



CARING PHARMACY GROUP BERHAD

(Company No.1011859-D)

INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 AUGUST 2016

Contents

	Page
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income.....	1
Condensed Consolidated Statement of Financial Position.....	2
Condensed Consolidated Statement of Changes in Equity.....	4
Condensed Consolidated Statement of Cash Flows.....	6
Notes to the Condensed Financial Statements	7

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

	Note	Individual Quarter		Cumulative Quarter	
		Current Year	Preceding Year	Current Year	Preceding Year
		Quarter 31 August 2016 RM'000	Quarter 31 August 2015 RM'000 (Restated)	To Date 31 August 2016 RM'000	To Date 31 August 2015 RM'000 (Restated)
REVENUE		110,938	92,553	110,938	92,553
COST OF SALES		(90,862)	(73,013)	(90,862)	(73,013)
GROSS PROFIT		20,076	19,540	20,076	19,540
OTHER OPERATING INCOME		5,646	5,128	5,646	5,128
		25,722	24,668	25,722	24,668
SELLING AND DISTRIBUTION EXPENSES		(16,916)	(16,192)	(16,916)	(16,192)
ADMINISTRATIVE EXPENSES		(6,262)	(5,999)	(6,262)	(5,999)
OTHER OPERATING EXPENSES		(974)	(1,064)	(974)	(1,064)
FINANCE COSTS		(45)	(46)	(45)	(46)
PROFIT BEFORE TAXATION	B5	1,525	1,367	1,525	1,367
TAXATION	B6	(427)	(383)	(427)	(383)
PROFIT AFTER TAXATION		1,098	984	1,098	984
OTHER COMPREHENSIVE INCOME , NET OF TAX		-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD		1,098	984	1,098	984
PROFIT AFTER TAXATION ATTRIBUTABLE TO :-					
- Owners of the Company		721	1,019	721	1,019
- Non-Controlling interests		377	(35)	377	(35)
		1,098	984	1,098	984
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO :-					
- Owners of the Company		721	1,019	721	1,019
- Non-Controlling interests		377	(35)	377	(35)
		1,098	984	1,098	984
Earning per share (Sen) attributable to Owners of the Company					
- Basic ⁽²⁾	B12	0.33	0.47	0.33	0.47
- 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 2016 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 2016

	Note	AS AT 31 August 2016 RM'000	AS AT 31 May 2016 RM'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		37,213	36,363
Intangible assets		2,996	2,996
Deferred tax assets		277	19
		<u>40,486</u>	<u>39,378</u>
CURRENT ASSETS			
Inventories		87,152	91,240
Trade receivables		779	973
Other receivables, deposits and prepayments		8,626	7,723
Tax recoverable		4,063	3,490
Deposits with financial institutions		30,246	32,316
Cash and bank balances		47,715	45,616
		<u>178,581</u>	<u>181,358</u>
TOTAL ASSETS		<u>219,067</u>	<u>220,736</u>

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

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

	Note	AS AT 31 August 2016 RM'000	AS AT 31 May 2016 RM'000
EQUITY AND LIABILITIES			
EQUITY			
Share capital		217,706	217,706
Share premium		7,402	7,402
Retained profits		80,168	79,447
Merger deficit		(181,984)	(181,984)
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		123,292	122,571
NON-CONTROLLING INTERESTS		2,394	2,017
TOTAL EQUITY		125,686	124,588
NON-CURRENT LIABILITIES			
Long term borrowings	B8	8,718	8,988
Deferred tax liabilities		38	38
		8,756	9,026
CURRENT LIABILITIES			
Trade payables		70,865	74,657
Other payables and accruals		7,850	6,524
Amount owing to non-controlling shareholders		3,752	3,752
Provision for taxation		638	670
Short term borrowings	B8	1,520	1,519
		84,625	87,122
TOTAL LIABILITIES		93,381	96,148
TOTAL EQUITY AND LIABILITIES		219,067	220,736
Net assets per share attributable to ordinary equity holders of the parent (RM) ⁽²⁾		0.57	0.56

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 2016 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 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
<u>Period Ended 31 August 2015</u>							
At 31 May 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 a 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

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

Unaudited Condensed Consolidated Statement of Changes in Equity for the Financial Period Ended 31 August 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
<u>Period Ended 31 August 2016</u>							
At 31 May 2016	217,706	7,402	(181,984)	79,447	122,571	2,017	124,588
Total comprehensive income for the period	-	-	-	721	721	377	1,098
Dilution in equity interest in subsidiaries	-	-	-	-	-	-	-
Effect of issue of share capital by a subsidiary	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-
Dividends paid by subsidiaries to non-controlling shareholders	-	-	-	-	-	-	-
At 31 August 2016	217,706	7,402	(181,984)	80,168	123,292	2,394	125,686

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.*

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

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

	Current Year To Date 31 August 2016 RM'000	Preceding Year To Date 31 August 2015 RM'000
CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES		
Profit before taxation	1,525	1,367
Adjustments for:-		
Depreciation of property, plant and equipment	896	1,064
Equipment written off	13	-
Interest expense	45	46
Gain on disposal of property, plant and equipment	(15)	-
Interest income	(363)	(348)
Rental income	(37)	(38)
Operating profit before working capital changes	2,064	2,091
Decrease/(Increase) in inventories	4,088	(1,396)
Increase in trade and other receivables	(709)	(489)
Decrease in trade and other payables	(2,466)	(12,386)
CASH FROM OPERATION	2,977	(12,180)
Tax paid	(1,290)	(1,033)
Interest paid	(45)	(46)
NET CASH FROM/(FOR) OPERATING ACTIVITIES	1,642	(13,259)
CASH FLOWS FOR INVESTING ACTIVITIES		
Interest received	363	348
Proceeds from disposal of property, plant and equipment	15	-
Purchase of property, plant and equipment	(1,759)	(788)
Payment of goodwill	-	(50)
Rental received	37	38
NET CASH FOR INVESTING ACTIVITIES	(1,344)	(452)
CASH FOR FINANCING ACTIVITIES		
Proceeds from issuance of shares by subsidiaries to non-controlling shareholders	-	60
Repayment of hire purchase obligations	(15)	-
Repayment of term loan	(254)	(244)
Net advances from non-controlling shareholders	-	188
NET CASH (FOR)/FROM FINANCING ACTIVITIES	(269)	4
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	29	(13,707)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	77,932	86,501
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	77,961	72,794
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD COMPRISE:-		
- Deposits with financial institutions	30,246	37,864
- Cash and bank balances	47,715	34,930
	77,961	72,794

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 2016 and the accompanying explanatory notes attached to these financial statements.

Interim Financial Report for the Financial Period Ended 31 August 2016
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 2016 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 2016. 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 2016.

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

Interim Financial Report for the Financial Period Ended 31 August 2016
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 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 2016.

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.

Interim Financial Report for the Financial Period Ended 31 August 2016
Part A –Explanatory Notes Pursuant to Malaysian Financial Reporting Standards (“MFRS”) 134, Interim Financial Reporting

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 1.5sen per ordinary share amounting to RM3,265,596 in respect of the financial year ended 31 May 2016 will payable on 23 November 2016.

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 August 2016 are as follows:-

Capital expenditure commitments	As at 31-August-2016 RM'000
Contracted but not provided for: - Property, plant and equipment	2,322
Authorised but not contracted for: - Property, plant and equipment	1,488

Interim Financial Report for the Financial Period Ended 31 August 2016**Part A –Explanatory Notes Pursuant to Malaysian Financial Reporting Standards (“MFRS”)
134, Interim Financial Reporting**

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

There were not 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 below:

- a) Disposal of 147,000 ordinary shares of RM1.00 each in Caring Pharmacy (SW) Sdn. Bhd. for a total consideration of RM147,000 on 1 October 2016 by Caring Pharmacy Retail Management Sdn. Bhd. (“CPRM”) resulting a decrease in CPRM’s effective equity interest in the subsidiary from 100% to 51%;
- b) Disposal of 124,000 ordinary shares of RM1.00 each in Green Surge Sdn. Bhd. for a total consideration of RM124,000 on 1 October 2016 by CPRM resulting a decrease in CPRM’s effective equity interest in the subsidiary from 100% to 60%; and
- c) Acquisition of 25,000 ordinary shares of RM1.00 each in Caring Pharmacy (Kinrara) Sdn. Bhd. for a total cash consideration of RM901,953 resulting an increase in CPRM’s effective equity interest in the subsidiary from 75% to 100%.

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) Disposal of 2 ordinary shares in Caring Pharmacy Help Sdn. Bhd. for a total cash consideration of RM2. Upon the completion of disposal, Caring Pharmacy Help Sdn. Bhd. shall cease to be a subsidiary of CPRM on 13 June 2016;
- b) Disposal of 2 ordinary shares in Miracle Cure Caring Sdn. Bhd. For a total cash consideration of RM2. Upon the completion of disposal, Miracle Cure Caring Sdn. Bhd. shall cease to be a subsidiary of CPRM on 13 June 2016;
- c) Subscription of 1,500,000 ordinary shares of RM1.00 each in Caring Pharmacy Sdn. Bhd. for a total consideration of RM1,500,000 on 18 August 2016 by Caring Pharmacy Retail Management Sdn. Bhd.; and
- d) Subscription of 100,000 ordinary shares of RM1.00 each in Caring Pharmacy Retail Management Sdn. Bhd. for a total consideration of RM10,000,000 on 15 August 2016 by the Company.

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.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

Interim Financial Report for the Financial Period Ended 31 August 2016**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 RM110.94 million and profit before tax of RM1.53 million for the current financial quarter as compared to a revenue of RM92.56 million and profit before tax of RM1.37 million reported in the previous year corresponding quarter. The higher revenue was mainly contributed by the higher sales generated from existing outlets due to low sales recorded in the previous year corresponding quarter which impacted from the implementation of Goods and Services Tax ("GST") in April 2015.

During the quarter under review, we have closed down 1 high street outlet and 1 Tesco outlet. As of 31 August 2016, we have a total of 105 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.

The basic earnings per share of 0.33 sen is lower than the preceding year quarter of 0.47 sen although higher profit after taxation is recorded. This was mainly due to higher incentive granted to the subsidiary companies to drive the sales.

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 RM3.35 million, from RM4.88 million (immediate preceding quarter) to RM1.53 million. This was mainly attributable to lower advertising and promotional income and lower gross profit margin.

B3. Prospect for the Group

The Group expects its operating environment remains challenging in view of prolong weak economy and uncertainties around the region with consumers still stay cautious in their spending. Nevertheless, by focusing on products and services quality and roll out more A&P event, the Group remains optimistic that it will contribute positively to the operating results of the Group going forward.

B4. Profit Forecast and Profit Estimate

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

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

Interim Financial Report for the Financial Period Ended 31 August 2016
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- August-16	31-August-15	31-August-16	31-August-15
	RM'000	RM'000	RM'000	RM'000
Depreciation of property, plant and equipment	896	1,064	896	1,064
Equipment written off	13	-	13	-
Gain on disposal of equipment	(15)	-	(15)	-
Interest expense	45	46	45	46
Interest income	(363)	(348)	(363)	(348)
Rental income	(37)	(38)	(37)	(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	Preceding Year Quarter	Current Year To Date	Preceding Year To Date
	31-August-16	31-August-15	31-August-16	31-August-15
	RM'000	RM'000	RM'000	RM'000
<u>Income Tax</u>				
Current Tax - Current	427	383	427	383
Tax expense	427	383	427	383

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.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

Interim Financial Report for the Financial Period Ended 31 August 2016
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 August 2016 are as follows:

	As at 31-August-16 RM'000	As at 31-August-15 RM'000
Long term borrowings		
Secured:		
Hire purchase	107	-
Term loan	8,611	9,616
	<u>8,718</u>	<u>9,616</u>
Short term borrowings		
Secured:		
Hire purchase	63	-
Term loan	1,457	1,457
	<u>1,520</u>	<u>1,457</u>
Total borrowings	<u>10,238</u>	<u>11,073</u>

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.

Interim Financial Report for the Financial Period Ended 31 August 2016
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-August-2016 RM'000	As at 31-August-2015 RM'000
Total retained earnings		
- realised	80,212	77,527
- unrealised	239	(270)
	80,451	77,257
Add: consolidated adjustments	(283)	774
Total retained earnings	80,168	78,031

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 Current Year Quarter 31-August-16 RM'000	Preceding Year Quarter 31-August-15 RM'000	CUMULATIVE QUARTER Current Year To Date 31-August-16 RM'000	Preceding Year To Date 31-August-15 RM'000
Profit for the period	721	1,019	721	1,019
Number of ordinary shares of RM1.00 each in issue	217,706	217,706	217,706	217,706
Basic Earnings Per Share (sen)	0.33	0.47	0.33	0.47

(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
31 October 2016