CARING PHARMACY GROUP BERHAD

(Company No.1011859-D)

INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED
31 MAY 2016

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Caring Pharmacy Group Bhd (1011859-D)

Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Financial Period Ended 31 May 2016

	Note	Individual Quarter		Cumulative Quarter	
		Current Year Quarter 31 May 2016 RM'000	Preceding Year Quarter 31 May 2015 RM'000 (Restated)	Current Year To Date 31 May 2016 RM'000	Preceding Year To Date 31 May 2015 RM'000 (Restated)
REVENUE		108,330	95,407	402,569	364,112
COST OF SALES		(86,811)	(74,516)	(322,202)	(284,768)
GROSS PROFIT		21,519	20,891	80,367	79,344
OTHER OPERATING INCOME		7,700	6,180	26,918	28,130
		29,219	27,071	107,285	107,474
SELLING AND DISTRIBUTION EXPENSES		(16,721)	(16,598)	(64,154)	(61,502)
ADMINISTRATIVE EXPENSES		(6,064)	(5,538)	(25,940)	(23,527)
OTHER OPERATING EXPENSES		(1,520)	(1,266)	(4,774)	(3,712)
FINANCE COSTS		(37)	(38)	(185)	(234)
PROFIT BEFORE TAXATION	B5	4,877	3,631	12,232	18,499
TAXATION	B6	(1,621)	(1,319)	(3,680)	(5,482)
PROFIT AFTER TAXATION		3,256	2,312	8,552	13,017
OTHER COMPREHENSIVE INCOME , NET OF TAX		-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD		3,256	2,312	8,552	13,017
PROFIT AFTER TAXATION ATTRIBUTABLE TO :-					
- Owners of the Company		2,740	2,628	7,290	12,869
- Non-Controlling interests		516	(316)	1,262	148
		3,256	2,312	8,552	13,017
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO :-					
- Owners of the Company		2,740	2,628	7,290	12,869
- Non-Controlling interests		516	(316)	1,262	148
		3,256	2,312	8,552	13,017
Earning per share (Sen) attributable to Owners of the Company					
- Basic [2]	B12	1.26	1.21	3.35	5.91
- 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 May 2016

	Note	AS AT 31 May 2016 RM'000	AS AT 31 May 2015 RM'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		36,345	36,686
Intangible assets		2,996	2,946
Deferred tax assets		19	10
		39,360	39,642
CURRENT ASSETS			
Inventories		91,240	83,486
Trade receivables		1,438	1,120
Other receivables, deposits and prepayments		7,391	8,016
Tax recoverable		3,295	1,562
Deposits with financial institutions		30,996	51,146
Cash and bank balances		46,926	35,355
		181,286	180,685
TOTAL ASSETS		220,646	220,327

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Unaudited Condensed Consolidated Statement of Financial Position as at 31 May 2016 (Cont'd)

	Note	AS AT 31 May 2016 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		79,943	76,918
Merger deficit		(181,984)	(181,984)
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		123,067	120,042
NON-CONTROLLING INTERESTS		1,521	804
TOTAL EQUITY		124,588	120,846
NON-CURRENT LIABILITIES			
Long term borrowings	**B8**	8,988	9,860
Deferred tax liabilities		38	376
		9,026	10,236
CURRENT LIABILITIES			
Trade payables		74,535	76,935
Other payables and accruals		6,730	6,885
Amount owing to non-controlling shareholders		3,752	3,512
Provision for taxation		496	456
Short term borrowings	**B8**	1,519	1,457
		87,032	89,245
TOTAL LIABILITIES		96,058	99,481
TOTAL EQUITY AND LIABILITIES		220,646	220,327
Net assets per share attributable to ordinary equity holders of the parent (RM) [(2)]		0.57	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 May 2016

	<---------- 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
Period Ended 31 May 2015							
At 1 June 2014	217,706	7,402	(181,984)	71,004	114,128	3,170	117,298
Total comprehensive income for the period	-	-	-	12,869	12,869	148	13,017
Accretion in equity interest in a subsidiary	-	-	-	(3,689)	(3,689)	(1,215)	(4,904)
Effect of issue of share capital by a subsidiary	-	-	-	-	-	20	20
Dividends paid	-	-	-	(3,266)	(3,266)	-	(3,266)
Dividends paid by subsidiaries to non-controlling shareholders	-	-	-	-	-	(1,319)	(1,319)
At 31 May 2015	217,706	7,402	(181,984)	76,918	120,042	804	120,846

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Unaudited Condensed Consolidated Statement of Changes in Equity for the Financial Period Ended 31 May 2016 (Cont'd)

	<---------- 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
Period Ended 31 May 2016							
At 1 June 2015	217,706	7,402	(181,984)	76,918	120,042	804	120,846
Total comprehensive income for the period	-	-	-	7,290	7,290	1,262	8,552
Dilution in equity interest in subsidiaries	-	-	-	89	89	(141)	(52)
Effect of issue of share capital by a subsidiary	-	-	-	-	-	81	81
Dividends paid	-	-	-	(4,354)	(4,354)	-	(4,354)
Dividends paid by subsidiaries to non-controlling shareholders	-	-	-	-	-	(485)	(485)
At 31 May 2016	217,706	7,402	(181,984)	79,943	123,067	1,521	124,588

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.

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Unaudited Condensed Consolidated Statement of Cash Flows for the Financial Period Ended 31 May 2016

	Current Year To Date 31 May 2016 RM'000	Preceding Year To Date 31 May 2015 RM'000
CASH FLOWS (FOR)/FROM OPERATING ACTIVITIES		
Profit before taxation	12,232	18,499
Adjustments for:-		
Impairment loss on property, plant and equipment	-	228
Depreciation of property, plant and equipment	4,161	3,414
Equipment written off	108	69
Interest expense	185	231
Gain on disposal of property, plant and equipment	(60)	(162)
Interest income	(1,293)	(1,645)
Rental income	(141)	(145)
Operating profit before working capital changes	15,192	20,489
Increase in inventories	(7,754)	(3,630)
Decrease/(Increase) in trade and other receivables	307	(3,032)
(Decrease)/Increase in trade and other payables	(2,555)	14,046
CASH FROM OPERATION	5,190	27,873
Tax paid	(6,190)	(5,736)
Tax refunded	470	363
Interest paid	(185)	(231)
NET CASH (FOR)/FROM OPERATING ACTIVITIES	(715)	22,269
CASH FLOWS FOR INVESTING ACTIVITIES		
Accretion in equity interest in subsidiaries	(52)	(4,904)
Interest received	1,293	1,645
Proceeds from disposal of property, plant and equipment	60	177
Purchase of property, plant and equipment	(3,732)	(7,559)
Payment of goodwill	(50)	-
Rental received	141	145
NET CASH FOR INVESTING ACTIVITIES	(2,340)	(10,496)
CASH FOR FINANCING ACTIVITIES		
Dividend paid to :		
- shareholders of the Company	(4,354)	(3,266)
- non-controlling shareholders of subsidiaries	(485)	(1,319)
Drawdown of term loan	-	1,980
Proceeds from issuance of shares by subsidiaries to non-controlling shareholders	81	20
Repayment of hire purchase obligations	(11)	-
Repayment of term loan	(995)	(563)
Net advances from non-controlling shareholders	240	(20)
NET CASH FOR FINANCING ACTIVITIES	(5,524)	(3,168)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(8,579)	8,605
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	86,501	77,896
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	77,922	86,501
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD COMPRISE:-		
- Deposits with financial institutions	30,996	51,146
- Cash and bank balances	46,926	35,355
	77,922	86,501

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.

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 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 14 Regulatory Deferral Accounts	1 January 2016
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 16 Leases	1 January 2019
Amendments to MFRS 10 and MFRS 128 (2011): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice
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 15: Effective Date of MFRS 15	1 January 2018

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 15: Clarifications to MFRS 15 'Revenue from Contracts with Customers'	1 January 2018
Amendments to MFRS 101: Presentation of Financial Statements – Disclosure Initiative	1 January 2016
Amendments to MFRS 107: Disclosure Initiative	1 January 2017
Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
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.

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

A final single tier tax exempt dividend of 2.0 sen per ordinary share amounting to RM4,354,128 in respect of the financial year ended 31 May 2015 was paid on 13 November 2015.

There was no dividend paid in respect of the current financial period to date.

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 May 2016 are as follows:-

Capital expenditure commitments	**As at 31-May-2016 RM'000**
Authorised but not contracted for:	
- Property, plant and equipment	510
Contracted but not provided for:	
- Property, plant and equipment	3,555

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.

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A12. Changes in Composition of the Group

There were no changes in the composition of the Group for the current quarter under review saves for the acquisition and disposal of shares in subsidiaries by Caring Pharmacy Retail Management Sdn. Bhd. ("CPRM") as detailed below:

a) Acquisition of 40,500 ordinary shares in Caring Pharmacy (Empire) Sdn. Bhd. for a total cash consideration of RM40,500 resulting an increase in CPRM's effective equity interest in the subsidiary from 59.5% to 100.0%;
b) Acquisition of 10,000 ordinary shares in Caring Pharmacy (Shah Alam) Sdn. Bhd. for a total cash consideration of RM30,000 resulting an increase in CPRM's effective equity interest in the subsidiary from 75.0% to 85.0%;
c) Disposal of 2 ordinary shares in Caring Pharmacy Help Sdn. Bhd.. Upon the completion of disposal, Caring Pharmacy Help Sdn. Bhd. shall cease to be a subsidiary of CPRM; and
d) Disposal of 2 ordinary shares in Miracle Cure Caring Sdn. Bhd.. Upon the completion of disposal, Miracle Cure Caring Sdn. Bhd. shall cease to be a subsidiary of 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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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 RM108.33 million and profit before tax of RM4.88 million for the current financial quarter as compared to a revenue of RM95.41 million and profit before tax of RM3.63 million reported in the previous year corresponding quarter. The higher revenue was mainly contributed by higher sales generated from existing outlets due to aggressive and extensive promotional campaigns launched, coupled with the additional revenue generated from new outlets opened during financial year 2016.

During the quarter under review, we have established an additional 1 new shopping complex outlet and closed down 1 shopping complex outlet. As of 31 May 2016, we have a total of 107 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 sales as explained above.

B2. Variation of Results with the Immediate Preceding Quarter

For the current quarter under review, the Group reported an increase in profit before tax by RM1.76 million, from RM3.12 million (immediate preceding quarter) to RM4.88 million. This was contributed by higher advertising and promotional income due to aggressive and extensive promotional campaigns launched.

B3. Prospect for the Group

The Group expects its operating environment remains challenging in view of slowing domestic economy and weak consumers' purchasing power. Nevertheless, by focusing on products and services quality, the Group is optimistic that it will continue to contribute positively to the Group's turnover and profit.

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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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	Preceding Year Quarter	Current Year To Date	Preceding Year To Date
	31-May-16	31-May-15	31-May-16	31-May-15
	RM'000	RM'000	RM'000	RM'000
Depreciation of property, plant and equipment	1,309	1,037	4,161	3,414
Equipment written off	108	70	108	69
Gain on disposal of equipment	(7)	-	(60)	(162)
Impairment of equipment	-	228	-	228
Interest expense	37	38	185	231
Interest income	(313)	(363)	(1,293)	(1,645)
Rental income	(32)	(37)	(141)	(145)

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	Preceding Year Quarter	Current Year To Date	Preceding Year To Date
	31-May-16	31-May-15	31-May-16	31-May-15
	RM'000	RM'000	RM'000	RM'000
Income Tax				
Current Tax Expense:				
- Current	1,651	(113)	3,710	4,050
- Prior year	46	2	46	2
	1,697	(111)	3,756	4,052
Deferred Tax Expense:				
- Current	(160)	1,339	(160)	1,339
- Prior year	84	91	84	91
	(76)	1,430	(76)	1,430
Tax expense	1,621	1,319	3,680	5,482

Note:

The effective tax rate for the current quarter and financial year under review is higher than the statutory tax rate of 24% mainly due to deferred tax assets not recognized.

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.

B8. Group Borrowings

The Group's borrowings as at 31 May 2016 are as follows:

	As at 31-May-16 RM'000	As at 31-May-15 RM'000
Long term borrowings		
Secured:		
Hire purchase	123	-
Term loan	8,865	9,860
	8,988	9,860
Short term borrowings		
Secured:		
Hire purchase	62	-
Term loan	1,457	1,457
	1,519	1,457
Total borrowings	10,507	11,317

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

On 29 July 2016, the Board of Directors proposed a final single tier dividend of 1.5 sen per ordinary share in respect of the financial year ended 31 May 2016, subject to the shareholders' approval at the forthcoming Annual General Meeting of the company.

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Part B – Explanatory Notes Pursuant To The Listing Requirements of Bursa Securities

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-May-2016 RM'000	As at 31-May-2015 RM'000
Total retained earnings		
- realised	79,188	74,931
- unrealised	(19)	(366)
	79,169	74,565
Add: consolidated adjustments	774	2,353
Total retained earnings	79,943	76,918

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 Quarter 31-May-16 RM'000	Preceding Year Quarter 31-May-15 RM'000	Current Year To Date 31-May-16 RM'000	Preceding Year To Date 31-May-15 RM'000
Profit for the period	2,740	2,628	7,290	12,869
Number of ordinary shares of RM1.00 each in issue	217,706	217,706	217,706	217,706
Basic Earnings Per Share (sen)	1.26	1.21	3.35	5.91

(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
29 July 2016