



CARING PHARMACY GROUP BERHAD

(Company No.1011859-D)

INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 AUGUST 2015

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Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Financial Period Ended 31 August 2015

	Note	Individual Quarter		Cumulative Quarter	
		Current Year Quarter 31 Aug 2015 RM000	Preceding Year Quarter 31 Aug 2014 RM000	Current Year To Date 31 Aug 2015 RM000	Preceding Year To Date 31 Aug 2014 RM000
REVENUE		92,553	88,395	92,553	88,395
COST OF SALES		(74,893)	(70,930)	(74,893)	(70,930)
GROSS PROFIT		17,660	17,465	17,660	17,465
OTHER OPERATING INCOME		7,008	5,440	7,008	5,440
		24,668	22,905	24,668	22,905
SELLING AND DISTRIBUTION		(16,192)	(14,887)	(16,192)	(14,887)
ADMINISTRATIVE EXPENSES		(5,999)	(6,134)	(5,999)	(6,134)
OTHER OPERATING EXPENSES		(1,064)	(758)	(1,064)	(758)
FINANCE COSTS		(46)	(54)	(46)	(54)
PROFIT BEFORE TAXATION	B5	1,367	1,072	1,367	1,072
TAXATION	B6	(383)	(300)	(383)	(300)
PROFIT AFTER TAXATION		984	772	984	772
OTHER COMPREHENSIVE INCOME , NET OF TAX		-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD		984	772	984	772
PROFIT AFTER TAXATION ATTRIBUTABLE TO :-					
- Owners of the Company		1,019	554	1,019	554
- Non-Controlling interests		(35)	218	(35)	218
		984	772	984	772
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO :-					
- Owners of the Company		1,019	554	1,019	554
- Non-Controlling interests		(35)	218	(35)	218
		984	772	984	772
Earning per share (Sen) attributable to Owners of the Company					
- Basic ⁽²⁾	B12	0.47	0.25	0.47	0.25
- Diluted		N/A	N/A	N/A	N/A

Notes:

N/A Not applicable.

(1) The Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 31 May 2015 and the accompanying explanatory notes attached to these financial statements.

(2) Based on the weighted average number of ordinary shares in issue as detailed in Note B12.

Unaudited Condensed Consolidated Statement of Financial Position as at 31 August 2015

	Note	AS AT 31 Aug 2015 RM'000	AS AT 31 May 2015 RM'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		36,742	36,686
Intangible assets		2,996	2,946
Deferred tax assets		10	10
		<u>39,748</u>	<u>39,642</u>
CURRENT ASSETS			
Inventories		84,882	83,486
Trade receivables		812	1,120
Other receivables deposits and prepayments		8,481	8,016
Tax recoverable		2,137	1,562
Deposits with financial institutions		37,864	51,146
Cash and bank balances		34,930	35,355
		<u>169,106</u>	<u>180,685</u>
TOTAL ASSETS		<u>208,854</u>	<u>220,327</u>

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Unaudited Condensed Consolidated Statement of Financial Position as at 31 August 2015 (Cont'd)

	Note	AS AT 31 Aug 2015 RM'000	AS AT 31 May 2015 RM'000
EQUITY AND LIABILITIES			
EQUITY			
Share capital		217,706	217,706
Share premium		7,402	7,402
Retained profits		78,031	76,918
Merger deficit		(181,984)	(181,984)
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		121,155	120,042
NON-CONTROLLING INTERESTS		735	804
TOTAL EQUITY		121,890	120,846
NON-CURRENT LIABILITIES			
Term loan	B8	9,616	9,860
Deferred tax liabilities		280	376
		9,896	10,236
CURRENT LIABILITIES			
Trade payables		63,759	76,935
Other payables and accruals		7,675	6,885
Amount owing to non-controlling shareholders		3,700	3,512
Provision for taxation		477	456
Term loan	B8	1,457	1,457
		77,068	89,245
TOTAL LIABILITIES		86,964	99,481
TOTAL EQUITY AND LIABILITIES		208,854	220,327
Net assets per share attributable to ordinary equity holders of the parent (RM) ⁽²⁾			
		0.56	0.55

Notes:

- (1) The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 May 2015 and the accompanying explanatory notes attached to these financial statements.
- (2) Based on the issued share capital of 217,706,400 shares

Unaudited Condensed Consolidated Statement of Changes in Equity for the Financial Period Ended 31 August 2015

	<----- Non-distributable ----->			<Distributable>			
	Share Capital	Share Premium	Merger Deficit	Retained Profits	Total	Non-Controlling Interests	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Period Ended 31 August 2014</u>							
At 1 June 2014	217,706	7,402	(181,984)	71,004	114,128	3,170	117,298
Total comprehensive income for the period	-	-	-	554	554	218	772
Dividends paid by subsidiaries to non-controlling shareholders	-	-	-	-	-	(584)	(584)
At 31 August 2014	217,706	7,402	(181,984)	71,558	114,682	2,804	117,486
<u>Period Ended 31 August 2015</u>							
At 1 June 2015	217,706	7,402	(181,984)	76,918	120,042	804	120,846
Total comprehensive income for the period	-	-	-	1,019	1,019	(35)	984
Dilution in equity interest in subsidiaries	-	-	-	94	94	(94)	-
Effect of issue of share capital by a subsidiary	-	-	-	-	-	60	60
At 31 August 2015	217,706	7,402	(181,984)	78,031	121,155	735	121,890

Notes :

- (1) *The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the financial year ended 31 May 2015 and the accompanying explanatory notes attached to these financial statements.*

Unaudited Condensed Consolidated Statement of Cash Flows for the Financial Period Ended 31 August 2015

	Current Year To Date 31 Aug 2015 RM000	Preceding Year To Date 31 Aug 2014 RM000
CASH FLOWS (FOR)/FROM OPERATING ACTIVITIES		
Profit before taxation	1,367	1,072
Adjustments for:-		
Depreciation of property, plant and equipment	1,064	757
Gain on disposal of property, plant and equipment	-	56
Interest expense	46	54
Interest income	(348)	(403)
Rental income	(38)	(38)
Operating profit before working capital changes	2,091	1,498
(Increase)/Decrease in inventories	(1,396)	9,021
(Increase)/Decrease in trade and other receivables	(489)	216
Decrease in trade and other payables	(12,386)	(9,370)
CASH (FOR)/FROM OPERATION	(12,180)	1,365
Tax paid	(1,033)	(1,119)
Interest paid	(46)	(54)
NET CASH (FOR)/FROM OPERATING ACTIVITIES	(13,259)	192
CASH FLOWS FOR INVESTING ACTIVITIES		
Interest received	348	403
Purchase of property, plant and equipment	(788)	(612)
Payment of goodwill	(50)	-
Proceeds from disposal of property, plant and equipment	-	34
Rental received	38	38
NET CASH FOR INVESTING ACTIVITIES	(452)	(137)
CASH FROM FINANCING ACTIVITIES		
Dividend paid to non-controlling shareholders of subsidiaries	-	(584)
Drawdown of term loan	-	990
Repayment of term loan	(244)	-
Proceeds from issuance of shares by subsidiaries to non-controlling shareholders	60	-
Net advances from non-controlling shareholders	188	242
NET CASH FROM FINANCING ACTIVITIES	4	648
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(13,707)	703
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	86,501	77,896
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	72,794	78,599
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD COMPRISE:-		
- Deposits with financial institutions	37,864	55,054
- Cash and bank balances	34,930	23,545
	72,794	78,599

Notes:

- (1) The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the financial year ended 31 May 2015 and the accompanying explanatory notes attached to these financial statements.

Interim Financial Report for the Financial Period Ended 31 August 2015
Part A – Explanatory Notes Pursuant to Malaysian Financial Reporting Standards (“MFRS”) 134, Interim Financial Reporting

A1. Basis of Preparation

The interim financial report is unaudited and has been prepared in accordance with MFRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”) and Para 9.22 and 9.40 (Appendix 9B Part A) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The interim financial report should be read in conjunction with the Audited Financial Statements for the financial year ended 31 May 2015 and the accompanying explanatory notes attached to these financial statements.

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the year ended 31 May 2015. The interim consolidated financial report and notes thereon do not include all the information required for a full set of financial statements prepared in accordance with MFRSs.

The group has adopted merger accounting method for the preparation of this Interim Financial Statements.

A2. Changes in Accounting Policies

The significant accounting policies adopted are consistent with those of the adopted as disclosed in the Audited Financial Statements for the financial year ended 31 May 2015.

The Group has not applied in advance the following accounting standards and interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective:-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective Date
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
Amendments to MFRS 10 and MFRS 128 (2011): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128 (2011): Investment Entities – Applying the Consolidation Exception	1 January 2016
Amendments to MFRS 101: Presentation of Financial Statements – Disclosure Initiative	1 January 2016
Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016

Interim Financial Report for the Financial Period Ended 31 August 2015
Part A – Explanatory Notes Pursuant to Malaysian Financial Reporting Standards (“MFRS”) 134, Interim Financial Reporting

A2. Changes in Accounting Policies (Cont’d)

The Group has not applied in advance the following accounting standards and interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective (Cont’d):-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective Date
Amendments to MFRS 116 and MFRS 141: Agriculture – Bearer Plants	1 January 2016
Amendments to MFRS 127 (2011): Equity Method in Separate Financial Statements	1 January 2016
Annual Improvements to MFRSs 2012 – 2014 Cycle	1 January 2016

The above mentioned accounting standards and interpretations (including the consequential amendments) is not expected to have any material impact on the Group’s financial statements upon their initial application.

A3. Auditors’ Report on Preceding Annual Financial Statements

There was no qualification to the audited financial statements of the Company and its subsidiaries for the financial year ended 31 May 2015.

A4. Seasonal or Cyclical Factors

The financial performance of the Group is not significantly affected by any seasonal or cyclical factors save for the materialization of purchase rebate entitlements from our suppliers which can only be determined in the third quarter of the financial year.

A5. Item of Unusual Nature

There were no significant unusual items affecting the assets, liabilities, equity, net income or cash flow because of their nature, size or incidence for the financial quarter under review.

A6. Material Changes in Estimates

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

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Interim Financial Report for the Financial Period Ended 31 August 2015
Part A – Explanatory Notes Pursuant to Malaysian Financial Reporting Standards (“MFRS”) 134, Interim Financial Reporting

A7. Changes in Debt and Equity Securities

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities during the current financial quarter.

A8. Dividend Paid

No dividend paid by the Company during the financial quarter under review.

A9. Segmental Information

No segmental analysis is prepared as the Group is primarily engaged in retail pharmacy and related activities in Malaysia.

A10. Capital Commitments

Capital commitment for property and equipment not provided for as at 31 August 2015 are as follows:-

Capital expenditure commitments	As at 31-Aug-2015 RM'000
Authorised and but not contracted for	
- Property, plant and equipment	320

A11. Material Events Subsequent To the End of the Interim Period

There were no material events subsequent to the end of the current financial quarter that have not been reflected in this quarterly report as at the date of this report save for the subscription of 59,499 new ordinary shares in Caring Pharmacy (Empire) Sdn. Bhd. by the wholly-owned immediate holding company, Caring Pharmacy Retail Management Sdn. Bhd. (herein after referred as “CPRM”) for a total cash consideration of RM59,499 resulting an increase in CPRM's effective interest in the subsidiary from 50.0% to 59.5%.

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Interim Financial Report for the Financial Period Ended 31 August 2015**Part A – Explanatory Notes Pursuant to Malaysian Financial Reporting Standards (“MFRS”) 134, Interim Financial Reporting**

A12. Changes in Composition of the Group

There were no changes in the composition of the Group for the current quarter under review save for the below:-

- a) Disposal of 20,000 ordinary shares of RM 1.00 each in Caring Pharmacy (SK) Sdn. Bhd. for a total cash consideration of RM 20,000 on 1 June 2015 by CPRM resulting a decrease in CPRM's effective equity interest in the subsidiary from 90.0% to 70.0%; and
- b) Acquisition of additional 60,000 ordinary shares of RM1.00 each in Caring Pharmacy Rising Sdn. Bhd. for a total cash consideration of RM 60,000 on 1 July 2015 by CPRM.

A13. Contingent Liabilities or Contingent Assets

There were no material contingent liabilities or contingent assets to be disclosed as at the date of this report.

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Interim Financial Report for the Financial Period Ended 31 August 2015**Part B – Explanatory Notes Pursuant To The Listing Requirements of Bursa Securities**

B1. Review of Performance of the Group

The Group registered a revenue of RM92.55 million and profit before tax of RM1.37 million for the current financial quarter as compared to a revenue of RM88.40 million and profit before tax of RM1.07 million reported in the previous year corresponding quarter. The higher revenue was mainly contributed by the 9 new outlets opened during financial year 2015 and 3 new outlets commenced in first quarter of financial year 2016.

During the quarter under review, we have established an additional 2 new shopping complex outlets, 1 high street outlet and closed down 1 specialty retail outlet. As of 31 August 2015, we have a total of 106 community pharmacies.

The increase in profit before taxation for the current quarter compared to the corresponding quarter in the preceding year is mainly contributed by higher revenue achieved coupled with the relatively consistent gross profit margin.

B2. Variation of Results with the Immediate Preceding Quarter

For the current quarter under review, the Group reported a decrease in profit before tax by RM2.26 million, from RM3.63 million (immediate preceding quarter) to RM1.37 million. This was mainly due to the lower sales and the lower advertising and promotion income for the current quarter compared to the immediate preceding quarter. Lower sales were resulted from the lower consumer sentiment post Goods and Services Tax ("GST") implementation while the lower advertising and promotion income were due to less promotional activities launched in the current quarter.

B3. Prospect for the Group

With the escalating costs of living, hardship is creeping up even to those of the middle income group. In the recent Budget 2016, the government has announced that the number of zero-rated GST medicines has been doubled from 4,215 to 8,630. The revised GST free products include some of controlled medicines under the Poisons List Group A, B, C and D as well as additional 95 brands of over-the-counter medicines cater for 30 types of illness treatments for cancer, diabetes hypertension, heart disease and others. This latest announcement may improve the retail pharmacy market sentiment.

The Group remains confident and is of the opinion that the Group will continue to perform profitably in the remaining quarters of the current financial year.

B4. Profit Forecast and Profit Estimate

The Group did not issue any profit forecast or profit estimate previously in any public document.

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Interim Financial Report for the Financial Period Ended 31 August 2015
Part B – Explanatory Notes Pursuant To The Listing Requirements of Bursa Securities
B5. Notes to the Statement of Profit or Loss and Other Comprehensive Income

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31-Aug-15 RM'000	Preceding Year Quarter 31-Aug-14 RM'000	Current Year To Date 31-Aug-15 RM'000	Preceding Year To Date 31-Aug-14 RM'000
Depreciation of property, plant and equipment	1,064	757	1,064	757
Interest expense	46	54	46	54
Interest income	(348)	(403)	(348)	(403)
Rental income	(38)	(38)	(38)	(38)

Save for the above, the other items as required under Appendix 9B Part A (16) of the Main Market Listing Requirements of Bursa Securities are not applicable.

B6. Income Tax Expense

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31-Aug-15 RM'000	Preceding Year Quarter 31-Aug-14 RM'000	Current Year To Date 31-Aug-15 RM'000	Preceding Year To Date 31-Aug-14 RM'000
<u>Income Tax</u>				
Current Tax - Current	383	300	383	300
Tax expense	383	300	383	300

Note:

The effective tax rate for the current quarter and financial year under review is higher than the statutory tax rate of 25% mainly due to deferred tax assets not recognized.

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Interim Financial Report for the Financial Period Ended 31 August 2015
Part B – Explanatory Notes Pursuant To The Listing Requirements of Bursa Securities
B7. Status of Corporate Proposals

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

i. Utilisation of Proceeds

The Public Issue has raised gross proceeds of RM43.75 million. The status of the utilisation of the proceeds as at 31 August 2015 is as follows:

Purposes	Proposed Utilisation RM'000	Actual utilisation RM'000	Deviation RM'000	Unutilised Balance @ 31 May 15 RM'000	Revision RM'000	Revised Balance RM'000	Actual utilisation @ 31 Aug 15 RM'000	Unutilised Balance @ 31 Aug 15 RM'000	Estimated Timeframe for Utilisation Upon Listing
(i) New community pharmacy - Property, plant and equipment	6,000	(2,212)	-	3,788	(2,700)	1,088	(661)	427	Within 24 months
- Inventories	12,000	(6,675)	-	5,325	(3,800)	1,525	(1,253)	272	Within 24 months
(ii) To pare down borrowings to reduce interest cost	6,000	-	-	6,000	(6,000)	-	-	-	Within 24 months
(iii) Renovation of new head office and warehouse	4,000	(4,000)	-	-	-	-	-	-	Within 24 months
(iv) Working capital ⁽¹⁾	11,750	(12,657)	907	-	12,500	12,500	(10,500)	2,000	Within 24 months
(v) Estimated listing expenses ⁽¹⁾	4,000	(3,093)	(907)	-	-	-	-	-	Within 3 months
Total Proceeds	43,750	(28,637)	-	15,113	-	15,113	(12,414)	2,699	

Note:-

(1) Actual listing expenses incurred were less than the estimated listing expenses by approximately RM0.907 million. Pursuant to the Prospectus dated 18 October 2013, the excess will be utilised for working capital purpose.

B8. Group Borrowing

The Group's borrowing as at 31 Aug 2015 are as follows:

	As at 31-Aug-15 RM'000	As at 31-May-15 RM'000
Long term borrowing		
Secured:		
Term loan	9,616	9,860
Short term borrowing		
Secured:		
Term loan	1,457	1,457
Total borrowing	11,073	11,317

Interim Financial Report for the Financial Period Ended 31 August 2015
Part B – Explanatory Notes Pursuant To The Listing Requirements of Bursa Securities

B9. Material Litigation

There was no material litigation and the Directors do not aware of any proceedings pending or threatened against the Group as at the date of issuance of this interim financial report.

B10. Dividends

No dividend was declared or recommended for payment by the Company for the quarter under review.

B11. Realised and Unrealised Profits

The disclosure of realised and unrealised profits below is solely for complying with the disclosure requirements stipulated in the directive of Bursa Securities.

	As at 31-Aug-2015 RM'000	As at 31-May-2015 RM'000
Total retained earnings		
- realised	77,527	74,931
- unrealised	(270)	(366)
	<hr/> 77,257	<hr/> 74,565
Add: consolidated adjustments	774	2,353
Total retained earnings	<hr/> 78,031	<hr/> 76,918

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Interim Financial Report for the Financial Period Ended 31 August 2015
Part B – Explanatory Notes Pursuant To The Listing Requirements of Bursa Securities
B12. Earnings Per Share
(a) Basic Earnings Per Share

The basic earnings per share for the current quarter and financial year to date are computed as follows:-

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year	Preceding Year	Current	Preceding
	Quarter	Quarter	Year To Date	Year To Date
	31-Aug-15	31-Aug-14	31-Aug-15	31-Aug-14
	RM'000	RM'000	RM'000	RM'000
Profit for the period	1,019	554	1,019	554
Number of ordinary shares of RM1.00 each in issue	217,706	217,706	217,706	217,706
Basic Earnings Per Share (sen)	0.47	0.25	0.47	0.25

(b) Diluted Earnings Per Share

Diluted earnings per share were not computed as the Company does not have any dilutive potential ordinary shares in issue for the current quarter and financial year-to-date.

By order of the Board
28 October 2015