

- According to the Act, no person shall take any part in the publication of any advertisement relating to the diseases specified in the Schedule of the Act, abortion, medicines to be approved and skill or service relating to the treatment, prevention or diagnosis of any ailment, disease, injury, infirmity or condition affecting the human body, unless approved by the Medicine Advertisements Board.

(Source: Medicines (Advertisement and Sale) Act 1956 – revised 1983)

9.8 Penalties

- The following table summarises the maximum fines that are enforceable upon conviction of failure to comply to the respective acts and regulations:

Act / Regulation	Maximum Fine (RM)
Registration of Pharmacist Act 1951	50,000
Poisons Act 1952	10,000
Poisons (Psychotropic Substances) Regulations 1989	10,000
Dangerous Drugs Act 1952	100,000
Dangerous Drugs Regulations 1952	10,000
Sales of Drugs Act 1952	100,000
Control of Drugs and Cosmetic Regulations 1984	100,000
Medicine (Advertisement and Sale) Act 1956	5,000

- Other forms of punishments under these acts and regulations also include imprisonment, whipping and death penalty.

- However, many of these penalties are specifically directed to individuals and not companies or body corporates. The exceptions to this is the Registration of Pharmacist Act 1951, Poisons Act 1952, Poisons (Psychotropic Substances) Regulations 1989 and the Sales of Drugs Act 1952, which specifically provide for penalties directed to individuals and body corporates.

10. BARRIERS TO ENTRY

- Some of the barriers to entry applicable to the Community Pharmacy Industry are listed below:

10.1 Capital and Set-up Costs

- The barriers to entry into the Community Pharmacy Industry are relatively low based on capital requirements (excluding land and building).

- The capital requirements of setting-up an independent community pharmacy would be between RM200,000 and RM400,000 that includes both renovation costs (fixtures and fittings) and stocks. An independent community pharmacy of this size is estimated to generate revenue of approximately RM0.5 million to RM3 million per year.

- At this level of entry, the set-up cost is for one outlet the size of a typical shop-lot of approximately 1,700 square feet. Capital costs would start to escalate for an operator that wants to establish a chain of community pharmacies in order to generate higher revenue and to achieve economies of scale.

10.2 Industry Regulations

- Regulations relevant to the Community Pharmacy Industry may pose a barrier of entry for new entrants. Some of these regulations may include, among others, the following:

  Registration of Body Corporate

  - Any entity that operates one or more community pharmacy outlets is required to be a registered body corporate with the Pharmacy Board. In addition, the control and management of the body corporate shall be represented by registered pharmacists.

Registered and Licensed Pharmacist

- It is a requirement to have at least one licensed pharmacist to operate a community pharmacy outlet. In this case, a licensed pharmacist refers to a registered pharmacist who is the holder of a Pharmacist's Poisons Licence (Type A Licence). To qualify as a licensed pharmacist, an individual would need to possess relevant qualifications and experience, and fully registered with the Pharmacy Board before being eligible for a 'Type A Licence'.

• Hence, the requirement on body corporate registration and availability of registered and licensed pharmacists would pose a barrier to entry, especially for non-pharmacist-owned outlets, or for a corporation that intends to own or operate a chain of community pharmacies.

11. THREAT OF SUBSTITUTES

• There are substitutes for community pharmacies depending on the type of pharmaceutical products as follows:

  - Scheduled drugs and some of the OTC drugs may be obtained through healthcare institutions. These healthcare institutions include, among others, clinics and hospitals. However, these healthcare institutions mainly service their own patients or customers. It is not common for non-patients or non-customers to purchase scheduled or OTC drugs from healthcare institutions.

  - Some of the OTC drugs may be purchased from hypermarkets, supermarkets, convenience stores and Chinese Medical Halls.

  - Many of the health supplements may be purchased from specialised health food and supplement stores, hypermarkets, supermarkets, convenience stores, Chinese Medical Halls and through direct sales using single-level and multilevel marketing, and through the internet.

  - Some of the traditional medicines may be purchased from Chinese Medical Halls.

12. RELIANCE AND VULNERABILITY TO IMPORTS

• Pharmaceutical products in Malaysia are manufactured locally as well as sourced through imports.

• In 2012, local production of pharmaceutical products, medicinal chemicals and botanical products amounted to RM1.7 billion while imports of medicinal and pharmaceutical products totalled RM4.7 billion.

• Although the Community Pharmacy Industry is reliant on imports, risk of supply disruption is mitigated by the various sources of supply from a number of overseas markets.

- In 2012, imports of medicinal and pharmaceutical products were mainly sourced from the following countries:

	RM million	%
United States	563.5	12.1
Germany	434.2	9.3
Switzerland	425.0	9.1
China	409.5	8.8
France	375.4	8.1
Australia	279.4	6.0
United Kingdom	270.2	5.8

(Source: Department of Statistics)

- Malaysia is also reliant on a large number of patented drugs in which owners of the patents are corporations in overseas countries. However, this reliance on patented drugs is not a significant business risk to community pharmacies as they carry a wide range of products including patented drugs, generic drugs, OTC products, health supplements and other non-pharmaceutical products. The inability to carry one or a small range of patented drugs would be insignificant compared to several hundreds up to a thousand or more products that a typical community pharmacy in Malaysia would carry.

13. INDUSTRY PROSPECTS AND OUTLOOK

- The outlook of the Community Pharmacy Industry is dependent on the following factors:
  - Performance of the retail trade sector;
  - Economic conditions;
  - Population and consumer demographics;
  - Separating prescribing and dispensing functions;
  - Recommended requirements for pharmacists.

13.1 Performance of the Retail Trade Sector

- The outlook of the Community Pharmacy Industry is dependent on the performance of the retail trade sector. This is because community pharmacies operate within the retailing industry and many of its products are general consumer products including health supplements and other non-pharmaceutical products like personal care items.

- As such, growth in the retail trade sector would have a direct and positive flow-on effect on the Community Pharmacy Industry.

  - Between 2008 and 2012, the retail trade sector in Malaysia grew at an AAGR of 8.5%.
  - Between 2008 and 2012, the retail trade of other goods in specialised stores in Malaysia grew at an AAGR of 7.3%.

(Source: Department of Statistics)

- The continuing growth in the retail trade in the last few years would augur well for the future growth and prospects of the Community Pharmacy Industry in Malaysia.

- The wholesale and retail trade, accommodation and restaurants sector is targeted to grow at an AAGR of 8.3% between 2011 and 2015 *(Source: 10th Malaysia Plan, Economic Planning Unit)*.

13.2 Economic Conditions

- A growing economy provides the impetus for private and public spending, which would have a positive flow-on effect on the Community Pharmacy Industry.

  - Between 2008 and 2012, real GDP of the Malaysian economy grew at an AAGR of 4.1%;
  - In 2012, the Malaysian economy registered real GDP growth of 5.6%;
  - As for 2013, real GDP for Malaysia is forecasted to grow between 4.5% and 5.0%.

  (Source: Bank Negara Malaysia)

13.3 Population and Consumer Demographics

- As the Community Pharmacy Industry services the general population, changes in population and demographics would have an impact on the long-term prospects of the industry.

- Some of the indicators for population and consumer demographics are as follows:

Population and Consumer Demographics of Malaysia

	AAGR (%)
Total Population (2008 to 2012)	1.6
Population of Age 65+ (2008 to 2012)	5.7
Per Capita Income (2008 to 2012)	4.3
Average Monthly Household Expenditure (2004/05-2009/10)	2.3

(Sources: Department of Statistics, Bank Negara Malaysia)

- A growing population would increase the potential customer base for community pharmacies, while an ageing population would increase demand for pharmaceutical products.

- Higher per capita income and higher average monthly household expenditure would mean increase spending by consumers, which could also have a positive flow on effect on community pharmacies.

- If the above indicators continue to grow in the future, this would augur well for operators in the Community Pharmacy Industry.

- The total population and population of 65 years and above are forecasted to grow at an AAGR of 1.1% and 4.1% respectively between 2011 and 2015 *(Source: 10th Malaysia Plan, Economic Planning Unit).*

- In addition, Malaysia's per capita income is forecasted to grow by 7.2% to RM33,015 in 2013 *(Source: Bank Negara Malaysia).*

13.4 Separating Prescribing and Dispensing Functions

- Medical practitioners are currently allowed to dispense medicine for the treatment of their patients. However, the Malaysian National Medicines Policy (MNMP) under the Ministry of Health recognises the importance and the need of separating prescribing and dispensing functions in the future.

  (Source: National Medicines Policy of Malaysia, Ministry of Health)

- If the separation materialises, a significant proportion of scheduled drugs currently prescribed by medical practitioners and dispensed by healthcare institutions, will be dispensed through community pharmacies. This would have a significant and positive impact on the Community Pharmacy Industry in Malaysia.

13.5 Recommended Requirements for Pharmacists

- According to the World Health Organisation (WHO), in order for optimal healthcare to be delivered in a developed nation, a 1:2000 pharmacist-to-population ratio is recommended.

- Based on a population of 29.3 million in 2012, the recommended requirement for pharmacists in Malaysia is approximately 14,650 pharmacists.

- In 2012, there were 9,886 fully registered pharmacists and 1,208 provisional registered pharmacists in Malaysia, compared to the estimated national requirement of 14,650 pharmacists.

  (Source: Department of Statistics, Pharmacy Board)

- The shortfall of pharmacists in Malaysia compared to WHO recommended requirement seems to suggest that in 2012, Malaysia's Community Pharmacy Industry had not reached saturation point.

14. THREATS AND RISK ANALYSIS

14.1 Shortage of Fully Registered Pharmacists

- The operation of community pharmacies is highly dependent on fully registered pharmacists. This is because the dispensing of scheduled drugs can only be carried out by a fully registered pharmacist in a community pharmacy.
- In 2012, Malaysia was short of approximately 30% of the number of pharmacists as recommended by the World Health Organisation. In addition, the relatively low capital and set-up costs for a community pharmacy may encourage pharmacists to open their own independent pharmacies as opposed to working for, or partnering with chain community pharmacies.
- As such, there is a risk that the shortage or difficulties in hiring fully registered pharmacists may impede on the growth plans of chain community pharmacies.

Mitigating Factors

- The risk of shortage of pharmacists is mitigated by the supply of graduate pharmacists from local and overseas universities.
- Within public and private higher education institutions in Malaysia, the number of pharmacy student enrolment has been relatively stable where it registered a marginal decline in average annual rate of 0.3% between 2008 and 2012. Nevertheless, the number of pharmacy student enrolment in Malaysia grew by 12.8% in 2012. This growth is further supplemented by overseas universities that offer recognised pharmacy courses to Malaysian students.
- In addition, between 2008 and 2012, the number of provisionally registered pharmacists recorded an AAGR of 13.7% indicating potentially a strong flow of supply of fully registered pharmacists.

14.2 Changes in Government Legislations

- The Community Pharmacy Industry is regulated by various government legislations, including the Registration of Pharmacists Act, Poisons Act, Sales of Drugs Act, Dangerous Drugs Act and Medicine (Advertisement and Sale) Act.
- There is a risk that the any changes in government legislations or introduction of new policies, may negatively affect the Community Pharmacy Industry.

Mitigating Factors

- All community pharmacies are subjected to the same set of rules, regulations and guidelines. As such, operators that diligently comply with all government rules, regulations and guidelines would not be adversely affected by changes in government regulations.

14.3 Pilferages and Robbery

- Community pharmacies operate in a retail environment that is open to the public. and cash payment constitutes a large proportion of all sales transactions.

- Therefore, community pharmacy operators are exposed to the risk of pilferages by internal staff and external customers, as well as exposed to the potential risk of robbery.

Mitigating Factors

- Generally, operators may minimise the risk of pilferages by putting in place certain preventive measures such as securing the premises with alarms, installing CCTV in the premises and other operational procedures that would deter employees and customers from committing acts of pilferages and robbery.

14.4 Economic Slowdown

- Any widespread and/or prolonged economic slowdown would affect consumer and business confidence, and subsequently their propensity to spend. The uncertainty over the global economies, particularly resulting from the euro zone debt problem, may also impact on the local economy. This may cause consumers to be more cautious in their spending patterns, thus leading to a slowdown in consumer spending on discretionary items.

- All these may impair the performance of operators within the Community Pharmacy Industry considering that the general public is their end-user.

Mitigating Factors

- Generally, demand for pharmaceutical products is more resilient to an economic slowdown as many of these items are considered necessities, particularly scheduled drugs, or important to the maintenance of health and general wellbeing.

- As such, operators whose revenue streams are substantially derived from pharmaceutical products as opposed to general fast moving consumer goods would be in a better position to weather a slowdown in the local economy.

15. DRIVERS OF GROWTH

- Some of the drivers of growth for the Community Pharmacy Industry are as follows:
  - **Separation of prescribing and dispensing functions**, if implemented in Malaysia, would move a significant proportion of the business of dispensing scheduled and some OTC drugs from healthcare institutions to community pharmacies.
  - **Vertical integration into upstream activities**, such as venturing into the sourcing and supply of OTC drugs and health supplements sold under own brands, could possibly bring down costs, and if distributed to third party wholesalers and retail outlets, would provide growth.
  - **Non-traditional retail sales**, for example e-commerce, would enable operators to cover a wider base of potential consumers particularly for non-scheduled drugs. E-commerce could also potentially open up export markets, particularly for unique products that are indigenous to Malaysia.
  - **Socio-economic growth** such as GDP, general population, ageing population, household income and household spending would drive the demand for pharmaceutical products.
  - **A growing ageing population** would also drive demand for pharmaceutical products. Between 2008 and 2012, Malaysia's population aged 65 and above recorded an AAGR of 5.7%.

16. CRITICAL SUCCESS FACTORS

- **Attracting and retaining pharmacists** is critical particularly for chain community pharmacies that commonly rely on pharmacists as staff or business partners. The failure to do that would impede on the growth plans of any chain pharmacies. This is because a community pharmacy intending to dispense scheduled drugs must have on its premises, at least a licensed pharmacist. Thus, the ability to attract and retain pharmacists is critical for a chain pharmacy to grow its business.
- **Brand equity**, including market reputation and branding are critical in a consumer-based industry, which includes community pharmacies. Consumers are more likely to patronise retail outlets that they are aware of, or have confidence in their products and services. Brand equity, particularly for chain pharmacies would be critical to ensure continuing business growth.
- **Economies of scale** provide operators with cost and service advantages. Economies of scale is particularly relevant to chain pharmacies whose purchasing power would enable them to obtain favourable pricing as well as better commercial terms including credit periods, frequency of delivery and efficiency in logistics. In addition, marketing and promotional expenses are optimised as the benefits and costs are shared among many outlets. Economies of scale would provide chain operators with greater financial resources to expand the business or invest in other areas of growth.

- **Prudent and effective retail management** is critical for all retail based operations including community pharmacies. Retail management includes choice of location to optimise profits, maximise effective product display to attract and encourage customers to make purchases, optimum merchandising to maximise sales from limited retail space, use of information technology for effective and efficient operation of the business, and implementation of cost effective security measures to minimise pilferages from internal staff and external customers.

- **Quality of service** is a critical factor in all retail based operations. Specifically, community pharmacies need to differentiate themselves from any other retail stores by providing quality professional service and advice to customers. This is also essential in garnering customer trust and loyalty, which in turn would generate more repeat sales.

17. MARKET RANKING AND SHARE

17.1 Market Ranking

- As at June 2013, CARiNG Group had a total of 83 community pharmacy outlets in Malaysia. Based on the number of community pharmacy outlets, CARiNG Group ranked among the **top three** community pharmacy operators in Malaysia as at June 2013 *(Source: Vital Factor Consulting)*.

  Note: Ranking of operators is based on the number of community pharmacy outlets operating under a common brand name.

17.2 Market Share

- As at June 2013, CARiNG Group had an estimated market share of **4%** of the Community Pharmacy Industry in Malaysia based on number of community pharmacy outlets *(Source: Pharmaceutical Services Division, Ministry of Health and computed by Vital Factor Consulting)*.

- As at June 2013, no one single operator has more than **7%** market share of the Community Pharmacy Industry in Malaysia based on the number of community pharmacy outlets *(Source: Pharmaceutical Services Division, Ministry of Health and computed by Vital Factor Consulting)*.

- As at June 2013, CARiNG Group had an estimated market share of **8%** of the Community Pharmacy Industry in Kuala Lumpur and Selangor based on the number of community pharmacy outlets *(Source: Pharmaceutical Services Division, Ministry of Health and computed by Vital Factor Consulting)*.

  Note: Market share of community pharmacies is based on the number of community pharmacy outlets, which are defined as those with a licensed pharmacist to dispense scheduled drugs.

VITAL FACTOR CONSULTING
Creating Winning Business Solutions

We, Vital Factor Consulting, have prepared this report in an independent and objective manner and have taken all reasonable consideration and care to ensure the accuracy of the report. It is our opinion that the report represents a true and fair assessment of the industry within the limitations of, among others, secondary statistics and information, and primary market research. Our assessment is for the overall industry and may not necessarily reflect the individual performance of any company. We do not take any responsibilities for the decisions or actions of readers of this document. This report should not be taken as a recommendation to buy or not to buy the shares of any company.

Yours sincerely

Wooi Tan
Managing Director

8. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT

8.1 PROMOTERS

8.1.1 Particulars and Shareholdings of the Promoters

The details of our Promoters and their shareholdings in our Company before and after the IPO are as follows:

		[(a)] Before the IPO		[(b)] After the IPO	
		Direct		Direct	
Name	Nationality/ Place of Incorporation	No. of Shares	%	No. of Shares	%
Motivasi Optima	Malaysia	109,623,857	60.00	109,623,857	50.35
Jitumaju	Malaysia	37,188,278	20.35	37,188,278	17.08

Notes:

(a) Based on our issued and paid-up share capital of 182,706,400 Shares after the Acquisition.

(b) Based on our enlarged issued and paid-up share capital of 217,706,400 Shares after the IPO.

Save for the foregoing, we are not aware of any other person(s) who directly or indirectly, jointly or severally, exercise control over us. The ultimate shareholders of Motivasi Optima and Jitumaju are disclosed in the following sections.

8.1.2 Profiles of the Promoters

(i) Motivasi Optima

(a) Background Information

Motivasi Optima is principally involved in investment holding. It was incorporated in Malaysia under the Act on 12 December 2012 as a private limited company under its present name.

The authorised and issued and paid-up share capital of Motivasi Optima as at the LPD is as follows:

Type (Ordinary Shares)	No. of Shares	Par Value RM	Total RM
Authorised	100,000	1.00	100,000
Issued and fully paid-up	100,000	1.00	100,000

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(b) Directors and Substantial Shareholders

The particulars of the Directors, substantial shareholders and their shareholdings in Motivasi Optima as at the LPD is as follows:

Name	Nationality	No. of Ordinary Shares of RM1.00 Each Held in Motivasi Optima			
		Direct	**%**	**Indirect**	**%**
Directors and Substantial Shareholders					
Directors					
Soo Chan Chiew	Malaysian	18,647	18.65	-	-
Ang Khoon Lim	Malaysian	18,647	18.65	-	-
Chia Kia	Malaysian	13,162	13.16	-	-
Chong Yeow Siang	Malaysian	14,239	14.24	(a)4,408	4.41
Ch'ng Haw Chong	Malaysian	2,500	2.50	-	-
Gooi Chean Keong	Malaysian	4,875	4.87	-	-
Loo Jooi Leng	Malaysian	4,875	4.87	-	-
Tan Lean Boon	Malaysian	18,647	18.65	-	-
Substantial Shareholders					
Soo Chan Chiew	Malaysian	18,647	18.65	-	-
Ang Khoon Lim	Malaysian	18,647	18.65	-	-
Chia Kia	Malaysian	13,162	13.16	-	-
Chong Yeow Siang	Malaysian	14,239	14.24	(a)4,408	4.41
Tan Lean Boon	Malaysian	18,647	18.65	-	-
Tan Lye Suan	Malaysian	4,408	4.41	(b)14,239	14.24

Notes:

(a) Deemed interested by virtue of his spouse, Tan Lye Suan's direct shareholdings in Motivasi Optima, pursuant to Section 6A of the Act.

(b) Deemed interested by virtue of her husband, Chong Yeow Siang's direct shareholdings in Motivasi Optima, pursuant to Section 6A of the Act.

(c) Profiles of Directors and Substantial Shareholders

The profiles of Chong Yeow Siang, Soo Chan Chiew, Tan Lean Boon, and Ang Khoon Lim are disclosed in Section 8.4.2 of this Prospectus. The profiles of Ch'ng Haw Chong, Gooi Chean Keong and Loo Jooi Leng are disclosed in Section 8.6.2 of this Prospectus. The profiles of Chia Kia and Tan Lye Suan are as follow:

Chia Kia

Chia Kia, aged 46, graduated in 1992 from Universiti Sains Malaysia with a Bachelor of Pharmacy (Honours) Degree. He became a Registered Pharmacist with the Ministry of Health in 1993. His career started in 1992 as a Houseman Pharmacist in the Hospital Muar and G.M.S. Petaling Jaya. Subsequently he left and joined Alychem Pharmacy Sdn Bhd as a Pharmacist in 1993. In 1994, he joined Allin Pertama Pharmacy Sdn Bhd as a pharmacist. He left Allin Pertama Pharmacy in 1995 and took up the position as Branch Manager at the Taman Tenaga outlet of Caring Pharmacy as well as director of Caring Pharmacy Sdn Bhd. In 2006, he was appointed as a director of Caring Pharmacy Retail Management Sdn Bhd. Currently he is a non-executive director of Caring Pharmacy Retail Management Sdn Bhd.

Tan Lye Suan

Tan Lye Suan, aged 47, graduated in 1992 from Universiti Sains Malaysia with a Medical Doctor (Hons) Degree. Upon graduation, she was posted to Penang General Hospital as a House Medical Officer for a year. Subsequently, she served as a registered Medical Officer in Kuala Lumpur Hospital till 1995. She joined the Medical Faculty of Universiti Malaya in 1996 to pursue a Degree in Master of Surgery in ENT, Head & Neck. She graduated with the Master Degree in 1999 and was posted to Klang General Hospital as a Clinical Specialist than subsequently as a Consultant Surgeon and in 2004 as a Head of ENT Department in Klang General Hospital. In 2006, she set up the ENT Department at the new Sungai Buloh Hospital and later became the Head of the ENT Department. In 2008, she left the Ministry of Health Service and started her own medical practice in Hospital Pantai Kuala Lumpur till now. She is the spouse of Mr Chong Yeow Siang, Managing Director of Caring Pharmacy Group Berhad.

(ii) Jitumaju

(a) Background Information

Jitumaju is principally involved in investment holding. It was incorporated in Malaysia under the Act on 26 October 1983 as Shaklee Electronics Berhad, and was converted into a private company under the name Shaklee Electronics Sdn. Bhd on 23 January 1987. It subsequently adopted its present name on 29 January 1988.

The authorised and issued and paid-up share capital of Jitumaju as at the LPD is as follows:

Type (Ordinary Shares)	No. of Shares	Par Value RM	Total RM
Authorised	10,000,000	1.00	10,000,000
Issued and fully paid-up	6,000,000	1.00	6,000,000

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8. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT *(Cont'd)*

(b) Directors and Substantial Shareholders

The particulars of the Directors, substantial shareholders and their shareholdings in Jitumaju as at the LPD is as follows:

Name	Nationality	No. of Ordinary Shares of RM1.00 Each Held in Jitumaju			
		Direct	%	Indirect	%
Directors and Substantial Shareholders					
Directors					
Chow Lean Keat	Malaysian	-	-	-	-
Lee Teck Chuan	Malaysian	-	-	-	-
Substantial Shareholders					
TSVT	Malaysian	4,200,000	70.00	(1)1,800,000	30.00
Nerine Tan Sheik Ping ("**Nerine Tan**")	Malaysian	900,000	15.00	(2)4,200,000	70.00
Chryseis Tan Sheik Ling ("**Chryseis Tan**")	Malaysian	900,000	15.00	(2)4,200,000	70.00

Notes:

(1) Deemed interested by virtue of his daughters, Nerine Tan and Chryseis Tan's direct shareholdings in Jitumaju, pursuant to Section 6A of the Act.

(2) Deemed interested by virtue of her father, TSVT's direct shareholdings in Jitumaju, pursuant to Section 6A of the Act.

(c) Profiles of Directors and Substantial Shareholders

Chow Lean Keat

Chow Lean Keat, aged 56, was appointed to the Board on 15 September 2008.

He is a Fellow member of the Association of Chartered Certified Accountants (UK) and also a member of the Malaysian Institute of Accountants.

He has more than 30 years of working experience in the fields of accounting, audit, financial and general management. He started his career in Birmingham in 1981 and worked for more than three years in chartered accounting firm in Birmingham. He also worked with NCR in early 1989 as accountant for 2 years before joining the current group of companies. His other experiences includes textile manufacturing, golf course construction & management, credit & leasing, property development, insurance and motor (sales & service)

Currently, he is the Managing Director of private limited companies involved in motor, insurance and property investments. He also holds directorships in several other private limited companies.

Lee Teck Chuan

Lee Teck Chuan, aged 59, graduated from Kolej Tunku Abdul Rahman with Diploma in Business Studies and Administration. He has more than 30 years of working experience in the fields of accounting, audit, and financial management in several public listed and private companies. He is now attached to MOL AccessPortal Sdn Bhd as the Chief Finance Officer of Friendster and is currently posted to Istanbul, Turkey to assist in overseeing the operations there.

TSVT

TSVT, aged 61, is a businessman and entrepreneur with varied interest in property development and investment, gaming, stockbroking, manufacturing, trading, hospitality, internet-related business, utilities, media, food and beverage, telecommunications, insurance and education through various public and private companies namely, BCorporation, BLand, Berjaya Sports Toto Berhad, Berjaya Philippines Inc, Berjaya Media Berhad, Berjaya Food Berhad, Berjaya Assets Berhad, Berjaya Retail Berhad, Cosway Corporation Limited, Informatics Education Ltd, Intan Utilities Berhad, U Mobile Sdn Bhd and MOL Global Pte Ltd.

He is currently the Chairman of U Mobile Sdn Bhd, a 3G mobile phone operator in Malaysia and the Managing Director/Chief Executive Officer of Sports Toto Malaysia Sdn Bhd ("**STMSB**").

He also holds directorships in Berjaya Times Square Sdn Bhd and several other private limited companies.

Nerine Tan

Nerine Tan, aged 37, is an Executive Director of STMSB. She graduated from the London School of Economics, United Kingdom in 1998 with a Bachelor of Science degree in Management with Honors. She joined the Berjaya group of companies in May 1999 as a Business Development Manager in Cosway (M) Sdn Bhd and subsequently was made Executive Director of eCosway which she helped to establish. She joined STMSB in February 2007 as the General Manager (Sales and Operations). She was subsequently appointed as an Executive Director of STMSB on 1 April 2010.

Currently, she is also an Executive Director of Berjaya Hotels and Resorts (S) Pte Ltd and she also holds directorships in several other private limited companies.

Chryseis Tan

Chryseis Tan, aged 25, is currently pursuing a language course in The College of Intensive Chinese Language at Beijing Language and Culture University, Beijing, China. Prior to this, she has attended Waseda University, Japan from 2008 to 2012 and graduated with Bachelor of Arts in International Liberal Studies.

TSVT is the father of Nerine Tan and Chryseis Tan.

8.2 SUBSTANTIAL SHAREHOLDERS

8.2.1 Particulars and Shareholdings of the Substantial Shareholders

The details of our substantial shareholders and their shareholdings in our Company before and after the IPO are as follows:

Name	Nationality/ Place of incorporation	[a]Before the IPO				[b]After the IPO			
		Direct		Indirect		Direct		Indirect	
		No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Motivasi Optima	Malaysia	109,623,857	60.00			109,623,857	50.35		
Chong Yeow Siang	Malaysian	-	-	[c]109,623,857	60.00	#262,700	0.12	[c]109,623,857	50.35
Soo Chan Chiew	Malaysian	-	-	[c]109,623,857	60.00	#262,600	0.12	[c]109,623,857	50.35
Ang Khoon Lim	Malaysian	-	-	[c]109,623,857	60.00	#262,600	0.12	[c]109,623,857	50.35
Tan Lean Boon	Malaysian	-	-	[c]109,623,857	60.00	#262,600	0.12	[c]109,623,857	50.35
Tan Lye Suan	Malaysian	-	-	[d]109,623,857	60.00	-	-	[d]109,923,857	50.35
Jitumaju	Malaysia	37,188,278	20.35	-	-	37,188,278	17.08	-	-
TSVT	Malaysian	-	-	[e]37,188,278	20.35	-	-	[e]37,188,278	17.08
Nerine Tan	Malaysian	-	-	[e]37,188,278	20.35	-	-	[e]37,188,278	17.08
Chryseis Tan	Malaysian	-	-	[e]37,188,278	20.35	-	-	[e]37,188,278	17.08

Notes:

\# *Based on their respective entitlements for the Pink Form Shares allocation pursuant to the IPO.*
(a) *Based on our issued and paid-up share capital of 182,706,400 Shares after the Acquisition.*
(b) *Based on our enlarged issued and paid-up share capital of 217,706,400 Shares after the IPO.*
(c) *Deemed interested by virtue of his interests in Motivasi Optima, pursuant to Section 6A of the Act.*
(d) *Deemed interested by virtue of the interests of her spouse, Chong Yeow Siang, pursuant to Section 6A of the Act*
(e) *Deemed interested by virtue of his/her interests in Jitumaju, pursuant to Section 6A of the Act.*

Save for the foregoing, we are not aware of any other person(s) who directly or indirectly, jointly or severally, exercise control over us.

8.2.2 Profiles of the Substantial Shareholders

The profiles of the substantial shareholders, namely Motivasi Optima and Jitumaju, who are also the Promoters of our Group are set out in Section 8.1.2 of this Prospectus.

8.3 CHANGES IN THE PROMOTERS' AND SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS IN OUR COMPANY

Save as disclosed below, there are no changes in the shareholdings of our Promoters and substantial shareholders in our Company since incorporation up to the date of Prospectus:

	As at date of incorporation				As at date of Prospectus (After the Acquisition)			
	Direct		Indirect		Direct		Indirect	
Name	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Promoters and Substantial Shareholders								
Chong Yeow Siang	1	33.33	-	-	-	-	-	-
Soo Chan Chiew	1	33.33	-	-	-	-	-	-
Tan Hui Khim	1	33.33	-	-	-	-	-	-
Motivasi Optima	-	-	-	-	(1)109,623,857	60.00	-	-
Jitumaju	-	-	-	-	37,188,278	20.35	-	-
Substantial Shareholders								
Chong Yeow Siang	-	-	-	-	-	-	(2)109,623,857	60.00
Soo Chan Chiew	-	-	-	-	-	-	(2)109,623,857	60.00
Ang Khoon Lim	-	-	-	-	-	-	(2)109,623,857	60.00
Tan Lean Boon	-	-	-	-	-	-	(2)109,623,857	60.00
Tan Lye Suan	-	-	-	-	-	-	(2)109,623,857	60.00
TSVT	-	-	-	-	-	-	(3)37,188,278	20.35
Nerine Tan	-	-	-	-	-	-	(3)37,188,278	20.35
Chryseis Tan	-	-	-	-	-	-	(3)37,188,278	20.35

Notes:

(1) The three (3) Subscriber Shares shall be transferred to Motivasi Optima after the Proposed Acquisition

(2) Deemed interested by virtue of his/her interests in Motivasi Optima, pursuant to Section 6A of the Act.

(3) Deemed interested by virtue of his/her interests in Jitumaju, pursuant to Section 6A of the Act.

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8.4 BOARD OF DIRECTORS

8.4.1 Particulars and Shareholdings of the Directors

The details of our Directors and their shareholdings in our Company before and after the IPO are as follows:

		Before the IPO[(a)]				After the IPO[(b)]			
		Direct		Indirect[(c)]		Direct		Indirect[(c)]	
Name	Nationality	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Datin Sunita Mei-Lin Rajakumar	Malaysian	-	-	-	-	#200,000	0.09	-	-
Chong Yeow Siang	Malaysian	-	-	109,623,857	60.00	#262,700	0.12	109,623,857	50.35
Soo Chan Chiew	Malaysian	-	-	109,623,857	60.00	#262,600	0.12	109,623,857	50.35
Tan Lean Boon	Malaysian	-	-	109,623,857	60.00	#262,600	0.12	109,623,857	50.35
Ang Khoon Lim	Malaysian	-	-	109,623,857	60.00	#262,600	0.12	109,623,857	50.35
Tan Sri Dato' Haji Mohd Ariffin Bin Mohd Yusuf	Malaysian	-	-	-	-	#200,000	0.09	-	-

Notes:

\# *Based on their respective entitlements for the Pink Form Shares allocation pursuant to the IPO.*

(a) *Based on our issued and paid-up share capital of 182,706,400 Shares after the Acquisition.*

(b) *Based on our enlarged issued and paid-up share capital of 217,706,400 Shares after the IPO.*

(c) *Deemed interested by virtue of their direct shareholdings in Motivasi Optima, pursuant to Section 6A of the Act.*

8.4.2 Profiles of the Directors

The profiles of our Directors are as follows:

(i) Datin Sunita Mei-Lin Rajakumar

Datin Sunita Mei-Lin Rajakumar, aged 45, is our Independent Non-Executive Chairman and was appointed to our Board on 27 December 2012. She graduated in 1990 from University of Bristol, United Kingdom with a Bachelor of Law (Honours) Degree. She became a member of the Institute of Chartered Accountants of England and Wales in 1994. She began her career in 1990 with Ernst & Young, London, where she worked at the audit and insolvency divisions. In 1994, she left to join RHB Sakura Merchant Bankers Berhad (now known as RHB Investment Bank Berhad) in their corporate finance department. She left RHB Sakura Merchant Bankers Berhad in 2000 and began consulting with MIMOS Berhad, the national research institution wholly-owned by the Ministry of Finance. Subsequently in 2001, she joined Artisan Encipta Ltd as a founder/Principal whereby the company was appointed as the Exclusive Manager of the Encipta Ltd venture capital fund, a wholly-owned subsidiary of MIMOS Berhad. In 2008, she began consulting with the King Abdulaziz City for Science and Technology, the national research institution of the Kingdom of Saudi Arabia. She is currently consulting with Yayasan Albukhary. She sits on the board of trustees of several charitable organisations namely Yayasan Seni, Yayasan myNadi and Hai-O Foundation. She currently holds directorships in two public listed companies, namely Hibiscus Petroleum Berhad and Hai-O Enterprise Berhad.

(ii) Chong Yeow Siang

Chong Yeow Siang, aged 46, is our Managing Director and was appointed to our Board on 27 December 2012. He graduated in 1992 from Universiti Sains Malaysia with a Bachelor of Pharmacy (Honours) Degree. He became a Registered Pharmacist with the Ministry of Health in 1993. His career started in 1992 as a Pupil Pharmacist in the Pharmacy Department of the Penang General Hospital. Subsequently he left and joined Servier Malaysia, a French pharmaceutical company located in Kuala Lumpur, as a Hospital Product Specialist in 1993. In 1994, he became Product Executive at Servier Malaysia and was later appointed as Product Manager of the company in 1995. He left Servier Malaysia in 1997 and took up the position as Branch Manager and Pharmacist at the Taman Kok Lian outlet of CPSB. In 1999, he was later appointed as General Manager of CPSB where he was responsible for the operations of six Caring outlets. He was appointed to his current tenure as Group Managing Director of CARiNG Group of companies in 2002 and is mainly responsible for developing the strategic direction and overseeing the business operations of the Group. He currently holds directorships in Bioscenergy International Sdn Bhd and Pharm-D Sdn Bhd.

(iii) Soo Chan Chiew

Soo Chan Chiew, aged 45, was appointed to our Board on 27 December 2012 as an Executive Director. He graduated in 1992 from Universiti Sains Malaysia with a Bachelor of Pharmacy (Honours) Degree. He became a Registered Pharmacist with the Ministry of Health in 1993. His career started in 1992 as a Pupil Pharmacist with Universiti Hospital, Kuala Lumpur. In 1993, he joined George Town Chemist Sdn Bhd, a retail pharmacy chain, as a Pharmacist in one of the outlets. Subsequently he left to set up CPSB in 1994 and was appointed as Branch Manager of our first 'CARiNG' community pharmacy outlet in Taman Muda. In 2007, with the establishment of CPRM, both the Heads of Finance and Management Information System Department report to him. His role and responsibilities include identifying critical business issues and to develop solutions to enhance the existing core applications, such as our in-house point-of-sales system and our retail management software system. Currently, he also sits on the boards of Pharm-D Sdn Bhd, Pharm-D Singapore Pte Ltd and Bioscenergy International Sdn Bhd.

(iv) Tan Lean Boon

Tan Lean Boon, aged 46, was appointed to our Board on 27 December 2012 as an Executive Director. He graduated in 1992 from Universiti Sains Malaysia with a Bachelor of Pharmacy (Honours) Degree. He became a Registered Pharmacist with the Ministry of Health in 1993. His career started in 1992 as a Houseman Pharmacist with Universiti Hospital, Kuala Lumpur. In 1993, he left and joined Apex Pharmacy Sdn Bhd as a Pharmacist at one of its retail outlets. In 1994, he joined Eli Lily (M) Sdn Bhd, a pharmaceutical company, as a Regulatory Affairs Executive. He then left and joined CPSB in 1997 as a Branch Manager in one of the group's retail outlets. Subsequently in 2002, he was appointed as Purchasing Director of CPSB. He is currently responsible for overseeing the supply chain operations of our Group which includes procurement, warehousing and logistics. He is a shareholder and director of Utmost Wellness Sdn Bhd. He also holds directorships in Pharm-D Sdn Bhd and Bioscenergy International Sdn Bhd.

(v) **Ang Khoon Lim**

Ang Khoon Lim, aged 46, is our Non-Independent Non-Executive Director and was appointed to our Board on 27 December 2012. He graduated in 1992 with a Bachelor of Pharmacy (Honours) Degree from Universiti Sains Malaysia. He became a Registered Pharmacist with the Ministry of Health in 1993. His career started in 1994 when he joined Sime Darby Marketing Sdn Bhd as Product Manager. The company is involved in the distribution of pharmaceutical products. In 1996, he joined Solvay Pharmaceutical B.V., Holland, a subsidiary of Solvay SA, a public listed company in Belgium, as Country Manager for Malaysia. Subsequently he left in 1999 and joined CPSB in the position of General Manager. In 2000, he was appointed Executive Director of CPH and as Managing Director of Bioscenergy International Sdn Bhd in 2001. He became Managing Director of Pharm-D Sdn Bhd in 2004 and Pharm-D Singapore Pte Ltd in 2006. He is also a shareholder and director of Atlantic Surge Sdn Bhd, Zenzari World Sdn Bhd (formerly known as Duckingham Foods Sdn Bhd) and Medini Healthcare Sdn Bhd.

(vi) **Tan Sri Dato' Haji Mohd Ariffin Bin Mohd Yusuf**

Tan Sri Dato' Haji Mohd Ariffin Bin Mohd Yusuf, aged 65, is our Independent Non-Executive Director and was appointed to our Board on 27 December 2012. He graduated from the Institut Teknologi Mara with a Diploma in Banking in 1972. He is a Member of the British Institute of Management, United Kingdom. His career started in 1975 when he took up the position of Managing Director of Primabumi Sdn Bhd, a company involved in procurement and supply of pharmaceutical products to government hospitals and institutions, where he has been involved in leading the overall operations of the company till to date. He is currently a Director and Shareholder of Amani Development Sdn Bhd, Amani Corporation Sdn Bhd, Asian Matters Sdn Bhd, Bio Grain Sdn Bhd, Dutamas Ventures Sdn Bhd, Far Go Industries Sdn Bhd, Golden Concept Solutions Sdn Bhd, Logiqube Sdn Bhd, North South Development Sdn Bhd, Pioneer Corporation (M) Sdn Bhd, Primabumi Holdings Sdn Bhd, Primabumi Sdn Bhd, Primaland Holdings Sdn Bhd, Setia Amani Sdn Bhd, Setia Amani Properites Sdn Bhd and Unimaps Holdings Sdn Bhd. He is also a Director of Primabina Development Sdn Bhd.

8.4.3 Principal Directorships in Other Corporations for the Past 5 Years and Principal Business Activities Performed Outside Our Group

Save as disclosed below, our Directors do not have any directorship or any principal business activities performed outside our Group. The directorship or our Directors outside our Group at present and in the last five years preceding the LPD are as follows:

Name	Directorships	Principal Activities	Involvement in business activities other than as a director
Datin Sunita Mei-Lin Rajakumar	*Present directorships:*		
	• Artisan Encipta (M) Sdn Bhd	Providing management and innovation consulting services.	Nil
	• Capital Path Sdn Bhd	Provision of technical support and administrative services	
	• Surprise Voice Sdn Bhd	Promoter of Arts	

8. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT *(Cont'd)*

Name	Directorships	Principal Activities	Involvement in business activities other than as a director
	Present directorships (Cont'd):		
	• Hibiscus Petroleum Berhad	Investment holding and the provision of project management, technical and other services relating to the oil and gas exploration and production industry	
	• Hai-O Enterprise Berhad	Wholesale and retailing of herbal medicines and health care products, investment holding and property holding activities	
	• Hai-O Foundation *(Company Limited by Guarantee under the Companies Act)*	Registered charity	
	• Yayasan MyNadi *(Company Limited by Guarantee under the Companies Act)*	Registered charity	
	• Yayasan Seni Berdaftar *(Registered with the Prime Minister's Department)*	Registered charity	
	Previous directorships:		
	• I-Sprint Technologies Sdn Bhd *(Resigned on 28 November 2008)*	Network Security Products and Solutions	
	• Linguamatix Sdn Bhd *(Resigned on 28 November 2008)*	Developing Software for Machine Translation	
	• Neuramatix Sdn Bhd *(Resigned on 28 November 2008)*	Developing Software for Artificial Intelligence Solutions	
	• Synamatix Sdn Bhd *(Resigned on 28 November 2008)*	Developing Software for Bio Informatics Solutions	
	• Unisay Sdn Bhd *(Resigned on 28 November 2008)*	Developing Software based on MPEG 7 Standards	
	• Cre8rs Sdn Bhd *(Strike off under Section 308 Companies Act 1965, with effect from 7 Jan 2011)*	Promoter of Arts	

8. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT *(Cont'd)*

Name	Directorships	Principal Activities	Involvement in business activities other than as a director
Chong Yeow Siang	*Present directorships:* • Bioscenergy International Sdn Bhd	Trading and wholesaling of aromatherapy, beauty care and healthcare products	Partner of Pajak Gadai Cheng Huo, a pawn broker which is a family-owned business
	• Pharm-D Sdn Bhd	Trading and distribution of pharmaceutical and healthcare products	
	Previous directorships: Nil		
Soo Chan Chiew	*Present directorships:* • Pharm-D Sdn Bhd	Trading and distribution of pharmaceutical and healthcare products	Nil
	• Pharm-D Singapore Pte Ltd	Relating to the business of wholesale and retail of pharmaceutical and medical supplies	
	• Bioscenergy International Sdn Bhd	Trading and wholesaling of aromatherapy, beauty care and healthcare products	
	Previous directorships: Nil		
Tan Lean Boon	*Present directorships:* • Utmost Wellness Sdn Bhd	Property investment	Nil
	• Pharm-D Sdn Bhd	Trading and distribution of pharmaceutical and healthcare products	
	• Bioscenergy International Sdn Bhd	Trading and wholesaling of aromatherapy, beauty care and healthcare products	
	Previous directorships: Nil		
Ang Khoon Lim	*Present directorships:* • Atlantic Surge Sdn Bhd	Property and trading	Nil
	• Zenzari World Sdn Bhd (Formerly known as Duckingham Foods Sdn Bhd)	Restaurant	

8. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT *(Cont'd)*

Name	Directorships	Principal Activities	Involvement in business activities other than as a director
	Present directorships (Cont'd):		
	• Pharm-D Sdn Bhd	Trading and distribution of pharmaceutical and healthcare products	
	• Bioscenergy International Sdn Bhd	Trading and wholesaling of aromatherapy, beauty care and healthcare products.	
	• Pharm-D Singapore Pte Ltd	Relating to the business of wholesale and retail of pharmaceutical and medical supplies	
	• Medini Healthcare Sdn Bhd	Dormant	
	Previous directorships: Nil		
Tan Sri Dato' Haji Mohd Ariffin Bin Mohd Yusuf	*Present directorships:*		
	• Amani Development Sdn Bhd	Investment holding	Nil
	• Amani Corporation Sdn Bhd	Investment holding	
	• Asian Matters Sdn Bhd	Investment holding	
	• Bio Grain Sdn Bhd	Trading of oats related products	
	• Dutamas Ventures Sdn Bhd	Investment holding	
	• Far Go Industries Sdn Bhd	Manufacturing of baby care products	
	• Golden Concept Solutions Sdn Bhd	Investment holding	
	• Logiqube Sdn Bhd	Information Technology – Software development, trouble shooting and computer hardware repair	
	• North South Development Sdn Bhd	Investment holding	
	• Pioneer Corporation (M) Sdn Bhd	Investment holding	

8. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT *(Cont'd)*

Name	Directorships	Principal Activities	Involvement in business activities other than as a director
	Present directorship (Cont'd):		
	• Primabina Development Sdn Bhd	Investment holding	
	• Primabumi Holdings Sdn Bhd	Investment holding	
	• Primabumi Sdn Bhd	Procurement and supply of pharmaceutical products and medical devices to government hospitals and institutions	
	• Primaland Holdings Sdn Bhd	Investment holding	
	• Setia Amani Sdn Bhd	Investment holding	
	• Setia Amani Properties Sdn Bhd	Investment holding	
	• Unimap Holdings Sdn Bhd	Education, training and consultancy center to the government and business owners in the areas of business management, industries and engineering.	
	Previous directorships:		
	• Alam Medik Industries Sdn Bhd *(Resigned on 10/12/2012)*	Investment holding	
	• Amani Hills Sdn Bhd *(Resigned on 10/12/2012)*	Investment holding	
	• Amanivista Sdn Bhd *(Resigned on 10/12/2012)*	Investment holding	
	• Astral Corporation Sdn Bhd *(Resigned on 10/12/2012)*	Investment holding	
	• Carumas Sdn Bhd *(Resigned on 10/12/2012)*	Investment holding	
	• Dai-Ichi Prima Sdn Bhd *(Resigned on 10/12/2012)*	Investment holding	

8. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT *(Cont'd)*

Name	Directorships	Principal Activities	Involvement in business activities other than as a director
	Previous directorships (Cont'd):		
	• Damansara Park Sdn Bhd *(Resigned on 10/12/2012)*	Investment holding	
	• Damansara Point Sdn Bhd *(Resigned on 10/12/2012)*	Investment holding	
	• Eminent Estate Sdn Bhd *(Resigned on 10/12/2012)*	Investment holding	
	• Gedung Mekar Sdn Bhd *(Resigned on 10/12/2012)*	Investment holding	
	• Golden Arm Sdn Bhd *(Resigned on 10/12/2012)*	Investment holding	
	• Jewel Plus *(Resigned on 10/12/2012)*	Investment holding	
	• Prima Pharmaceuticals Sdn Bhd *(Resigned on 10/12/2012)*	Investment holding	
	• Prima Point Sdn Bhd *(Resigned on 10/12/2012)*	Investment holding	
	• Prime Intro Sdn Bhd *(Resigned on 10/12/2012)*	Investment holding	
	• Tegak Makmur Sdn Bhd *(Resigned on 10/12/2012)*	Investment holding	
	• Urusprima Sdn Bhd *(Resigned on 10/12/2012)*	Investment holding	
	• Vista Point Sdn Bhd *(Resigned on 10/12/2012)*	Investment holding	
	• Vistamas Sdn Bhd *(Resigned on 10/12/2012)*	Investment holding	

Save as disclosed above, none of our Directors are involved in the management and day-to-day operations of other businesses and/or corporations as at LPD. Their involvements in other businesses and/or corporations are not expected to affect their contribution to our Group.

8.4.4 Directors' Remuneration, Fee and Material Benefits-in-Kind

The aggregate remuneration, fee and material benefits-in-kind paid and proposed to be paid to our Directors for services rendered in all capacities to our Group for the FYE 2013 and proposed for the FYE 2014 are set out below in bands of RM50,000:

	Remuneration Band	
	Actual	Proposed
Name	FYE 2013 (RM)	FYE 2014 (RM)
Datin Sunita Mei-Lin Rajakumar	-	0-50,000
Chong Yeow Siang	450,000-500,000	500,000-550,000
Soo Chan Chiew	450,000-500,000	500,000-550,000
Tan Lean Boon	450,000-500,000	500,000-550,000
Ang Khoon Lim	-	0-50,000
Tan Sri Dato' Haji Mohd Ariffin Bin Mohd Yusuf	-	0-50,000

The above remuneration and material benefits-in-kind of our Directors, which comprises of the Directors' salaries, bonus, fees, any contingent or deferred compensation accrued for the year or to be paid at a later date and allowances as well as other benefits-in-kind, must be considered and recommended by the Remuneration Committee and subsequently approved by our Board. Our Directors' fees must be further approved or endorsed by our shareholders at a general meeting.

8.4.5 Board Practices

Our Directors were appointed to the Board and have served in their respective capacity since their respective dates of appointment as set out in Section 8.4.2 of this Prospectus. Our Board comprises two (2) Independent Non-Executive Director, namely Datin Sunita Mei-Lin Rajakumar and Tan Sri Dato' Haji Mohd Ariffin Bin Mohd Yusuf, three (3) Executive Directors, namely Chong Yeow Siang, Soo Chan Chiew and Tan Lean Boon, and one (1) Non-Independent Non-Executive Director, namely Ang Khoon Lim.

The current term of office for each of our Director is as follows:

Name of Director*	Years of service in our Group	Expiration of Current Term of Office
Datin Sunita Mei-Lin Rajakumar	< 1 year	-
Chong Yeow Siang	16 years	-
Soo Chan Chiew	19 years	Shall retire at our 2014 annual general meeting
Tan Lean Boon	16 years	-
Ang Khoon Lim	14 years	-
Tan Sri Dato' Haji Mohd Ariffin Bin Mohd Yusuf	< 1 year	Shall retire at our 2014 annual general meeting

Note:

* *Appointed on 27 December 2012.*

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The relevant articles relating to the Directors' term of office as reproduced from our Articles are set out below. The words and expressions appearing in the following provisions shall bear the same meaning used in the Articles unless they are otherwise defined here or the context otherwise requires:

Article 95 *At the first annual general meeting of the Company, all the Directors shall retire from office, and at the annual general meeting in every subsequent year, one-third (1/3) of the Directors for the time being or, if their number is not three (3) or a multiple of three (3), then the number nearest to one-third (1/3) shall retire from office and be eligible for re-election PROVIDED ALWAYS that all Directors shall retire from office once at least in each three (3) years but shall be eligible for re-election. A retiring Director shall retain office until the close of the meeting at which he retires, whether the meeting is adjourned or not. An election of directors shall take place each year.*

Article 96 *The Directors to retire in each year shall be those who have been longest in office since their last election, but as between persons who became Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.*

Article 103 *The Directors shall have power at any time and from time to time, to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors but so that the total number of Directors shall not at any time exceed the maximum number fixed in accordance with these Articles. Any Director so appointed shall hold office only until the next annual general meeting, and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at that meeting.*

8.5 AUDIT, NOMINATION AND REMUNERATION COMMITTEES

8.5.1 Audit Committee

Members of our Audit Committee are as follows:

Name	Designation	Directorship
Datin Sunita Mei-Lin Rajakumar	Chairman	Independent Non-Executive Director
Tan Sri Dato' Haji Mohd Ariffin Bin Mohd Yusuf	Member	Independent Non-Executive Director
Ang Khoon Lim	Member	Non-Independent Non-Executive Director

The major terms of reference for our Audit Committee include reviewing the financial statements of our Group before submission to our Board, recommendations of the external auditors, reviewing the results and scope of the audit and other services provided by our external auditors. In addition, our Audit Committee reviews and evaluates our Group's internal audit and control functions. Our Audit Committee is also responsible for the assessment of financial risks and matters relating to related party transactions and conflict of interests.

Our Audit Committee may obtain advice from independent parties and other professionals in the performance of its duties. In dispensing their judgment and actions, our Audit Committee has explicit right and at the expense of the Company to have unlimited/ unrestricted access to all information and documents/ resources which are required to perform its duties as well as to the internal and external auditors and senior management of our Company and our Group.

Our Board shall review the term of office and performance of the Audit Committee and each of its members at least once in every three (3) years to determine whether such Audit Committee and members have carried out their duties in accordance with their terms of reference.

8.5.2 Nomination Committee

Members of our Nomination Committee are as follows:

Name	Designation	Directorship
Tan Sri Dato' Haji Mohd Ariffin Bin Mohd Yusuf	Chairman	Independent Non-Executive Director
Datin Sunita Mei-Lin Rajakumar	Member	Independent Non-Executive Director
Ang Khoon Lim	Member	Non-Independent Non-Executive Director

Our Nomination Committee is responsible for identifying and recommending new nominees to our Board with regards to any appointment of Directors considering their skills, knowledge, expertise and experience; professionalism, integrity, and for the position of Independent Non-Executive Directors, the ability to discharge such responsibilities/ functions as expected. Our Nomination Committee also assists our Board to review regularly the Board structure, size and composition and the required mix of skills and experience and other qualities including core competencies which Non-Executive Directors should bring to the Board as well.

Our Nomination Committee will assess the effectiveness of our Board as a whole, our Board Committees and each individual Director annually based on the process and procedures laid out by the Board.

In developing such recommendations, our Nomination Committee will consult all Directors and reflect that consultation in any recommendation brought forward to our Board. Our Board makes all decisions on appointments after considering the recommendations of our Nomination Committee.

8.5.3 Remuneration Committee

Members of our Remuneration Committee are as follows:

Name	Designation	Directorship
Datin Sunita Mei-Lin Rajakumar	Chairman	Independent Non-Executive Director
Tan Sri Dato' Haji Mohd Ariffin Bin Mohd Yusuf	Member	Independent Non-Executive Director
Ang Khoon Lim	Member	Non-Independent Non-Executive Director

Our Remuneration Committee reviews and proposes, subject to the approval of our Board, the remuneration policy and terms and conditions of service of each Director for his services as a member of our Board as well as Committees of our Board. Nevertheless, the remuneration of the non-executive Directors is a matter for our Board as a whole and our Directors are required to abstain from deliberation and voting on decisions in respect of his individual remuneration. The remuneration of Directors is generally based on market conditions, responsibilities held and the overall financial performance of our Group.

Decisions and recommendations of our Remuneration Committee shall be reported to our Board for approval and where required by rules and regulations governing our Company, for approval of shareholders at the annual general meeting.

8.6 KEY MANAGEMENT

8.6.1 Particulars and Shareholdings of Key Management

The details of key management of our Group and their shareholdings in our Company before and after the IPO are as follows:

		(a)Before the IPO				(b)After the IPO			
		Direct		Indirect		Direct		Indirect	
Name	Nationality	No. of Shares	%	No. of Shares	%	(c) No. of Shares	%	No. of Shares	%
Chong Yeow Siang	Malaysian	-	-	(d)109,623,857	60.00	#262,700	0.12	(d)109,623,857	50.35
Soo Chan Chiew	Malaysian	-	-	(d)109,623,857	60.00	#262,600	0.12	(d)109,623,857	50.35
Tan Lean Boon	Malaysian	-	-	(d)109,623,857	60.00	#262,600	0.12	(d)109,623,857	50.35
Ch'ng Haw Chong	Malaysian	-	-	-	-	#261,000	0.12	-	-
Gooi Chean Keong	Malaysian	-	-	-	-	#261,000	0.12	-	-
Loo Jooi Leng	Malaysian	-	-	-	-	#261,000	0.12	-	-
Hwah Shih Chia	Malaysian	-	-	-	-	#20,000	*	-	-
Wong Hooi Fen	Malaysian	-	-	-	-	#20,000	*	-	-
Ooh Chin Boon	Malaysian	-	-	-	-	#30,000	0.01	-	-

Notes:

* *Less than 0.01%*

\# *Based on their respective entitlements for the Pink Form Shares allocation pursuant to the IPO.*

(a) *Based on our issued and paid-up share capital of 182,706,400 Shares after the Acquisition of CPRM.*

(b) *Based on our enlarged issued and paid-up share capital of 217,706,400 Shares after the IPO.*

(c) *Based on their respective entitlements for the Pink Form Shares allocation pursuant to the IPO.*

(d) *Deemed interested by virtue of his shareholding in Motivasi Optima pursuant to Section 6A of the Act.*

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8.6.2 Profiles of the Key Management

Save for the profiles of Chong Yeow Siang (Managing Director), Soo Chan Chiew (Account and Information System Director) and Tan Lean Boon (Supply Chain Director), which have been disclosed in Section 8.4.2 of this Prospectus, the profiles of our Company's other key management personnel are as follows:

(i) Ch'ng Haw Chong

Ch'ng Haw Chong, Malaysian, aged 35, is the Procurement Director of our Group and is responsible for the purchasing and category management of our Group which includes ensuring an uninterrupted supply of goods to CARiNG outlets and forging trade partnership with suppliers to maximise sales and profits through effective marketing promotion planning. He graduated in 2002 with a Master of Pharmacy Degree from the University of Strathclyde, Glasgow, United Kingdom. Subsequently he became a Registered Pharmacist with the Ministry of Health in 2003. His career started in 2002 as a Houseman Pharmacist at Institute Jantung Negara where he gained working experience as an apprentice to the registered pharmacist at the hospital. In 2003, he left and joined Caring Pharmacy Sdn Bhd as a Pharmacist. In 2004, he was appointed Pharmacist cum Branch Manager of our Group's 'CARiNG' community pharmacy in Taman Muda. He was a Director and individual shareholder of UC Venture between 2005 and 2009. In 2009, he disposed his shares in UC Venture to our Group and he was appointed to his current tenure as Procurement Director of our Group.

(ii) Gooi Chean Keong

Gooi Chean Keong, Malaysian, aged 40, is the Business Development Director of our Group and is generally responsible for CARiNG outlets expansion from the point of identifying the location of the potential outlets to the handing over of the new outlets to the branch operation team, which includes surveying of potential location, negotiation and securing of rental of the outlet, renovation and stocking up of the outlet. In addition, he also oversees the renewal of rental of our existing outlets. He graduated in 1996 from Universiti Sains Malaysia with a Bachelor of Pharmacy (Honours) Degree. He became a Registered Pharmacist with the Ministry of Health in 1997. His career started in 1999 when he joined Servier Malaysia Sdn Bhd, a French pharmaceutical company located in Kuala Lumpur, as a Medical Product Specialist and was involved in the marketing of pharmaceutical products. He left in 2000 and joined Novartis (Malaysia) Sdn Bhd as Medical Product Specialist before he became the Product Executive in the company in 2001. He was mainly responsible for marketing planning. Subsequently in 2002, he left and joined Viva Caring, a subsidiary of our Group in which he had been a shareholder since 2000, as Branch Manager of its CARiNG pharmacy outlets. He was later appointed to his current tenure as Business Development Director of our Group in 2004 and subsequently he disposed his shares in Viva Caring to our Group in 2007.

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(iii) Loo Jooi Leng

Loo Jooi Leng, Malaysian, aged 41, is the Marketing Director of our Group and is generally responsible for forming merchandising teams, the marketing aspect of new outlets, organising road shows, development of in house advertising materials, merchandising layout and marketing planning and budgeting. He graduated in 1996 from Universiti Sains Malaysia with a Bachelor of Pharmacy (Honours) Degree. He became a Registered Pharmacist with the Ministry of Health in 1998. His career started in 1997 as a Houseman Pharmacist at Hospital Pulau Pinang. Subsequently he joined Caring Pharmacy Sdn Bhd in 1998 as a Pharmacist of a retail outlet located in Taman Kok Lian, Kuala Lumpur. He was a Branch Manager and Pharmacist of the 'CARiNG' community pharmacy in Taman Kok Lian later that same year. In 2001, he left to join Viva Caring, a subsidiary of our Group in which he had been a shareholder since 2000, and was appointed as a Director of Viva Caring and Branch Manager of its outlet in Lucky Garden, Bangsar. Subsequently in 2007, he disposed his shares in Viva Caring to CPRM pursuant to an internal restructuring exercise, and he was appointed as Marketing Director of our Group, a position he has held since his appointment.

(iv) Hwah Shih Chia

Hwah Shih Chia, Malaysian, aged 47, is the Finance Manager of our Group and is responsible for overseeing the finance related matters such as financial reporting, corporate finance, treasury and credit management. He was admitted into the Association of Chartered Certified Accountants, United Kingdom (ACCA) in 1994 and a qualified Chartered Accountant from the Malaysian Institute of Accountants (MIA) in 1996. He also obtained a Certificate in General Insurance from the Malaysian Insurance Institute in 1996. In 2004, he obtained a Graduate Diploma in Information Technology from Staffordshire University, United Kingdom. His career started in 1991 as an Accounts Assistant at Genting Berhad. During his tenure with Genting Berhad, he was promoted to the position of Corporate Planning Executive, the last position he held before he left and joined Carlsberg Brewery Malaysia Berhad in 1994. During his tenure with Carlsberg Brewery Malaysia Berhad, he held several positions and was promoted to Accountant which was the last position he held before he left the company. In 1996, he took up the position as Accountant at HiQ Bina Sdn Bhd before he was appointed Manager of HiQ Supacoat Sdn Bhd in 1998. He left in 2001 to join JDH Marketing Sdn Bhd as Finance Manager, but left in April 2002 to pursue his studies in Information Technology. Upon completing his studies in 2004, he took up the position as Accountant at PK Fertilizers Sdn Bhd and left within the same year. Subsequently in 2005, he joined our Group as Finance Manager. Currently, he heads our Finance Department.

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(v) Wong Hooi Fen

Wong Hooi Fen, Malaysian, aged 48, is the Chief Pharmacist of our Group and is responsible for the professional development of our pharmacists, which includes staff development, staff training and heads the internal audit for the Group's pharmacists practice. She graduated in 1990 from Universiti Sains Malaysia with a Bachelor of Pharmacy (Honours) Degree. She became a Registered Pharmacist with the Ministry of Health in 1991. Her career started in 1991 as a Branch Manager with Apex Pharmacy Sdn Bhd where she was managing the company's retail outlet in Jalan Mega Mendung, off Old Klang Road, Kuala Lumpur. She was later appointed Merchandising Manager at Apex Pharmacy Sdn Bhd in 1999 and in 2005, she was appointed as Senior Operations Manager with the company. In June 2005, she moved to Watson's Personal Care Stores Sdn Bhd as Head of Pharmacy after the acquisition of the retail outlets of Apex Pharmacy Sdn Bhd by Watson's Personal Care Stores Sdn Bhd. In 2007, she left and joined our Group and was appointed in her current tenure as Chief Pharmacist.

(vi) Ooh Chin Boon

Ooh Chin Boon, Malaysian, aged 36, is the Management Information System (MIS) Manager of our Group and is responsible for all IT related matters within our Group. He graduated in 2001 from the University of Malaya with a Degree of Bachelor of Business Administration. He later obtained his Degree of Master of Information Technology from the same university in 2003. His career started in 2001 as an Operations Executive at CPSB where he was responsible for the general office and retail outlet operations. He was later appointed in his current tenure as MIS Manager of CPRM in 2007. He has been involved in our Group's Caring Pharmacy Retail Management System and all IT related matters within our Group.

8.6.3 Involvement of Our Executive Directors and Key Management in Other Businesses and Corporations

The details of the involvement of our Executive Directors, Chong Yeow Siang, Soo Chan Chiew and Tan Lean Boon in other businesses and corporations have been set out in Section 8.4.3 of this Prospectus.

Save as disclosed below, all of our key management are presently serving as full time personnel of our Group and has no involvement in other businesses and corporations as at the LPD.

Name	Directorships	Involvement in business activities other than as a director
Ooh Chin Boon	*Present directorships:* • Golden Glory Development Sdn Bhd *Previous directorship:* Nil	Nil

8.7 DECLARATION BY PROMOTERS, DIRECTORS AND KEY MANAGEMENT

None of our Promoters, Directors and key management is or has been involved in any of the following events (whether in or outside Malaysia):

(i) A petition under any bankruptcy or insolvency laws filed (and not struck out) against such person or any partnership in which he was a partner or any corporation of which he was a director or key personnel;

(ii) Such person was disqualified from acting as a director of any corporation, or from taking part directly or indirectly in the management of any corporation;

(iii) Such person was charged and/or convicted in a criminal proceeding or is a named subject of a pending criminal proceeding;

(iv) Any judgement was entered against such person involving a breach of any law or regulatory requirement that relates to the securities or futures industry; or

(v) Such person was the subject of any order, judgment or ruling of any court, government or regulatory authority or body temporarily enjoining him from engaging in any type of business practice or activity.

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8.8 RELATIONSHIPS AND ASSOCIATIONS

Save as disclosed below, there are no family relationships (as defined under Section 122A of the Act) or associations between our Company's Promoters, Directors, substantial shareholders and key management:

Name	Relationship/ Association
Ang Khoon Lim, Ang Hooi Hoon and Ooh Chin Boon	- Ang Khoon Lim, our director/ substantial shareholder is the cousin of Ang Hooi Hoon, a director of our subsidiary - Ang Hooi Hoon, a director of our subsidiary is the spouse of Ooh Chin Boon, our MIS Manager - Ang Khoon Lim, our director/ substantial shareholder is the cousin-in-law of Ooh Chin Boon, our MIS Manager
Tan Lay Ean and Chia Kia	Tan Lay Ean, a director of our subsidiary is the wife of Chia Kia, our shareholder
Chong Yeow Siang and Tan Lye Suan	Chong Yeow Siang, our managing director/ substantial shareholder is the spouse of Tan Lye Suan, shareholder of Motivasi Optima
TSVT, Nerine Tan and Chryseis Tan	TSVT, Nerine Tan and Chryseis Tan are substantial shareholders of one of our Promoters, Jitumaju. TSVT is the father of Nerine Tan and Chryseis Tan.

8.9 EXISTING OR PROPOSED SERVICE AGREEMENTS

Save as disclosed below and the usual employment letters issued by our Group to the Directors and/or key management, as at the LPD, there are no existing or proposed service agreements (contracts for service) entered into by our Group or any company within our Group, with our Company's Directors or Directors of any company within our Group.

8.10 BENEFITS PAID OR INTENDED TO BE PAID

No amount has been paid or benefits given within the two (2) years preceding the date of the Prospectus, nor is it intended to be so paid, to our Promoters, Directors and substantial shareholders except for the following:

(i) remuneration, fees and material benefit-in-kind paid and payable to our Directors as set out in Section 8.4.4 of this Prospectus; and

(ii) the dividend payment by CPRM to its shareholders as set out in item 3.1 in Section 11.1 and item 4 in Section 12 of this Prospectus.

8.11 CONTINUITY IN MANAGEMENT

As in any other business, our Board believes that the continued success of our Group will depend on the ability and dedication of our Directors and key management. The loss of any key members of our Group could adversely affect our Group's continued ability to compete. However, our Group has made efforts to train and groom our staff and has the support of long-term management staff. Our Group's future success will also depend on our ability to attract and retain skilled personnel. Our Group has in place human resources strategies which include, amongst others, attractive remuneration packages, promotion opportunities and training activities.

8.12 MANAGEMENT SUCCESSION PLAN

The Executive Directors and key management of our Group are in the age group of 35 to 48 and have experiences as discussed in Section 8.4.2 and Section 8.6.2 of this Prospectus. Our key management comprises personnel who possess relevant experience and are employed to head various departments. Our management understands the importance of having the experienced personnel in our Group who will be responsible for their respective departments to ensure smooth running of the business operations as well as to ensure that the business decisions of our Group are implemented efficiently and effectively.

The clear and well defined job responsibilities as well as proper reporting structure also enables smooth running of our Group's day-to-day operations with minimum intervention from our Directors. Thus, in the absence of our Directors, the active participation of the respective heads of department/ manager of our Group will ensure the smooth running of our Group's operations and management.

Our Group's initiatives on succession planning include the following:

(i) identifying key competencies and requirements for managers and higher positions and developing job and candidate profiles for management positions in line with our business goals, strategies and culture;

(ii) continuous efforts to train and groom the younger members of our management team to gradually take on more responsibilities and eventually succeed the senior management personnel of our Group; and

(iii) taking a proactive approach towards addressing talent management to ensure that we have talent readily available to undertake leadership positions throughout our Group.

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9. APPROVALS AND CONDITIONS

9.1 CONDITIONS TO APPROVALS OBTAINED AND COMPLIANCE THEREOF

The SC has approved our Listing Scheme, under Section 212(5) of the CMSA and the equity requirements for public companies, vide its letter dated 9 July 2013. The conditions imposed by the SC and the status of compliance with these conditions are as follows:

Conditions Imposed by the SC via SC's Letter Dated 9 July 2013	Status of Compliance
CARiNG to allocate 5,443,000 new shares, representing 50% of the public offer portion to be made available to the retail Bumiputera investors through balloting; and	To be complied.
KIBB/ CARiNG to fully comply with the requirements of the SC's Equity Guidelines and Prospectus Guidelines – Equity pertaining to the implementation of the listing proposal.	Noted.

The SC under the Equity Requirements for Public Companies vide its letter dated 9 July 2013 has noted that the equity structure relating to Bumiputera, non-Bumiputera and foreign shareholding in the Company would change from the implementation of the proposed listing, as follows:

Category	Before Proposed Listing (%)	After Proposed Listing (%)
Bumiputera	-	16.90
Non-Bumiputera	100.00	83.10
Foreign	-	-
Total	**100.00**	**100.00**

The MITI has, vide its letter dated 27 March 2013, taken note of and has no objections to the Listing of our Company on the Main Market of Bursa Securities. The approval from the MITI is subject to the approval of the SC and Bursa Securities. There are no other conditions imposed by the MITI.

9. APPROVALS AND CONDITIONS *(Cont'd)*

Bursa Securities had, via its letter dated 23 August 2013, approved-in-principle our Company's admission to the Official List and the listing of and quotation for the entire enlarged issued and paid-up share capital of our Company of RM217,706,400 comprising 217,706,400 Shares on the Main Market of Bursa Securities. The conditions imposed by Bursa Securities and the status of compliance with these conditions are as follows:

Conditions Imposed by Bursa Securities via Bursa Securities' Letter Dated 23 August 2013	**Status of Compliance**
To furnish Bursa Securities a specimen copy of each denomination of certificates of the class to be listed	Complied.
To make the relevant announcements pursuant to paragraphs 8.1 and 8.2 of Practice Note 21 of the Listing Requirements	To be complied.
To furnish Bursa Securities a copy of the schedule of distribution showing compliance to the share spread requirements based on the entire enlarged issued and paid up share capital of CARiNG on the first day of listing	To be complied.

9.2 MORATORIUM ON SHARES

In accordance with the Equity Guidelines, our Promoters will not be allowed to sell, transfer or assign their entire shareholdings in our Company for six (6) months from the date of our admission to the Official List of the Main Market of Bursa Securities.

Our Promoters, whose Shares are subjected to the moratorium upon Listing, are as set out below:

Name of Shareholders	**No. of Shares Held after IPO**	**% of Enlarged Issued and Paid-up Capital#** (%)	**No. of Shares Held Under Moratorium**	**% of Enlarged Issued and Paid-up Capital#** (%)
Motivasi Optima	109,623,857	50.35	109,623,857	50.35
Jitumaju	37,188,278	17.08	37,188,278	17.08
Total	**146,812,135**	**67.43**	**146,812,135**	**67.43**

Note:

\# *Computed based on our enlarged issued and paid-up share capital of 217,706,400 Shares.*

9. APPROVALS AND CONDITIONS *(Cont'd)*

Our Promoters have furnished letters of undertaking to SC prior to the listing that they will not sell, transfer or assign any of their Shares in CARiNG as at the date of listing of our Company, for six (6) months from the date of listing of our Company on Bursa Securities.

The shareholders of Motivasi Optima, namely Ang Khoon Lim, Chia Kia, Chong Yeow Siang, Ch'ng Haw Chong, Gooi Chean Keong, Loo Jooi Leng, Soo Chan Chiew, Tan Lean Boon and Tan Lye Suan, and the shareholders of Jitumaju, namely TSVT, Nerine Tan Sheik Ping and Chryseis Tan Sheik Ling, have also furnished letters of undertaking that they will not sell, transfer or assign their respective shareholdings in Motivasi Optima and Jitumaju during the above 6-month moratorium period.

The moratorium is specifically endorsed on the notice of allotment and share certificates representing the entire shareholdings of our Promoters to ensure that our Share Registrar does not register any transfer not in compliance with the moratorium restrictions. In compliance with the restrictions imposed by the SC, Bursa Depository will on our Share Registrar's instructions in the prescribed forms, ensure that trading of these shares is not permitted in the moratorium period.

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10. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST

10.1 EXISTING AND PROPOSED RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST

10.1.1 Related Party Transactions and Recurrent Related Party Transactions ("RRPT") of Revenue or Trading in Nature

Save for the Acquisition and as disclosed below, our Group does not have any other existing and/or proposed related party transactions entered into by our Group which involved the interest, direct or indirect, of our Directors and Substantial Shareholders and/or key management and/or persons connected to them as defined under Section 122A of the Act for the past four (4) FYE 2010 to FYE 2013 and up to LPD:

Related Party	Nature of relationship	Principal Activities	Transacting Party/ Nature of Transactions	Transaction Value (RM'000) FYE 2010	FYE 2011	FYE 2012	FYE 2013	LPD
Atlantic Surge Sdn Bhd	Ang Khoon Lim, being the substantial shareholder and director holding 50% of Atlantic Surge Sdn Bhd, is a substantial shareholder/ director in Motivasi Optima.	Property and Trading	CPSB / Purchase of masks by CPSB	103	-	-	-	-
WK Future Solutions	WK Future Solutions is owned by Chia Kia's sister's son, whereby Chia Kia is a substantial shareholder/ director in Motivasi Optima.	Printing & stationery, e.g: payment voucher, cash bill, address label bunting and etc.	CPSB / Purchase of buntings by CPSB	-	16	20	35	8
NYS Engineering Sdn Bhd	NYS Engineering Sdn Bhd is owned by Soo Chan Chiew's sibling. Soo Chan Chiew is a substantial shareholder/ director in Motivasi Optima.	Fabricate & install metal components e.g: iron grill, railing and etc	CPSB/ Goods hoist, partition frame, roller shuttle staircase handrail by CPSB	-	5	1	19	2
Utmost Wellness Sdn Bhd	Tan Lean Boon, being the substantial shareholder and director holding 50% of Utmost Wellness Sdn Bhd, is also a substantial shareholder/ director in Motivasi Optima.	Property Investment	CPRM/ Retainer fee in respect of advising on management consulting services, market research competitor strategy and pharmaceutical products consultation	64	64	-	-	-
Bioscenergy International Sdn Bhd	Ang Khoon Lim, Chong Yeow Siang, Soo Chan Chiew, Chia Kia and Tan Lean Boon being the substantial shareholder/ director of CPH. CPH holds 51% of Bioscenergy International Sdn Bhd. They are also substantial shareholders/ directors in Motivasi Optima.	Trading and wholesaling of aromatherapy, beauty care and healthcare products.	(i) CPSB/ Purchase of oats by CPSB	187	174	186	196	44
			(ii) Caring (Kinrara)/ Rental income to Caring (Kinrara)	-	27	29	29	10

10. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST *(Cont'd)*

Related Party	Nature of relationship	Principal Activities	Transacting Party/ Nature of Transactions	Transaction Value (RM'000) FYE 2010	FYE 2011	FYE 2012	FYE 2013	LPD
Pharm D Sdn Bhd	Pharm D Sdn Bhd is a wholly-owned subsidiary of Bioscenergy International Sdn Bhd. Ang Khoon Lim, Soo Chan Chiew, Chong Yeow Siang, Tan Lean Boon and Chia Kia being the substantial shareholder/ director through CPH, collectively holds 51% of Bioscenergy International Sdn Bhd. They are also the substantial shareholders/ directors of Motivasi Optima.	Trading and distribution of pharmaceutical and healthcare products	(i) CPSB/ Purchase of masks	15	43	22	26	2
			(ii) Caring (Kinrara)/ Rental income to CARiNG (Kinrara)	-	8	13	13	4
Zenzari World Sdn Bhd (formerly known as Duckingham Foods Sdn Bhd)	Ang Khoon Lim, being the substantial shareholder and director holding 50% of Zenzari World Sdn Bhd, is a substantial shareholder/ director in Motivasi Optima.	Restaurant	CPRM/ Packed meal for company events by CPRM	-	-	-	-	-
Berjaya Assets Berhad[(1)]	(i) TSVT is a substantial shareholder of Berjaya Assets Berhad. TSVT is a substantial shareholder in Jitumaju; and (ii) Datuk Lye Ek Seang is an Executive Director of Berjaya Assets Berhad. He holds 4.10% equity interest in CARiNG.	Investment holding and provision of management services to its subsidiary companies	Caring Trio/ Rental income by Caring Trio	-	-	-	163	116
CPH	Soo Chan Chiew, Chong Yeow Siang, Chia Kia, Tan Lean Boon, Ang Khoon Lim, being the substantial shareholder and director, collectively holds 100% of CPH. They are also the substantial shareholders/ directors of Motivasi Optima.	Investment holding company	(i) CPRM/ Renting of office space from CPH[(2)]; (ii) CPSB/ Renting of warehouse and shoplot from CPH[(2)]	301	270	270	275	99
			CPRM/ Purchase of trademark by CPRM	1,874	-	-	-	-
Jejari Artistik Sdn Bhd	(i) Jejari Artistik Sdn Bhd is owned by Ang Khoon Lin's spouse; and (ii) Ang Khoon Lin is a substantial shareholder/ director in Motivasi Optima.	Engaged in the operation of recreation and health centre	CPSB/ Purchase of trading goods by CPSB	11	9	10	-	-

Notes:

(1) A public listed company on the Main Market of Bursa Securities in which TSVT is a substantial shareholder.

(2) Upon the completion of our new warehouse and head office in PJ Old Town, the existing head office and warehousing facilities in Old Klang Road will be surrendered back to its owner, CPH.

Our Directors are of the view that all the above related party transactions were conducted on arm's length basis and are carried out in the ordinary course of business and on competitive commercial terms not more favourable to the related parties than those generally available to other third parties and were not to the detriment of our minority shareholders. Our Audit Committee will supervise the terms of related party transactions, and the Directors of our Company will report related party transactions, if any, annually in our Company's annual report.

Going forward and as part of our ordinary course of business, we anticipate that our Group would continue to enter into certain transactions, including but not limited to the transactions as described above with the related parties which are necessary for our Group's day-to-day operations. They are recurring transactions which are likely to occur with some degree of frequency and arise at any time and from time to time.

Some of the related parties are joint venture partners and/or operators of our subsidiaries and/or pharmacy outlets. The subsidiaries which are jointly owned by the related parties as at LPD are as follows:

Subsidiaries	**Joint Venture Partners who are Related Parties**	**No. of Outlets Held**
Caring 'N' You	Chia Kia	1
Caring (KLP)	Ang Khoon Lim	2

Our Directors confirm that there is no conflict of interest arising from the CARiNG Group jointly owning the subsidiaries with the related parties. All joint ventures, whether or not related to the Group, are bound by the same salient terms of the CARiNG Group's JVA. For all joint ventures, the same key criteria and selection process, as outlined in Section 6.2.1 of this Prospectus, are also used by our Group in assessing the suitability of these joint ventures, regardless of whether these joint ventures are related parties of our Group.

10.1.2 Monitoring and Oversight of Related Party Transactions

Pursuant to Paragraph 10.09 of the Listing Requirements, a listed issuer may seek a mandate from its shareholders for a related party transaction which is recurrent, of a revenue or trading nature and which is necessary for day-to-day operations of a listed issuer or its subsidiaries subject to the following:

(i) the transactions are in the ordinary course of business and are on terms not more favourable to the related party than those generally available to the public;

(ii) the shareholder mandate is subject to annual renewal and disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the shareholder mandate during the financial year where the aggregate value is equal to or more than the threshold prescribed under Paragraph 10.09(1) of the Listing Requirements; and

(iii) in a meeting to obtain shareholder mandate, the interested director, interested major shareholder or interested person connected with a director or major shareholder; and where it involves the interest of an interested person connected with a director or major shareholder, such director or major shareholder, must not vote on the resolution to approve the transactions. An interested director or interested major shareholder must ensure that persons connected with him abstain from voting on the resolution approving the transactions.

Going forward and as part of our ordinary course of business, we anticipate that our Group would continue to enter into transactions, including but not limited to the transactions as described in the related party transactions set out in Section 10.1.1 above, with persons which are considered "related party" as defined in Chapter 10 of the Listing Requirements. It is likely that such transactions will occur with some degree of frequency and could arise at any time and from time to time.

Due to the time-sensitive nature of commercial transactions, the shareholders' mandate will enable us to enter into such transactions in our ordinary course of business without the need to make announcements and/or convene numerous general meetings (including incurring such associated expenses) to specifically approve such transactions as and when they are entered into, provided such transactions involving the interested person are made at arm's length and on normal commercial terms.

Transactions that do not fall within the ambit of the shareholders' mandate shall be subject to the relevant provisions of the Listing Requirements.

An application will be made to Bursa Securities for an exemption to allow our Group to obtain shareholders' ratification for recurrent related party transactions to be entered between us or any of our subsidiaries and our Directors or major shareholders or persons connected with such Directors or major shareholders commencing from the date of our Listing up to the annual general meeting or extraordinary general meeting, whichever is earlier.

The nature of the RRPTs as described above are general transactions entered into by our Group relating to the provision of or obtaining from the related parties (as identified above), products and services in the ordinary course of our Group's business, and rental receipts. The nature of the RRPTs allows our Group to be more competitive as the related parties have the necessary expertise to provide the products and services which are needed for the operations of our Group.

To ensure that the RRPTs are undertaken on terms not more favourable to the related party than those generally available to third parties and are not to the detriment of the minority shareholders and that they are conducted at arm's length and on normal commercial terms consistent with our Group's usual business practices and policies and will not be prejudicial to shareholders, our key management will ensure that all such transactions with related parties will only be entered into after taking into consideration the pricing, level and quality of products or services and/or whether it is to the benefit of our Group or not.

The pricing of products or services shall be determined based on the usual commercial terms, business practices and policies or otherwise in accordance with those practised by our Group with third parties including other applicable industry norms/considerations.

As part of the process in determining the pricing of products or services under RRPTs, at least two (2) other contemporaneous transactions with unrelated third parties for similar products/ service, and/or quantities will be used as comparison, wherever possible, to determine whether the price and terms offered to/by the related parties are fair and reasonable and comparable to those offered to/by other unrelated third parties for the same/ substantial similar type of products/services and/or quantities.

Where quotation or comparative pricing from unrelated third parties cannot be obtained, the transaction price will be determined by us based on those offered to/by other unrelated parties for the same or substantial similar type of transaction to ensure that the RRPT is not detrimental to our Group and the reasons for the inability to obtain such quotation or comparative pricing in the first place shall be minuted by our key management for future review.

The review, approval and disclosure policies shall include the following:

(i) Records will be maintained to list down all RRPTs entered into;

(ii) Review by the internal auditors of all significant RRPTs entered into and/or those under future shareholders' mandate to ensure that the relevant approvals have been obtained and transactions are undertaken on arm's length basis and on normal commercial terms which are not more favourable to the related party than those generally available to third parties and are not detrimental to the minority shareholders;

(iii) Review by the Audit Committee of the management reports to ascertain that the guidelines and procedures established to monitor all significant RRPTs have been complied with and the review shall be done at least every quarter;

(iv) Review by our Board and our Audit Committee of the procedures for entering into RRPTs as and when necessary. If a member of our Board or Audit Committee has an interest (direct or indirect) in the transaction, he/ she shall abstain from deliberation and any decision making by our Board or the Audit Committee in respect of that transaction;

(v) Disclosures will be made in our Company's Annual Report or in our Company's audited consolidated financial statements including breakdown of the aggregate value, type of transactions and the names of the related party involved in each type of RRPT made and their relationship with the respective companies within our Group during the financial year; and

(vi) Pursuant to Paragraph 2.5 of Practice Note 12 of the Listing Requirements, if the actual value of a RRPT entered into by our Group exceeds the estimated value of the RRPT by 10% or more, our Company would make an immediate announcement to Bursa Securities of such matter.

Ultimately the Audit Committee has the overall responsibility of determining whether the procedures for reviewing all RRPTs are appropriate to ensure that the RRPTs are within the limits described above.

The Audit Committee has seen and reviewed the RRPT review, approval and disclosure processes (as described above) and is satisfied that our Group has adequate procedures and processes to monitor, track and identify RRPTs in a timely and orderly manner. The quarterly reviews as described in (iii) above are also sufficient to ensure that the RRPTs will be made at arm's length and in accordance with our Group's normal commercial terms, and on terms which are not more favourable to related parties than those generally available to third parties and hence, will not be detrimental to our Company's minority shareholders.

Save as disclosed above, there are no transactions that may give rise to conflict of interest situations between our Group and any of our Directors, Substantial Shareholders, key management and/or persons connected with them.

10.2 TRANSACTIONS THAT ARE UNUSUAL IN THEIR NATURE OR CONDITIONS

Our Directors have confirmed that, to the best of their knowledge and belief, there are no transactions that are unusual in their nature or conditions, involving goods, services, tangible or intangible assets, to which our Company or any of our subsidiaries was a party in respect of the Financial Years Under Review and up to the LPD.

10.3 OUTSTANDING LOANS MADE TO OR FOR THE BENEFIT OF RELATED PARTIES

There are no other outstanding loans (including guarantees of any kind) made by our Company or any of our subsidiaries to or for the benefit of any related party in respect of the Financial Years Under Review and up to the LPD.

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10. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST *(Cont'd)*

10.4 INTERESTS IN SIMILAR BUSINESSES

As at the LPD, save as disclosed below, to the best knowledge and belief of our Directors, none of our Directors and substantial shareholders has any interest, direct or indirect in other businesses and/or corporations carrying on a similar trade as that of our Group which would give rise to a conflict of interest situation:

Name of Interested Director/ Substantial Shareholder	Name of Company	Principal Activities	Mitigating Factor	Nature of Interest	% Equity Holding	
					Direct	Indirect
Interest in a competing business with the Company						
Jitumaju (TSVT, being the ultimate shareholder of the company)	Cosway (a wholly-owned subsidiary of Berjaya Corporation Berhad ("**Berjaya Corp**"))	Consumer marketing and direct selling company, including sale of pharmaceutical products within its stores known as "Cosway Pharmacy"	- The CARiNG Group has never entered into any transactions with Cosway and are not dependent on Cosway for sales, purchases, finance and/or manpower support - Although both CARiNG and Cosway are in the retailing of pharmaceutical products (including the sales of prescription drugs by licenced pharmacists throughout the entire retail operating hours), both CARiNG and Cosway have different business model. Cosway is known for its multilevel marketing business. On the other hand, CARiNG's principal business is the operation of community pharmacies. CARiNG has long established itself in the community pharmacy sector (since the opening of its first pharmacy outlet in 1994) while Cosway has recently in end 2011 expanded its direct selling business to include pharmaceutical products and services in some of Cosway stores. Another distinctive factor of CARiNG is that the CARiNG's pharmacists are business partners-cum shareholders of the CARiNG group. As for Cosway, it combines the pharmaceutical business with its direct selling business. Cosway's pharmacists are not employees or shareholders of Cosway, hence their income is dependent on the performance of their Cosway sales network as these pharmacists are only paid a minimum income. They are also members of Cosway's direct selling business. - Jitumaju is an investment holding company with the principal objective in investing in retail business. In January 2011, when the opportunity arose, it acquired a total of 40% stake in CARiNG, which is a home-grown community pharmacy chain. Jitumaju believes in the future potential of CARiNG and it believes the management will guide the CARiNG Group to its full potential. The value of the CARiNG Group extends beyond its financial performance. A brand name such as CARiNG has marketing value and staying power for years to come, making it a compelling reason for Jitumaju to invest. At that point of time, the Cosway Group has not expanded its business into pharmacy. - Jitumaju's interest in the Company is purely as a financial investor, and will not play any role in the business of the enlarged CARiNG Group. Accordingly, Jitumaju has given its undertaking for the following:	Major shareholder in Berjaya Corp	^23.19	^22.39

10. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST *(Cont'd)*

Name of Interested Director/ Substantial Shareholder	Name of Company	Principal Activities	Mitigating Factor	Nature of Interest	% Equity Holding	
					Direct	Indirect
			• There will be no appointment to the Board of Directors for CARiNG or any companies within the CARiNG Group. Currently, Chan Kien Sing and Tan U-Ming, both appointed by Jitumaju to the Board of Directors of CPRM, have undertaken to resign as directors prior to the issuance of CARiNG's prospectus. Accordingly, both Chan Kien Sing and Tan U-Ming have resigned from the Board of Directors of CPRM on 5 September 2013; • Jitumaju/TSVT will not be allowed to participate in the appointment of nominated directors and key management staff of any companies within the enlarged CARiNG Group; • There will not be any participation, directly or indirectly, in any performance review of the senior management team of the CARiNG Group, and instead agree for the same to be conducted by the Remuneration Committee to be established for CARiNG; and • Jitumaju/TSVT has provided an undertaking that upon the listing of CARiNG, there will be no participation, directly or indirectly, in the day-to-day operations of the CARiNG Group nor be involved in any way in the formulation of the business plans and strategies of the CARiNG Group			

Note:

^ *Being TSVT's interests in Berjaya Corp*

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10. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST *(Cont'd)*

Our Directors and the Audit Committee are of the view that the interests held by TSVT in Cosway which also retail pharmaceutical products and services in some selected Cosway stores are similar and compete with our Group. However, the businesses of Cosway and CARiNG are conducted under different business models and the competition is addressed by the mitigating factors as highlighted in the preceding table.

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10. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST *(Cont'd)*

10.5 INTEREST IN OTHER BUSINESSES OR CORPORATIONS WHICH ARE CUSTOMERS OR SUPPLIERS OF OUR GROUP

As at the LPD, save as disclosed below, to the best knowledge and belief of our Directors, none of our Directors and substantial shareholders has any interest, direct or indirect in other businesses and/or corporations which are the customers or suppliers of our Group:

Name of Interested Director/ Substantial Shareholder	Name of Company	Principal Activities	Mitigating Factor	Nature of Interest	% Equity Holding	
					Direct	Indirect
Interest in business transactions involving goods or service, either directly or indirectly, with the Company						
Ang Khoon Lim Chong Yeow Siang Soo Chan Chiew Tan Lean Boon, being the shareholders of Motivasi Optima.	Pharm D Sdn Bhd (**"Pharm D"**)	Trading and distribution of pharmaceutical and healthcare products	• The company is involved in the marketing and distribution of special pharmaceutical products [(1)] to hospitals. • As the nature of business is to supply products to hospitals, it is not in direct competition with CARiNG's course of business which is the retailing of products to end consumers.	• Pharm D is a wholly-owned subsidiary of Bioscenergy; • Bioscenergy is a 51% owned subsidiary of CPH; and • Ang Khoon Lim, Chong Yeow Siang, Soo Chan Chiew and Tan Lean Boon are the shareholders of CPH.	-	[#]100.00
	Bioscenergy International Sdn Bhd (**"Bioscenergy"**)	Trading and wholesaling of aromatherapy, beauty care and healthcare products	• The company is the brand owner of their products and supplies them to their wholly-owned subsidiary, Pharm D Sdn Bhd, to market the products. These products are distributed to CARiNG and other pharmacies.	• Bioscenergy is a 51% owned subsidiary of CPH; and • Ang Khoon Lim, Chong Yeow Siang, Soo Chan Chiew and Tan Lean Boon are the shareholders of CPH	-	[*]51.00

Notes:

\# *Deemed interested by virtue of their indirect interest in Pharm D via Bioscenergy and CPH (being the holding company of Bioscenergy), pursuant to Section 6A of the Act.*

* *Deemed interested by virtue of their indirect interest in Bioscenergy via their shareholding in CPH pursuant to Section 6A of the Act.*

(1) *Examples of special pharmaceutical products are:*
- *Drugs that are not available in Malaysia as they are not registered with the National Pharmaceutical Control Bureau;*
- *Drugs, vaccines or in-vivo diagnostic agents designated with "orphan" status which physicians use to treat, prevent or diagnose rare diseases. Orphan drugs are medicinal products intended for diagnosis, prevention or treatment of life-threatening or debilitating rare/orphan diseases. There are different definitions for orphan disease. In Malaysian context, orphan drug means medicinal products which is not available in local market (unregistered, discontinued, low prevalence) but is still needed in the treatment by doctors, or emergency drugs supply (antitoxin, antidote, antivenin, decontaminant).*
- *Drugs that are previously available in the local market but were discontinued by licensed holders.*

Our Directors confirm that all transactions entered into between these companies and the CARiNG Group are on arm's length basis and on commercial terms which are not more favourable to these companies than those generally available to third parties and which will not be detrimental to our minority shareholders. Please also refer to Section 10.1.2 of this Prospectus for the mitigating factors in the abovementioned companies.

Our Directors are aware that the interests held by the Directors and substantial shareholders in other businesses and corporations which are suppliers or customers to the CARiNG Group may give rise to conflict of interest situations. In view of their current or potential interests in such companies, interested Directors and interested shareholders will be required to abstain from deliberations and voting on decisions and resolutions pertaining to the matters and/or transactions with the affected businesses and corporations. Further, to safeguard the interest of the CARiNG Group, our Audit Committee comprising a majority of Independent Non- Executive Directors, will review all material transactions with related parties and will also ensure proper disclosure and corporate governance in all business dealings with the affected businesses and corporations.

10.6 DECLARATION BY EXPERTS

(i) KIBB is not aware of any circumstances that exist or are likely to give rise to a possible conflict of interest situation in relation to its capacity as the Adviser, Managing Underwriter, Underwriter and Placement Agent to our Company in relation to the Listing.

KIBB, its related and associated companies (the "**KIBB Group**") form a diversified financial group and are engaged in a wide range of investment banking, brokerage, securities trading, asset and funds management and credit transaction service businesses. The KIBB Group has engaged and may in the future, engage in transactions with and perform services for our Company and/or our affiliates, in addition to roles set out in this Prospectus. In addition, in the ordinary course of business, any member of the KIBB Group may at any time offer or provide its services to or engage in any transactions (on its own account or otherwise) with our Company and/or our affiliates, hold long or short positions, and may trade or otherwise effect transactions for its own account or the account of its other customers in debt or equity securities or senior loans of our Company and/or our affiliates. This is a result of the businesses of KIBB Group generally acting independently of each other and accordingly, there may be situations where parts of the KIBB Group and/or its customers now have or in the future, may have interest or take actions that may conflict with the interests of our Company.

KIBB Group has in the ordinary course of their banking business, granted credit facilities to certain parties related to our Group. The credit facility granted is not material when compared to the audited total assets of KIBB Group as at LPD and therefore would not give rise to a conflict of interest situation.

(ii) Crowe Horwath confirms that there are no existing or potential conflicts of interest in its capacity as the Auditors and Reporting Accountants to our Company in relation to the Listing.

(iii) Lee Choon Wan & Co confirms that there are no existing or potential conflicts of interest in its capacity as the Solicitors for the IPO to our Company in relation to the Listing.

(iv) Vital Factor Consulting Sdn Bhd confirms that there are no existing or potential conflicts of interest in its capacity as the Independent Business and Market Research Consultants to our Company in relation to the Listing.

11.1 REPORTING ACCOUNTANTS' LETTER ON REPORT OF THE COMPILATION OF PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

(Prepared for inclusion in this Prospectus)

Crowe Horwath™

Crowe Horwath *AF 1018*
Chartered Accountants
Member Crowe Horwath International

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Date : 18 SEP 2013

The Board of Directors
Caring Pharmacy Group Berhad
No. 3-2, 3rd Mile Square
No. 151, Jalan Kelang Lama
Batu 3½
58100 Kuala Lumpur

Dear Sirs

CARING PHARMACY GROUP BERHAD ("CARiNG" or "the Company")
REPORT ON THE COMPILATION OF PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

Report on the Compilation of Pro Forma Consolidated Financial Information

We have completed our assurance engagement to report on the compilation of pro forma consolidated financial information of CARiNG and its subsidiaries ("CARiNG Group" or "the Group") by the Board of Directors for inclusion in the Prospectus to be issued in connection with the proposed listing of and quotation for the entire issued and paid-up share capital of CARiNG on the Main Market of Bursa Malaysia Securities Berhad ("the Proposal"). The pro forma consolidated financial information (which we have stamped for the purpose of identification) consists of:-

a) the pro forma consolidated statements of profit or loss and other comprehensive income for the financial years ended 31 May 2010 to 31 May 2013;

b) the pro forma consolidated statements of financial position as at 31 May 2013;

c) the pro forma consolidated statement of cash flows for the financial year ended 31 May 2013; and

d) the related notes as set out in the accompanying statements.

The applicable criteria on the basis of which the Board of Directors has compiled the pro forma consolidated financial information are specified in the Prospectus Guidelines issued by the Securities Commission Malaysia ("Prospectus Guidelines") and set out in Note 1 of the pro forma consolidated financial information.

The pro forma consolidated financial information has been compiled by the Board of Directors to illustrate:-

a) the Group's financial performance for the financial years ended 31 May 2010 to 31 May 2013 as if the Group had been in existence throughout these financial years;

b) the impact of the events or transactions set out in Note 1 on the Group's financial position as at 31 May 2013; and

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c) the Group's financial cash flows for the financial year ended 31 May 2013 as if the Group had been in existence throughout the financial year.

As part of this process, information about the Group's financial position, financial performance and cash flows has been extracted by the Board of Directors from the Group's financial statements for the financial years ended 31 May 2010 to 31 May 2013, on which audit reports have been published.

Directors' Responsibility for the Pro forma Consolidated Financial Information

The Board of Directors of CARiNG is solely responsible for compiling the pro forma consolidated financial information on the basis set out in Note 1 of the pro forma consolidated financial information and in accordance with the requirements of the Prospectus Guidelines.

Our Responsibilities

Our responsibility is to express an opinion, as required by the Prospectus Guidelines, about whether the pro forma consolidated financial information has been compiled, in all material respects, by the Board of Directors on the basis set out in Note 1 of the pro forma consolidated financial information and in accordance with the requirements of the Prospectus Guidelines.

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3420, Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus, issued by the International Auditing and Assurance Standards Board. This standard requires that we comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Board of Directors has compiled, in all material respects, the pro forma consolidated financial information on the basis set out in Note 1 of the pro forma consolidated financial information and in accordance with the requirements of the Prospectus Guidelines.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma consolidated financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma consolidated financial information.

The purpose of pro forma consolidated financial information included in a Prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

A reasonable assurance engagement to report on whether the pro forma consolidated financial information has been compiled, in all material respects, on the basis set out in Note 1 of the pro forma consolidated financial information and in accordance with the requirements of the Prospectus Guidelines involves performing procedures to assess whether the applicable criteria used by the Board of Directors in the compilation of the pro forma consolidated financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and

- The pro forma consolidated financial information reflects the proper application of those adjustments to the unadjusted financial information.

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The procedures selected depend on our judgment, having regard to our understanding of the nature of the Group, the event or transaction in respect of which the pro forma consolidated financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma consolidated financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the pro forma consolidated financial information has been compiled, in all material respects, on the basis set out in Note 1 of the pro forma consolidated financial information and in accordance with the requirements of the Prospectus Guidelines.

Other Matters

We understand that this letter will be used solely for the purpose of inclusion in the Prospectus in connection with the Proposal. As such, this letter should not be used for any other purpose without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this letter contrary to the aforesaid purpose.

Yours faithfully,

Crowe Horwath
Firm No: AF 1018
Chartered Accountants

Wong Tak Mun
Approval No: 1793/09/14 (J)
Chartered Accountant

Initiated For Identification Purposes Only
Crowe Horwath
AF 1018

CARiNG GROUP

PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

1. PRO FORMA GROUP AND BASIS OF PREPARATION

1.1 Pro Forma Group

The pro forma consolidated financial information of CARiNG and its subsidiaries (collectively referred to as "CARiNG Group" or "the Group"), comprises the financial information of the following companies, are presented for the purpose of illustration only:-
a) CARiNG
b) CPRM and its subsidiaries

The relevant financial periods for the purpose of this report ("Relevant Financial Period") are as follows:-

Entity	Relevant Financial Period
CARiNG	Financial period from 30 July 2012 (date of incorporation) to 31 May 2013
CPRM Group	FYE 31 May 2010 FYE 31 May 2011 FYE 31 May 2012 FYE 31 May 2013

FYE – Financial Year Ended

The pro forma consolidated financial information of CARiNG Group is prepared on the assumption that CARiNG Group had been in existence throughout the FYE 31 May 2010 to 2013. The pro forma consolidated financial information comprises the following:-

Section 2 - Pro Forma Consolidated Statements of Profit or Loss and Other Comprehensive Income for the Relevant Financial Period;

Section 3 - Pro Forma Consolidated Statements of Financial Position as at 31 May 2013; and

Section 4 - Pro Forma Consolidated Statement of Cash Flows for FYE 31 May 2013.

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AF 1018

CARiNG GROUP

PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

1. PRO FORMA GROUP AND BASIS OF PREPARATION (CONT'D)

1.2 Basis of Preparation

The pro forma consolidated financial information of CARiNG Group is prepared based on the audited financial statements of CARiNG and CPRM Group for the Relevant Financial Period.

The financial statements used in the preparation of this letter for the Relevant Financial Period were not subject to any audit qualification or emphasis of matter.

The pro forma consolidated financial information has been prepared in accordance with applicable approved Malaysian Financial Reporting Standards in Malaysia and, bases and accounting policies consistent with those to be adopted by CARiNG Group after incorporating adjustments that are appropriate for the preparation of the pro forma consolidated financial information.

The pro forma consolidated financial information has been prepared using the merger method. Under the merger method,

(i) if the cost of merger is lower than the nominal value of the share capital of the subsidiaries acquired, a credit balance will arise and be treated as merger reserve.

(ii) If the cost of merger exceeds the nominal value of the share capital of the subsidiaries acquired, a debit balance will arise and be treated as merger deficit under the pro forma consolidated statement of financial position.

The pro forma consolidated financial information has been prepared solely to illustrate:-

(i) the financial results of CARiNG Group for the FYE 31 May 2010 to 2013 on the assumption that CARiNG Group had been in existence throughout the Relevant Financial Period;

(ii) the pro forma consolidated statements of financial position of CARiNG Group as at 31 May 2013 which incorporate the effects of the listing scheme as described below had the scheme been implemented; and

(iii) the cash flows of CARiNG Group for the FYE 31 May 2013 on the assumption that the Group structure had been in place since the beginning of the financial year.

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CARiNG GROUP

PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

1. PRO FORMA GROUP AND BASIS OF PREPARATION (CONT'D)

1.2 Basis of Preparation (Cont'd)

The Listing Scheme comprises the following:

(i) Acquisition

On 25 February 2013, the Company has entered into a conditional Share Purchase Agreement with the vendors of CPRM for the acquisition of 2,310,918 ordinary share of RM1.00 each, representing the entire issued and paid up share capital of CPRM, for a total consideration of RM182,706,397 based on the audited consolidated profit after tax attributable to equity holders of CPRM Group ("PATAMI") as at 31 May 2012 which amounted to RM18,270,641. The purchase consideration represents a PE Multiple of approximately 10 times based on the audited consolidated PATAMI of CPRM Group for FYE 2012 and was satisfied by the issuance of 182,706,397 new ordinary shares of RM1.00 each in CARiNG at an issue price of RM1.00 per share.

The acquisition exercise was completed on 4 September 2013.

(ii) Public Issue

Pursuant to the Public Issue, the Company shall issue 35,000,000 new ordinary shares of RM1.00 each at an issue price of RM1.25 per Share to be allocated in the following manner:

(a) 10,886,000 new shares, representing approximately 5.00% of the enlarged issue and paid-up share capital of CARiNG will be made available for application by Malaysian public and to be allocated via ballot, of which at least 50% is to be set aside for Bumiputera individuals, companies, societies, co-operatives and institutions.

(b) 5,716,000 new shares, representing approximately 2.63% of the enlarged issued and paid-up share capital of CARiNG, will be made available for application by the eligible directors, employees and business associates of the CARiNG Group.

(c) 4,200,000 new shares, representing approximately 1.93% of the enlarged issued and paid-up share capital of CARiNG, will be reserved for private placement to Bumiputera investors to be approved by the Ministry of International Trade and Industry ("MITI").

(d) 14,198,000 new shares, representing approximately 6.52% of the enlarged issued and paid-up share capital of CARiNG, will be made available for private placement to selected investors.

(iii) Listing

Upon completion of the IPO, the Company shall list its entire enlarged issued and paid-up share capital of RM217,706,400 comprising 217,706,400 ordinary shares of RM1.00 each, on the Main Market of Bursa Malaysia Securities Berhad.

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CARiNG GROUP

PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

2. PRO FORMA CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF CARiNG GROUP

	Note	FYE 2010 RM'000	FYE 2011 RM'000	FYE 2012 RM'000	FYE 2013 RM'000
Revenue		170,566	206,501	248,284	301,417
Cost of sales		(124,860)	(150,261)	(184,152)	(223,627)
Gross profit ("GP")		45,706	56,240	64,132	77,790
Other operating income	2.1	7,840	9,563	15,229	19,580
		53,546	65,803	79,361	97,370
Selling and distribution expenses		(19,319)	(24,500)	(30,798)	(40,175)
Administrative expenses		(12,595)	(15,312)	(18,959)	(24,558)
Other operating expenses		(1,756)	(1,972)	(2,641)	(2,763)
Finance costs		(41)	(30)	(16)	(55)
Profit before taxation ("PBT")		19,835	23,989	26,947	29,819
Taxation	2.2	(4,561)	(5,808)	(6,876)	(7,497)
Profit after taxation ("PAT")		15,274	18,181	20,071	22,322
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income for the financial year		15,274	18,181	20,071	22,322
PBT attributable to:-					
Owners of CARiNG		17,664	21,746	24,501	27,390
Non-controlling interests		2,171	2,243	2,446	2,429
		19,835	23,989	26,947	29,819
PAT attributable to:-					
Owners of CARiNG		13,552	16,458	18,271	20,552
Non-controlling interests		1,722	1,723	1,800	1,770
		15,274	18,181	20,071	22,322
GP margin (%)		26.80	27.23	25.83	25.81
PBT margin (%)		11.63	11.62	10.85	9.89
PAT margin (%)		8.95	8.80	8.08	7.41
Effective tax rate (%)		22.99	24.21	25.52	25.14
Earning before interest, tax, depreciation and amortisation ("EBITDA") (RM'000)		21,605	25,986	29,535	32,608
*Number of ordinary shares in issue of RM1.00 each ('000)**		217,706	217,706	217,706	217,706
Gross earnings per share ("EPS") (sen)		8.11	9.99	11.25	12.58
Net EPS (sen)		6.22	7.56	8.39	9.44
EBITDA per share (sen)		0.10	0.12	0.14	0.15

Note:-
* - *Assume number of shares in issue after Acquisition of Subsidiary and Public Issue.*

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CARiNG GROUP

PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

2. PRO FORMA CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF CARiNG GROUP (CONT'D)

The pro forma consolidated statements of profit or loss and other comprehensive income of CARiNG Group for the FYE 31 May 2010, 31 May 2011, 31 May 2012 and 31 May 2013 have been prepared for illustrative purposes only and after incorporating such adjustments as considered necessary and assuming that CARiNG Group had been in existence throughout the financial years under review.

Notes to the Pro Forma Consolidated Statements of Profit Or Loss And Other Comprehensive Income

(a) The gross profit (GP) margin is computed by dividing the gross profit by revenue earned in the respective financial years.

(b) The profit before tax (PBT) margin is computed by dividing the profit before taxation by revenue earned in the respective financial years.

(c) The profit after tax (PAT) margin is computed by dividing the profit after taxation by revenue earned in the respective financial years.

(d) The gross earnings per share (EPS) is computed by dividing the profit before taxation attributable to the equity holders of CARiNG by the number of ordinary shares assumed in issue of 217,706,400 shares.

(e) The net EPS is computed by dividing the profit after taxation attributable to the equity holders of CARiNG by the number of ordinary shares assumed in issue of 217,706,400 shares.

(f) The EBITDA per share is computed by dividing the earnings before interest, tax, depreciation and amortisation by the number of ordinary shares assumed in issue of 217,706,400 shares.

(g) All significant inter-company transactions are eliminated on consolidation and the consolidated results reflect external transactions only.

(h) No diluted earnings per share is shown as there were no potential dilutive shares in issue during the financial years under review.

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CARiNG GROUP

PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

2. PRO FORMA CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF CARiNG GROUP (CONT'D)

2.1 OTHER OPERATING INCOME

	FYE 2010 RM'000	FYE 2011 RM'000	FYE 2012 RM'000	FYE 2013 RM'000
Advertising and promotion income	5,343	6,535	11,343	14,657
Distribution and delivery charges	1,766	2,189	2,756	3,585
Gain on disposal of equipment	122	26	2	85
Interest income	311	527	709	809
Other contribution from suppliers	61	88	144	170
Rental income	47	40	62	108
Sundry income	190	158	213	166
Total	7,840	9,563	15,229	19,580

2.2 INCOME TAX EXPENSE

	FYE 2010 RM'000	FYE 2011 RM'000	FYE 2012 RM'000	FYE 2013 RM'000
Current tax expenses:-				
Malaysian Income Tax for the financial year	4,427	5,704	6,946	7,807
(Over)/Under provision in the previous financial year	(50)	45	13	28
	4,377	5,749	6,959	7,835
Deferred tax expenses:-				
Relating to origination and reversal of temporary differences	151	79	(81)	(345)
Under/(Over) provision in the previous financial year	33	(20)	(2)	7
	184	59	(83)	(338)
	4,561	5,808	6,876	7,497

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CARiNG GROUP

PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

2. PRO FORMA CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF CARiNG GROUP (CONT'D)

2.2 INCOME TAX EXPENSE (CONT'D)

	FYE 2010 RM'000	FYE 2011 RM'000	FYE 2012 RM'000	FYE 2013 RM'000
Profit before taxation	19,835	23,989	26,947	29,819
Tax at the applicable corporate tax rate	4,668	5,711	6,425	7,163
Tax effects of:-				
Non-taxable income	(180)	(144)	(129)	(183)
Non-deductible expenses	133	122	217	266
Reversal of deferred tax assets not recognised in prior years	(53)	-	-	-
Deferred tax assets not recognised during the financial year	10	94	352	216
(Over)/under provision in the previous financial year				
- Malaysian Income Tax	(50)	45	13	28
- deferred tax	33	(20)	(2)	7
Tax charge for the financial year	4,561	5,808	6,876	7,497

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CARiNG GROUP

PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

3. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF CARiNG GROUP

	Note	CARiNG Audited as at 31 May 2013 RM'000	Adjustments for the events outlined in Section 3.1 RM'000	Pro Forma I After the adjustments for the events outlined in Section 3.1 RM'000	Adjustment for Public Issue RM'000	Pro Forma II After Pro Forma I and Public Issue RM'000	Adjustment for Utilisation of Proceeds RM'000	Pro Forma III After Pro Forma II, and Utilisation of Proceeds RM'000
ASSETS								
NON-CURRENT ASSETS								
Property, plant and equipment	3.4	-	32,142	32,142	-	32,142	10,000	42,142
Intangible assets		-	2,946	2,946	-	2,946	-	2,946
Deferred tax assets		-	448	448	-	448	-	448
		-		35,536		35,536		45,536
CURRENT ASSETS								
Inventories	3.5	-	57,507	57,507	-	57,507	12,000	69,507
Trade receivables		-	176	176	-	176	-	176
Other receivables, deposits and prepayments		-	7,932	7,932	(1,271)	6,661	-	6,661
Tax recoverable		-	587	587	-	587	-	587
Deposits with financial institutions	3.6	-	28,355	28,355	-	28,355	-	28,355
Cash and bank balances	3.6	10	12,027	12,037	43,750	55,787	(31,044)	24,743
		10		106,594		149,073		130,029
TOTAL ASSETS		10		142,130		184,609		175,565

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CARiNG GROUP

PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

3. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF CARiNG GROUP (CONT'D)

	Note	CARiNG Audited as at 31 May 2013 RM'000	Adjustments for the events outlined in Section 3.1 RM'000	Pro Forma I After the adjustments for the events outlined in Section 3.1 RM'000	Adjustment for Public Issue RM'000	Pro Forma II After Pro Forma I and Public Issue RM'000	Adjustment for Utilisation of Proceeds RM'000	Pro Forma III After Pro Forma II, and Utilisation of Proceeds RM'000
EQUITY AND LIABILITIES								
EQUITY								
Share capital	3.7	*	182,706	182,706	35,000	217,706	-	217,706
Share premium	3.8	-	-	-	6,734	6,734	-	6,734
(Accumulated loss)/Retained profits	3.9	(7)	59,191	59,184	(1,984)	57,200	-	57,200
Merger deficit	3.10	-	(181,984)	(181,984)		(181,984)	-	(181,984)
TOTAL EQUITY ATTRIBUTABLE TO THE OWNERS OF CARiNG		(7)		59,906		99,656		99,656
NON-CONTROLLING INTERESTS		-	5,402	5,402	-	5,402	-	5,402
		(7)		65,308		105,058		105,058
NON-CURRENT LIABILITIES								
Term loans	3.11	-	14,553	14,553	-	14,553	(6,000)	8,553
Deferred tax liabilities		-	150	150	-	150	-	150
		-		14,703		14,703		8,703
CURRENT LIABILITIES								
Trade payables		-	54,223	54,223	-	54,223	-	54,223
Other payables and accruals		2	5,718	5,720	2,729	8,449	(3,044)	5,405
Amount owing to non-controlling shareholders		-	256	256	-	256	-	256
Amounts owing to related parties		15	25	40	-	40	-	40
Provision for taxation		-	1,438	1,438	-	1,438	-	1,438
Term loans	3.11	-	442	442	-	442	-	442
		17		62,119		64,848		61,804
TOTAL LIABILITIES		17		76,822		79,551		70,507
TOTAL EQUITIES AND LIABILITIES		10		142,130		184,609		175,565
Number of ordinary shares in issue of RM1.00 each ('000)		*		182,706		217,706		217,706
(Net liabilities)/Net assets ("(NL)/NA") (RM'000)		(7)		59,906		99,656		99,656
(NL)/NA per ordinary share (RM)		(2.33)		0.33		0.46		0.46

Notes:-

* - *Represents RM3*

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CARiNG GROUP

PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

3. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF CARiNG GROUP (CONT'D)

3.1 Pro Forma I

Pro Forma I incorporates the effect of Acquisition of CPRM Group. The consolidated financial statements of the CPRM Group as at 31 May 2013 has been adjusted to reflect the following which occurred or will occur after 31 May 2013:-

- Payment of interim single-tier dividends for the FYE 31 May 2014 amounting to RM1,145,800 by CPRM's subsidiaries to non-controlling shareholders of CPRM's subsidiaries. These dividends were paid on 19 August 2013;
- Subscription of 13,500 and 19,500 ordinary shares of RM1.00 each in Fuji Acre Sdn Bhd for a total consideration of RM33,000 on 8 July 2013 by non-controlling shareholders and CPRM respectively;
- Progress billing of RM4,950,000 by the developer of the CARiNG Group's new head office and warehouse which is financed by a term loan from HSBC Amanah Malaysia Berhad.

The results were consolidated using the merger method. Under the merger method, the difference between the acquisition cost and the nominal value of the share capital of the subsidiary is accounted for as merger reserve or deficit.

3.2 Pro Forma II

Pro Forma II incorporates the effects of Pro Forma I and the Public Issue of 35,000,000 new CARiNG Shares, at a Public Issue price of RM1.25 per CARiNG Share, payable in full on application.

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CARiNG GROUP

PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

3. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF CARiNG GROUP (CONT'D)

3.3 Pro Forma III

Pro Forma III incorporates the effects of Pro Forma II and the utilisation of proceeds. The proceeds will be utilised as follows:-

	RM'000	RM'000
New outlets		
- Property, plant and equipment	6,000 ^	
- Inventories	12,000	18,000
To pare down borrowings to reduce interest cost		6,000 ^
Renovation of new head office and warehouse		4,000 ^
Working capital		11,750
Estimated listing expenses ^ ^		4,000 *
		43,750

Notes:-

^ - *Should the Group resort to financing the abovementioned capital expenditure prior to the Listing, the Public Issue proceeds shall be used to repay the said financing. The balance of any unutilised proceeds will be utilised for working capital purposes.*

* - *If the actual listing expenses are higher than budgeted, the deficit will be funded out of the portion allocated for working capital. Conversely, if the actual listing expenses are lower than budgeted, the excess will be utilised for working capital purposes.*

^^ - *The estimated listing expenses for the issue of the new CARiNG Shares of RM2,016,000 will be written off against the share premium account under Section 60 of the Companies Act, 1965. The balance of the estimated listing expenses of RM1,984,000 will be expensed off against the Statement of Profit or Loss and Other Comprehensive Income and this represents a one-off expenditure pursuant to the Public Issue.*

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CARiNG GROUP

PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

3. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF CARiNG GROUP (CONT'D)

3.4 Property, plant and equipment

	Cost RM'000		Accumulated Depreciation RM'000	Net Book Value RM'000
As at 31 May 2013	-		-	-
Upon Acquisition of CPRM Group				
Leasehold lands	4,507		(174)	4,333
Buildings	2,687		(158)	2,529
Computer equipment	2,855		(2,325)	530
Motor vehicles	1,306		(982)	324
Office equipment	3,822		(2,574)	1,248
Fumiture and fittings	6,264		(4,266)	1,998
Renovation	4,495		(3,186)	1,309
Asset in progress	14,921	*	-	14,921
	40,857		(13,665)	27,192
Additional progress biling by the developer of the CARiNG Group's new head office and warehouse after 31 May 2013	4,950	*	-	4,950
As per Pro Forma I/II	45,807		(13,665)	32,142
Utilisation of Proceeds				
- Property, plant and equipment for new outlets	6,000		-	6,000
- Renovation of new head office and warehouse	4,000		-	4,000
As per Pro Forma III	55,807		(13,665)	42,142

* The total cost of the acquisition of land and construction of the new head office and warehouse is estimated at RM19.87 million of which RM11.88 million is to be financed by a term loan from HSBC Amanah Malaysia Berhad while the balance is expected to be funded from internal funds.

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CARiNG GROUP

PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

3. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF CARiNG GROUP (CONT'D)

3.5 Inventories

	RM'000
As at 31 May 2013	-
Acquisition of subsidiaries	57,507
As per Pro Forma I/II	57,507
Utilisation of proceeds	12,000
As per Pro Forma III	69,507

3.6 Cash and Cash Equivalents

	RM'000
As at 31 May 2013	10
Acquisition of subsidiaries	41,514
Add : Investment in Fuji Acre Sdn. Bhd. by non-controlling interests	14
Less : Payment of dividends as outlined in Section 3.1 of this report	(1,146)
As per Pro Forma I	40,392
Add: Proceeds from Public Issue	43,750
As per Pro Forma II	84,142
Less:	
Utilisation of proceeds	
- To pare down borrowings to reduce interest cost	(6,000)
- Renovation of new head office and warehouse	(4,000)
- Property, plant and equipment for new outlets	(6,000)
- Inventory for new outlets	(12,000)
- Estimated listing expenditure*	(3,044)
As per Pro Forma III	53,098

Note:-
** - Of the total estimated listing expenses of RM4.000 million, the Group has already incurred and paid RM0.956 million as at 31 May 2013.*

CARiNG GROUP

PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

3. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF CARiNG GROUP (CONT'D)

3.7 Share Capital

The movements in the issued and paid-up share capital of CARiNG are as follows:-

	Number of Ordinary Shares ('000)	Amount of Share Capital RM'000
Ordinary shares of RM1.00 each		
As at 31 May 2013	^	*
Ordinary shares issued pursuant to the acquisition of subsidiaries	182,706	182,706
As per Pro Forma I	182,706	182,706
Public Issue	35,000	35,000
As per Pro Forma II/III	217,706	217,706

Notes:-
* - *Represents RM3.*
^ - *Represents 3 Shares.*

3.8 Share Premium

The movements in the share premium account are as follows:-

	RM'000
As at 31 May 2013	-
Acquisition of subsidiaries	-
As per Pro Forma I	-
Public Issue	8,750
Less: Estimated listing expenses *	(2,016)
As per Pro Forma II/III	6,734

Note:-
** - The estimated listing expenses for the issue of new CARiNG Shares of RM2,016,000 will be written off against the share premium amount under Section 60 of the Companies Act, 1965. The balance of the estimated listing expenses of RM1,984,000 will be expensed off against the Statement of Comprehensive Income and this represents a one-off expenditure pursuant to the Public Issue.*

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CARiNG GROUP

PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

3. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF CARiNG GROUP (CONT'D)

3.9 (Accumulated Loss)/Retained Profits

	RM'000
As at 31 May 2013	(7)
Acquisition of subsidiaries	59,191
As per Pro Forma I	59,184
Estimated listing expenses	(1,984)
As per Pro Forma II/III	57,200

3.10 Merger Deficit

The merger deficit arose from the acquisition of CPRM Group using the merger method of accounting.

3.11 Term Loans

	RM'000
As at 31 May 2013	-
Acquisition of subsidiaries	10,045
Add : Additional progress biling by the developer of the CARiNG Group's new head office and warehouse after 31 May 2013	4,950
As per Pro Forma I/II	14,995
Utilisation of Proceeds	
- To pare down borrowings to reduce interest cost	(6,000)
As per Pro Forma III	8,995

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CARiNG GROUP

PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

4. PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOW OF CARiNG GROUP FOR THE FYE 2013

	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES	
Profit before taxation	27,835
Adjustments for:-	
Depreciation of property, plant and equipment	2,737
Equipment written off	21
Gain on disposal of property, plant and equipment	(85)
Interest expenses	52
Interest income	(809)
Listing expenses	1,984
Rental income	(158)
Operating profit before working capital changes	31,577
Increase in inventories	(19,188)
Increase in trade and other receivables	(1,353)
Increase in trade and other payables	12,218
CASH FROM OPERATIONS	23,254
Interest paid	(52)
Tax paid	(7,937)
Tax refunded	10
NET CASH FROM OPERATING ACTIVITIES	15,275
CASH FLOWS FOR INVESTING ACTIVITIES	
Payment of deposit for the acquisition of property,plant and equipment	(1,706)
Purchase of property, plant and equipment	(33,428)
Proceeds from disposal of property, plant and equipment	88
Proceeds from dilution in equity interest in a subsidiary	14
Interest received	809
Rental received	158
NET CASH FOR INVESTING ACTIVITIES	(34,065)
BALANCE CARRIED FORWARD	(18,790)

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PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

4. PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOW OF CARiNG GROUP FOR THE FYE 2013 (CONT'D)

	RM'000
BALANCE BROUGHT FORWARD	(18,790)
CASH FLOWS FROM FINANCING ACTIVITIES	
Dividends paid	(12,729)
Proceed from issuance of shares pursuant to public issue	43,750
Payment of listing expenses	(4,000)
Proceed from issuance of shares by subsidiaries to non-controlling shareholders	232
Drawdown of term loan	14,005
Repayment of term loans	(6,220)
Quasi loans from non-controlling shareholders	595
Net advances from non-controlling shareholders	4
NET CASH FROM FINANCING ACTIVITIES	35,637
NET INCREASE IN CASH AND CASH EQUIVALENTS	16,847
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	36,251
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	53,098

Note:-
The Pro Forma Consolidated Statement of Cash Flow of CARiNG Group has been adjusted to reflect events as stated in Section 3.1 of this report and after taking into account the proceeds from the Public Issue and Utilisation of Proceeds.

APPROVAL BY THE BOARD OF DIRECTORS

Approved and adopted by the Board of Directors in accordance with a resolution dated

On behalf of the Board,

Chong Yeow Siang **Soo Chan Chiew**

11. FINANCIAL INFORMATION *(Cont'd)*

11.2 HISTORICAL FINANCIAL INFORMATION

The following table summarises the audited consolidated statement of profit or loss and other comprehensive income of the Group for the FYE 2010, FYE 2011, FYE 2012 and FYE 2013, which should be read in conjunction with the accompanying notes and assumptions included in the Report of the Compilation of Pro forma Consolidated Financial Information and the Accountants' Report set out in Sections 11.1 and 12 of this Prospectus respectively. The Pro forma Consolidated Financial Statements of the Group is prepared based on audited financial statements of the Group for illustrative purposes only, after incorporating such adjustments considered necessary and assuming that the present structure of the Group has been in existence throughout the Financial Years Under Review.

	Audited			
	FYE 2010 RM'000	**FYE 2011 RM'000**	**FYE 2012 RM'000**	**FYE 2013 RM'000**
Revenue	170,566	206,501	248,284	301,417
Cost of sales	(124,860)	(150,261)	(184,152)	(223,627)
GP	45,706	56,240	64,132	77,790
Other operating income	7,840	9,563	15,229	19,580
	53,546	65,803	79,361	97,370
Selling and distribution expenses	(19,319)	(24,500)	(30,798)	(40,175)
Administrative expenses	(12,595)	(15,312)	(18,959)	(24,558)
Other operating expenses	(1,756)	(1,972)	(2,641)	(2,763)
Finance costs	(41)	(30)	(16)	(55)
PBT	19,835	23,989	26,947	29,819
Taxation	(4,561)	(5,808)	(6,876)	(7,497)
PAT	15,274	18,181	20,071	22,322
PBT attributable to:				
- Equity holders of CARiNG	17,664	21,746	24,501	27,390
- Non-controlling interests	2,171	2,243	2,446	2,429
	19,835	23,989	26,947	29,819
PAT attributable to:				
- Equity holders of CARiNG	13,552	16,458	18,271	20,552
- Non-controlling interests	1,722	1,723	1,800	1,770
	15,274	18,181	20,071	22,322
EBITDA	21,605	25,986	29,535	32,608
No. of Shares in issue ('000)(*)	217,706	217,706	217,706	217,706
Gross EPS (sen)^	8.11	9.99	11.25	12.58
Net EPS (sen)^^	6.22	7.56	8.39	9.44
EBITDA per Share	0.10	0.12	0.14	0.15
GP margin (%)	26.80	27.23	25.83	25.81
PBT margin (%)	11.63	11.62	10.85	9.89
PAT margin (%)	8.95	8.80	8.08	7.41
Effective tax rate (%)	22.99	24.21	25.52	25.14

Notes:

* *Assumed number of shares in issue after the Acquisition and the Public Issue.*

^ *Gross EPS is computed based on the PBT attributable to the equity holders of CARiNG divided by enlarged share capital of 217,706,400 ordinary shares (number of ordinary shares in issue after the Acquisition and the Public Issue).*

^^ *Net EPS is computed based on the PAT attributable to the equity holders of CARiNG divided by enlarged share capital of 217,706,400 ordinary shares (number of ordinary shares in issue after the Acquisition and the Public Issue).*

There has been no exceptional or extraordinary item during the Financial Years Under Review. The auditors' reports for our Group for the Financial Years Under Review were reported without any qualification.

The audited Consolidated Financial Statements for the Financial Years Under Review were prepared in accordance with the approved accounting standards issued by the Malaysian Accounting Standards Board and the Act in Malaysia and audited and reviewed by our Reporting Accountants, Crowe Horwath.

There were no potential dilutive shares in issue during the Financial Years Under Review. There were no discontinuing operations for all the Financial Years Under Review. There were no extraordinary or exceptional items for all the Financial Years Under Review.

You should read the Consolidated Financial Statements in conjunction with the "Management's Discussion and Analysis of Financial Condition, Results of Operations and Prospects" as set out in Section 11.4 of this Prospectus, the Report of the Compilation of Pro forma Consolidated Financial Information set out in Section 11.1 of this Prospectus and the Accountants' Report set out in Section 12 of this Prospectus.

The "Management's Discussion and Analysis of Financial Condition, Results of Operations and Prospects" contains data derived from the audited financial statements for FYE 2010 to FYE 2013 of all companies within the CARiNG Group as well as forward-looking statements that involve risks and uncertainties. The actual results may differ significantly from those projected in the forward-looking statements. Factors that may cause future results to differ significantly from those included in the forward-looking statements include, but are not limited to, those discussed below and elsewhere in this Prospectus, particularly the risk factors as set out in Section 4 of this Prospectus.

The Pro forma Consolidated Statements of Financial Position of our Group as at 31 May 2013 as set out below are provided for illustrative purposes only to show the effects of the transactions as mentioned in the Notes of the Pro forma Consolidated Statements of Financial Position (as set out in Section 11.1 of this Prospectus) on the assumption that these transactions were completed on 31 May 2013.

	As at 31 May 2013 RM'000	Pro forma I[1] RM'000	Pro forma II[2] RM'000	Pro forma III[3] RM'000
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	-	32,142	32,142	42,142
Intangible assets	-	2,946	2,946	2,946
Deferred tax assets	-	448	448	448
Total non-current assets	-	35,536	35,536	45,536
CURRENT ASSETS				
Inventories	-	57,507	57,507	69,507
Trade receivables	-	176	176	176
Other receivables, deposits and prepayments	-	7,932	6,661	6,661
Tax recoverable	-	587	587	587
Deposits with financial institutions	-	28,355	28,355	28,355
Cash and bank balances	10	12,037	55,787	24,743
Total current assets	10	106,594	149,073	130,029
TOTAL ASSETS	**10**	**142,130**	**184,609**	**175,565**

11. FINANCIAL INFORMATION *(Cont'd)*

	As at 31 May 2013 RM'000	Pro forma I[(1)] RM'000	Pro forma II[(2)] RM'000	Pro forma III[(3)] RM'000
EQUITY AND LIABILITIES				
EQUITY				
Share capital	*	182,706	217,706	217,706
Share premium	-	-	6,734	6,734
Retained profits	(7)	59,184	57,200	57,200
Merger deficit	-	(181,984)	(181,984)	(181,984)
Total equity attributable to the Owners of CARiNG	**(7)**	**59,906**	**99,656**	**99,656**
Non-controlling interests	**-**	**5,402**	**5,402**	**5,402**
TOTAL EQUITY	**(7)**	**65,308**	**105,058**	**105,058**
NON-CURRENT LIABILITIES				
Term loans	-	14,553	14,553	8,553
Deferred tax liabilities	-	150	150	150
CURRENT LIABILITIES				
Trade payables	-	54,223	54,223	54,223
Other payables and accruals	2	5,720	8,449	5,405
Amount owing to non-controlling shareholders[(4)]	-	256	256	256
Amount owing to related parties	15	40	40	40
Provision for taxation	-	1,438	1,438	1,438
Term loans	-	442	442	442
TOTAL LIABILITIES	**17**	**76,822**	**79,551**	**70,507**
TOTAL LIABILITIES AND EQUITIES	**10**	**142,130**	**184,609**	**175,565**
Number of Shares in issue of RM1.00 each ('000)	*	182,706	217,706	217,706
Gearing ratio (times)	-	0.23	0.14	0.09

Notes:

* *Amount represents RM3.00*

(1) ***Pro forma I*** *– Incorporates the effect of the Acquisition and progress billing of RM4.95 million for CARiNG Group's head office which is financed by a term loan from HSBC Amanah, as set out in Section 11.1 of this Prospectus.*

(2) ***Pro forma II*** *– Incorporates the effect Pro forma I and the Public Issue as set out in Section 11.1 of this Prospectus.*

(3) ***Pro forma III*** *– Incorporates the effect of Pro forma II and the utilisation of proceeds from the Public Issue as set out in Section 11.1 of this Prospectus.*

(4) *Non-controlling shareholders of subsidiaries of CARiNG.*

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The gearing ratio of 0.23 times under Pro forma I is arrived at after incorporating the adjustments and assumptions listed in Section 3.1 of the Pro forma Consolidated Statements of Financial Position (as set out in Section 11.1 of this Prospectus) to the audited financial statements of CARiNG as at 31 May 2013 and audited consolidated financial statements of the CPRM Group as at FYE 2013. The gearing ratio under Pro forma I is higher than CARiNG Group's gearing ratio as at FYE 2013 due to the following reasons:

- Reduction in cash and cash equivalent asset due to payment of interim dividends in respect of FYE 2014 by non-wholly owned subsidiaries of CPRM to non-controlling shareholders amounting to RM1.146 million; and
- Increase in term loan due to further drawdown of the HSBC Amanah term loan obtained to finance the new head office and warehouse of the CARiNG Group.

The decrease in the gearing ratio between CARiNG Group Pro Forma I and CARiNG Group Pro Forma II from 0.23 to 0.14 is mainly due to a net increase in shareholders' funds of RM39.750 million arising from the Public Issue of 35,000,000 new shares at IPO price of RM1.25 per Share less estimated listing expenses of RM4.000 million.

The decrease in the gearing ratio between CARiNG Group Pro Forma II and CARiNG Group Pro Forma III from 0.14 to 0.09 is mainly due to the utilization of RM6.000 million from the proceeds from the Public Issue to pare down bank borrowings to reduce interest costs.

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11. FINANCIAL INFORMATION *(Cont'd)*

The Pro forma Consolidated Statements of Financial Position of the Group are based on the accounting principles and bases consistent with those adopted by the CARiNG in the preparation of the audited financial statements of all companies within the CARiNG for the FYE 2010 to FYE 2013, which have been prepared in accordance with the approved accounting standards issued by the Malaysian Accounting Standards Board and the Act in Malaysia.

The following is the Pro forma Consolidated Statement of Cash Flows of the Group based on the Report on the Compilation of Pro forma Consolidated Financial Information set out in Section 11.1 and the Accountants' Report for the last full financial year of FYE 2013 assuming that our Group has been in existence throughout the Financial Years Under Review.

	FYE 2013 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES	
Profit before taxation	27,835
Adjustments for:	
Depreciation of property, plant and equipment	2,737
Equipment written off	21
Gain on disposal of property, plant and equipment	(85)
Interest expenses	52
Interest income	(809)
Listing expenses	1,984
Rental income	(158)
Operating profit before working capital changes	31,577
Increase in inventories	(19,188)
Increase in trade and other receivables	(1,353)
Increase in trade and other payables	12,218
CASH FROM OPERATIONS	**23,254**
Interest paid	(52)
Tax paid	(7,937)
Tax refunded	10
NET CASH FROM OPERATING ACTIVITIES	**(1)15,275**
CASH FLOWS FOR INVESTING ACTIVITIES	
Payment of deposit for the acquisition of property, plant and equipment	(1,706)
Purchase of property, plant and equipment	(33,428)
Proceeds from disposal of property, plant and equipment	88
Proceeds from dilution in equity interest in a subsidiary	14
Interest received	809
Rental received	158
NET CASH USED FOR INVESTING ACTIVITIES	**(2)(34,065)**
CASH FLOWS FROM FINANCING ACTIVITIES	
Dividends paid	(12,729)
Proceeds from issuance of shares pursuant to public issue	43,750
Payment of listing expenses	(4,000)
Proceeds from issuance of shares by subsidiaries to non-controlling shareholders	232
Drawdown of term loan	14,005
Repayment of term loans	(6,220)
Quasi loans from non-controlling shareholders	595
Net advances from non-controlling shareholders	4
NET CASH FROM FINANCING ACTIVITIES	**(3) 35,637**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**16,847**
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	**36,251**
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	**53,098**

Notes:

The pro forma consolidated statement of cash flow of the Group is arrived at after incorporating the following to the audited consolidated statement of cash flow of CPRM Group:

(1) The pro forma cash flow from operations was arrived at after adjusting for the pro forma effect of the utilisation of proceeds for the purchasing of inventories for the new outlets of RM12 million.

(2) The pro forma cash used for investing activities was arrived at after adjusting the following:

- *Progress billing of the new head office and warehouse of RM4.95 million, financed by HSBC Amanah*
- *Utilisation of proceeds for the capital expenditure for new outlets of RM6 million*
- *Utilisation of proceeds for the renovation of new head office and warehouse of RM4 million*

(3) The pro forma cash flow from financing activities was arrived at after adjusting the following:

- *Payment of interim single-tier dividends amounting to RM1,145,800 by CPRM's subsidiaries to non-controlling shareholders of CPRM's subsidiaries for FYE 2014.*
- *Subscription/ acquisition of shares in our subsidiaries by non-controlling interests amounting to RM13,500 (please refer to Section 11.1 for further breakdown of the subscription/ acquisition of shares)*
- *Draw down of RM4.95 million of term loan from HSBC Amanah to finance the progress billing of the new head office and warehouse*
- *IPO proceeds of RM43.75 million*
- *RM6 million utilised to pare down borrowings and RM3.044 million utilised to defray estimated listing expenses*

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11.3 CAPITALISATION AND INDEBTEDNESS

The following table sets out our cash and cash equivalents, capitalisation and indebtedness:

(i) based on our pro forma consolidated financial information as at 31 May 2013 (after adjustment for Acquisition); and

(ii) adjusted for the listing proceeds arising from the Public Issue pursuant to the IPO and utilisation of proceeds as set out in Section 3.9 of this Prospectus.

	Pro forma consolidated as at 31 May 2013 RM'000	After the IPO and utilisation of proceeds RM'000
Cash and cash equivalents		
Cash on hand and at bank	40,392	53,098
	40,392	53,098
Indebtedness		
Short term borrowings		
Secured		
Term loans	(1) 442	442
Long term borrowings		
Secured		
Term loans	(1) 14,553	8,553
Total indebtedness	14,995	(2) 8,995
Total equity/ capitalisation(3)	59,906	99,656
Total capitalisation and indebtedness	74,590	108,340

Note :

(1) The term loans are obtained for the purpose of financing the acquisition of our properties in Taman Kinrara, Sri Petaling, Taman Segar and our new head office and warehouse. Details of the properties are set out in Section 6.11.1 and 6.11.4

(2) After incorporating the repayment of borrowing (RM6 million) from the proceeds of the Public Issue.

(3) Total pro forma shareholders' equity not including non-controlling interests.

As at 31 May 2013, our Group does not have any contingent liabilities.

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11.4 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS

Investors should read the following discussion and analysis of our financial condition and results of operations in conjunction with the Report of the Compilation of Pro forma Consolidated Financial Information and the related notes thereon for the past four (4) FYE 2010 to FYE 2013, as set out in Section 11.4.2 of this Prospectus.

This discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results may differ significantly from those projected in the forward-looking statements. Factors that may cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed below and the discussion on risk factors included in Section 4 of this Prospectus.

Our Pro forma Consolidated Financial Statements have been prepared on the basis that CARiNG Group has been in existence throughout the Financial Years Under Review.

11.4.1 Overview

We are primarily an operator of a chain of community pharmacies under the brand 'CARiNG' in Malaysia. Our chain of community pharmacies include wholly-owned and partially-owned outlets. Each of our community pharmacies has a full time pharmacist to service our customers during retail operating hours.

The history of our business can be traced back to 1994 with the incorporation of CPSB and the opening of our first CARiNG community pharmacy in Taman Muda, Cheras, Kuala Lumpur. The principal activity of the company has always been in the operation of community pharmacy. We undertake retail sales of pharmaceutical products which include scheduled drugs, OTC drugs and health supplements. Part of our portfolio of products also includes non-pharmaceutical products like personal care products, medical and healthcare devices, health food, confectionery, household products and beverages. In addition, our pharmacists also provide blood pressure test and blood glucose test.

The products carried by our community pharmacies are mainly third party brands. Nevertheless, we also offer a range of products of the brand 'CARiNG', such as bottled mineral water and a range of personal care.

As part of our plans to expand our market coverage, we launched our Caring Joint Venture Scheme in 2000, which enabled our pharmacists in branch manager positions with at least one year of working experience in our 'CARiNG' community pharmacy to participate as business partners in operating community pharmacies under the brand of 'CARiNG'.

Our business model is carried out through three (3) types of community pharmacy outlets as follow:

- **Street outlets** - community pharmacies located in retailing areas comprising a cluster of individual shops or retailing space lined along a street or near a street;
- **Shopping complex outlets** – community pharmacies located within shopping complexes; and
- **Specialised retail centre** – community pharmacies located within hypermarkets.

As at LPD, we have 26 wholly owned and 59 partially owned community pharmacies of which 43 located on street, 36 located in shopping complex and 6 at specialised retail centres.

Over the years, we have established a strong platform for future growth. This is fuelled by the key strengths and competitive advantages developed by our Group which includes amongst others: Large chain of community pharmacies; Established brand name and reputation; Economies of scale; Management control and ownership of our community pharmacies; Pharmacists as business partners and shareholders; Full time pharmacist service at every outlet; Professional and experienced management team with proven track record of delivering sustainable growth and profitability; and Caring Joint Venture Scheme.

Our target market is mainly end-consumers who are the "walk-in" customers to our community pharmacies.

(i) Revenue

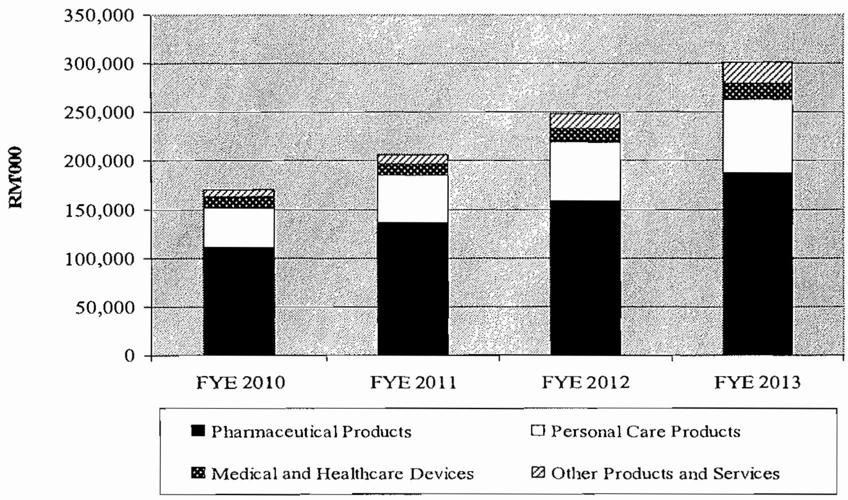
CARiNG Group is in retail business and the recognition of revenue is based on the delivery of goods and acceptance by customers which occur concurrently with the passing of the goods to the customers and customers' acceptance upon payment at the community pharmacy outlets' cashier counters.

In relation to our specialised retail centre, our sales are conducted on consignment basis. Hence, the sales are recognised based on sales reports generated from point of sales system and prepared by the respective consignors.

Our revenue grew 76.72% from RM170.57 million for FYE 2010 to RM301.42 million for FYE 2013. This represented an AAGR of 20.90% per annum for the past 4 FYE 2010 to FYE 2013 which was significantly higher than Malaysia's average GDP growth of 3.6% per annum for the calendar years 2009 to 2011. (*Source: Bank Negara Malaysia Annual Report 2012*)

Our core revenue streams are principally derived from sale of pharmaceutical products, personal care products and medical and healthcare devices.

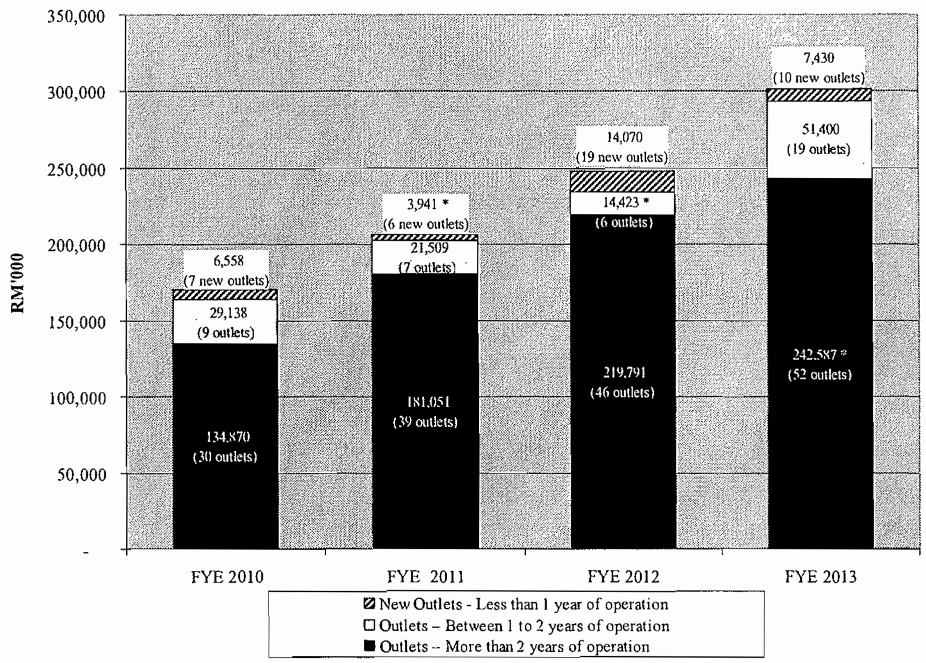
Chart 1: Revenue by product category



Analysis of the graph above shows that the sale of pharmaceutical products, comprising supplements, scheduled drugs and OTC drugs, has consistently been our major revenue contributor with over 60% of total revenue throughout the Financial Years Under Review. This is followed by personal care products contributing 23% - 26% during the same period while revenue contribution of medical and healthcare devices ranges from 5% - 7%. The percentage contribution by product category towards our total revenue has been fairly consistent over the Financial Years Under Review.

Analysis of our revenue by existing and new outlets is as follow:

Chart 2: Revenue by existing and new outlets for the FYE 2010 - 2013



Notes:

* *The revenue presented in the graph for FYE 2011, FYE 2012 and FYE 2013 includes sales of health supplements, OTC drugs and personal care products via other retail channels namely internet, warehouse and roadshows The quantum of such revenue is tabulated in Section 11.4.2 of this Prospectus and as below:*

- *For FYE 2011, revenue of RM3,000 is included in "New Outlets – Less than 1 year of operation";*
- *For FYE 2012, revenue of RM555,000 is included in "Outlets – Between 1 to 2 years of operation"; and*
- *For FYE 2013, revenue of RM1,034,000 is included in "Outlets – More than 2 years of operation".*

In respect of the above, there are no such revenue included in FYE 2010.

Our strong revenue growth achieved over the years from FYE 2010 to FYE 2013 was driven by the growth in our number of new outlets as well as the healthy overall growth achieved by our existing outlets.

Generally, the initial contribution of a new outlet opened in the first year of operation is not significant. This may be due to the following factors:

- Time needed to develop customer loyalty from the start of the operation;
- Low awareness of the outlets; and
- New outlets which are located in new developed township or complexes will mature in tandem with the growth of these areas

However, based on the historical observation, the new outlets will generally demonstrate better growth in revenue contribution after a first full year of operation.

(ii) Cost of Sales, GP and GP Margin

Our cost of sales comprises the purchase cost of our trading goods, i.e. pharmaceutical products, personal care products, medical and healthcare devices, and other products include mainly health food, confectionery, beverage and household products less:

- purchase rebates from suppliers such as discounts or payments upon achieving a targeted level of purchases; and
- product rebates from suppliers such as discount or payments for sale of promotional items at a price lower than the recommended retail price.

Our growth in cost of sales and gross profits over the years from the Financial Years Under Review has been consistent with our revenue growth during the same period. Percentage of cost of sales to revenue ranges from 72.77% to 74.19% during the Financial Years Under Review.

(iii) Other Operating Income

Our other operating income contributed 14.53% to 20.11% of total gross profit plus operating income.

Major components of other operating income consist primarily of advertising and promotion income, distribution and delivery charges derived from our suppliers and interest income derived from deposits placed with financial institutions. The distribution and delivery charges are in respect of rebates from the suppliers for cost savings arising from centralized delivery of goods to our warehouse by the suppliers, whereby subsequent distributions to our outlets are coordinated by CARiNG.

The advertising and promotion income are generated in the form of product listing fees, advertising and promotional funds from either the product principals or suppliers. Advertising and promotion income contributed more than 60% of the total of other operating income.

During the Financial Years Under Review, our other operating income has grown by RM11.74 million (149.74%) from RM7.84 million to RM19.58 million mainly due to the increase of advertising and promotion income derived from suppliers as a result of the increase in the number of outlets from 46 to 81 outlets.

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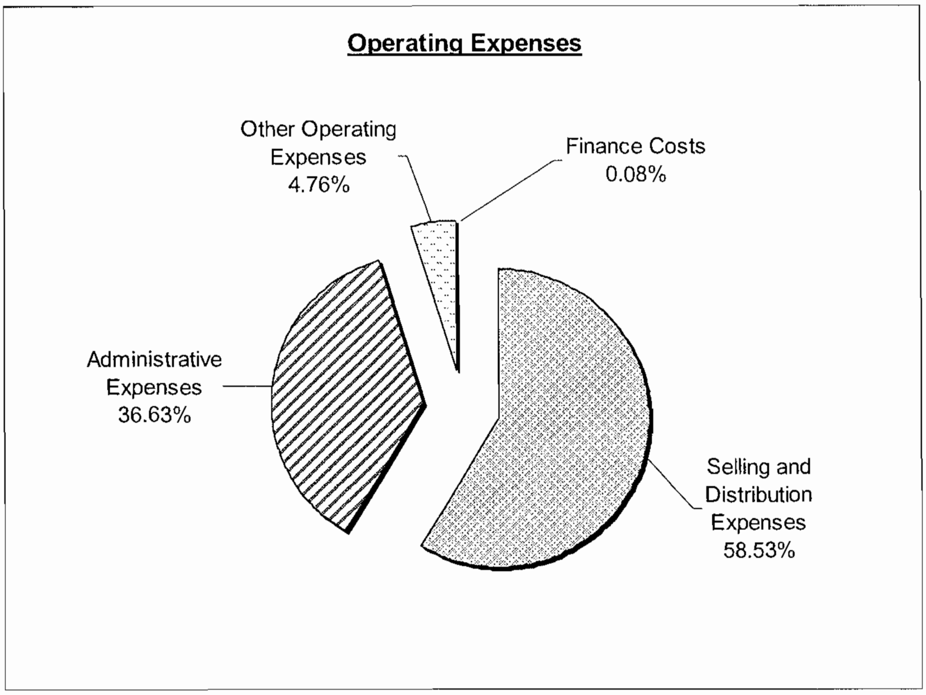
(iv) Operating Expenses

Our operating expenses as a percentage of total revenue are on an average 20.88% during the Financial Years Under Review. Major components of it are depicted in the diagram below:



The selling and distribution expenses consist mainly of advertisement expenses, redemption cost, rental of premises and staff employment expenses. Redemption cost is the fee charged by BonusLink for points earned by the customer when they make a purchase at any CARiNG outlets. Staff employment expenses under selling and distribution expenses relate to employment expenses of staff employed in our community pharmacy outlets such as sales assistants and pharmacists.

The administrative expenses consist mainly of directors' fee and non-fee emoluments (including the directors from our subsidiaries), staff employment expenses and other administrative expenses. Staff employment expenses under administrative expenses relate to employment expenses of staffs employed at head office level which perform group functions such as purchasing, warehousing and supply chain management, accounting, finance and general group management.

The other operating expenses consist mainly of depreciation of property, plant and equipment.

The two major components of operating expenses namely selling and distribution expenses and administrative expenses increased at an average 27.66% and 24.97%, respectively for the Financial Years Under Review.

The segmental analysis of our revenue by subsidiaries, product category, type of outlets and PBT by subsidiaries is set out in Tables 1, 2, 3 and 4 of Section 11.4.3 of this Prospectus. For the Financial Years Under Review, all our revenue streams were derived from Malaysia. In this regard, there is no segmental analysis based on geographical location.

11.4.2 Review of Results of Operations

(i) Revenue

The table below further analyses our Group's revenue as follows:

	Audited			
	FYE 2010	FYE 2011	FYE 2012	FYE 2013
Revenue from operation of outlets (RM'000)				
• Outlets – More than 2 years of operation	133,108	179,252	218,323	241,016
• Outlets – Between 1 to 2 years of operation	29,138	21,509	13,868	51,400
• New outlets – Less than 1 year of operation	6,558	3,938	14,070	7,430
Subtotal	***168,804***	***204,699***	***246,261***	***299,846***
- Other *	1,762	1,802	2,023	1,571
Total	**170,566**	**206,501**	**248,284**	**301,417**
Number of Outlets				
• Outlets – More than 2 years of operation	30	39	46	52
• Outlets – Between 1 to 2 years of operation	9	7	6	19
• New outlets – Less than 1 year of operation	7	6	19	10
	46	**52**	**71**	**81**
Average revenue/outlet (RM'000)				
• Outlets – More than 2 years of operation	4,437	4,596	4,746	4,635
• Outlets – Between 1 to 2 years of operation	3,237	3,073	2,311	2,705
• New outlets – Less than 1 year of operation	937	656	741	743

Note:

* *Include sales of health supplements, OTC drugs and personal care products via other retail channels namely internet, warehouse and roadshows.*

FYE 2011 As Compared To FYE 2010

For FYE 2011, our revenue was RM206.50 million which represents a 21.06% increase compared to RM170.57 million achieved for FYE 2010. This growth of 21.06% (RM35.93 million) was mainly attributable to the following:

- Additional revenue contribution of RM14.95 million from our seven (7) retail outlets which were opened in FYE 2010 and have been in operational for the full year in FYE 2011;
- RM17.00 million was contributed from our 39 retail outlets which have been in existence since the beginning of FYE 2010; and
- About 10.97% of the revenue growth (RM3.94 million) was delivered by our six (6) new retail outlets which are opened in FYE 2011.

Sales of pharmaceutical products represented 66.49% of our total revenue for FYE 2011 compared to 65.54% for FYE 2010. The total revenue growth for FYE 2011 of RM35.93 million comprises of 70.98% and 23.36% in pharmaceutical products and personal care products respectively. The analysis is shown at table 3 of Section 11.4.3. The revenue from medical and healthcare devices has been relatively consistent throughout the Financial Years Under Review.

FYE 2012 As Compared To FYE 2011

For FYE 2012, although our Group registered a marginally lower growth in revenue of 20.23% to RM248.28 million from RM206.50 million for FYE 2011 compared to 21.06% in the preceding FYE, the absolute quantum increase in revenue of the two FYEs is a positive RM5.85 million.

The growth of 20.23% (RM41.78 million) was mainly due to the following factors:

- RM9.93 million was contributed by our six (6) retail outlets which were opened in FYE 2011 and have been operational for the full year in FYE 2012;
- 42.03% of the revenue growth (RM17.56 million) was contributed by our 46 retail outlets which have been in existence since the beginning of FYE 2011; and
- during FYE 2012, 19 outlets were opened made up of 33.68% to the total revenue growth (RM14.07 million) which is significant higher contribution of new outlets open in the current year than the past period.

Sales of pharmaceutical products remained our major source of revenue, representing 63.80% of our total revenue for FYE 2012. Our sales of personal care products and other products and services (comprising mainly food and beverage) marginally increased due to the higher revenue contribution from our shopping complex outlets which enjoy higher sales for these two categories of products.

FYE 2013 As Compared To FYE 2012

For FYE 2013, our revenue was RM301.42 million which represents a 21.40% increase compared to RM248.28 million achieved for FYE 2012. This growth of 21.40% (RM53.13 million) was mainly due to the following factors:

- 70.26% of the revenue growth (RM37.33 million) was contributed by our nineteen (19) retail outlets which were opened in FYE 2012 and have been operational for the full year in FYE 2013;

- 16.61% of the revenue growth (RM8.83 million) was contributed by our 52 retail outlets which have been in existence since the beginning of FYE 2012; and

- The revenue contribution from ten (10) new outlets opened during the FYE 2013 made up 13.98% or RM7.43 million to the total revenue growth.

For FYE 2013, sales of pharmaceutical products continued to be our major revenue contributor, representing 62.17% of our total revenue. Nevertheless, this represents a 1.63% decrease compared to 63.80% for FYE 2012. Based on the analysis set out in Table 3 of Section 11.4.3, the changes in the sales composition for FYE 2013 was mainly attributable to proportionately higher sales of personal care products and other products and services which increased their contribution to total sales by 0.54% and 1.39% respectively for FYE 2013. The increase in the revenue contribution from these 2 product categories is due to the increase in the number of shopping complex outlets.

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(ii) Cost of Sales, GP and GP Margin

	Audited							
	FYE 2010		FYE 2011		FYE 2012		FYE 2013	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Revenue	170,566	100.00	206,501	100.00	248,284	100.00	301,417	100.00
Cost of Sales	124,860	73.20	150,261	72.77	184,152	74.17	223,627	74.19
Gross Profit	45,706	26.80	56,240	27.23	64,132	25.83	77,790	25.81
Gross Profit by Product Category:								
Pharmaceutical Products	***30,502***	***66.74***	***38,619***	***68.67***	***42,913***	***66.91***	***50,632***	***65.09***
- Scheduled Drugs	*16,311*	*35.69*	*19,565*	*34.79*	*20,905*	*32.60*	*24,019*	*30.88*
- Health Supplements	*11,912*	*26.06*	*15,864*	*28.21*	*18,178*	*28.34*	*22,014*	*28.30*
- OTC Drugs	*2,279*	*4.99*	*3,190*	*5.67*	*3,830*	*5.97*	*4,599*	*5.91*
Personal Care Products	***9,573***	***20.94***	***11,757***	***20.91***	***14,510***	***22.63***	***18,548***	***23.84***
Medical and Healthcare Devices	***3,606***	***7.89***	***3,313***	***5.89***	***3,791***	***5.91***	***4,368***	***5.62***
Other Products and Services*	***2,025***	***4.43***	***2,551***	***4.53***	***2,918***	***4.55***	***4,242***	***5.45***
Gross Profit Margin by Product Category:								
Pharmaceutical Products		***27.28***		***28.13***		***27.09***		***27.02***
- Scheduled Drugs		*31.36*		*31.49*		*28.39*		*27.23*
- Health Supplements		*25.00*		*26.43*		*26.17*		*27.16*
- OTC Drugs		*18.75*		*21.04*		*25.04*		*25.36*
Personal Care Products		***24.16***		***24.49***		***23.77***		***24.50***
Medical and Healthcare Devices		***31.33***		***29.04***		***27.70***		***27.83***
Other Products and Services*		***26.50***		***26.08***		***19.25***		***18.76***

Note:

* *Include mainly health food, confectionery, beverage and household products*

Our operation is generally a retail business which services the end-consumers. Our cost of sales will therefore represent mainly of our trading goods purchased for resale less any discounts or rebates as explained in Section 11.4.1 (ii). As we are an established player in the community pharmacy industry and through the years in operation have also established good rapport with our suppliers coupled with our ability to enjoy the benefits of economics of scale as discussed in Section 6.2 (iii), our margins are therefore fairly consistent throughout the Financial Years Under Review.

However, fluctuations may occur in our GP margin from year to year mainly due to the product rebates received from our suppliers for marketing and promotional activities carried out by our Group on behalf of our suppliers. Such marketing and promotional activities carried out on behalf of the suppliers vary each year. Therefore, product rebates received from suppliers will also vary accordingly resulting in fluctuation in our GP margin. Nonetheless, such fluctuations are normally not material.

FYE 2011 As Compared To FYE 2010

Our cost of sales increased by 20.34% to RM150.26 million (FYE 2011) from RM124.86 million (FYE 2010) which is consistent with our revenue growth of 21.06% during the same period.

During FYE 2011, cost of sales went up by a lower percentage compare to growth of revenue, which resulted in the improvement in GP Margin of 0.43% from 26.80% achieved from FYE 2010 to 27.23% in FYE 2011.

For the FYE 2011, our gross profit margin for pharmaceutical products increased by 0.85% from 27.28% (FYE 2010) to 28.13% (FYE 2011) mainly attributable to the higher margin derived from the sale of health supplements.

Although our gross profit margin for medical and healthcare devices decreased by 2.29% to 29.04% (FYE 2011) from 31.33% (FYE 2010), our Group recorded a higher gross profit margin for FYE 2011 compared to FYE 2010 as the revenue contribution from the said product category contributed less than 7% to the total revenue for the respective financial years.

Our gross profit margins of FYE 2011 for the remaining product categories are relatively consistent compared to FYE 2010.

FYE 2012 As Compared To FYE 2011

In FYE 2012, our cost of sales increased by 22.55% to RM184.15 million (FYE 2012) from RM150.26 million (FYE 2011) mainly due to the reduction in our gross profit margin.

Although our gross profit increased by RM7.89 million from RM56.24 million (FYE 2011) compared to RM64.13 million (FYE 2012), our gross profit margin decreased slightly by 1.4% mainly attributable to lower gross profit margin in the pharmaceutical products and personal care products sold by the Group as well as additional marketing and promotional activities carried out by our Group in an effort to increase market share.

FYE 2013 As Compared To FYE 2012

Our cost of sales increased by 21.44% to RM223.63 million (FYE 2013) from RM184.15 million (FYE 2012) in line with our revenue growth of 21.40%.

Our gross profit recorded a growth of RM13.66 million from RM64.13 million (FYE 2012) to RM77.79 million (FYE 2013) and our gross profit margins for the two financial years remained relatively consistent between 25.81% to 25.83%.

The gross profit margins for the respective product categories are also relatively consistent for the two financial years.

(iii) Other Operating Income

	Audited			
	FYE 2010	**FYE 2011**	**FYE 2012**	**FYE 2013**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Advertising and promotion income(1)	5,343	6,535	11,343	14,657
Distribution and delivery charges(2)	1,766	2,189	2,756	3,585
Gain on disposal of equipment	122	26	2	85
Interest income	311	527	709	809
Other contribution from suppliers(3)	61	88	144	170
Rental income	47	40	62	108
Sundry income(4)	190	158	213	166
Total	**7,840**	**9,563**	**15,229**	**19,580**

Notes:

(1) Advertising and promotion income mainly represents product listing fees and contributions to advertising and promotional activities from our product principals or suppliers. Please refer to Section 6.1.3(ii) for further details.

(2) Distribution and delivery charges income mainly represents income from our suppliers for cost savings arising from delivery of goods from our centralised warehouse to our retail outlets. Please refer to Section 6.1.3 (iii) for further details.

(3) Other contribution from suppliers mainly for organising our staff training and staff events.

(4) Sundry income includes insurance claims reimbursed for losses.

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FYE 2011 As Compared To FYE 2010

Our other operating income increased by RM1.72 million (21.94%) from RM7.84 million (FYE 2010) to RM9.56 million (FYE 2011). This increase was mainly contributed by advertising and promotion income due to the increase in number of outlets and increase in distribution and delivery charges. The nature of these categories of income is explained in section 11.4.1(iii) above.

FYE 2012 As Compared To FYE 2011

Our other operating income registered a significant growth of RM5.67 million (59.31%) from RM9.56 million (FYE 2011) to RM15.23 million (FYE 2012). This was mainly contributed by an increase of RM4.81 million from advertising and promotion income as the result of the expansion of our Group's business via the setting up of a further 19 new retail outlets during the year.

FYE 2013 As Compared To FYE 2012

For the FYE 2013, our other operating income increased further by RM4.35 million (28.57%) to RM19.58 million. The increase was mainly contributed by an increase of RM3.31 million from advertising and promotion income generated from advertisement and promotional activities from our suppliers and 10 new retail outlets; and an increase of RM0.83 million in our distribution and delivery charges in FYE 2013.

(iv) Selling and Distribution Expenses

Our selling and distribution expenses is an average of approximately 12% of total revenue throughout the Financial Years Under Review.

	Audited			
	FYE 2010 RM'000	FYE 2011 RM'000	FYE 2012 RM'000	FYE 2013 RM'000
Advertisement	1,813	2,115	3,198	4,230
Pharmacists' share of profit(1)	140	216	287	198
Redemption cost(2)	2,008	2,502	2,559	3,014
Rental of premises(3)	5,889	7,723	9,873	12,848
Staff employment expenses(4)	9,128	11,599	14,469	19,238
Others (5)	341	345	412	647
Total	**19,319**	**24,500**	**30,798**	**40,175**

Notes:

(1) Relates to profit sharing entitlement of senior pharmacists serving as branch manager for more than two (2) years (excluding branch managers who are joint venture directors) for their contribution to the Group, computed based on the profit achieve by the respective outlets.

(2) Redemption cost represents fees charged by BonusLink for points earned by our customers when they make a purchase at any CARiNG outlet using BonusLink loyalty card.

(3) Including amount deducted from consignment sales by specialised retail centres.

(4) Staff employment expenses represents payroll of staff employed in our retail outlets.

(5) Including general selling and distribution expenses.

FYE 2011 As Compared To FYE 2010

Our selling and distribution expenses increased by RM5.18 million (26.81%) from RM19.32 million (FYE 2010) to RM24.50 million (FYE 2011); a higher percentage increase compared to the percentage increase in total revenue of 21.06%. The increase is mainly due to the increase in staff costs (RM2.47 million) and rental of premises (RM1.83 million) pursuant to more new outlets opened by the Group, and the revision of staff remuneration package during the FYE 2011.

FYE 2012 As Compared To FYE 2011

Our selling and distribution expenses increased by RM6.30 million (25.71%), to RM30.80 million (FYE 2012) from RM24.50 million (FYE 2011); a higher percentage increase compared to the percentage increase in total revenue of 20.23%. The increase is mainly due to the increase in staff costs (RM2.87 million) and rental of premises (RM2.15 million) pursuant to the 19 new retail outlets opened in FYE 2012, in line with the expansion and growth of the business of CARiNG Group.

In 2012, the number of retail staff has more than doubled since FYE 2010.

FYE 2013 As Compared To FYE 2012

Our selling and distribution expenses increased by RM9.38 million (30.45%), to RM40.17 million (FYE 2013) from RM30.80 million (FYE 2012), higher than the percentage increase in total revenue of 21.40%. The increase is mainly due to the following:

- the increase in staff costs of RM4.77 million from the 19 new retail outlets which were in operation for their first full 12 months of FYE 2013 and an upward revision to remuneration scale of our staffs; and

- the increase in rental of premises by RM2.98 million mainly due to a higher proportion of new outlets in FYE 2013 compared to FYE 2012 as well as upward revision to the rental rate of our existing shopping complex outlets.

(v) **Administrative Expenses**

Our administrative expenses has contributed an average of approximately 7.65% of total revenue throughout the Financial Years Under Review.

	Audited			
	FYE 2010	FYE 2011	FYE 2012	FYE 2013
	RM'000	RM'000	RM'000	RM'000
Directors' fee paid	524	789	588	813
Directors' non-fee emoluments	3,938	5,436	6,512	8,062
Electricity and water charges	736	952	1,238	1,688
Staff employment expenses[(1)]	5,319	5,554	7,151	9,217
Other administrative expenses[(2)]	2,078	2,581	3,470	4,778
Total	**12,595**	**15,312**	**18,959**	**24,558**

Notes:

(1) Staff employment expenses represents payroll of staff employed at head office level who perform group functions.

(2) Other administrative expenses mainly represents general administrative expenses such as printing and stationery, telephone charges, insurance expenses, upkeep and maintenance of premises and professional fees incurred by our Group.

FYE 2011 As Compared To FYE 2010

Our administrative expenses for FYE 2011 were RM15.31 million, representing an increase of 21.51% from RM12.60 million (FYE 2010). This increase corresponded to the increase in total revenue of 21.06% and is mainly due to revision in directors' remuneration packages (from RM4.46 million (FYE 2010) to RM6.23 million (FYE 2011)). Our directors who are pharmacists and senior management of the Group play important roles in developing and growing the business of the CARiNG Group.

Our directors' fee increased from RM0.52 million (FYE 2010) to RM0.79 million (FYE 2011) mainly due to a one off fee payment made to a director of a subsidiary instead of distribution of profits via dividends to the shareholders as the said director had contributed more working hours during the financial year.

FYE 2012 As Compared To FYE 2011

Our administrative expenses for FYE 2012 were RM18.96 million, representing an increase of 23.84% from RM15.31 million (FYE 2011). The increase was relatively consistent with our increase in total revenue of 20.23%, mainly attributed by the change in staff costs by RM1.60 million (43.83%) as a result of increase in staff headcount associated with the larger scale of operation (19 newly opened retail outlets in FYE 2012).

The increase of RM0.89 million (24.38%) in other administrative expenses was slightly higher than the increase of 20.23% in total revenue mainly due to purchases for capital expenditure that amounts to less than RM1,000 each for our 19 new outlets set up during FYE 2012.

FYE 2013 As Compared To FYE 2012

Our administrative expenses for FYE 2013 were RM24.56 million, representing an increase of 29.53% from RM18.96 million (FYE 2012). This increase is proportionately higher than the increase in total revenue of 21.43% during the financial year mainly due to the following:

- the increase in staff employment expenses by 28.89%, from RM7.15 million (FYE 2012) to RM9.22 million (FYE 2013) is mainly due to the increase in staff headcount and the upward revision to the remuneration scale of our existing staff; and

- the increase in other administrative expenses from RM3.47 million (FYE 2012) to RM4.78 million (FYE 2013) mainly due increase in repair and maintenance fees by 256% (RM0.34 million) compared to FYE 2012 due to fees incurred to enhance our existing IT operating system, preliminary expenses (licence fees and annual support fee) paid for implementation of our ERP system and upkeep and maintenance of our properties, namely Sri Petaling outlet and our existing headquarter office.

(vi) Other Operating Expenses

Our other operating expenses mainly include depreciation of property, plant and equipment as shown below:

	Audited			
	FYE 2010 RM'000	FYE 2011 RM'000	FYE 2012 RM'000	FYE 2013 RM'000
Depreciation of property, plant and equipment	1,734	1,970	2,576	2,737
Others[(1)]	22	2	65	26
Total	**1,756**	**1,972**	**2,641**	**2,763**

Note:

(1) Include incorporation expenses, loss on disposal of equipment, and equipment written off

Depreciation of property, plant and equipment represents 5.14%, 4.71%, 4.91% and 4.05% of the total operating expenses throughout Financial Years Under Review.

(vii) Finance Cost

Our finance cost represents interest charges on term loans taken to finance some of our property purchased. The interest on those term loans is insignificant thus it has immaterial impact on the financial performance of the Group.

(viii) PBT and PAT

	Audited			
	FYE 2010	FYE 2011	FYE 2012	FYE 2013
	RM '000	RM '000	RM '000	RM '000
PBT	19,835	23,989	26,947	29,819
Taxation	(4,561)	(5,808)	(6,876)	(7,497)
PAT	15,274	18,181	20,071	22,322
PAT attributable to equity holders of the company	13,552	16,458	18,271	20,552
PBT margin (%)	11.63	11.62	10.85	9.89
PAT margin (%)	8.95	8.80	8.08	7.41
Effective tax rates	22.99	24.21	25.52	25.14
Malaysian statutory tax rates	25%	25%	25%	25%

FYE 2011 As Compared To FYE 2010

For FYE 2011, our group registered a 20.92% growth in PBT to RM23.99 million from RM19.84 million (FYE 2010), which is consistent with our total revenue growth of 21.06%.

Our effective income tax rates for FYE 2010 and FYE 2011 were 22.99% and 24.21% respectively. Our effective tax rate is slightly lower than the statutory tax rate of 25% principally due to tax saving associated with a lower tax rate of 20% which is applicable to our subsidiaries for the first RM500,000 of taxable profits. This saving was partially offset by certain non-deductible expenses incurred during the year.

As a result of the higher effective tax rate in FYE 2011, the percentage increase in our PAT (FYE 2011) of 19.06% is lower than the increase in our PBT of the said year. Accordingly, our PAT margin decreased slightly to 8.80% (FYE 2011) from 8.95% (FYE 2010).

Our Group closed FYE 2011 with a profit attributable to shareholders of RM16.46 million, up 21.47% as compared to RM13.55 million (FYE 2010).

FYE 2012 As Compared To FYE 2011

Our PBT increased by RM2.96 million or 12.34% from RM23.99 million (FYE 2011) to RM26.95 million (FYE 2012). Our PBT margin decreased to 10.85% (FYE 2012) from 11.62% (FYE 2011), primarily due to lower GP margin for FYE 2012.

The effective tax rate was 25.52%, a 1.31% higher from 24.21% recorded in FYE 2011. Our effective tax rate for the year is slightly higher principally due to deferred tax assets not recognised during the year as a result of loss making subsidiaries and reversal of deferred tax assets recognised in prior years for subsidiaries making continuous losses.

As a result of the higher effective tax rate of FYE 2012, the percentage increase in PAT (FYE 2012) of 10.40% is lower than the increase in our PBT of the said year. Accordingly, our PAT margin decreased slightly to 8.08% (FYE 2012) from 8.80% (FYE 2011).

FYE 2013 As Compared To FYE 2012

Despite the increase in the FYE 2013 revenue of 21.40%, our PBT margin for the FYE 2013 decreased by 0.96% mainly due to proportionately higher selling and distribution and administrative expenses explained in the preceding pages.

Our effective tax rate of 25.14% for the FYE 2013 is marginally lower than the effective tax rate of 25.52% for FYE 2012 as a result of reversal of deferred tax assets recognised in prior year arising from certain loss making subsidiaries in FYE 2012.

As a result of the lower effective tax rate for the FYE 2013, the percentage increase in PAT (FYE 2013) of 11.22% is marginally higher than the increase in our PBT (FYE 2013) of 10.66%.

Accordingly, the PAT attributable to shareholders of RM20.55 million is 12.48% higher compared to RM18.27 million for the FYE 2012.

Upon the acquisition of CPRM by CARiNG in relation to the listing scheme, our Group will not be entitled for the tax savings associated with a lower tax rate of 20% for the first RM500,000 of taxable profit which is only applicable to Small and Medium Size Entities. Based on our Group's results for FYE 2013, if the abovementioned tax privilege does not apply, the estimated additional tax payable by the company would have been RM0.35 million. Consequently our PAT would reduce by the same amount.

Company No.: 1011859-D

11.4.3 Segmental Analysis

Table 1: Revenue^ by its subsidiaries

Subsidiaries	Audited											
	FYE 2010			FYE 2011			FYE 2012			FYE 2013		
	No. of outlets	RM '000	%	No. of outlets	RM '000	%	No. of outlets	RM '000	%	No. of outlets	RM '000	%
CPRM^	Nil	5,876	3.45	Nil	7,543	3.65	Nil	11,164	4.50	Nil	10,307	3.42
Wholly-owned subsidiaries:												
Caring (MSF)	1	2,442	1.43	1	3,208	1.55	2	4,964	2.00	2	7,966	2.64
Caring (SW)	1	3,048	1.79	2	4,338	2.10	2	6,077	2.45	2	7,122	2.36
Caring eStore	Nil**	-	-	Nil	3	*	Nil	555	0.22	Nil	1,034	0.34
Caring Help	***	-	-	***	-	-	***	-	-	***	-	-
CPSB	10	54,321	31.85	10	58,199	28.18	12	63,122	25.42	14	67,076	22.25
Miracle Cure	***	-	-	***	-	-	***	-	-	Nil**	-	-
UC Venture	2	7,925	4.65	2	8,541	4.14	2	9,187	3.70	2	9,413	3.12
Viva Caring	5	21,761	12.76	5	23,193	11.23	5	23,975	9.66	5	23,790	7.89
Partially-owned subsidiaries:												
Ace Caring	1	4,181	2.45	2	5,201	2.52	2	7,127	2.87	2	7,310	2.42
Be Caring	2	6,407	3.76	2	6,392	3.10	2	6,231	2.51	2	6,304	2.09
Caring Belle	1	4,676	2.74	1	4,992	2.42	1	5,259	2.12	1	5,510	1.83
Caring Health Solutions	2	4,486	2.63	2	7,611	3.69	2	9,220	3.71	2	9,686	3.21
Caring 'N' You Pharmacy	1	3,056	1.79	1	3,390	1.64	1	3,614	1.46	1	3,615	1.20
Caring (ABM)	1	520	0.30	1	2,274	1.10	2	4,583	1.85	2	5,847	1.94
Caring (AMC)	1	245	0.14	1	2,298	1.11	1	2,670	1.08	1	2,782	0.92
Caring (Ampang)	1	2,923	1.71	1	3,237	1.57	1	3,106	1.25	2	4,213	1.40
Caring (IDR)	***	-	-	***	-	-	5	2,089	0.84	5	11,536	3.83
Caring (JB Molek)	***	-	-	***	-	-	1	1,347	0.54	2	3,072	1.02
Caring (Kinrara)	2	8,135	4.77	2	9,882	4.79	2	10,784	4.34	2	11,016	3.65
Caring (KLP)	1	10,224	5.99	2	12,656	6.13	2	14,619	5.89	2	15,359	5.09
Caring (Lifeplus)	***	-	-	***	-	-	1	302	0.12	1	1,838	0.61
Caring (Puchong)	1	2,592	1.52	1	2,606	1.26	1	2,504	1.01	1	2,127	0.71
Caring (Shah Alam)	***	-	-	***	-	-	1	1,654	0.67	1	3,810	1.26
Caring (SK)	***	-	-	***	-	-	1	940	0.38	1	2,007	0.67
Caring Always	Nil**	-	-	Nil**	-	-	1	1,411	0.57	1	2,395	0.79
Caring Paradise	***	-	-	***	-	-	1	73	0.03	1	1,770	0.59
Caring Rising	***	-	-	***	-	-	***	-	-	Nil**	-	-

11. FINANCIAL INFORMATION *(Cont'd)*

Subsidiaries	Audited											
	FYE 2010			FYE 2011			FYE 2012			FYE 2013		
	No. of outlets	RM '000	%	No. of outlets	RM '000	%	No. of outlets	RM '000	%	No. of outlets	RM '000	%
Caring Trio	***	-	-	***	-	-	Nil**	-	-	1	1,954	0.65
Caring Trinity	***	-	-	***	-	-	***	-	-	Nil**	-	-
Cosy Vision	***	-	-	***	-	-	Nil**	-	-	1	583	0.19
Fuji Acre	***	-	-	***	-	-	***	-	-	1	55	0.02
Green Surge	***	-	-	Nil**	-	-	1	373	0.15	1	1,881	0.62
Living Glory	***	-	-	***	-	-	1	145	0.06	1	3,941	1.31
Mega Caring	***	-	-	***	-	-	***	-	-	1	772	0.26
MN Pharmacy	1	1,659	0.97	1	2,081	1.01	1	2,453	0.99	1	2,665	0.88
My Caring	1	360	0.21	1	4,994	2.42	1	5,132	2.07	1	6,578	2.18
One Caring	Nil**	-	-	1	767	0.37	1	3,465	1.40	2	5,844	1.94
Preciouslife	7	6,289	3.69	11	7,444	3.60	1	8,399	3.38	1	8,983	2.98
Stay Caring	2	7,382	4.33	2	8,398	4.07	3	10,467	4.22	3	15,376	5.10
Sterling Pharmacy	4	11,573	6.79	4	14,196	6.87	4	15,838	6.38	4	15,857	5.26
Tonic Pharma	1	3,074	1.80	1	3,450	1.67	2	4,744	1.91	2	6,534	2.17
URX Care	Nil**	-	-	1	1,644	0.80	2	3,147	1.27	2	4,095	1.36
Vertex Pharmacy	2	3,205	1.88	3	3,838	1.86	3	6,447	2.60	3	7,041	2.34
Victorie Caring	1	52	0.03	1	1,638	0.79	1	2,241	0.90	1	2,531	0.84
TOTAL	46	**176,412**		52	**214,014**		71	**259,428**		81	**311,595**	
Inter-company transaction elimination^		(5,846)	(3.43)		(7,513)	(3.64)		(11,144)	(4.49)		(10,178)	(3.37)
CONSOLIDATED		**170,566**	**100.00**		**206,501**	**100.00**		**248,284**	**100.00**		**301,417**	**100.00**

Notes:

^ *The quantum of inter-company transaction elimination is in respect of management fee, loyalty fee and rental income received by CPRM from its subsidiaries.*

* *Represent percentage less than 0.01%.*

** *Subsidiaries yet to commence operations.*

*** *Subsidiaries yet to be incorporated.*

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The above table shows the breakdown of revenue by CARiNG and its subsidiaries after eliminating inter-company transactions except for inter-company transactions such as management fee, loyalty fee and rental income between CPRM and its subsidiaries.

CPRM being the intermediate holding company of the CARiNG subsidiaries whose principal activity is investment holding and provision of management services generates management fee, loyalty fee, rental income and dividend income charged to or received from companies within our Group. CPRM's revenue for the Financial Years Under Review tabulated in the above table has been adjusted to eliminate dividend income received from its subsidiaries. However, management fee, loyalty fee and rental income received by CPRM from its subsidiaries has not been eliminated directly from CPRM's revenue but has been presented separately in the table. This treatment is chosen and applied so as to provide a better representation of the financial performance of the respective subsidiaries. Besides the abovementioned revenue, CPRM also derived rental income from renting properties owned by the Company to third parties.

Other inter-company transaction which has been eliminated in arriving at the figures in the Table 1 above includes:

- Procurement of goods sold by CPSB on behalf of the other CPRM's subsidiaries as CPSB acts as a central procurement centre for the Group. Besides the central procurement function, CPSB also operates 14 outlets; and

- Inter-subsidiary transfers of retail goods for operational efficiency. These transfers are at cost, hence no profit/loss would arise thereon.

The three major contributors to our revenue for the Financial Years Under Review are CPSB, Viva Caring and Sterling Pharmacy, each with 14, 5 and 4 outlets respectively as at FYE 2013.

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Table 2: Revenue by type of outlets

	Audited							
	FYE 2010		FYE 2011		FYE 2012		FYE 2013	
	RM '000	%	RM '000	%	RM '000	%	RM '000	%
Revenue by type of outlets								
Street outlets	82,671	48.47	95,084	46.05	112,642	45.37	138,414	45.92
Shopping complex outlets	74,486	43.67	95,939	46.46	119,529	48.14	148,216	49.17
Specialised retail centres	11,647	6.83	13,676	6.62	14,090	5.67	13,217	4.38
Others*	1,762	1.03	1,802	0.87	2,023	0.82	1,570	0.53
Total	**170,566**	**100.00**	**206,501**	**100.00**	**248,284**	**100.00**	**301,417**	**100.00**
Number of Outlet								
Street outlets	*24*		*25*		*37*		*41*	
Shopping complex outlets	*17*		*21*		*28*		*34*	
Specialised retail centres	*5*		*6*		*6*		*6*	
Total	***46***		***52***		***71***		***81***	
Average revenue/outlet (RM'000)								
Street outlets	3,445		3,803		3,044		3,376	
Shopping complex outlets	4,382		4,569		4,269		4,359	
Specialised retail centres	2,329		2,279		2,348		2,203	

Note:

* *Include sales of health supplements, OTC drugs and personal care products via other retail channels namely internet, warehouse and roadshows.*

The above table categorises our Group's revenue according to the type of outlets. In FYE 2011, there is a shift in the largest category of revenue contributor from street outlets to shopping complex outlets, notwithstanding the increase in the number of shopping complex outlets is lesser than the street outlets.

The shift in the largest category of revenue contributor is attributable to the higher revenue per unit contribution by the shopping complex outlets as compared to the street outlets.

Analysis shows that the average revenue per unit of our shopping complex outlets (RM4.57 million and RM4.27 million respectively for FYE 2011 and FYE 2012) is higher than that of our street retail outlets (RM3.80 million and RM3.04 million respectively for FYE 2011 and FYE 2012). As our shopping complex outlets generally enjoy higher number of sales transactions as well as higher sales value per transaction compared to our street outlets.

For FYE 2013, shopping complex outlets remained our largest category of revenue contributor and the average revenue per complex outlet (RM4.36 million). However, the incremental average revenue per shopping complex outlet (approximately RM0.09 million) is lower than that of our street outlets (approximately RM0.33 million). This is mainly due to the fact that 6 out of our 10 new outlets opened during FYE 2013 are shopping complex outlets resulting in an averaging down of our revenue per shopping complex outlet.

The ensuing table further analyses our revenue according to product category.

Table 3: Revenue by product category

	Audited							
	FYE 2010		FYE 2011		FYE 2012		FYE 2013	
	RM '000	%	RM '000	%	RM '000	%	RM '000	%
Pharmaceutical Products	**111,797**	**65.54**	**137,303**	**66.49**	**158,400**	**63.80**	**187,399**	**62.17**
- Scheduled Drugs	52,004	30.49	62,126	30.09	73,635	29.66	88,208	29.26
- Health Supplements	47,641	27.93	60,012	29.06	69,472	27.98	81,055	26.89
- OTC Drugs	12,152	7.12	15,165	7.34	15,293	6.16	18,136	6.02
Personal Care Products	**39,616**	**23.23**	**48,009**	**23.25**	**61,039**	**24.58**	**75,707**	**25.12**
Medical and Healthcare Devices	**11,511**	**6.75**	**11,408**	**5.52**	**13,686**	**5.51**	**15,694**	**5.21**
Other Products and Services*	**7,642**	**4.48**	**9,781**	**4.74**	**15,159**	**6.11**	**22,617**	**7.50**
Total	**170,566**	**100.00**	**206,501**	**100.00**	**248,284**	**100.00**	**301,417**	**100.00**

Note:

* *Include mainly health food, confectionery, beverages, household products and blood glucose tests.*

The above table shows the revenue contribution by product categories has been fairly consistent for the Financial Years Under Review.

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Table 4: PBT by subsidiaries

Subsidiaries	Audited							
	FYE 2010		FYE 2011		FYE 2012		FYE 2013	
	RM '000	%	RM '000	%	RM '000	%	RM '000	%
CPRM*	1,090	5.50	659	2.75	(829)	(3.08)	(1,334)	(4.47)
Wholly-owned subsidiaries:								
Caring (MSF)	(156)	(0.79)	(25)	(0.10)	(105)	(0.39)	260	0.87
Caring (SW)	(166)	(0.84)	(19)	(0.08)	(107)	(0.40)	75	0.25
Caring eStore	^ (4)	(0.02)	(4)	(0.02)	143	0.53	83	0.28
Caring Help	**-	**-	**-	**-	**-	**-	**-	**-
CPSB	12,487	62.95	16,161	67.37	20,599	76.44	24,081	80.75
Miracle Cure	**-	**-	**-	**-	**-	**-	^ (5)	(0.02)
UC Venture	229	1.15	453	1.89	508	1.89	416	1.40
Viva Caring	1,281	6.46	1,490	6.21	1,410	5.23	1,141	3.83
Partially-owned subsidiaries:								
Ace Caring	427	2.15	496	2.07	357	1.32	321	1.08
Be Caring	170	0.86	444	1.85	251	0.93	85	0.29
Caring Belle	479	2.41	503	2.10	498	1.85	396	1.33
Caring Health Solutions	285	1.44	323	1.35	444	1.65	496	1.66
Caring 'N' You	294	1.48	333	1.39	333	1.24	317	1.06
Caring (ABM)	(173)	(0.87)	(134)	(0.56)	(363)	(1.35)	(260)	(0.87)
Caring (AMC)	(113)	(0.57)	(198)	(0.83)	(139)	(0.52)	(155)	(0.52)
Caring (Ampang)	235	1.18	233	0.97	206	0.76	54	0.18
Caring (IDR)	**-	**-	**-	**-	(213)	(0.79)	309	1.04
Caring (JB Molek)	**-	**-	**-	**-	(18)	0.07	36	0.12
Caring (Kinrara)	383	1.93	678	2.83	707	2.62	623	2.09
Caring (KLP)	925	4.66	871	3.63	918	3.41	1,010	3.39
Caring (Lifeplus)	**-	**-	**-	**-	(85)	(0.32)	(135)	(0.45)
Caring (Puchong)	180	0.91	144	0.60	89	0.33	8	0.03
Caring (Shah Alam)	**-	**-	**-	**-	(84)	(0.31)	131	0.44
Caring (SK)	**-	**-	**-	**-	(137)	(0.38)	(144)	(0.48)
Caring Always	^ (4)	(0.02)	^ (2)	(0.01)	(33)	0.05	5	0.02
Caring Paradise	**-	**-	**-	**-	(75)	(0.27)	(70)	(0.23)
Caring Rising	**-	**-	**-	**-	**-	**-	^ (5)	(0.02)
Caring Trio	**-	**-	**-	**-	*** -	*** -	(70)	(0.23)
Caring Trinity	**-	**-	**-	**-	**-	**-	^ (5)	(0.02)
Cosy Vision	**-	**-	**-	**-	***-	***-	(151)	(0.51)

11. FINANCIAL INFORMATION *(Cont'd)*

Subsidiaries	Audited							
	FYE 2010		FYE 2011		FYE 2012		FYE 2013	
	RM '000	%	RM '000	%	RM '000	%	RM '000	%
Fuji Acre	**-	**-	**-	**-	**-	**-	(132)	(0.44)
Green Surge	**-	**-	^ (3)	(0.01)	(106)	(0.34)	(170)	(0.57)
Living Glory	**-	**-	**-	**-	(124)	(0.44)	(164)	(0.55)
Mega Caring	**-	**-	**-	**-	**-	**-	(128)	(0.43)
MN Pharmacy	84	0.42	49	0.97	83	0.62	65	0.22
My Caring	(87)	(0.44)	416	1.73	432	1.60	309	1.04
One Caring	^ (3)	(0.02)	(50)	(0.21)	232	0.86	229	0.77
Preciouslife	624	3.15	781	3.26	725	2.69	439	1.47
Stay Caring	1,063	5.36	900	3.75	1,359	5.04	1,155	3.87
Sterling Pharmacy	1,028	5.18	1,406	5.86	1,497	5.56	812	2.72
Tonic Pharma	223	1.12	189	0.79	184	0.68	46	0.15
URX Care	^ (3)	(0.02)	15	0.06	(27)	(0.10)	(179)	(0.60)
Vertex Pharmacy	153	0.77	(42)	(0.18)	379	1.41	51	0.17
Victorie Caring	(59)	(0.30)	(100)	(0.42)	33	0.12	(20)	(0.07)
TOTAL	**19,835**	**^^100.00**	**23,989**	**^^100.00**	**26,947**	**^^100.00**	**#29,819**	**^^100.00**

Notes:

* *After elimination of inter-company dividends.*

** *Subsidiaries yet to be incorporated.*

*** *Subsidiaries yet to be commence operations.*

^ *Subsidiaries with loss before taxation due to pre-operating expenses but have yet to commence operations.*

^^ *Figures do not tie up due to rounding.*

\# *The figure includes a RM7,000 loss by CARiNG due to pre-operating expenses.*

The above table shows the PBT contribution based on CARiNG and its subsidiaries after eliminating intercompany transactions.

CPSB has been the largest contributor to our PBT for the past four (4) FYE 2010 to 2013, with a total PBT of RM12.49 million (62.95%), RM16.16 million (67.37%), RM20.60 million (76.44%) and RM24.08 million (80.75%) respectively.

A total of 10 to 16 subsidiaries in the past four (4) FYE 2010 to FYE 2013 are loss making, with an average of not less than negative one percentage (-1%) for each subsidiaries. The reason for such loss making occurrence is due to these subsidiaries not reaching their respective break even points to cover their operating overheads.

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11.4.4 Significant Factors Materially Affecting Our Group's Operation and Financial Results

Our competitive strengths and advantages as set out in Section 6.2 of this Prospectus provide the foundation for the sustainability of our business and financial growth. Our future plans as set out in Section 6.15 will further contribute to sustainable growth in our financial performance.

Our Group's financial condition and results of operations may be affected by the following factors:

(i) External Factors

(a) Industry Outlook

Performance of the community pharmacy industry is largely dependent on the general economic conditions, consumer confidence and spending in Malaysia.

In 2012, the Malaysian economy registered real GDP growth of 5.6% and between 2008 and 2012, real GDP of the Malaysian economy grew by an AAGR of 4.1%. Furthermore, despite the uncertainties in global growth prospects, the Malaysian economy is forecasted to grow between 4.5% and 5.0% in 2013 with expectations of growth being driven by expansion in the private sector investment and consumption, as well as a gradual improvement in external demand. (*Source: IMR Report*)

Generally, consumer confidence level will have an impact on consumer spending patterns that will affect businesses in Malaysia, including the community pharmacy industry. During the first quarter of 2013, the consumer sentiment index improved to 122.9 from 118.7 in the fourth quarter of 2012. The consumer sentiment index during first quarter of 2013 was the highest in six years. However by the second quarter of 2013, the consumer sentiment index registered a contraction of 10.7% to 109.7 points due to concerns of inflation coupled with bleak employment and financial expectations (*Source: IMR Report)*.

The outlook of the Community Pharmacy Industry is dependent on the performance of the retail trade sector.

Between 2008 and 2012, the retail trade sector and retail trade of other goods in specialised stores in Malaysia grew at an AAGR of 8.5% and 7.3%, respectively. The continuing growth in retail trade in the last few years would augur well for the future growth and prospects of the Community Pharmacy Industry in Malaysia (*Source: IMR Report).*

The prospects in the services sector are expected to remain upbeat in 2013 with the accelerated implementation with major initiatives under the National Key Result Areas and continued investment in the seven services subsectors under the National Key Economic Areas. These initiatives are expected to drive the wholesale and retail trade to grow 6.8% in year 2013 (*Economic Report 2012/ 2013, Ministry of Finance Malaysia*).

(b) **Population and Consumer Demographics**

As the Community Pharmacy Industry services the general population, thus changes in population and demographics would have an impact on the long-term prospects in the industry. Some indicators are illustrated as follows:

	AAGR (%)
Total population (2008 to 2012)	1.6
Population of Age 65+ (2008 to 2012)	5.7
Per Capita Income (2008 to 2012)	4.3
Average monthly household expenditure (2004/05-2009/10)	2.3

(Source: IMR Report)

A growth in population would increase the potential customer base for community pharmacies, while an ageing population would increase demand for pharmaceutical products. The population of Malaysia in 2012 was estimated to be 29.3 million which reflects an AAGR of 1.6% since 2008. Between 2008 and 2012, Malaysia's population aged 65 and above recorded an AAGR of 5.7%, which is significantly higher than the other age groups *(Source: IMR Report)*.

In addition, Malaysia's per capita income is forecasted to grow by 7.2% to RM33,015 in 2013 *(Source: IMR Report)*.

(c) **Economic Slowdown**

Any widespread and/or prolonged economic slowdown would affect consumer and business confidence, and subsequently their propensity to spend. The uncertainty over the global economics, particularly resulting from the Euro zone debt problem, may also impact on the local economy. This may cause consumers to be more cautious in their spending patterns, thus leading to a slowdown in consumer spending on discretionary items. All these may impair the performance of operators within the Community Pharmacy Industry considering that the general public is their end-user *(Source: IMR Report)*.

(d) **Competition**

In general, operators in the Community Pharmacy Industry in Malaysia face normal competitive conditions where the industry is not dominated by a single or small number of operators and no single or small group of operators is large enough to dictate pricing. In addition, there are no undue government regulations or licensing requirements with the exception that pharmacists are required to be registered and licensed to dispense scheduled drugs and operators are required to be registered with the Pharmacy Board. In such an environment, the industry is subjected to normal supply and demand conditions moderated by the price mechanism. Operators in the industry, including CARiNG Group, compete on service differentiations and other factors of competition *(Source: IMR Report)*.

(e) **Substitutes**

There are substitutes for community pharmacies depending on the type of pharmaceutical products. Scheduled drugs and some of the OTC drugs may be obtained through healthcare institutions, but they mainly service their own patients or customers. Some of the OTC drugs may be purchased from hypermarkets, supermarkets, convenience stores and Chinese Medical Halls. Many of the health supplements may be purchased from specialised health food and supplement stores, hypermarkets, supermarkets, convenience stores, Chinese Medical Halls and through direct sales using single-level and multilevel marketing or through the internet (*Source: IMR Report*).

(f) **Impact of inflation**

There is no material impact of inflation on our historical financial results for the past four (4) financial years, FYE 2010, FYE 2011, FYE 2012 and FYE 2013.

(g) **Impact Of Foreign Exchange/Interest Rates/Commodity Prices on Our Group's Operations**

Our Group is not exposed to risks in foreign exchange fluctuations as all our purchases and sales are transacted in Malaysian Ringgit.

Our Group's total outstanding borrowings of RM10.05 million as at FYE 2013 are relatively low. Hence, based on current levels of borrowings, any fluctuation in interest rate will not materially affect our Group's profitability.

As our Group is involved in the trading business, we are not directly affected by the fluctuation in commodity prices.

(h) **Impact of Government, Economic, Fiscal Or Monetary Policies on Our Group's Operations**

Risks relating to government, economical, fiscal or monetary policies or factors, which may materially affect our operations, are as set out in Section 4 of this Prospectus.

There were no government, economic, fiscal or monetary policies or factors that have materially impacted our historical profits during the financial years or financial period under review.

(i) **Public health threats**

Emerging public health threats such as H1N1, avian influenza and chemical attack are also a major factor affecting our Group's revenue.

(ii) Internal factors

(a) **Material Changes in Sales or Revenue**

A discussion on the reasons on material changes in our revenue for the Financial Years under Review is set out in Section 11.4.2(i) of this Prospectus.

(b) **Business Growth and Expansion**

As at June 2013, we had a total of 83 'CARiNG' community pharmacy outlets in Malaysia. Based on the number of community pharmacy outlets, we ranked among the top three (3) community pharmacy operators in Malaysia as at June 2013 *(Source: Vital Factor Consulting Sdn Bhd).* As at LPD, CARiNG Group had a total of 85 community pharmacy outlets in Malaysia.

(c) **Business Growth and Expansion**

As we are operating in a consumer-oriented industry and extensive network of community pharmacies where it is very important to ensure our products and services reach as many consumers as possible. In this respect, a wide network of community pharmacies would provide convenience and proximity to a larger base of customers. Our large chain of community pharmacies is competitive advantage as it enables us to reach to a larger base of population, which would provide us with the platform for growth opportunities.

(d) **Established Brand Name and Reputation**

Established brand name and market reputation are our key competitive advantages as they help us to create customer loyalty and brand recognition, which are important in sustaining the growth of our business. Our "CARiNG" brand name has been in the Malaysian market since 1994 when we started our first community pharmacy in Cheras, Kuala Lumpur. Since then, we have expanded our chain of community pharmacies to a total of 85 retail outlets in Malaysia as at LPD. Our extensive chain of community pharmacies has enabled us to increase our profile and awareness of our brand among urban consumers in a number of states and federal territory in Malaysia.

(e) **Pharmacists as Business Partners and Shareholders**

In each of our partially owned subsidiaries, most of the business partners are qualified and trained pharmacists. This is one of the preferred criteria under our Caring Joint Venture Scheme for individual shareholders. Therefore our business partners possess the necessary qualifications, licenses, experience and knowledge to operate our community pharmacies including dispensing of scheduled drugs.

Our business partners who are pharmacists are also required to devote full-time to the management and operation of their respective community pharmacies on a daily basis.

(f) **Full Time Pharmacist Service at Every Outlet**

All of our community pharmacies have full time pharmacists who are licensed to dispense scheduled drugs throughout the retail operating hours of our respective outlets to service our customers. As at LPD, we have a total of 85 community pharmacies, with a total of 154 pharmacists including area managers who are responsible for the retailing operations of a chain of community pharmacies within a certain territory.

The provision of full time pharmacist services are an important competitive advantage as it assists us in building good customer relationships and ensures that a certain level of service quality is met. In addition, being able to provide professional advice differentiates us from other retail outlets like health food stores that also sell health related products.

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11.4.5 Liquidity and Capital Resources

(i) Working Capital

Our business operations are funded through a combination of shareholders' equity and cash generated from our operating activities. Our principal uses of cash have been for trade payment to suppliers, operating, administrative and financial expenses.

As at 31 May 2013, we have cash and bank balances and deposits with financial institutions of approximately RM41.52 million.

After incorporating the effects of the Listing Scheme and utilisation of proceeds as at FYE 2013, our Group's pro forma cash, bank balances and fixed deposits are RM53.10 million. Short term borrowing is RM0.44 million and the gearing ratio is 0.09 times for FYE 2013.

Our Directors are of the opinion that, after taking into account of our Group's current cash flow position, the banking facilities available, our Group's capacity to obtain further institutional financing, and the net cash envisaged to be generated from our Group's operations, our Group will have adequate working capital for a period of 12 months from the date of issue of this Prospectus.

(ii) Cash Flows

The following is a summary of our consolidated statement of cash flow for the Financial Years Under Review, and should be read in conjunction with the Accountants' Report as set out in Section 12.

	Audited			
	FYE 2010 RM'000	FYE 2011 RM'000	FYE 2012 RM'000	FYE 2013 RM'000
Net cash from operating activities	14,370	23,257	18,291	27,260
Net cash for investing activities	(4,076)	(1,185)	(7,115)	(19,115)
Net cash for financing activities	(2,223)	(13,964)	(8,377)	(2,872)
Net increase in cash and cash equivalents	8,071	8,108	2,799	5,273
Opening cash and cash equivalents	17,273	25,344	33,452	36,251
Closing cash and cash equivalents	**25,344**	**33,452**	**36,251**	**41,524**

There are no legal or economic restrictions on the ability of our subsidiaries to transfer funds to our Company in the form of cash dividends, loan or advances. Therefore, we are confident that we can meet our cash obligations.

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Net Cash From Operating Activities

For FYE 2013, we generated operating cash flows before working capital changes amounting to RM31.58 million. After adjusting for net inflow of RM3.66 million from working capital changes, interest paid of RM0.05 million and income tax paid of RM7.93 million, we generated net cash from operating activities of RM27.26 million. Working capital changes during the financial year arose mainly from the increase in inventories and payables amounting to RM7.19 million and RM12.22 million respectively as the Group continues to expand its number of community pharmacies resulting in higher sales volume achieved; and the increase in receivable amounting to RM1.37 million mainly attributable to rental and utilities deposits paid for 10 new community pharmacies and upward revision of rental deposit for existing outlets.

For FYE 2012, we generated operating cash flows before working capital changes amounting to RM28.74 million. After adjusting for net outflow of RM3.13 million from working capital changes, interest paid of RM0.01 million and income tax paid of RM7.31 million, we generated net cash from operating activities of RM18.29 million. Working capital changes during the financial year arose mainly from the increase in inventories and payables amounting to RM12.55 million and RM10.39 million respectively as the Group continues to expand its number of community pharmacies resulting in higher sales volume achieved; and the increase in receivable amounting to RM0.97 million attributable to rental and utilities deposits paid for the 19 new community pharmacies set up during the financial year.

For FYE 2011, we generated operating cash flows before working capital changes amounting to RM25.36 million. After adjusting for net inflow of RM3.29 million from working capital changes, interest paid of RM0.02 million and income tax paid of RM5.37 million, we generated net cash from operating activities of RM23.26 million. Working capital changes during the financial year arose mainly from the increase in inventories and payables amounting to RM2.70 million and RM6.26 million respectively in line with higher sales volume achieved and increase in number of community pharmacies; and increase in receivable amounting to RM0.27 million as a result of rental and utilities deposits paid for the 6 new community pharmacies set up during the financial year.

For FYE 2010, we generated operating cash flows before working capital changes amounting to RM21.10 million. After adjusting for net outflow of RM2.28 million from working capital changes, interest paid of RM0.04 million and income tax paid of RM4.41 million, we generated net cash from operating activities of RM14.37 million. Working capital changes during the financial year arose mainly from the increase in inventories and payables amounting to RM8.71 million and RM7.18 million respectively in line with higher sales volume achieved and increase in number of community pharmacies; and increase in receivable amounting to RM0.76 million mainly due to rental and utilities deposits paid for 7 new community pharmacies set up during the financial year.

Net Cash For Investing Activities

For the FYE 2013, we utilised net cash for investing activities amounting to RM19.12 million, mainly for the expansion in the number of our community pharmacies with the purchase of property, plant and equipment of RM5.61 million and additional progress billing amounting to RM12.87 million from the developer in relation to acquisition of land and construction of our new head office and warehouse, a payment of deposit for acquisition of property, plant and equipment (ERP system) amounting to RM1.71 million and after netting off interest and rental received amounting to RM0.81 million and RM0.16 million respectively.

For the FYE 2012, we utilised net cash for investing activities amounting to RM7.11 million, mainly for the expansion in the number of our community pharmacies with the purchase of property, plant and equipment of RM6.97 million; payment of goodwill in connection with the acquisition of an existing retail pharmaceutical business amounting to RM0.96 million; and after netting off interest and rental received amounting to RM0.71 million and RM0.08 million respectively.

For the FYE 2011, we utilised net cash for investing activities amounting to RM1.18 million for the expansion in the number of our community pharmacies after deducting interest and rental received amounting to RM0.53 million and RM0.07 million respectively.

For the FYE 2010, we utilised net cash for investing activities amounting to RM4.08 million, mainly due to the purchase of property, plant and equipment of RM2.59 million for setting up of our new community pharmacies; and the purchase of trademark of RM1.87 million; and after deducting interest and rental received amounting to RM0.31 million and RM0.08 million respectively.

Net Cash For Financing Activities

For FYE 2013, we utilised net cash for financing activities amounting to RM2.87 million, mainly for the payment of dividend of RM11.58 million; drawdown and repayment of term loan amounting to RM9.06 million and RM0.22 million respectively; and after netting off proceed from issuance of shares by our partially owned subsidiaries to their non-controlling shareholders of subsidiary companies of RM0.22 million; advances from non-controlling shareholders of subsidiary companies of RM0.60 million for the purposes of working capital for the partially owned subsidiaries; and partial payment of listing expenses of RM0.96 million.

For FYE 2012, we utilised net cash for financing activities amounting to RM8.38 million, mainly for the payment of dividend of RM9.84 million; repayment of term loan of RM0.21 million; and after netting off proceed from issuance of shares to non-controlling interest of RM0.26 million; and advances from non-controlling interests of RM1.64 million for the purposes of working capital for the partially owned subsidiaries.

For FYE 2011, we utilised net cash for financing activities amounting to RM13.96 million, mainly for the payment of dividend of RM13.65 million; repayment of term loan of RM0.65 million; and after deducting loans from non-controlling interests of RM0.39 million.

For FYE 2010, we utilised net cash for financing activities amounting to RM2.22 million, mainly for the payment of dividend of RM2.23 million; repayment of term loan of RM0.19 million; and after deducting the proceeds from issuance of shares to non-controlling interest and advances from non-controlling interests of RM0.17 million and RM0.32 million respectively.

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(iii) Borrowing

	Audited			
	FYE 2010	**FYE 2011**	**FYE 2012**	**FYE 2013**
	RM '000	**RM '000**	**RM '000**	**RM '000**
Interest bearing short-term borrowing - Term loan	144	170	175	442
Interest bearing long-term borrowing - Term loan	1,928	1,254	1,035	9,603
Total interest-bearing borrowings	**2,072**	**1,424**	**1,210**	**10,045**

Our borrowings are made up of 4 term loans obtained for the purpose of financing the acquisition of our properties in Taman Kinrara, Sri Petaling, Taman Segar and our new office and warehouse building in progress located in Tiong Nam Industrial Park in PJ Old Town. Details of these properties are set out in Section 6.11.1.

The term loan for the Taman Kinrara property is secured via a deed of assignment of all rights, title and interest to the property to the lender and the term loans for the Sri Petaling and Taman Segar properties are secured by a charge over the respective property. For our new office and warehouse building in progress located in Tiong Nam Industrial Park in PJ Old Town, the property is not charged but assigned to HSBC Amanah. Further details of our new office and warehouse building in progress are set out in Section 6.11.4.

The Board of Directors confirms, as at LPD, there has been no default or any known event that could give rise to a default of payments of either interest and/or principal sums in relation to any borrowing of our Group throughout the Financial Years Under Review, and neither we nor any of our subsidiaries are in breach of any terms and conditions or covenants associated with the term loans, which can materially affect our financial results or business operations, or the investments by holders of securities in our Company.

11.4.6 Financial Instruments Used

Financial instrument, from an accounting perspective, may include investments, short-term funds, borrowings, trade and other receivables, amount due from and due to related companies, trade and other payables as shown on the Statement of Financial Position. The abovementioned financial instruments are used in our Group's ordinary course of business.

As at LPD, our Group does not use any financial instrument for hedging purposes.

11.4.7 Treasury Policy and Objectives

We have been financing our operations through a combination of shareholders' equity and cash generated from operations. Our Group also enjoys credit terms extended by our supplier. Our total interest-bearing borrowing as at LPD was RM9.96 million.

The decision to either utilise internally generated funds or banking facilities for our operations depends on, among others, our cash reserve, expected cash inflows, future working capital requirements, future capital expenditure requirements and the interest rates of the banking facilities.

11.4.8 Material Commitment For Capital Expenditures

Save as disclosed below, as at LPD, our Group do not have any material capital commitments for capital expenditure incurred or known to be incurred, which upon becoming enforceable may have a material effect on the financial position of our Group.

Capital expenditure commitments	**LPD RM'000**
Authorised and contracted for	
- property, plant and equipment	2,970
- ERP System	783

In addition, our non-cancellable lease commitments in respect of rental of premises that are mainly our retail outlets are as follows:

Non-cancellable lease commitments	**RM'000**
Payable within 1 year	7,765
Payable in more than 1 year	8,660
Total	16,125

The above commitment for acquisition of land and construction of new office building will be financed by our internally generated funds as well as external sources of funds including bank loans and borrowings and proceeds from Public Issue. Our management expects that we should have the necessary fund available to fund the abovementioned commitments.

11.4.9 Material Litigation/Arbitration

As at LPD, neither we nor our subsidiaries are engaged in any litigation or arbitration, either plaintiff or defendant, which has or might have material effects and/or adverse effect on our financial position or business. Our Directors are also not aware of any proceedings which might materially and adversely affect our business and financial position.

11.4.10 Contingent Liabilities

As at LPD, we are not aware of any contingent liabilities which have become enforceable or likely to become enforceable, which in the opinion of our Directors, will or may substantially affect our ability to meet our obligations as and when they fall due.

11.4.11 Key Financial Ratio

	FYE 2010	**FYE 2011**	**FYE 2012**	**FYE 2013**
Trade receivables' turnover period [(a)] (days)	1	1	1	1
Trade payables' turnover period [(b)] (days)	83	84	87	89
Inventory turnover period [(c)] (days)	102	92	100	94

Notes:

(a) *Calculated based on the consolidated trade receivables' balances as at the respective balance sheet date over revenue for the respective financial year.*

(b) *Calculated based on the consolidated trade payables' balances as at the respective balance sheet date over cost of sales for the respective financial year.*

(c) *Calculated based on the consolidated inventory balances as at the respective balance sheet date over cost of sales for the respective financial year.*

Trade Receivables

Our sales is transacted on cash basis, therefore we do not have amount due from customers. However, as at LPD, our outstanding trade receivables of RM0.17 million comprise mainly of amount owing by Bonuslink arising from on-the-spot redemption of BonusLink points for cash vouchers by customers at CARiNG's community pharmacy outlets. The credit term granted to BonusLink is 30 days from statement date. The amount owing by BonusLink as at LPD is within the credit term period.

Trade Payables

Our trade payables comprise amounts owing to our suppliers in connection with the purchase of our trading goods. The normal credit term granted by our trade creditor generally ranges from 30 days to 120 days. Our trade payables turnover period for the past 4 financial years were fairly constant and is within the credit term granted to us by our suppliers.

The ageing analysis of our trade payables as at FYE 2013 and LPD is as follow:

As at FYE 2013	0-30 Days	31-60 Days	61-90 Days	91-120 Days	>120 days	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Trade payables (*)	18,136	17,559	17,541	707	280	54,223
Percentage of total trade payables (%)	*33.45*	*32.38*	*32.35*	*1.30*	*0.52*	*100.00*
Less: Subsequent payment (^)	(17,518)	(17,188)	(17,479)	(625)	(61)	(52,871)
Balances as at LPD	618	371	62	82	219	1,352
Percentage of total trade payables (%)	*45.71*	*27.44*	*4.59*	*6.06*	*16.20*	*100.00*

Notes:

* *As at FYE 2013*
^ *As at LPD*

As at LPD, we are not aware of any actions, legal or otherwise, that have been taken against us by trade suppliers due to our non-payment or late payment in the amount owed to them.

Inventory Turnover

Our inventories mainly comprise pharmaceutical products as well as non-pharmaceutical products like personal care products, medical and healthcare devices, health food and confectionery which are managed via the Supply Chain Inventory Management as explained in Section 6.1.4 (ii) of the Prospectus.

For the past four (4) years up to FYE 2013, the inventories turnover period of our Group have been fairly constant, ranging from 85 days to 102 days.

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The table below set out the analysis of our inventory turnover for FYE 2013.

FYE 2013	0 - 3months RM'000	4 - 6 months RM'000	7 - 12 months RM'000	> 12months RM'000	Total RM'000
Pharmaceutical Products					
- Scheduled Drugs	**13,166**	**2,068**	**215**	**92**	**15,541**
(%)	*84.72*	*13.31*	*1.38*	*0.59*	*100*
- Health Supplements	**13,377**	**2,314**	**406**	**67**	**16,164**
(%)	*82.76*	*14.32*	*2.51*	*0.41*	*100*
- OTC Drugs	**5,323**	**315**	**50**	**37**	**5,725**
(%)	*92.98*	*5.50*	*0.87*	*0.65*	*100*
Personal Care Products	**12,557**	**2,919**	**823**	**249**	**16,548**
(%)	*75.89*	*17.64*	*4.97*	*1.50*	*100*
Medical and Healthcare Devices	**2,221**	**368**	**246**	**126**	**2,961**
(%)	*75.03*	*12.43*	*8.31*	*4.23*	*100*
Other Products and Services	**490**	**59**	**12**	**7**	**568**
(%)	*86.42*	*10.41*	*2.12*	*1.05*	*100*
Total	**47,134**	**8,043**	**1,752**	**578**	**57,507**
(%)	*81.97*	*13.99*	*3.05*	*0.99*	*100*

As at LPD, we are of the view that there is no provision required for slow moving or obsolete inventories due to the following reasons:

- For scheduled drugs, these items can be returned to suppliers 6 months before the expiry of the products
- For health supplement and personal care products, these items can be returned to the suppliers any time, excluding products that are damaged
- For medical and healthcare devices, these items do not have specific shelf life. Furthermore, these items are also returnable
- For other products comprising of health food, confectionery, beverages, and household products, these items are all returnable.

11.4.12 Trend Information

(i) Business And Financial Prospects

As at LPD, to the best of our Directors' knowledge and belief, our conditions and operations have not been and are not expected to be affected by any of the following:

- known trends , demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our Group's financial performance, position and operations other than those discussed in this section and Section 4 and Section 5 of this Prospectus;
- material commitment for capital expenditures as set out in Section 11.4.8 of this Prospectus;
- unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of our Group, save as disclosed in this section and in Section 4 of this Prospectus;

- known trends, demands, commitments, events or uncertainties that had resulted in a material impact on our Group's revenue and/or profits save for those that have been disclosed in this section, industry overview as set out in Section 7, of this Prospectus;

- known trends, demands, commitments, events or uncertainties that are reasonably likely to make our Group's historical financial statements not indicative of the future financial performance and position other that those disclosed in this section and in Section 4 of this Prospectus; and

- known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our Group's liquidity and capital resources, other than those discussed in this section and in Section 4 of this Prospectus.

Our Board is optimistic about our future prospect given the favourable outlook as set out in Section 6.16 of this Prospectus, our competitive advantages and key strength set out in Section 6.2 of this Prospectus and our dedication to implement the business strategies and future plans set out in Section 6.15 of this Prospectus.

(ii) State of Order Book

The state of order book is not relevant to our trading operations where orders are placed almost immediately upon customer request.

11.5 Dividend Policy

Going forward, the Directors of the Company intend to recommend and distribute dividends of not less than 30% of the Company's annual profit attributable to the equity holders of the Company. This is in line with the Directors' policy to recommend dividends to shareholders to participate in the profits of the Group as well as leaving adequate reserves for the future growth of the Group.

Notwithstanding the above, the Directors of the Company will consider, amongst others, the following factors, when recommending the final dividends for approval by shareholders or when declaring any interim dividends:

(i) The availability of adequate distributable reserve and cash flows;

(ii) Our operating cash flow requirements and financial commitments;

(iii) Our anticipated future operating conditions, as well as future expansion, capital expenditure and investment plans; and

(iv) Any material impact of tax laws and other regulatory requirements.

Investors should note that this dividend policy merely describes the Company's present intention and shall not constitute legally binding statements in respect of the Company's future dividends which are subject to modification (including reduction or non-declaration thereof) at the Board's direction.