



CARING PHARMACY GROUP BERHAD

(Company No.1011859-D)

INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 28 February 2017

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Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Financial Period Ended 28 February 2017

	Note	Individual Quarter		Cumulative Quarter	
		Current Year Quarter 28 February 2017 RM'000	Preceding Year Quarter 29 February 2016 RM'000 (Restated)	Current Year To Date 28 February 2017 RM'000	Preceding Year To Date 29 February 2016 RM'000 (Restated)
REVENUE		115,658	103,398	340,458	294,239
COST OF SALES		(86,623)	(81,186)	(269,136)	(235,391)
GROSS PROFIT		29,035	22,212	71,322	58,848
OTHER OPERATING INCOME		6,126	4,366	18,308	19,218
		35,161	26,578	89,630	78,066
SELLING AND DISTRIBUTION EXPENSES		(17,163)	(15,914)	(50,220)	(47,396)
ADMINISTRATIVE EXPENSES		(7,211)	(6,366)	(19,921)	(19,913)
OTHER OPERATING EXPENSES		(1,065)	(1,138)	(3,033)	(3,254)
FINANCE COSTS		(28)	(39)	(100)	(148)
PROFIT BEFORE TAXATION	B5	9,694	3,121	16,356	7,355
TAXATION	B6	(2,715)	(872)	(4,580)	(2,059)
PROFIT AFTER TAXATION		6,979	2,249	11,776	5,296
OTHER COMPREHENSIVE INCOME , NET OF TAX		-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD		6,979	2,249	11,776	5,296
PROFIT AFTER TAXATION ATTRIBUTABLE TO :-					
- Owners of the Company		5,284	1,616	8,769	4,550
- Non-Controlling interests		1,695	633	3,007	746
		6,979	2,249	11,776	5,296
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO :-					
- Owners of the Company		5,284	1,616	8,769	4,550
- Non-Controlling interests		1,695	633	3,007	746
		6,979	2,249	11,776	5,296
Earning per share (Sen) attributable to Owners of the Company					
- Basic ⁽²⁾	B12	2.43	0.74	4.03	2.09
- 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 28 February 2017

	Note	AS AT 28 February 2017 RM'000	AS AT 31 May 2016 RM'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		37,526	36,363
Intangible assets		3,476	2,996
Deferred tax assets		301	19
		<u>41,303</u>	<u>39,378</u>
CURRENT ASSETS			
Inventories		86,458	91,240
Trade receivables		630	973
Other receivables, deposits and prepayments		7,973	7,723
Tax recoverable		2,557	3,490
Deposits with financial institutions		30,168	32,316
Cash and bank balances		49,184	45,616
		<u>176,970</u>	<u>181,358</u>
TOTAL ASSETS		<u>218,273</u>	<u>220,736</u>

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Unaudited Condensed Consolidated Statement of Financial Position as at 28 February 2017 (Cont'd)

	AS AT 28 February 2017 RM'000	AS AT 31 May 2016 RM'000
EQUITY AND LIABILITIES		
EQUITY		
Share capital	225,108	217,706
Share premium	-	7,402
Retained profits	84,069	79,447
Merger deficit	(181,984)	(181,984)
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	127,193	122,571
NON-CONTROLLING INTERESTS	3,618	2,017
TOTAL EQUITY	130,811	124,588
NON-CURRENT LIABILITIES		
Long term borrowings B8	8,163	8,988
Deferred tax liabilities	158	38
	8,321	9,026
CURRENT LIABILITIES		
Trade payables	68,218	74,657
Other payables and accruals	5,864	6,524
Amount owing to non-controlling shareholders	2,900	3,752
Provision for taxation	637	670
Short term borrowings B8	1,522	1,519
	79,141	87,122
TOTAL LIABILITIES	87,462	96,148
TOTAL EQUITY AND LIABILITIES	218,273	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 28 February 2017

	<----- 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 28 February 2016</u>							
At 31 May 2015	217,706	7,402	(181,984)	76,918	120,042	804	120,846
Total comprehensive income for the period	-	-	-	4,550	4,550	746	5,296
Dilution in equity interest in a subsidiaries	-	-	-	94	94	(94)	-
Effect of issue of share capital by a subsidiary	-	-	-	-	-	101	101
Dividends paid	-	-	-	(4,354)	(4,354)	-	(4,354)
Dividends paid by subsidiaries to non-controlling shareholders	-	-	-	-	-	(485)	(485)
At 29 February 2016	217,706	7,402	(181,984)	77,208	120,332	1,072	121,404

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Unaudited Condensed Consolidated Statement of Changes in Equity for the Financial Period Ended 28 February 2017 (Cont'd)

	<----- Non-distributable ----->			<Distributable>		Non-Controlling Interests	Total Equity
	Share Capital	Share Premium	Merger Deficit	Retained Profits	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Period Ended 28 February 2017</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	-	-	-	8,769	8,769	3,007	11,776
Dilution in equity interest in subsidiaries	-	-	-	(882)	(882)	51	(831)
Dividends paid	-	-	-	(3,265)	(3,265)	-	(3,265)
Dividends paid by subsidiaries to non-controlling shareholders	-	-	-	-	-	(1,457)	(1,457)
	217,706	7,402	(181,984)	84,069	127,193	3,618	130,811
Transfer pursuant to S618(2) of CA 2016	7,402	(7,402)	-	-	-	-	-
At 28 February 2017	225,108	-	(181,984)	84,069	127,193	3,618	130,811

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 2016 and the accompanying explanatory notes attached to these financial statements.*
- (2) *Pursuant to S618(2) of Companies Act 2016 ("CA 2016"), any outstanding share premium and capital redemption reserve accounts shall become part of Share Capital.*

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Unaudited Condensed Consolidated Statement of Cash Flows for the Financial Period Ended 28 February 2017

	Current Year To Date 28 February 2017 RM000	Preceding Year To Date 29 February 2016 RM000
CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES		
Profit before taxation	16,356	7,355
Adjustments for:-		
Depreciation of property, plant and equipment	2,972	2,852
Equipment written off	13	-
Interest expense	100	148
Gain on disposal of property, plant and equipment	(16)	(53)
Interest income	(1,026)	(980)
Rental income	(111)	(109)
Operating profit before working capital changes	18,288	9,213
Decrease/(Increase) in inventories	4,782	(6,580)
Decrease/(Increase) in trade and other receivables	93	(46)
Decrease in trade and other payables	(7,099)	(8,978)
CASH FROM OPERATION	16,064	(6,391)
Tax paid	(3,842)	(3,598)
Interest paid	(100)	(148)
NET CASH FROM/(FOR) OPERATING ACTIVITIES	12,122	(10,137)
CASH FLOWS FOR INVESTING ACTIVITIES		
Dilution in equity interest in subsidiaries	(831)	-
Interest received	1,026	980
Proceeds from disposal of property, plant and equipment	16	53
Purchase of property, plant and equipment	(4,148)	(2,413)
Payment of goodwill	(480)	(50)
Rental received	111	109
NET CASH FOR INVESTING ACTIVITIES	(4,306)	(1,321)
CASH FLOWS FOR FINANCING ACTIVITIES		
Dividend paid to :		
- shareholders of the Company	(3,265)	(4,354)
- non-controlling shareholders of subsidiaries	(1,457)	(485)
Proceeds from issuance of shares by subsidiaries to non-controlling shareholders	-	101
Repayment of hire purchase obligations	(46)	-
Repayment of term loan	(776)	(740)
Net (repayment)/advances from non-controlling shareholders	(852)	58
NET CASH FOR FINANCING ACTIVITIES	(6,396)	(5,420)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	1,420	(16,878)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	77,932	86,501
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	79,352	69,623
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD COMPRISE:-		
- Deposits with financial institutions	30,168	20,608
- Cash and bank balances	49,184	49,015
	79,352	69,623

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 28 February 2017
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 28 February 2017
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 28 February 2017
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 is paid 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 28 February 2017 are as follows:-

Capital expenditure commitments	As at 28-February-17 RM'000
Contracted but not provided for: - Property, plant and equipment	1,146
Authorised but not contracted for: - Property, plant and equipment	900

Interim Financial Report for the Financial Period Ended 28 February 2017**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 20,000 ordinary shares of RM1.00 each in WM Caring Pharmacy Sdn. Bhd. (formerly known as *Caring Pharmacy (MSF) Sdn. Bhd.*) on 1 March 2017 for a total cash consideration of RM20,000.00 resulting a decrease in CPRM's effective equity interest in the subsidiary from 100% to 80%.

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 40,000 ordinary shares of RM1.00 each in United RX Care Sdn. Bhd. on 1 December 2016 for a total cash consideration of RM2.00 resulting an increase in CPRM's effective equity interest in the subsidiary from 60% to 100%;
- b) Acquisition of 24,500 ordinary shares of RM1.00 each in Stay Caring Sdn. Bhd. on 1 January 2017 for a total cash consideration of RM200,000.00 resulting an increase in CPRM's effective equity interest in the subsidiary from 75.5% to 100%; and
- c) Acquisition of 11,250 ordinary shares of RM1.00 each in Fuji Acre Sdn. Bhd. on 1 February 2017 for a total cash consideration of RM2.00 resulting an increase in CPRM's effective equity interest in the subsidiary from 70% to 81.25%.

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 28 February 2017**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 RM115.66 million and profit before tax of RM9.69 million for the current financial quarter as compared to a revenue of RM103.40 million and profit before tax of RM3.12 million reported in the previous year corresponding quarter. The higher revenue was mainly contributed by the higher sales generated from existing outlets due to aggressive and extensive promotional campaign launched during financial year 2017.

During the quarter under review, we have established additional of 2 complex outlets and closed down 2 complex outlets. As of 28 February 2017, 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.

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 RM4.55 million, from RM5.14 million (immediate preceding quarter) to RM9.69 million. This was contributed by higher sales with higher gross profit margin attributable through materialization of annual purchase rebates from suppliers as mentioned in Note A4.

B3. Prospect for the Group

With the further weakening of Ringgit Malaysia against major currencies and the rising of inflationary pressure coupled with weak consumers' purchasing power, the Group will operating in a challenging environment in the remaining quarter of the financial year ending 31 May 2017.

Nevertheless, the Group remains optimistic that the Group will continue to be profitable in the next quarter.

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 28 February 2017
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
	28-February-17	29-February-16	28-February-17	29-February-16
	RM'000	RM'000	RM'000	RM'000
Depreciation of property, plant and equipment	1,147	1,004	2,972	2,852
Equipment written off	-	-	13	-
Gain on disposal of equipment	-	(53)	(16)	(53)
Interest expense	28	39	100	148
Interest income	(369)	(308)	(1,026)	(980)
Rental income	(37)	(34)	(111)	(109)

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
	28-February-17	29-February-16	28-February-17	29-February-16
	RM'000	RM'000	RM'000	RM'000
<u>Income Tax</u>				
Current Tax - Current	2,715	872	4,580	2,059
Tax expense	2,715	872	4,580	2,059

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.

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Interim Financial Report for the Financial Period Ended 28 February 2017
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 28 February 2017 are as follows:

	As at 28-February-17 RM'000	As at 29-February-16 RM'000
Long term borrowings		
Secured:		
Hire purchase	74	139
Term loan	8,089	9,120
	<u>8,163</u>	<u>9,259</u>
Short term borrowings		
Secured:		
Hire purchase	65	56
Term loan	1,457	1,457
	<u>1,522</u>	<u>1,513</u>
Total borrowings	<u>9,685</u>	<u>10,772</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 28 February 2017
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 28-February-17 RM'000	As at 29-February-16 RM'000
Total retained earnings		
- realised	84,209	76,586
- unrealised	143	(152)
	84,352	76,434
Add: consolidated adjustments	(283)	774
Total retained earnings	84,069	77,208

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 28-February-17 RM'000	Preceding Year Quarter 29-February-16 RM'000	Current Year To Date 28-February-17 RM'000	Preceding Year To Date 29-February-16 RM'000
Profit for the period	5,284	1,616	8,769	4,550
Number of ordinary shares of RM1.00 each in issue	217,706	217,706	217,706	217,706
Basic Earnings Per Share (sen)	2.43	0.74	4.03	2.09

(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 April 2017