ANNUAL REPORT 2019

25th Anniversary
1994 - 2019

A Caring Journey With You

CARING PHARMACY

CARING PHARMACY GROUP BERHAD
(Co. No. 1011859-D)(Incorporated in Malaysia under the Companies Act,1965)

CONTENTS

CORPORATE STRUCTURE

CARING PHARMACY GROUP BERHAD

CARING PHARMACY RETAIL MANAGEMENT SDN BHD (100%)

WHOLLY-OWNED SUBSIDIARIES

Caring Pharmacy (Kinrara) Sdn Bhd	100.0%
Caring Pharmacy (RS) Sdn Bhd	100.0%
Caring Estore Sdn Bhd	100.0%
Caring Pharmacy Sdn Bhd	100.0%
Cosy Vision Sdn Bhd	100.0%
Viva Caring Sdn Bhd	100.0%

YEAR 2019

125

OUTLETS

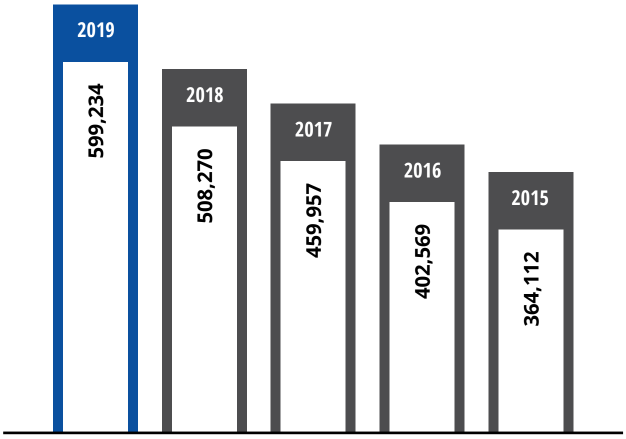
After the financial year-end, Caring Pharmacy Retail Management's shareholding in below subsidiaries has changed as follow:

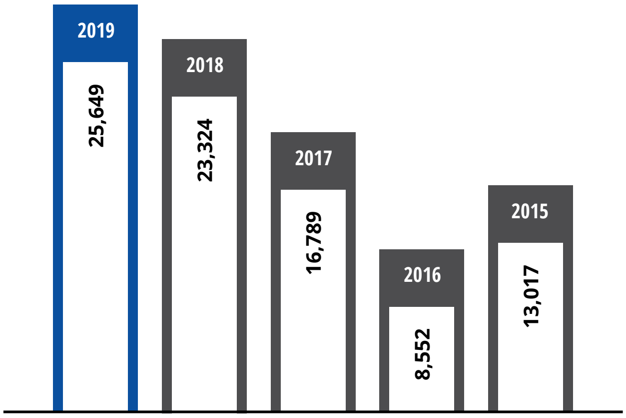
1. **Caring Link Sdn Bhd:** From 100% to 60%
2. **Viva Caring Sdn Bhd:** From 85% to 100%
3. **Caring Health Solutions Sdn Bhd:** From 75.5% to 87.8%
4. **Fuji Acre Sdn Bhd:** From 81.3% to 86.7%

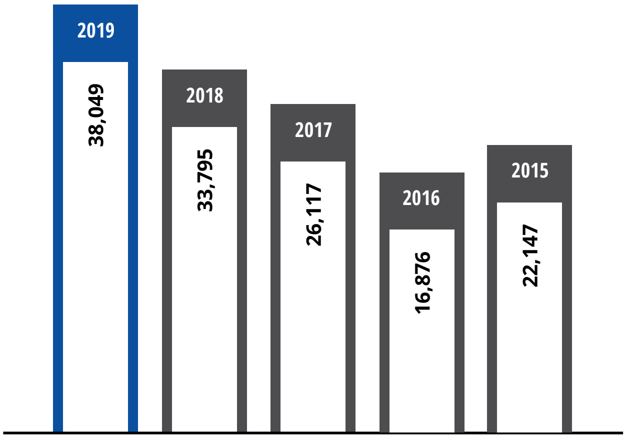
PARTIALLY-OWNED SUBSIDIARIES

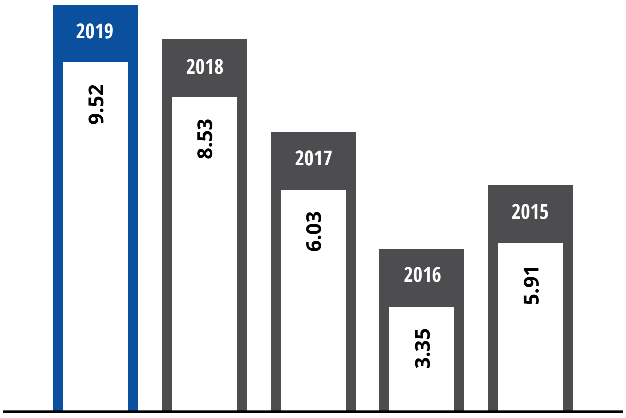
Ace Caring Phamacy Sdn Bhd	75.5%
Be Caring Sdn Bhd	51.0%
Caring Belle Sdn Bhd	90.0%
Caring Clover Sdn Bhd	60.0%
Caring Empire Sdn Bhd	59.5%
Caring Evergreen Sdn Bhd	70.0%
Caring Healthmark Sdn Bhd	75.0%
Caring Health Solutions Sdn Bhd	87.8%
Caring Link Sdn Bhd	60.0%
Caring 'N' You Pharmacy Sdn Bhd	60.0%
Caring Pharmacy (ABM) Sdn Bhd	75.0%
Caring Pharmacy (Ampang) Sdn Bhd	60.0%
Caring Pharmacy (IDR) Sdn Bhd	51.0%
Caring Pharmacy (JB Molek) Sdn Bhd	60.0%
Caring Pharmacy (KLP) Sdn Bhd	80.0%
Caring Pharmacy (MPLS) Sdn Bhd	60.0%
Caring Pharmacy (Shah Alam) Sdn Bhd	85.0%
Caring Pharmacy (SK) Sdn Bhd	70.0%
Caring Pharmacy (SW) Sdn Bhd	51.0%
Caring Pharmacy Always Sdn Bhd	70.0%
Caring Pharmacy Ascend Sdn Bhd	60.0%
Caring Pharmacy Paradise Sdn Bhd	60.0%
Caring Pharmacy Rising Sdn Bhd	60.0%
Caring T & T Sdn Bhd	60.0%
Caring Trinity Sdn Bhd	59.5%
Caring Trio Sdn Bhd	59.5%
Fuji Acre Sdn Bhd	86.7%
Green Surge Sdn Bhd	60.0%
Living Glory Sdn Bhd	70.0%
Mega Caring Sdn Bhd	60.0%
MN Pharmacy Sdn Bhd	60.0%
MY Caring Pharmacy Sdn Bhd	60.0%
One Caring Pharmacy Sdn Bhd	60.0%
Preciouslife Pharmacy Sdn Bhd	70.0%
Sterling Pharmacy Sdn Bhd	51.0%
Stay Caring Sdn Bhd	90.0%
Tonic Pharma Sdn Bhd	60.0%
Vertex Pharmacy Sdn Bhd	51.0%
Victorie Caring Sdn Bhd	70.0%
WM Caring Pharmacy Sdn Bhd	80.0%

FINANCIAL HIGHLIGHTS









YEAR ENDED 31 MAY		2015	2016	2017	2018	2019
Number of Outlet		104	107	107	115	125
Revenue	RM'000	364,112	402,569	459,957	508,270	599,234
Gross Profit (GP)	RM'000	79,344	80,367	93,805	107,806	145,129
Earnings Before Interest, Tax, Depreciation & Amortisation (EBITDA)	RM'000	22,147	16,876	26,117	33,795	38,049
Profit Before Taxation (PBT)	RM'000	18,499	12,232	21,952	29,566	33,965
Profit After Taxation (PAT)	RM'000	13,017	8,552	16,789	23,324	25,649
PAT Margin	%	3.57	2.12	3.65	4.59	4.28
Basic Earnings Per Share [a]	sen	5.91	3.35	6.03	8.53	9.52
Dividends Paid Per Share	sen	1.50	2.00	1.50	3.00	5.00

[a] Based on the weighted average number of ordinary shares in issue

CORPORATE INFORMATION

BOARD OF DIRECTORS

Datin Sunita Mei-Lin Rajakumar
Independent Non-Executive Chairperson

Chong Yeow Siang
Managing Director

Soo Chan Chiew
Executive Director

Tan Lean Boon
Executive Director

Tan Sri Dato' Haji Mohd Ariffin Bin Mohd Yusuf
Senior Independent Non-Executive Director

Ang Khoon Lim
Non-Independent Non-Executive Director

Mazlan Bin Ibrahim
Non-Independent Non-Executive Director

AUDIT AND RISK MANAGEMENT COMMITTEE

Datin Sunita Mei-Lin Rajakumar
Chairperson

Tan Sri Dato' Haji Mohd Ariffin Bin Mohd Yusuf
Ang Khoon Lim
Members

NOMINATION COMMITTEE

Tan Sri Dato' Haji Mohd Ariffin Bin Mohd Yusuf
Chairman

Datin Sunita Mei-Lin Rajakumar
Ang Khoon Lim
Members

REMUNERATION COMMITTEE

Datin Sunita Mei-Lin Rajakumar
Chairperson

Tan Sri Dato' Haji Mohd Ariffin Bin Mohd Yusuf
Ang Khoon Lim
Members

COMPANY SECRETARY

Chong Voon Wah (MAICSA 7055003)
Thai Kian Yau (MIA 36921)

REGISTERED OFFICE

22-09, Menara 1MK
No. 1 Jalan Kiara, Mont Kiara
50480 Kuala Lumpur
Wilayah Persekutuan
Tel: 603-2856 7333

PRINCIPAL PLACE OF BUSINESS

No. 1, Jalan 51/203A
Kawasan Perindustrian Tiong Nam
Seksyen 51
46050 Petaling Jaya
Selangor Darul Ehsan
Tel : +603-7453 1988
Fax : +603-7450 1988

AUDITORS

Messrs BDO PLT (LLP0018825-LCA & AF 0206)
Level 8, BDO @ Menara Centara
360, Jalan Tuanku Abdul Rahman
50100 Kuala Lumpur
Wilayah Persekutuan
Tel : 603-2616 2888
Fax : 603-2616 3190

SHARE REGISTRAR

Berjaya Registration Services Sdn Bhd
Lot 10-04A & 10-04B, Level 10, West
Berjaya Times Square
No. 1 Jalan Imbi
55100 Kuala Lumpur
Wilayah Persekutuan
Tel : +603-2145 0533
Fax : +603-2145 9702

STOCK EXCHANGE LISTING

Main Market of the Bursa Malaysia Securities Berhad
Stock Name : CARING
Stock Code : 5245

WEBSITE

www.caring2u.com

MANAGEMENT DISCUSSION AND ANALYSIS

DEAR VALUED SHAREHOLDERS,

ON BEHALF OF THE BOARD OF DIRECTORS, WE ARE PLEASED TO PRESENT THE ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS OF CARING PHARMACY GROUP BERHAD FOR THE FINANCIAL YEAR ENDED 31 MAY 2019.

FINANCIAL REVIEW

The financial year 2018/19 (FY2018/19) was another exciting and significant year of performance and progress for Caring, with revenues and profits ahead of expectations leading to a solid improvement in cash generation.

We continue to deliver commendable results despite operating in a highly competitive retail environment. In FY2018/19, we achieved RM599.2 million in revenues, representing a growth of 17.9% against RM508.3 million in the previous financial year. We note that a portion of this strong growth was attributable to the change of accounting standard to MFRS15. Based on the former accounting standard, revenue growth would still have been a commendable 12.3%. Revenue growth was mainly driven by same-store sales growth of matured outlets of more than 2 years old and new outlets opening during the year.

The Group's pre-tax profit was RM34.0 million, an increase of 14.9% as compared to the previous year, while our statutory profit after tax increased to RM25.7 million.

The culmination of our efforts to fortify operational efficiency through emphasising a lean culture within business operations had elevated us to a healthy financial position with RM131.3 million in cash and cash equivalents at the end of the financial year under review. We generated retail operating cash flow of RM44.4 million, up by 41.5% compared to the previous year, driven by the strong improvement in our operating profit. Our net borrowings remained low at RM9.0 million while shareholders' funds amounted to RM153.5 million, thus providing net assets per share of RM0.70, with a growth of 6.1% from the previous financial year.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONS REVIEW

With a tough and uncertain business environment in the near future, we had adopted a prudent outlet expansion strategy with stringent selection criteria by committing to only open outlets in the most strategic, high-potential areas. In the financial year under review, we opened 14 new outlets, comprising of 8 complex outlets and 6 high street outlets. Our outlet expansion focused on new areas where we had minimal or no presence so that more Malaysians could benefit from our competitive pharmacy services and high-quality health and beauty product offerings.

As we progressively opened new outlets, we also consistently reviewed strategic choices around our current portfolio, including closing certain underperforming outlets. In the last financial year, we had to make the difficult but necessary decision to close down 4 underperforming outlets (3 complex and 1 high street), deemed essential to position our business for greater efficiency and sustainable growth in the future.

Moving forward, we aim to assess the market environment across different areas to identify any opportunities for expansion while continuously monitoring and improving our stores' performances. As of 31 May 2019, our group consisted of total 125 community pharmacies.

We have continued to roll out high quality and exciting health and personal care products in our Exclusive and Home brand stable, as these ranges had performed very well, with like-for-like sales growth of 50.1% year-on-year. Our **Tresor** brand – the natural, wholesome health food range of products - had proved to be particularly popular, contributing 28% in overall own brand's participation. We also launched our affordable vitamin range, **Vitalita**, targeting the mass market and benefiting a wider customer base who appreciated cost effective vitamin supplements. In the beauty category, we had refined our general cosmetic and beauty ranges by consistently reviewing and rationalising underperforming SKUs (stock keeping units) while focusing on specialised dermo-cosmetics range with higher sustainable profitability. Last year, we launched our own premium bath care brand, **Calme** which was widely anticipated to deliver strong sales growth in that category.

In order to provide maximum saving and highest value to our customers, we worked hard to keep our costs of doing business down by embracing operational excellence and holding strict operating discipline in everything we do.

In the Category and Supply Chain management, we continued to make headway in cost of goods efficiencies and working capital productivity with strong inventory management. Within the last financial year, we further trimmed our inventory holding days down to 75 days which translated into healthy positive cash flow, operational expenses reduction and eventually a positive contribution to our encouraging bottom line.

On the ground, we were changing how our outlets' employees work to become operationally efficient, as well as equipping and empowering our people with better information, tools and training in order to be resourceful and productive. The reform enabled our people to spend more time serving customers and driving sales instead of doing mundane repetitive tasks. We enhanced our training programmes to further develop the retail skills of our frontline staff to serve our customers better. In addition, we had successfully explored and deployed new technology and applications to help them improve in-stock levels and better manage price changes.

CORPORATE SOCIAL RESPONSIBILITY

We care for the communities we serve. Corporate social responsibility is an integral part of Caring's operations. We recognise the unique opportunity we have to change lives for the better in local communities by establishing partnerships with our stakeholders who share our values of improving the health and wellbeing of the communities that we serve. (Our corporate social responsibility initiatives are set out separately in the Sustainability Report section in this Annual Report.)

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS AND STRATEGY

The 2018/19 financial year was a significant year of progress for us, as we were able to manage and execute our strategic game plan against a very challenging retail landscape. Looking ahead, we expect market conditions to remain tough and challenging. That being said, we are determined to take bold steps into the future on enhancing our brand and reinforcing our leadership position within the marketplace.

In the short to medium terms, the operating environment is expected to remain highly competitive and we anticipate intensifying pressures on margins as consumers' living costs rise. Nevertheless, the Group will persevere in elevating operational efficiency and focus on exploiting various marketing strategies to safeguard the Group's revenues and profitability. The Board of Directors remains optimistic that the Group will persist to be profitable in coming financial year.

We remain encouraged by our progress on the strategic plans we have put in place. Internally we are on track with targets and key performance indicators, showing positive signs for current financial year 2019/20. The Group will maintain a modest yet pragmatic plan to open 12-15 new outlets a year with renewed focus at peripheral towns outside Klang Valley and other major cities in both peninsular and East Malaysia. Our experiences and learning from newly opened stores at East Coast (Peninsular Malaysia) and East Malaysia shall form the basis for future fruitful expansion in the said locations. We are also committed to undertake refurbishment and upgrades of our existing outlets to provide a better shopping experience for our valued customers.

All efforts will be taken to ensure that Caring Pharmacy outlets remain the preferred pharmacy to our patrons. In Caring, we shall strive to uphold our mantra of offering excellent customer services, with great prices as our inherent objective. Regardless of the economic weather, the benchmark for best value is set so that our customers get the best possible deals with no compromise in quality or services. This is our promise.

Despite the challenging business environment ahead, we remain extremely confident about the future of this great business. Caring is a household brand in community pharmacy and a responsible organisation that genuinely wants to shape an ethical and professional pharmacy practice in Malaysia. Barring any unforeseen circumstances, we shall deliver greater encouraging performances in the financial year to come.

CARING'S 5-YEAR TRANSFORMATION PLAN

The encouraging results of FY2018/19 marked an excellent achievement of our three years' turnaround plan that had started in FY2016/17. Though our business has steadfastly thrived and produced commendable financial outcomes, it has become clear that if we want to sustain the successes and continue delivering good results, change is inevitable. And consequently, we have to transform ourselves into a truly sophisticated and competent retail player. We need to consistently upgrade ourselves, raise the standards of work and further strengthen our market position and hone our competitive advantages.

Encouraged by the impressive records and supported by the renewed ambitions, Caring Pharmacy has embarked on a critical and strategic 5-year transformation plan since the beginning of this new fiscal year with a project code-named **Project V1B**. The plan is co-developed by Caring's core management team with support from a global management consulting firm. We are pleased to update you on some insights of **Project V1B** as below:

VISION

By 2024, we shall have 200 outlets across all cities and major towns in Malaysia where we will extend our caring and professional services and offer the highest quality, trusted, and genuine products to more Malaysians for betterment of their health and well-being.

MANAGEMENT DISCUSSION AND ANALYSIS

4 CORE FOCUS AREAS

In order for us to materialise our vision, we have identified core focus areas as follows which we must relentlessly build strength on.

1. TO OUR CUSTOMER

Caring Pharmacists in white coats ready to serve in a patient-centric approach and with integrity. Sales assistants will take initiative to approach customers and offer assistance in a friendly and enthusiastic manner. Cashiers are attentive in completing sale transactions speedily with accuracy and yet still putting on a smiley face.

Personnel at headquarters to take pride in executing business operations effectively and to provide support in ensuring a hassle-free environment for the frontline to focus on customer service excellence and to drive sales and profits.

As a company we set our goal to engage more productively with Malaysian families to be more health conscious and self-empowered in enhancing their quality of life and pursuit of lifestyles.

2. RETAIL SPACE AND MERCHANDISE

Organised and attractive merchandising with clear segregation of product categories displayed in a well-balanced store with soothing ambient lighting. Pharmacist desk and cashier counter are constantly clean and neat.

Promotional materials are displayed in designated locations, while shop-floor aisles and walkways are cleared of clutter and obstacles. Price tags and shelf labels are clearly displayed for the right products at right location with right information to provide a convenient shopping environment.

3. CUSTOMER EXPERIENCE MANAGEMENT

Multiple channels to provide a seamless and convenient shopping experience for all types of customers without distinction of age, gender and ethnicity. Powerful and functional mobile technology with loyalty reward system, health management and information retrieval, as well as online shopping features that create added values and enhance our responsiveness towards our customers. The Caring mobile app shall play a greater role to complement the services and duties of our Pharmacists as enshrined in our pharmacists' "12 Promises" to our customers.

4. TO OUR PEOPLE

Employees form the backbone of the company. Everyone is crystal clear of the company's vision and strategies, and committed to deliver results within a healthy and safe environment that values a unique Caring culture. In return, everyone shall share and enjoy the fruits of success in terms of job satisfaction, career advancement and good financial rewards.

MANAGEMENT DISCUSSION AND ANALYSIS

FOUR KEY BUSINESS CAPABILITIES

We have also identified Key Business Capabilities that we have to relentlessly build and deliver within these 5 years.

1. To achieve **5% Compound Annual Growth Rate (CAGR)** for all matured outlets (older than 2 years old).
2. To become the **Pharmacy of Choice** for all consumers in the market we serve.
3. To normalise our customer base according to a realistic **Malaysian Market Profile**.
4. To build and strengthen our Caring Pharmacy brand with more outlets via **Nationwide Expansion in Malaysia**.

DELIVERABLES AND OUTCOMES

With the concerted efforts and teamwork underlying the delivery of operational excellence in our business, we envision to achieve our **V1B's** objectives by 2024 – we shall break **RM1 Billion in revenue**; we are proud to be **Best in operations** in the industry; Caring Pharmacy is the most **Brilliant pharmacy brand**; we are running the **Biggest pharmacy chain** in our country, we have the **Brightest talents** to run our business, we embrace **Brave culture** and we dare to take **Bold strategies** to win the game!

Project V1B will be the true north for everything we do in Caring for the next 5 years.

DIVIDEND

Our cash flows provided by operating activities, coupled with our low borrowings have allowed us to sustain our operations and give us the flexibility to invest in activities that fuel our long-term growth as well as reward our shareholders. With the net cash position of RM131.3 million, the Board recommends the payment of a final single tier dividend of RM0.06 per share subject to the shareholders' approval at the forthcoming annual general meeting. The dividend declared for the financial year is RM13.1 million representing a dividend pay-out rate of approximately 50.9% to the profit after taxation for FYE 31 May 2019.

NOTE OF APPRECIATION

On behalf of the Board of Directors, we would like to thank the management and staff of the Company for their concerted efforts towards the customers and our business this financial year.

Performance indicators of the financial year under review show we are firmly on track, and positive figures from the year before have only served to further spur us in our efforts to execute our business strategies to the very best of our abilities. With our operating principles centred on our key strategic drivers of providing unparalleled products and services to our customers, we are confident we will continue to find success with our group and reach further heights so long as we remain crystal clear on our strategies and pool all our resources, energy and focus to execute these plans.

To our customers, shareholders, suppliers, and business associates, who have given us the support in this journey that made us who we are today, we wish to express our sincere appreciation and thanks to all of you for your enduring trust and confidence in our business.

DIRECTORS' PROFILE

DATIN SUNITA MEI-LIN RAJAKUMAR
Malaysian | Female | Aged 51
Independent Non-Executive Chairperson
Appointment Date: 27 December 2012
Tenure of Service: 6 years

Datin Sunita graduated from University Bristol in 1990 with a degree in Law (LLB Hons) and qualified as a Member of the Institute of Chartered Accountants of England and Wales in February 1994. Her working experience included 4 years in Ernst & Young, London, and 6 years at RHB Investment Bank Berhad, Kuala Lumpur, before she established her own firm, Artisan Encipta (M) Sdn Bhd, to manage a government-owned foreign technology venture fund from 2002 to 2008. Since then, she has consulted on national competitiveness by improving national innovation ecosystems. She also sits in the Board of Trustees of Hai-O Foundation, Yayasan myNadi, Yayasan Seni Berdaftar which is registered with the Prime Minister's Department. Aside from this, she is the Festival Director of the Kuala Lumpur International Arts Festival.

Datin Sunita is the Chairperson of Audit and Risk Management Committee and Remuneration Committee of the Company. She is also a member of Nomination Committee of the Company.

Datin Sunita is also the Chairperson (Independent and Non-Executive Director) of Turiya Berhad, a public company listed on Main Market of Bursa Malaysia Securities Berhad. Currently, she is an Independent Non-Executive Director of public listed company Dutch Lady Milk Industries Berhad, and independent non-executive director of two other public companies, namely Yayasan Usman Awang and MCIS Insurance Berhad.

DIRECTORS' PROFILE

CHONG YEOW SIANG
Malaysian | Male | Aged 52
Managing Director
Appointment Date: 30 July 2012
Tenure of Service: 6 years

Mr. Chong Yeow Siang 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 Caring Pharmacy Sdn Bhd. In 1999, he was later appointed as General Manager of Caring Pharmacy Sdn Bhd 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.

SOO CHAN CHIEW
Malaysian | Male |Aged 51
Executive Director
Appointment Date: 30 July 2012
Tenure of Service: 6 years

Mr. Soo Chan Chiew 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 Caring Pharmacy Sdn Bhd in 1994 and was appointed as Branch Manager of our first 'CARiNG' community pharmacy outlet in Taman Muda. In 2007, with the establishment of Caring Pharmacy Retail Management Sdn Bhd, 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.

DIRECTORS' PROFILE

TAN LEAN BOON

Malaysian | Male | Aged 52
Executive Director
Appointment Date: 27 December 2012
Tenure of Service: 6 years

Mr. Tan Lean Boon 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 Caring Pharmacy Sdn Bhd in 1997 as a Branch Manager in one of the CARiNG's retail outlets. Subsequently in 2002, he was appointed as Purchasing Director of Caring Pharmacy Sdn Bhd. He is currently responsible for overseeing the supply chain operations of our Group which includes procurement, warehousing and logistics.

TAN SRI DATO' HAJI MOHD ARIFFIN BIN MOHD YUSUF

Malaysian | Male | Aged 71
Senior Independent Non-Executive Director
Appointment Date: 27 December 2012
Tenure of Service: 6 years

Tan Sri Dato' Haji Mohd Ariffin Bin Mohd Yusuf 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 founded and 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 several private companies.

Tan Sri Ariffin is the Chairman of Nomination Committee and a member of Audit and Risk Management Committee and Remuneration Committee of the Company.

DIRECTORS' PROFILE

ANG KHOON LIM

Malaysian | Male | Aged 52
Non-Independent Non-Executive Director
Appointment Date: 27 December 2012
Tenure of Service: 6 years

Mr. Ang Khoon Lim 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 a 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 Caring Pharmacy Sdn Bhd in the position of a General Manager. In 2000, he was appointed as an Executive Director of Caring Pharmacy Holdings Sdn Bhd.

Mr. Ang is a member of Audit and Risk Management Committee, Nomination Committee and Remuneration Committee of the Company.

MAZLAN BIN IBRAHIM

Malaysian | Male | Aged 51
Non-Independent Non-Executive Director
Appointment Date: 15 August 2019
Tenure of Service: 1 year

Encik Mazlan bin Ibrahim completed his Chartered Institute of Management Accountants (CIMA) in 1993 before joining Ban Hin Lee Bank as a Credit and Marketing Officer. His career in Entrepreneur and Business Development started in 1995 with Perbadanan Usahawanan Nasional Berhad (PUNB). He left PUNB and joined Perbadanan Nasional Berhad (PNS) in 1998. He has spanned almost 22 years involving in small and medium organisational and business development, equity investment, merger and acquisition, financial management and franchising. In 2004, he was appointed as the Head of Franchise Development Department with the main responsibility of overseeing the implementation on the Franchise Development Progam entrusted by the government to PNS. In 2013 he led Corporate Strategic Division until May 2015 before his current position as Head of PNS Investment Division. He was nominated as a Board Member to several PNS Associate Companies and was a Non-Executive Nominee Director to an ACE MARKET listed company.

...

None of the Directors have any family relationship with any Director and/or major shareholder of the Company, have any conflict of interest with the Company, has been convicted of any offence within the past five years and has been imposed any penalty by the relevant regulatory bodies during the financial year 2019.

PROFILE OF KEY SENIOR MANAGEMENT

01

CH'NG HAW CHONG

Malaysian | Male | Aged 41
Procurement Director

Mr. Ch'ng Haw Chong graduated in 2002 with a Master of Pharmacy Degree from the University of Strathclyde, Glasgow, United Kingdom. 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. Subsequently in 2004, he was appointed as Pharmacist cum Branch Manager of our community pharmacy outlet in Taman Muda. He was a Director and individual shareholder of United Caring Venture Sdn Bhd (UCV) between 2005 and 2009. In 2009, he disposed his shares in UCV to our Group and he was appointed to his current tenure as Procurement Director of our Group. He is responsible for the purchasing and category management of our Group.

02

GOOI CHEAN KEONG

Malaysian | Male | Aged 46
Business Development Director

Mr. Gooi Chean Keong 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 Norvatis (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 during his tenure with Norvatis. In 2002, he left and joined Viva Caring Sdn Bhd (Viva Caring), a subsidiary of our Group in which he was a shareholder cum Branch Manager of its CARiNG pharmacy outlets. In 2007, he disposed his shares in Viva Caring to Caring Pharmacy Retail Management Sdn Bhd and was appointed to his current tenure as Business Development Director of our Group. He is responsible for CARiNG outlets expansion.

03

LOO JOOI LENG

Malaysian | Male | Aged 47
Marketing Director

Mr. Loo Jooi Leng 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. In 1998, he joined Caring Pharmacy Sdn Bhd as a Pharmacist at Taman Kok Lian outlet and subsequently promoted to Branch Manager of the outlet. In 2001, he left to join Viva Caring, a subsidiary of our Group in which he was a shareholder cum Branch Manager of its outlet in Lucky Garden, Bangsar. In 2007, he disposed his shares in Viva Caring to Caring Pharmacy Retail Management Sdn Bhd and was appointed to his current tenure as Marketing Director of our Group. He formed merchandising teams, and is responsible for marketing strategies and planning of our Group which includes organising road shows, development of in-house advertising materials, merchandising layout and marketing planning and budgeting.

PROFILE OF KEY SENIOR MANAGEMENT

04

FOO LEE FAH
Malaysian | Female | Aged 43
Financial Controller

Ms. Foo Lee Fah graduated in 2000 from the Universiti of Malaya with a Bachelor of Accounting (Honours) Degree and qualified as a Member of the Malaysian Institute of Certified Public Accountants (MICPA) and Malaysian Institute of Accountants (MIA). Her career started in 2000 as an audit associate at PricewaterhouseCoopers, Kuala Lumpur office and promoted to assistant manager before she left the firm in 2004. She joined Ernst & Young Shanghai's audit assurance department in year 2005 as senior audit associate and promoted to audit manager in the same year. In 2008, she transferred to transaction advisory services department of Ernst and Young, Shanghai Office as a transaction advisory manager before she back to Malaysia in 2010. In 2011, She joined Tesco Stores Malaysia Sdn Bhd as a finance manager – property division and promoted to senior finance manager – property division before she left Tesco Stores Malaysia in 2013. She then joined Revenue Valley Sdn Bhd as a financial controller. In 2014, she left and joined our Group and was appointed in her current tenure as financial controller.

05

WONG HOOI FEN
Malaysian | Female | Aged 54
Chief Pharmacist

Ms. Wong Hooi Fen 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 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 as Merchandising Manager 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 (Watson) as Head of Pharmacy after the acquisition of the retail outlets of Apex Pharmacy Sdn Bhd by Watson. In 2007, she left Watson and joined our Group and was appointed in her current tenure as Chief Pharmacist. She is responsible for the recruitment and planning of the pharmacists of the Group. She is also responsible for the professional development of our pharmacists and ensuring Group's pharmacists practice meet the regulatory requirements and follow the standards operating procedures.

06

OOH CHIN BOON
Malaysian | Male | Aged 42
Senior MIS Manager

Mr. Ooh Chin Boon graduated in 2001 from the Universiti of Malaya with a Degree of Bachelor of Business Administration. He later obtained Degree of Master of Information Technology from the same university in 2003. His career started in 2001 as an Operations Executive at Caring Pharmacy Sdn Bhd where he was responsible for the general office and retail outlet operations. He was later appointed as MIS Manager of Caring Pharmacy Retail Management Sdn Bhd in 2007. He has been involved in our Group's Caring Pharmacy Retail Management System and all IT related matters. He is currently responsible for all IT related matters within our Group.

...
None of the Key Senior Management of the Company have any family relationship with any Director and/or major shareholder of the Company, have any conflict of interest with the Company, has been convicted of any offence within the past five years and has been imposed any penalty by the relevant regulatory bodies during the financial year 2019.

SUSTAINABILITY STATEMENT

A CARING COMMITMENT TO SUSTAINABILITY

To foster a higher level of transparency and accountability, we are disclosing in this report our commitment to Economic, Environmental and Social (EES) sustainability. We have worked diligently towards realising consistent improvements in our performance in order to achieve our targeted objectives and set new goals for our further development.

Our Vision, Mission and Core Values

CARiNG Pharmacy's Vision and Mission are the cornerstones of our commitment to sustainability and to our stakeholders. Our core values serve as our guiding principles in carrying out our work and in conducting ourselves so as to accomplish our Vision and shape our culture.

Vision

We strive to be the most **appreciated and admired Pharmacy Brand.**

Core Values

- Customer Service Excellence
- Caring
- Professionalism
- Innovation
- Responsiveness
- Teamwork
- Integrity

Mission

To provide the most Professional and Innovative Pharmacy Services and the highest Quality Products to our Customers. We aim to be the driver and promoter of Healthy Lifestyles in the Communities that we serve.

To ensure that our People enjoy Attractive Rewards and receive Great Opportunities to develop themselves to their fullest potential in a **"CARiNG"** working environment.

To provide Superior Returns to our Partners in terms of dividend and share value.

ABOUT THIS STATEMENT

'...Our pursuit for commitment and relevance'

This Sustainability Statement is the means by which our Group can describe the initiatives that we have implemented in our pursuit for commitment and relevance in the communities where we serve and operate.

Scope:
This statement covers the entire operations of CARiNG Pharmacy Group Berhad, CARiNG Pharmacy Retail Management Sdn Bhd, as well as partially and wholly owned subsidiaries which CARiNG has direct control and holds a majority stake ("CARiNG Group").

Reporting Period:
The reporting period spans from 1 June 2018 to 31 May 2019. Historical information collected from previous years are also presented as comparative data.

Guideline:
- Primary Guideline: Bursa Malaysia Sustainability Reporting Guide
- Reference: Global Reporting Initiative (GRI) Standards

Reporting Cycle:
The annual reporting cycle coincides with our Annual Report.

Feedback:
Stakeholders who are interested to contact us may do so at:
- www.caring2u.com
- twitter@caring2u
- facebook.com/caring2u

SUSTAINABILITY STATEMENT

MATERIALTY ASSESSMENT

To identify the material topics that exert the greatest impact to the CARiNG Group and our stakeholders, we conducted our first materiality assessment during the financial year 2018. This initiative ensures that the contents of our Sustainability Statement reflect the EES issues that are most significant to our Group and our stakeholders.

For this year's report, we have decided not to update our materiality assessment, given that no significant changes were applied to the nature of our business.

Materiality Review

As the material issues that we had identified in the previous year still reflect the nature of business that we are today, we are confident that our materiality matrix need not be revisited in the current report.

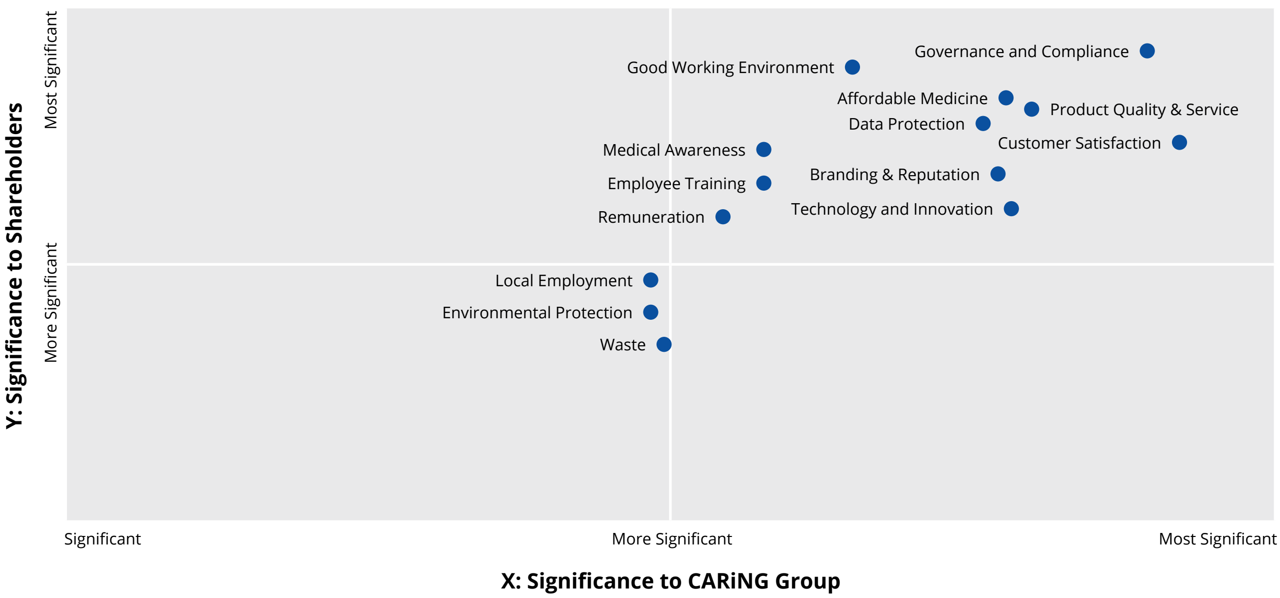
Nonetheless, a matrix reaffirmation process was undertaken to confirm the validity of the preceding year's themes and allow for any changes, if applicable. The reassessment ultimately revealed and confirmed that no changes were needed because our sustainability issues have remained the same.

Materiality Matrix

Plotted in our materiality matrix are 14 EES issues that are identified as the most relevant items to the CARiNG Group and the stakeholders. The X-axis represents the significance of the EES issues to the organisation, whereas the Y-axis denotes their significance to the assessment and decision making of the stakeholders.

The points situated on the top right-hand quadrant are considered to have the highest importance to the CARiNG Group and the highest influence on our stakeholders' decision making.

The CARiNG Group operates in a highly regulated business environment, and its activities are subject to numerous laws, regulations and licensing conditions. As such, the CARiNG Group and our stakeholders place great value in governance and compliance, followed by product quality and affordable medicine, which is consistent with our Vision and Mission.



Waste reduction and environmental protection understandably have low priority, as our business activities and operations do not generate significant wastes or emissions to warrant a considerable attention. Nevertheless, we have implemented various initiatives for reducing emission and waste.

SUSTAINABILITY STATEMENT

STAKEHOLDER ENGAGEMENT

At the CARiNG Group, we believe in practising regular engagement with organisations and/or people that are impacted by our business operations. The table below shows with whom, why and how we engage with our stakeholders.

STAKEHOLDER	ISSUE	RESPONSE
Customers	Affordable Medicine	• Big Cut Campaign • Loyalty Programmes • Coupons and Best Deals
	Health Information	• Pharmacy Service • Health Seminars • CARiNG News Magazine • Website
Government	Compliance	• Supplier Verification and Evaluation • Regular Updates on Regulations
Community	Medical Education and Awareness	• Health Seminars • Donations, Subsidies and Sponsorships • Free Health Screening Services
Employees	Work–Life Balance and Remuneration	• Flexi Working Hours • Performance Reviews • Sports Activities and Social Gatherings • Awards and Recognition
Investors	On-time Information	• AGM and EGM Meetings • Regular Updates on the website 'Investor Relations' Section
Suppliers	Product Awareness Product Recall	• Health Awareness Partnership • Product Recall Assistance • Employee Training

SUSTAINABILITY STATEMENT

COMMITMENT TO GOOD SUSTAINABILITY GOVERNANCE

The Board

The Board remains resolute in upholding its governing responsibilities to chart the direction of the company and enrich the short-term and long-term creation of sustainable value. The Board is tasked with overall responsibility and accountability in driving a sustainable system that encompasses effective and efficient operations as well as compliance with the law, relevant regulations and risk management. The Board considers the interests of all stakeholders, including shareholders, employees, customers, suppliers and the respective communities impacted by our business operations.

The Management

Assisted by the senior management team, the Managing Director is mainly in charge of managing and augmenting our EES sustainability direction. In addition, the Managing Director leads the management of risks; takes charge in the development, operation and monitoring of the internal control system on a day-to-day basis; and assures the Board that all endeavours are being accomplished in accordance with the policies and procedures adopted by the Board.

Project V1B

As we overcome challenges and maximise potential in our ascent towards attaining sustainable development, our management has embarked on a strategic CARiNG 5-year transformation plan code-named V1B. One of the major components of V1B pertains to the support for our sustainability materiality themes. Equipped with the CARiNG 2019–2020 training programme and other business strategies, our transformation plan drives and elevates us towards our targets and achieving the Group's Mission and Vision.

Ethics and Transparency

Approved by the Board, the CARiNG Group Code of Conduct (COC) dictates the highest standards of integrity and behaviour for our employees. Our Whistle Blowing Policy (WBP) is disclosed on our website, which provides all stakeholders with a direct channel for reporting instances of misconduct that contradict our COC and/or other noncompliance offences.

Our operating manuals, which state the policies and procedures for routine operations, are available within the intranet of the Group. These manuals guide our employees in interpreting and applying the CARiNG Group policies and procedures correctly and consistently.

SUSTAINABILITY STATEMENT

CARING FOR OUR ECONOMY

'...To stay relevant and continually evolve'

Our Group recognises revenue, profitability, growth and investment as well as other positive economic principles as important factors at all times. For CARiNG, the most significant aspect is the use of our skills and resources to stay relevant and continually evolve in order to address the needs of the community where we serve.

Our materiality analysis indicated that affordable medicine and technology and innovation are given high priority. The former directly affects family finances, and the latter impacts the local economy.

Economic Snapshot

Revenue
RM559 MILLION

Shareholder's Equity
RM153 MILLION

Dividends
Proposed 6 sen per ordinary share amounting to RM13 million

1,332

Number of Full-Time and Part-Time Employees

Growth and Investments

SUSTAINABILITY STATEMENT

Access to Affordable Medicine

'... Increase the availability and affordability of medical products'

Limited access to essential medicines is a global problem. At the CARiNG Group, one of our key objectives is to increase the availability and affordability of essential medicines, medical supplements and other medical products.

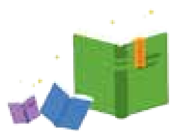
We have expanded the scope of our Big Cut campaign by increasing the number of our price-reduced items and reviewing our pricing on a regular basis. Our new offering is the Best Choice, a promotion for consumer-preferred value-for-money products.

Best Deal

Hunting for a good deal?

Coupon

Find out our latest discount in coupons!



Catalogue

Take a look at our exciting promotions!

Member

Join us as member now!

Our partners have demonstrated their support to our sales promotion by not only amplifying their brand recognition but also positioning themselves to build deeper bonds with the customers.

Our buying team maintains an active communication with international brand owners for the potential importation of popular and high-quality health and personal care products for the benefit of our customers.

SUSTAINABILITY STATEMENT

Technology and Innovation

IT strategy is one of the Malaysian government's top 10 strategic technology priorities. Thus, in adherence to the government's Economic Transformation Programme, the CARiNG Group has embraced Technology and Innovation or Information Technology as a major strategic tool for realising growth. The Management Information Systems (MIS) department is vigorously steering our CARiNG e-Store to new heights in order to take advantage of the booming digital economy.

Knowledge Visibility

'… Dissemination of health Information and promotion campaigns to community in a more effective, eco-friendly and less costly manner'

The CARiNG Group recognises that IT can positively influence patient and customer care whilst enhancing the company's bottom line. To realise this, our Management Information Systems (MIS) department is dynamically shepherding our company towards the new millennium. Our CARiNG mobile apps place a great emphasis on Health Centre, which consists of Health Information and Pharmacy Services. Besides, it also shares ongoing promotional campaigns in stores. The community can access the information anywhere and anytime.

'… Seamless operation though automation processes which increase staff productivity'

The MIS department is vigorously working on process streamlining either through change process or automation of some manual processes. In the financial year ended 2019, MIS has enhanced the supply chain management system, which in turn allowed for a more frequent delivery of stocks to our outlets (from twice a week to thrice a week) with minimal increase in manpower in the central warehouse and distribution centres.

User Centred Application

The MIS department remains abreast of the latest technology developments in the market. They assess and study the user requirements by conducting in-depth interviews with users prior to the implementation of new technologies or IT solutions. In the financial year ended 2019, MIS created a new feature in our CARiNG mobile apps whereby a CARiNG member is able to do online registration for health seminars organised/co-organised by the CARiNG group, store an e-ticket for the seminar registered, and view the list on registered/attended seminars. Moreover, enhancing CARiNG mobile apps and the e-Store website to provide a better internet and mobile surfing experience to users continue to be one of the priority tasks of the MIS department.

The Click and Pick service allows customers to purchase products online and collect their orders at selected outlets. Since its launch in FY2018, it has received good responses from our customers. The monthly transaction has increased from 100 to 260 from June 2018 to May 2019. Meanwhile, the CARiNG Shopper Loyalty Programme – which is a mobile app that allows customers to enjoy rewards and gifts, access the CARiNG e-Store, and register online for health seminars organised/co-organised by CARiNG from the comfort of their homes – has recruited 389,455 members.

SUSTAINABILITY STATEMENT

CARING FOR OUR CUSTOMERS

The CARiNG Group values the customers' Health and Safety and ensures that customers are sold only high-quality products and always served professionally by all of our pharmacists and staff.

'...Our pledge to promote values and professionalism'

12 Promises
of a Professional CARiNG Pharmacist

Ask 3 questions or more before dispensing medicines.	**Refer to a doctor** for diagnosis and dosage adjustments
Ensure that dispensing is performed by or under the **supervision of a pharmacist.**	Encourage patients to have **regular check-ups**.
Label all dispensed medicines.	**Ask for a prescription** for poison B.
Counsel adequately when dispensing any medicines.	**Do not alter the doctor's prescription** without their consent.
Conduct proper recording in accordance with regulations.	**Follow up** with patient on treatment outcomes.
Start a PMR to effectively manage treatment especially for long-term medicines.	Keep our **knowledge up to date**.

The 12 Promises of a Professional CARiNG Pharmacist espouse our pledge to promote values and professionalism. Our commitment is to keep our promises even at the expense of working much longer than anticipated. CARiNG outlets are always staffed by a pharmacist during business hours. Our pharmacist acts as a source of expert knowledge and as a listening ear to customers who visit the pharmacy counters to fill their prescription, have their blood pressure checked or ask for a recommendation regarding over-the-counter medications.

Product Safety and Quality

NATIONAL PHARMACEUTICAL REGULATORY AGENCY
MINISTRY OF HEALTH MALAYSIA

We safeguard the quality and safety of our products by strictly abiding by the regulations, schemes, standards, protocols and procedures prescribed by the National Pharmaceutical Regulatory Agency (NPRA). The NPRA conducts regular audits, which include analytical, pharmaceutical and microbiological tests on the drugs and medicines available in the market. Through these inspections, they ascertain product quality, efficacy and safety.

In light of this and in cooperation with our suppliers, the CARiNG Group has enforced a mechanism that facilitates immediate recalls of products that are found dangerous and unsuitable by the NPRA.

SUSTAINABILITY STATEMENT

Quality Service

'We strive to provide professional service to customers by being mindful'

Staff and pharmacists who are assigned on the frontlines of our stores undergo comprehensive and holistic trainings that strengthen their product knowledge so that they are equipped with the necessary expertise to adequately serve customers. Such product knowledge includes pricing points and patent rights pertaining to the health products being sold. They are also trained to always greet customers at our outlets with enthusiasm and a positive attitude.

Moreover, staff are well capable of handling cashier operations, inventory management and shelf placement of products, enabling them to serve customers quickly without compromising service quality.

Customer Testimony:

'I went to CARiNG and asked the CARiNG Pharmacist for painkillers for my chronic neck pain. The Pharmacist suggested that I should not depend on painkillers too much. Instead, she told me to try neck exercises (which she taught), change my pillow and try different sleeping positions. I also asked her to give me advice about my itchy and watery eye condition, but she asked me to consult a doctor for proper diagnosis.*

I must have taken about 20 minutes of her time talking about my pains and allergies. The Pharmacist advised me about proper diet and exercise. I left buying fewer painkillers than I had planned. Then I told the Pharmacist, "CARiNG might not like you because I am not buying a lot and I took so much of your time." She replied, "Even if customers don't buy anything, if we help them as much as we can with our whole heart, they come back. So that's why we give good advice."

* The customer's name is withheld to maintain their privacy.

Data Protection

We strictly comply with the Personal Data Protection Act 2010 of Malaysia. We have implemented administrative security protocols to avoid any accidental loss of data and prevent deliberate attempts of ill-willed parties to gather confidential information.

Data are disclosed only to appointed service providers entrusted by the CARiNG Group to communicate with customers via communication channels, such as SMS, email and apps, or with government agencies when required by the law.

SUSTAINABILITY STATEMENT

Customer Engagement

'... Forging strong customer relations through meaningful engagements'

In our pursuit of wellness, the CARiNG Group believes that helping consumers manage their health needs should extend beyond having pharmacists available for consulting and providing access to medicines or healthcare products at physical stores. Rather, it should also involve forging strong customer relations through engagements in other meaningful ways. With this strategy, the CARiNG Group can become more equipped to understand and address their health needs.

To better accommodate our customers' health needs, we have initiated three (3) personal customer engagement programmes: CARiNG Customer Care (3C), Health Programme and Health Workshop.

CARiNG Customer Care (3C) is an initiative offered in selected outlets wherein the patients' existing needs are managed with the assistance of pharmacists.

Medicine Use Review (MUR): A pharmacist discusses with a patient their medicines, both prescribed and non-prescribed, to check compliance and to assess any problems with the current medicines and their administration.

Monitored Dosage System (MDS): This system promotes the dispensing of medicines in a special tray labelled with the days of the week and time of the day for accurate compliance.

Chronic Disease Management (CDM): CDM is a service for patients with a long-term condition. Pharmacists regularly discuss with the patient their options for chronic medicines to help them get the most benefit from the medication whilst doctors continue to provide medical care.

Patient Medication Record (PMR): PMR is an electronic records system that helps better manage the patients' medications, improve compliance and consequently improve the patients' health.

SUSTAINABILITY STATEMENT

Health Programme is an in-store activity for spreading awareness about common medical conditions, such as diabetes, hypertension, asthma and obesity. This programme also provides information and assistance on the prevention of complications and smoking cessation. In addition, free health screenings and wet sampling are conducted all year round.

'Although many diseases may not show signs and symptoms at early stages, early detection may facilitate appropriate intervention to prevent complications and improve survival.'

During the CARiNG Health Awareness Day (CHAD), over 2,800 customers were screened for various common medical conditions, including diabetes, hypertension and dyslipidaemia.

Health Workshops and Corporate Roadshows are health talks conducted by medical specialists. These are held in various venues, such as hospitals, CARiNG headquarters, universities, corporate offices and other locations that can accommodate many attendees.

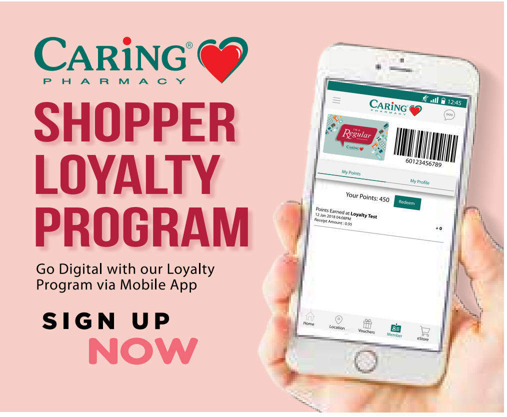
Health Workshops: For the financial year under review, we organised the following workshops:

Workshop	Number of attendees
CARiNG Heart Health & Stroke Prevention Workshop	137
A Friend of Skin – Eczema Education Workshop	86
Understanding Psoriasis	47
CARiNG Nocturia Health Talk @ Sin Chew	267
CARiNG Workshop: Managing Osteoarthritis	83
Eye Awareness	154
Kids Health Workshop	217
Sex Education - Kids	89
The Recipe for Dry Itchy Eczema Skin	108

Corporate Roadshows: 'Free health checks, counselling and consultations'

To assist employees in combatting stress and other work-induced illnesses, we have initiated corporate campaigns aimed at heightening the health awareness amongst employees. For the year under review, 14 events were held, and 4,870 employees benefited from the various drives, which consisted of free health checks, counselling and consultations.

SUSTAINABILITY STATEMENT



Loyalty Card

To further bolster our customer engagement, we have introduced a loyalty card incentive programme. The rewards of this programme include free health screenings and merchandise as well as coupons and points which can be converted as payment for purchases. Since its launch in FY2018, membership has reached 389,455 customers.

A Wealth of Health Information

Our website contains a wealth of medical information dealing in a wide range of health topics, all of which are available in Bahasa Melayu, Chinese and English to adapt to Malaysia's culturally diverse population.

The CARiNG News magazine is published quarterly in hard copies and is available on our website. The magazine is dedicated to imparting in-depth information on medical conditions to help customers better understand a particular illness.

The **Ask Your Pharmacist** inquiry portal can be used by the general public to submit questions regarding specific medications, medical conditions or dietary supplements. This initiative aims to prevent the spread of misinformation amongst consumers.

Our **Live Chat** assists our customers in navigating the CARiNG e-Store website. The service is available in English, Bahasa Melayu and Chinese.

SUSTAINABILITY STATEMENT

CARiNG FOR OUR EMPLOYEES

At the CARiNG Group, we believe that the overall performance of the company and the wellbeing of our employees are symbiotic. For this reason, we always maintain open communication with our employees and regularly conduct internal studies not only to better assess and address their individual needs but also to reassure them that we genuinely care for their contentment and health.

BENEFITS

On top of the government-mandated statutory compensation and benefit requirements, including KWSP, PERKESO, annual leaves, sick leaves, marriage leaves and compassionate leaves, we pride ourselves in going the extra mile when it comes to taking care of our employees by offering insurance plans for hospitalisation, surgery and personal accidents, employee education loans, higher employer contribution rate to KWSP for staff who have served after certain years and book subsidies to employees' children.

ENGAGEMENT

Balancing the Professional and Personal Scale

We recognise the importance of our employees' personal lives outside of the office. In this light, CARiNG has incorporated flexible office hours for its staff.

With the introduction of flexi-working hour brackets, staff can have ample time for leisure and recreation with friends, and employees with children can better manage the difficult role of being a working parent.

Flexi Hour Work Brackets 8 AM – 5 PM; 9 AM – 6 PM; 10 AM – 7 PM

Staff can select from three flexi hour brackets based on whichever time slot best suits their own needs.

Leisure, Gathering and Awards

We value the individual achievements of our top performers because we realise that recognition plays a significant role in employee retention. Thus, we make an effort to let every employee know that we appreciate their contributions to the Group. To demonstrate our commitment to this goal, we periodically distribute achievement and service anniversary awards, annual performance incentives and bonuses to employees who have displayed exemplary performance in their service to the company. In addition, we also hold monthly birthday celebrations for staff.

TRAINING

Investing in improving the skillset of our employees has been and continues to be an integral part of CARiNG's operations year after year.

We are aware of our unique position as a company in Malaysia whose primary business is looking out for the health of its clients. So, we place particular emphasis on ensuring that our pharmacists, a crucial profession in our society, are steadily upskilled by exposing them to Continuing Pharmacist Education (CPE) trainings, which are organised by the company, so that they can qualify for the renewal of their annual retention certificates.

In addition, CARiNG organises regular non-pharmaceutical upskilling programmes for our pharmacy assistants, salespeople, store operations officers and customer service staff.

For the financial year under review, we conducted 38 training as shown below:

<table>
<tr><th colspan="4">TRAININGS CONDUCTED DURING FY2019</th></tr>
<tr><th colspan="2">Employee Segment and Objective</th><th># of Attendees per Session</th><th># of Hours / # of Session</th></tr>
<tr><td rowspan="3">Pharmacist:
To educate pharmacists, keep them up to date on medical breakthroughs and align them with corporate goals</td><td>CPE</td><td>110</td><td>5 hours / 11 sessions</td></tr>
<tr><td>Kick Off Meeting (KOM)</td><td>110</td><td>1.5 days / 1 session</td></tr>
<tr><td>Blue Ocean Strategy (BO) Training</td><td>45</td><td>5 hours / 3 sessions</td></tr>
<tr><td rowspan="6">Non-pharmacist:
To increase store staff knowledge on CARiNG products, provide customer service training and update them regarding company financial targets</td><td>PA Training / 6 sessions</td><td>25</td><td>7 hours / 6 sessions</td></tr>
<tr><td>Central All-Staff Training</td><td>163</td><td>7 hours / 3 sessions</td></tr>
<tr><td>Southern All-Staff Training</td><td>25</td><td>7 hours / 3 sessions</td></tr>
<tr><td>Northern All-Staff Training</td><td>25</td><td>7 hours / 6 sessions</td></tr>
<tr><td>New Staff Induction</td><td>112</td><td>7 hours / 1 session</td></tr>
<tr><td>Supervisor Training</td><td>54</td><td>7 hours / 6 sessions</td></tr>
<tr><td>Others:
Induction training on the company's background, HR policies, general operations, marketing updates and customer service for new pharmacists and HQ staff (3 days for pharmacist and 1 day for HQ staff)</td><td>General Training</td><td>48</td><td>8 hours / 3 days</td></tr>
</table>

2019–2020 Training Plan

The CARiNG 2019–2020 Training plan are the activities and resources to guide our Group towards our learning direction. This plan allows us to prepare to deliver training goals compatible with the overall objective of the Group.

2019–2020 TRAINING PLAN		
Training Programme	**Description**	**Frequency**
Mentor–Mentee Programme	An experienced employee is assigned to impart knowledge to new recruits	2–3 batches / year
HQ CPE Attendance	To improve the knowledge and skills of pharmacists by teaching the latest medical updates	11 times / year
Structural Training Programme for Potential Branch Manager	To train staff on the skills required to run a pharmacy, such as staff management, leadership skills, sales & marketing, updates on ongoing programmes and inventory management	2 times / year

HEALTH AND SAFETY

In the course of our business activities, the safety of our employees is always amongst our top priorities. The CARiNG Group carefully assesses the risks to which our employees are exposed and takes the appropriate precautions to prevent them.

The company has installed CCTV cameras at all outlets. Furthermore, closing times have been set earlier at locations with less traffic so that female employees can avoid going home late.

In cases of fire emergencies, corporate offices and warehouses have 24-hour emergency response teams on call. These locations are also equipped with round-the-clock security control.

"Get Fit, Don't Quit"

The CARiNG Group has organised weekly badminton sessions that are open to all employees. Additionally, to improve the wellbeing and promote a healthy lifestyle for CARiNG employees, we launched on 19 November 2018 our yearly Health and Fitness Day programme, which includes a regular Fitness Zumba Class where the participants' BMI is monitored.

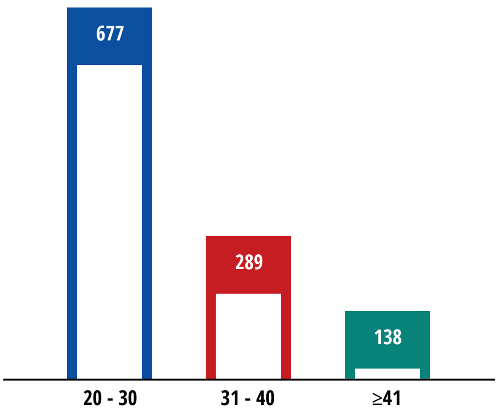
SUSTAINABILITY STATEMENT

DIVERSITY

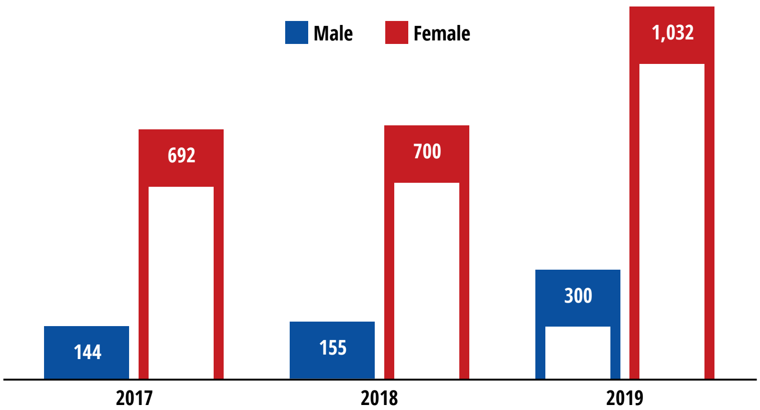
The Group upholds equal opportunity and forbids harassment of any kind. Employees who are found engaging in activities of harassment or discrimination will be held liable to strict disciplinary action.

We empower and nurture our people by respecting and appreciating their differences, in terms of age, gender, ethnicity, religion, disability, sexual orientation, education, and nationality.

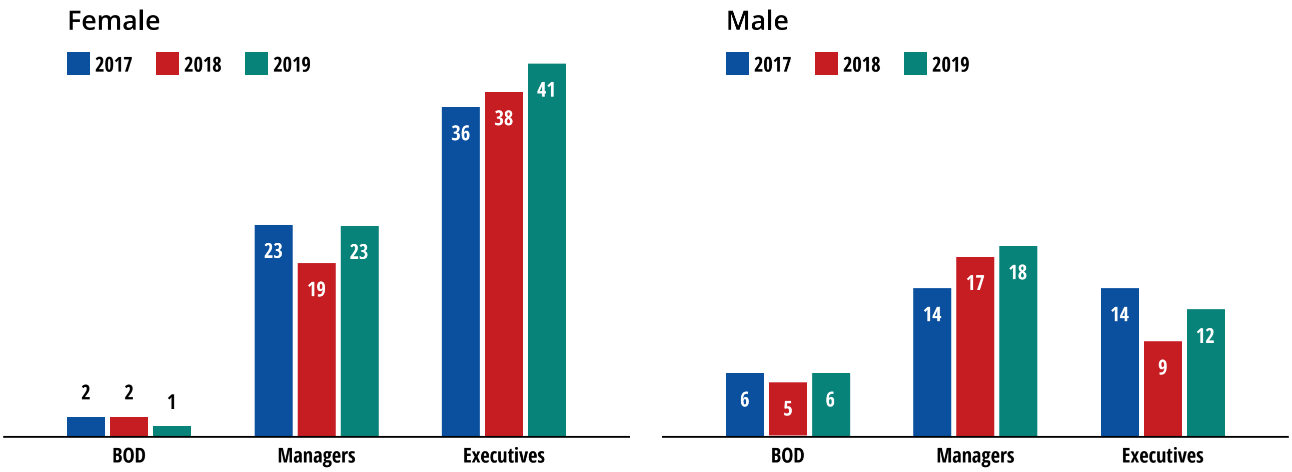
The overarching floor employment landscape in Malaysian outlets struggled with a high turnover in 2019, with many local companies, including CARiNG, being forced to deal with staff resignations sometimes without notice. These circumstances are mainly attributed to abrupt changes in careers and furthering studies, and a minimal percentage can be chalked up to poor performance and familial issues



AGE COMPOSITION FYE 2019



EMPLOYEE DEMOGRAPHICS



POSITION BY GENDER

SUSTAINABILITY STATEMENT

CARiNG FOR OUR ENVIRONMENT

The CARiNG Group aims to promote environmental protection by recognising the need for eco-friendly practices, such as energy efficiency and recycling. As mandated by our COC, the CARiNG Group endeavours to consistently promote environmental sustainability at the CARiNG Head Office and across all of our CARiNG Outlets.

'We have identified waste minimisation and energy consumption reduction as the cornerstones of our initiative to reduce our environmental impact.'

The carbon footprint of our business operations is directly related to the amount of utilised energy. Thus, our objective is to minimise the energy consumed at the CARiNG Head Office, across all of our CARiNG Outlets and throughout the supply chain.

Eco-efficient Technology

'We have successfully fitted all of our outlets with LED lighting.'

LED lighting consumes half as much as fluorescent lighting, suggesting that LED lighting is a cost-efficient and environmentally friendly alternative. A budget of RM 120,000 was allocated for the transition of CARiNG Outlets that were opened prior to May 2014 from T5 to LED lighting. As of the financial year ended 2019, we have successfully fitted all of our outlets with LED lighting.

To enhance our energy efficiency even further, we have also prescribed the usage of energy-saving refrigerators and air-conditioning units with inverter technology at the CARiNG Head Office and across all CARiNG Outlets.

	CARiNG Outlets	CARiNG Head Office
LED Lighting	✓	✓
Energy-saving Refrigerators	-	✓
Energy-saving Air Conditioning	✓	✓

Eco-friendly Practices

To inculcate the consciousness of CARiNG for the environment requires the development of a culture that emphasises employee participation. To this end, we have initiated the **Go Green Campaign**.

Recycling bins and energy consumption reminders are strategically located to encourage environmentally friendly practices.

Eco-friendly Logistics

With the aid of our logistics consultant, the CARiNG Group has devised a programme for implementing route optimisation to enhance the energy efficiency during transportation. Aside from reducing carbon emissions by minimising the distance travelled per hour, smart route planning shortens delivery time and improves delivery efficiency.

The success of our energy conservation efforts is reflected by the steady decrease in average KwH electricity consumption per outlet over the past three years.

Year	Electric Consumption (KwH)	Number of Branches/ Outlets
2017	3,836,000	107
2018	3,397,000	115
2019	3,540,000	125

SUSTAINABILITY STATEMENT

Eco-packaging

Since 2018, we have worked towards reducing the plastic wastes at CARiNG Outlets by encouraging customers to exchange single-use plastic bags for reusable shopping bags. To date, we have distributed more than 23,000 reusable bags.

We have advocated for the use of biodegradable plastic bags in support of the Malaysian government's policy in Federal Territories that requires plastic bags to be biodegradable and compostable.

FY	Reusable Bags Distributed (pcs.)
2017	3,761
2018	9,518
2019	10,200

In addition, we have replaced our customers' plastic membership cards with digital cards through our mobile application.

CARING WITH OUR PARTNERS

Chain Management

Enshrined in our COC is our obligation to conduct due diligence in dealing with new suppliers and business partners as well as monitor their activities to identify any issues of concern.

Listing Committee

In compliance with our COC commitment and the highly regulated international standards which require the company to adhere to strict quality and safety requirements, the CARiNG Group has created the Listing Committee. The Committee members are composed of members who are knowledgeable about the best practices in pharmacy. The team comprises members from the category team, frontline operation and area managers.

Purpose

- Screens and conducts background checks on all products, particularly prescription drugs and medicines, beauty products and traditional medicine;
- Keeps abreast with NPRA and announcements and ensures that medical product suppliers have secured the required licence from the NPRA;
- Monitors possible product recalls and coordinates with suppliers and purchasers;
- Informs suppliers of the Group's ethical practices; and
- Sources reputable products that are unavailable locally but are proven effective and affordable.

Supplier Engagement

CARiNG Group believes that by being empowered with the right information at the right time and with the help of suppliers, we can enhance customer and community health awareness and patient safety. Thus, we actively engage with our suppliers, as demonstrated through the following examples.

- Genuineness of Medical Products: Suppliers educate the store outlet personnel and pharmacists in recognising authentic against falsified products.
- Training: The suppliers train the store personnel and pharmacists on how to handle new devices.
- Product Recall: We coordinate with the suppliers as regards the return and recall of products.
- Customer Engagement: We collaborate with the suppliers to promote health awareness and conduct seminars to customers, patients and the community as a whole.

SUSTAINABILITY STATEMENT

CARING FOR OUR COMMUNITY

CARiNG Group's objective is to play a significant role in providing charities and non-profit organisations with a much needed financial and non-financial supports and to foster meaningful relationships.

CARiNG Earth Day clean up gotong royong at Kanching waterfalls with volunteers from St. John Ambulance and students of University Malaya.

Sex Education Workshop

Kirtash Handicapped and Disabled Children's Home: In collaboration with Main Place Mall the CARiNG Pharmacist offered free health checks and donated essentials.

Kids Baking Workshop

One Shop One School

The One Shop One School provides and replenishes first aid kits to twenty (20) selected primary and secondary schools. The school may refill their first aid kits at dedicated outlets. An additional monetary contribution is also allocated for each school.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors ("the Board") of Caring Pharmacy Group Berhad ("Caring" or "the Company") recognises the importance of maintaining corporate governance best practices and continues to be committed to ensuring that a high standard of corporate governance is practiced throughout the Company and its subsidiaries ("the Group") as a fundamental part of discharging its responsibilities to protect and enhance long-term shareholder value while safeguarding the interests of all stakeholders.

Set out below in this Annual Report is an overview statement, made pursuant to Paragraph 15.25 of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities"), on the Group's corporate governance practices in accordance with the principles and recommendations set out in the Malaysian Code on Corporate Governance ("MCCG") for the financial year ended 31 May 2019.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

Board Responsibilities

The Group is headed by a Board who is collectively responsible for meeting the Group's long-term goals and objectives. To ensure these are achieved, the Board establishes the strategic directions and targets for the management and monitors the achievement of those goals and targets.

The Board understands the principal risks of all aspects of the business that the Group is engaged in recognising that business decisions require risks to be incurred. To achieve a proper balance between risks incurred and potential returns to shareholders, the Board ensures that there are in place systems that effectively monitor and manage these risks with a view to the long-term viability of the Group.

The roles and responsibilities of the Board are clearly defined in the Charter of Board, which is available on the Company's website at www.caring2u.com.

Amongst others, the key responsibilities of the Board to discharge in the best interests of the Company in pursuance of its commercial objectives are as described below:

i) Reviewing and Adopting the Company's Strategic Plans

The Board plays an active role in the development of the Company's strategy. It has in place a strategy planning process, whereby the Management presents to the Board its recommended strategy annually, together with its proposed budget with Key Performance Indicators ("KPIs") ("Budget") for the Group for the ensuing year, for the Board's review and approval.

At this session, the Board deliberates both the Management's and its own perspectives, and challenges the Management's views and assumptions, to ensure the targets correspond to the Group's strategy and business plan, reflect competitive industry trends and internal capabilities as well as provide sufficient stretch goals for the Management. The Board actively engages with Management in monitoring the progress of initiatives and projects identified from time to time and, where required, identifies alternative measures to be taken to ensure the successful realisation of the strategies. The Board discusses strategy implementation processes taking cognisance of internal and external factors which had supported various achievements as well as challenges facing Management.

On the other hand, the Board is cognisant of the importance of business sustainability and, in conducting the Group's business, the impact on the environment, social and governance shall be taken into consideration. The Group also embraces sustainability in its operations and throughout its value chain and in partnership with its stakeholders, including suppliers, customers and other organisations.

ii) Overseeing the Conduct of the Company's Business

The Board has a collective responsibility for the oversight and overall management of the Group. The Non-Executive Directors are responsible for bringing independent judgment and scrutiny to decisions taken by the Board and providing objective challenges to Management.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Board Responsibilities (cont'd)

ii) Overseeing the Conduct of the Company's Business (cont'd)

The Non-Executive Directors do not participate in the day-to-day management of the Group and do not engage in any business dealing or other relationship with the Group. In this manner, the Non-Executive Directors fulfil a crucial corporate accountability role as they provide independent and objective views, opinions and judgement on issues being deliberated and act in the best interest of the Group, its stakeholders and shareholders, including minority shareholders. There is a schedule of key matters reserved to the Board for its deliberation and decision to ensure the direction and control of the Group are in its hands.

The Managing Director ("MD") is responsible for the day-to-day management of the business and operations of the Group. He is supported by the Executive Directors, Management team and other Board committees established. Management Team's performance, under the leadership of the MD, is assessed by the Board through a status report which is tabled to the Board and which includes a comprehensive summary of the Group's operating drivers and its financial performance during each reporting period. The Board is also kept informed of key strategic initiatives, significant operational issues and the Group's performance, based on the approved KPIs under the Budget as well as the follow up or implementation of its decisions/recommendations by the Management.

The MD also formally presents to the Audit and Risk Management Committee and the Board the details of revenues and expenditures for review of quarter-to-quarter and year-to-date financial performance against Budget. The Letter to Stakeholders, and the Management Discussion and Analysis of this Annual Report all provide additional analysis and commentary on the Group's financial performance.

As part of the governance process in reviewing the quarterly and yearly financial statements by the Audit and Risk Management Committee, the MD and Finance Director provide assurance to the Audit and Risk Management Committee on a quarterly basis that adequate processes and controls were in place for an effective and efficient financial statements close process, that appropriate accounting policies had been adopted and applied consistently and that the relevant financial statements gave a true and fair view of the state of affairs of the Group.

In addition to the above, the Head of Departments ("HoDs") also undertook an independent assessment of the system of internal control on an annually basis and assured the Audit and Risk Management Committee that no material issue or major deficiency had been noted which posed a high risk to the overall system of internal control under review.

As such, the Board is satisfied that it has met its obligation to present a balanced and understandable assessment of the Group's position and prospects in the Directors' Report and the Annual Audited Financial Statements set out in this Annual Report.

iii) Identifying Principal Risks and Ensuring the Implementation of Appropriate Systems to Manage Them

The Board recognises the importance of managing risks and maintaining a sound system of internal controls which cover risk management, financial, organisational, operational and compliance controls. The Board has delegated the implementation and monitoring of the internal control system to the Management and has appointed independent assurance provider to carry out the internal audit functions.

The Board has established the Audit and Risk Management Committee to assist in overseeing the risk management framework of the Group. Based on the feedback provided by the Management Team, the Audit and Risk Management Committee advises the Board on areas of high risk faced by the Group and the adequacy of compliance and control throughout the Group. The Audit and Risk Management Committee reviews the risk management policies formulated by Management annually and makes relevant recommendations to the Board for approval. Further details on the role and responsibilities of the Audit and Risk Management Committee are disclosed in pages 56 to 60 of this Annual Report.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Board Responsibilities (cont'd)

iii) Identifying Principal Risks and Ensuring the Implementation of Appropriate Systems to Manage Them (cont'd)

Nevertheless, the Board has also established an Enterprise Risk Management ("ERM") framework to formulate and review risk management policies and risk strategies. An Executive Risk Management Committee, chaired by the Non-Independent Non-Executive Director and comprising key management personnel from the respective departments was also established as to continue to promote ERM framework activities. The Executive Risk Management Committee is tasked to report to the Audit and Risk Management Committee on key risks identified and the implementation of action plans to mitigate such risks. Details of the main features of the Company's risk management framework and internal controls system are further elaborated in the Statement on Risk Management and Internal Control of this Annual Report.

iv) Reviewing the Competence of the Board Members and Senior Management Team and to Ensure Succession Planning of the Board and Senior Management Team is Put in Place

The Board has established the Nomination Committee to primarily responsible for reviewing candidates for the Board and key management positions, determining compensation packages for these appointments, and formulating nomination, selection, compensation and succession policies for the Group.

In discharging its responsibility, the Nomination Committee assesses the performance of the individual directors (including the MD and Executive Directors) and identifies of training requirements of the directors on an annual basis to ensure all directors possess essential skills and knowledge to discharge their responsibilities as directors of the Group.

The Nomination Committee will review the Group's human resources plan including the succession management framework and activities, human resources initiatives such as jobs and salary review, and the annual manpower budget. The succession planning across the Group is implemented by stages of training programme designed specifically for retail staff. A detailed job description is established for each job level.

Through the input and feedback provided by the MD and Executive Directors, the Nomination Committee continues to monitor the actions taken by the Group Human Resources Department to ensure the smooth transition of key personnel into critical positions, and that the development plans for the identified successors are put in place based on their readiness to assume the positions. Where there are key management positions to be filled, the Board will also discuss on the same to ensure that the candidates appointed or employed are of sufficient calibre.

In addition, the Board has established the Remuneration Committee to primarily responsible for the development and review of the remuneration policy and packages for the Board members and senior management. The Remuneration Committee meets on an annual basis to review the remuneration package and fees of the Executive Directors and senior management team as to ensure that it is commensurate with the respective performance and contribution. The results of the review by both the Nomination Committee and Remuneration Committee are tabled to the Board for deliberation and approval.

v) Overseeing the Development and Implementation of a Communication Policy for the Company

Being cognizant of the need for transparency and accountability to the Company's shareholders and regular communication with its shareholders, stakeholders and investors on the performance and major developments in the Group, the Group will take necessary steps in carrying out its Investor Relations activities in accordance with the resources and needs of the Group from time to time.

The Group intends to be more proactive in sharing current, reliable and up-to-date news flows on the retail pharmacy industry and regularly participate in road shows and conferences to ensure constant interactions with existing and prospective investors.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Board Responsibilities (cont'd)

v) Overseeing the Development and Implementation of a Communication Policy for the Company (cont'd)

To promote the dissemination of the financial results of the Group to investors, shareholders and media as well as to keep the investing public and other stakeholders updated on the progress and development of the Group's business, the MD and/or the Finance Director intend to conduct the open briefings from time to time.

vi) Reviewing the Adequacy and Integrity of Management Information and Internal Control System of the Company

The Board leads the Group within a framework of prudent and effective controls. Hence, the Board is ultimately responsible for the adequacy and integrity of the Group's internal control system.

Details pertaining to the Group's internal control system and the review of its effectiveness are set out in the Statement on Risk Management and Internal Control of this Annual Report.

The Board owes the fiduciary duties to the Company and, while discharging its duties and responsibilities, shall individually and collectively exercise reasonable care, skill and diligence at all times.

Independent Chairperson

The MCCG recommends that the Board of Directors of a public listed company should be composed of a majority of independent directors where the chairman of the Board is not an independent director.

During the financial year under review, the Board is chaired by an Independent Non-Executive Director and one third (1/3) of the Board consists of Independent Non-Executive Directors. The Chairperson, who is an Independent Non-Executive Director, is not involved in the day-to-day management of the Group's business and has no relationship that could materially interfere with her judgement. The Board therefore is of the view that balance of power and authority exists within its current structure to sufficiently enable it to discharge its duties objectively.

The Chairperson leads the Board with a keen focus on governance and compliance and acts as a facilitator at Board meetings to ensure that contributions by Directors are forthcoming on matters being deliberated and that no Board member dominates discussion. Together with the other Non-Executive and Independent Directors, she leads the discussion on the strategies and policies recommended by the Management. She also chairs the meetings of the Board and the shareholders.

Separation of Positions of the Chairperson and Managing Director

During the financial year under review, the Company has complied with the recommendation of the MCCG where the positions of the Chairperson and the MD are held by different individuals, and that the Chairperson is a non-executive member of the Board.

The Group has a clear distinction and separation of roles between the Chairperson and the MD, with clear division of responsibilities in order to ensure a clear balance of power between the Chairperson and the MD.

The Chairperson is primarily responsible for the governance and management of the Board, and also serves as the communication point between the Board and the management. The key responsibilities of the Chairperson are as follows :

i) Oversee and lead the Board to ensure effective performance of the Board;
ii) Facilitating the effective contribution of all Directors at Board meetings;
iii) Ensuring all strategic and critical issues are considered by the Board and directors receive the relevant information on a timely basis; and
iv) Ensuring compliance with all relevant regulations and legislation.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Separation of Positions of the Chairperson and Managing Director (cont'd)

The MD manages the business and operations of the Group and implements the Board's decisions. He is subject to the oversight of the Board and is accountable for leading the Management team, implementing the policies/ decisions approved by the Board, building a dynamic corporate culture with the requisite skills and competency and acting as the Group's official spokesman.

The distinct and separate roles of the Chairperson and MD, with a clear division of responsibilities, ensure a balance of power and authority, such that no one individual has unfettered powers of decision-making.

Qualified and Competent Company Secretaries

The Board is supported by qualified and competent Company Secretaries who are responsible for ensuring that the Company's Memorandum and Articles of Association, procedures and policies and regulations are complied with. The Board is regularly updated and advised by the Company Secretaries on any new statutory and regulatory requirements in relation to their duties and responsibilities.

The Company Secretaries also notify the Board of any corporate announcement released to Bursa Securities and the impending restriction on dealing with the securities of the Company prior to the announcement of the quarterly financial results.

The Company Secretaries ensure that deliberations at Board and Board Committee meetings are well captured and documented, and proper records are maintained accordingly at the Registered Office of the Company, and produced for inspection, if required.

The Board recognises that the Company Secretaries are suitably qualified and capable of carrying out the duties required. The Board is satisfied with the service and support rendered by the Company Secretaries in the discharge of their functions.

Information and Support for Directors

Unless otherwise agreed, as far as possible, the notice of each meeting confirming the venue, time, date and agenda of the meeting together with relevant Board papers are to be forwarded to each director no later than seven (7) days before the date of the meeting. This is to ensure that due notice is given to the directors of issues to be discussed and that supporting information and documentation are provided to the Board with sufficient notice. This also means Directors are given sufficient time to read the Board papers and seek clarification as and when they may need advice or further explanation from management and Company Secretaries. The deliberations of the Board in terms of the issues discussed during the meetings and the Board's conclusions in discharging its duties and responsibilities are recorded in the minutes of meetings by the Company Secretaries.

The agenda for the meeting of the Board are set by the Company Secretary in consultation with the Chairperson and the MD. Management strives to ensure that Board and Board Committees meeting papers accompanying notes and explanations for agenda items are sent to the Directors at least (7) seven days before the meeting. During the meetings, the MD, Executive Directors and the Group Financial Controller will lead the presentation of board papers and provide comprehensive explanations of pertinent issues. Any proposals and recommendations by the Management will be deliberated and discussed by the Board before a decision is made. Management provides further detailed information and clarification on issues raised by members of the Board on any aspect of the Group's operations or business concerns. Time is allocated for Directors to raise other matters not covered by the formal agenda.

Decisions of the Board are made unanimously or by consensus. All proceedings, deliberations and conclusions of the Board and Board Committees Meetings, including whether any director abstained from voting or deliberating on a particular matter are clearly recorded in the minutes of meetings. Such minutes of each Board and Board Committees Meeting are circulated to the Chairperson and/or Chairman of Meeting as well as the other Board members for perusal prior to confirmation of the minutes at the following meetings and execution as correct record by the Chairperson and/or Chairman of the Meeting. Where appropriate, decisions may be taken by way of Directors' Circular Resolutions between scheduled and special meetings on routine matters as allowed under the Company's Articles of Association.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Information and Support for Directors (cont'd)

The Board has access to all information within the Company as a full Board to enable them to discharge their duties and responsibilities and is supplied on a timely basis with information and reports on financial, regulatory and audit matters by way of Board papers for informed decision making and meaningful discharge of its duties.

In addition, all Directors have direct access to the advice and services of the Company Secretaries who is responsible for ensuring the Board's meeting procedures are adhered to and that applicable rules and regulations are complied with. External advisers are invited to attend meetings to provide insights and professional views, advice and explanation on specific items on the meeting agenda, when required.

When necessary, Directors may whether as a full Board or in their individual capacity, seek independent professional advice, including the internal and external auditors, at the Company's expense to enable the directors to discharge their duties with adequate knowledge on the matters being deliberated, subject to approval by the Chairperson of the Board, and depending on the quantum of the fees involved.

Charter of Board

The Board is responsible for oversight and overall management of the Company. In order to ensure the effective discharge of its functions and responsibilities, a Charter of Board has been established for the Group where the roles of the Board, Board Committees and Management are clearly delineated as to provide a structured guidance for Directors and Management regarding their responsibilities of the Board, its Committees and Management, including the requirements of Directors in carrying out their stewardship role (including those of the Senior Independent Director) and in discharging their duties towards the Group as well as boardroom activities.

Significant matters requiring deliberation and approval from the Board are also clearly defined in the Charter of Board as matters reserved for the Board for consideration and approval during the Board's meetings. The key matters reserved for the Board's approval, amongst other matters, include other ventures, corporate plan and programme, material acquisitions and disposals, material investments, changes in the major activities, major borrowings, major agreements/contracts, changes to the management and control structure and compliance with relevant laws and regulations. In addition, the authorization requirements delegated to the Management are incorporated in the key business processes and stated in the Group's policies and procedures.

The Board reviews and updates its Charter from time to time as to keep itself up to date with new changes in regulations and best practices and to ensure its effectiveness and relevance to the Board's objectives. A copy of the Charter of Board is available on the Company's website at www.caring2u.com.

Other than the MD, the Board is also delegated specific powers to the relevant Board Committees to oversee the Group's affairs, with authority to act on its behalf in accordance with their respective Terms of Reference. Although specific powers are delegated to the Board Committees, the Board continues to keep itself abreast of the actions and decisions taken by each Board Committee, including key issues via reports by the Chairperson and/or Chairman of each of the Board Committees, as well as the tabling of minutes of all Board Committee meetings, to the Board at Board meetings. The Board reviews the respective Board Committees' authority and Terms of Reference from time to time to ensure their relevance and enhance its efficiency. Details of the Terms of Reference of the respective Board Committees are available for reference on the Company's website at www.caring2u.com.

Code of Conduct

The Group has an established Code of Conduct ("the Code") that applies to all Directors and employees of the Group. The Code is to assist the Directors and all personnel of the Group in defining the ethical standards based on trustworthiness and values as well as uphold the spirit of responsibility in line with the regulations, legislation, and guideline for administration of the Company.

A copy of the Code is available for reference at the Company's website at www.caring2u.com.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Whistle Blowing Policy and Procedures

The Board has formalised a Whistle Blowing Policy and Procedures, with the aim to provide an avenue for raising concerns related to possible breach of business conduct, non-compliance with laws and regulatory requirements as well as other malpractices. The policy is a specific mean by which an employee can exercise their responsibility to report or disclose through established channels, their legitimate concerns regarding any unethical conduct, illegal acts or failure to comply with the Company's policies and regulatory requirements responsibly and sensibly.

Employees and other stakeholders are encouraging to report genuine concerns of breach of legal obligation, miscarriage of justice, danger of health and safety or to the environment and the cover-up of any of these in the workplace.

A copy of the Whistle Blowing Policy and Procedures is available at the Group's website at www.caring2u.com.

Corporate Disclosure Policy

To ensure and facilitate compliance with the MMLR, the Company has set out clear roles and responsibilities of Directors, Management and employees with levels of authority, to be accorded to the designated person(s) and spokespersons in the handling and disclosure of material information. The persons responsible for preparing the disclosure will conduct due diligence and proper verification, as well as coordinate the timely disclosure of material information to the investing public.

The Group has put in place an internal policy on confidentiality to ensure that confidential information is handled properly by Directors, employees and relevant parties to avoid leakage and improper use of such information. The Board is mindful that information which is expected to be material must be announced immediately.

Board Composition

The current Board of Directors consists of seven (7) members, comprising the Independent Non-Executive Chairperson, a Managing Director, two (2) Executive Directors, two (2) Non-Independent Non-Executive Directors and a Senior Independent Non-Executive Director. The Company thus complies with Paragraph 15.02 of the MMLR whereby at least two (2) or one-third (1/3) of the Board of Directors, whichever is higher, are Independent Directors. This fairly reflects the investment by minority shareholders through Independent Directors.

In the event of any vacancy in the Board of Directors resulting in non-compliance with the MMLR, the Board shall fill the vacancy within three (3) months from the date of that event. The profile of each Director is presented separately on pages 10 to 13 of this Annual Report.

The Group believes that a strong composition of the members of the Board strengthens the decision-making process and influence the ability of the Board to fulfil oversight responsibilities. The current Board comprises of members from various professions with their respective expertise, skills and relevant market and industry knowledge, this ensures that necessary financial and human resources are in place for the Company to meet its strategic objectives. With the age of the Directors ranging from 51 to 71, the Board believes that this creates an environment where each generation brings different points of view, skills, experience and talents to the Board.

The Board is mindful of the MCCG's recommendation which stated "at least half of the board shall comprise of Independent Directors. For Large Companies, the Board shall comprise a majority independent director." Although increasing number in the Independent Directors may provide more fresh ideas and viewpoints to the Board, the Board is of the view that there is balance of power and authority exists within its current structure to sufficiently enable it to discharge its duties objective as the Independent Non-Executive Directors of the Company have strong personalities with high levels of integrity and play a key role in providing unbiased and independent views, advice and contributing their knowledge and experience toward the formulation of policies and in the decision making process. Further, all the Independent Non-Executive Directors are independent of the Executive Directors, management and major shareholders of the Company, and are free from any business or other relationship with the Group that could materially interfere with the exercise of their independent judgement. This offers a strong check and balance on the Board's deliberations. Nevertheless, the Board, through the Nomination Committee will endeavor to identify suitable candidates with the relevant market and industry knowledge for the proposed appointment as Independent Non-Executive Director(s) of the Company.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Board Composition (cont'd)

The Independent Non-Executive Director, Tan Sri Dato' Haji Mohd Ariffin Bin Mohd Yusuf also performs the role as the Senior Independent Non-Executive Director since 2014 with recommendation from the Nomination Committee and approved by the Board. The role of Senior Independent Non-Executive Director is defined in the Charter of Board adopted. Generally, Tan Sri Dato' Haji Mohd Ariffin Bin Mohd Yusuf acts as a point of contact for shareholders and other stakeholders with concerns relating to the Company which have not been resolved or those deemed inappropriate to be communicated through the normal channels. The Group has made available a dedicated electronic mail, tansri@caringpharmacy.com.my, to which stakeholders can direct such concerns to be reviewed and addressed by the Board accordingly.

Tenure of Independent Directors

As recommended by MCCG, the Board has implemented a nine (9) years policy for its Independent Non-Executive Directors. Upon completion of the nine (9) years, an Independent Director may continue to serve on the Board subject to the re-designation of the said person as a Non-Independent Director. In the event the Board intends to retain such Director as Independent Director after the latter has served a cumulative term of nine (9) years, the Board must justify the decision and seek annual shareholders' approval. If the Board continues to retain the Independent Director after the twelfth (12) years, the Board will seek annual shareholders' approval through a two-tier voting process.

As at 31 May 2019, none of the Independent Directors had served the Company for more than nine (9) years as per the recommendations of MCCG. The tenure of the Independent Non-Executive Directors of the Company are as follows :

	1-3 Years	4-6 Years	7-9 Years
Datin Sunita Mei-Lin Rajakumar		√	
Tan Sri Dato' Haji Mohd Ariffin Bin Mohd Yusuf		√	

New Candidates for Board Appointment

The Board and Nomination Committee is guided by the Policies and Procedures for Nomination of Directors in carrying out its responsibilities in respect of the nomination, selection and appointment process.

The review process involves the Nomination Committee's consideration and submission to the Board its recommendation of suitable candidates from either the Management, the existing Board member(s) or major shareholder(s) for the proposed appointment as Directors of the Company. The Nomination Committee may also obtain and rely upon independent sources such as a directors' registry, open advertisement or use of independent search firms in furtherance of their duties at the Company's expense, subject to approval by the Chairperson or the Board, depending on the quantum of the fees involved. If the selection of candidates was solely based on the recommendations made by the Management, the existing Board member(s) or major shareholder(s), the Nomination Committee will explain why other sources were not used.

The Nomination Committee's annual review of the criteria to be used in the appointment process to the Board of Directors largely focuses on ensuring a good mix of skills, experience and strength in the qualities that are relevant for the Board to discharge its responsibilities in an effective and competent manner. The other factors considered by the Nomination Committee in its review include the candidates' ability to spend sufficient time and commitment on the Company's matters, the ability to satisfy the test of independence taking into account the candidate's character, integrity and professionalism, as well as having a balanced mix of age and diversity of Directors on the Board. The Board diversity factor as reviewed by the Nomination Committee includes experience, skills, competence, race, gender, culture and nationality, to facilitate optimal decision-making by harnessing different insights and perspectives.

A familiarisation programme, including visits to the Group's business and operations premises and meetings with the management will be arranged for new Directors to facilitate their understanding of the Group's business operations.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Boardroom Diversity

The Board is aware of the importance of boardroom diversity and is supportive of the recommendation of MCCG to the establishment of boardroom and workforce gender diversity policy. However, the Board does not adopt any formal boardroom diversity policy in the selection of new Board candidates and does not have specific policies on setting the target for female candidates in the Group. The Group evaluates the suitability of candidates as a new Board member or as a member of the workforce based on a holistic view which includes the candidates' competency, skills, character, time commitment, knowledge, experience and other qualities in meeting the needs of the Group, including gender. Equal opportunity is given and the Group does not tolerate discrimination of any form, whether based on age, gender, race and religion, throughout the organisation.

Currently, our Board comprises one (1) female Director, represented approximately 14% of total numbers of the Board. In line with the country's aspirational target of 30% representation of women on Board, the Board will evaluate and match the criteria of the potential candidates as well as considering the appointment of female director onto the Board in future to bring about a more diverse perspective.

Time Commitment and Directorship in Other Public Listed Companies

Pursuant to the MMLR, the directorships in other public listed companies in Malaysia held by any Board member at any one time shall not exceed the maximum number as may be prescribed by the relevant authorities. In addition, at the time of appointment, the Board shall obtain the Director's commitment to devote sufficient time to carry out his/her responsibilities. Directors are required to notify the Chairperson before accepting any new directorship(s) and the Chairperson notifies the Chairman of the Nomination Committee before accepting any new directorship(s). Any Director is, while holding office, at liberty to accept other Board appointments in other companies so long as the appointment is not in conflict with the Company's business and does not affect the discharge of his/her duty as a Director of the Company.

Each Board member is expected to achieve at least 50% attendance of total Board Meetings in any applicable financial year with appropriate leave of absence be notified to the Chairperson and/or Company Secretaries, where applicable.

During the financial year ended 31 May 2019, the Directors have demonstrated their ability to devote sufficient time and commitment to their roles and responsibilities as Directors of the Company. The Board is satisfied with the level of time and commitment given by the Directors of the Company towards fulfilling their duties and responsibilities. This is evidenced by the attendance record of the Directors as set out in the section below.

Board Meetings

There were six (6) Board of Directors' meetings held during the financial year ended 31 May 2019. Details of the attendance of the Directors at the Board of Directors' meetings are as follow:

Directors	Total Meetings Attended	Percentage of Attendance (%)
Datin Sunita Mei-Lin Rajakumar	6/6	100%
Chong Yeow Siang	6/6	100%
Soo Chan Chiew	6/6	100%
Tan Lean Boon	5/6	83.33%
Tan Sri Dato' Haji Mohd Ariffin Bin Mohd Yusuf	6/6	100%
Ang Khoon Lim	5/6	83.33%
Mazlan Bin Ibrahim (Appointed on 15.08.2018)	5/5	100%
Datin Rashidah Binti Mohd Sies (Resigned on 15.08.2018)	0/1	Nil

All the Directors have complied with the minimum 50% attendance requirement in respect of Board meetings held during the financial year ended 31 May 2019.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Board Meetings (cont'd)

The Board meets on a quarterly basis, with amongst others, review the operations, financial performance, reports from the various Board Committees and other significant matters of the Group. Where any direction or decisions are required expeditiously or urgently from the Board between the regular meetings, special Board meetings will be convened by the Company Secretaries, after consultation with the Chairperson. Additionally, in between Board meetings, the Directors also approved various matters requiring the sanction of the Board by way of circular resolutions.

To facilitate the Directors' time planning, an annual meeting calendar will be prepared and circulated to them before the beginning of each year. It will provide the scheduled dates for meetings of the Board and Board Committees, the Annual General Meeting, major briefings to be conducted by the Company, as well as the closed periods for dealings in securities by Directors based on the targeted dates of announcements of the Group's quarterly results. At the end of each Board and Board Committee meetings, the date of the next meetings will be re-confirmed by the Directors.

Continuing Education Programs

The Board takes a strong view of the importance of continuing education for its Directors and through Nomination Committee, reviews annually the training needs of each Director as to ensure they are equipped with the necessary skills and knowledge to meet the challenges of the Board. Although the Board does not have a policy requiring each Director to attend a specific number and types of training sessions each year, to keep abreast of industry developments and trends, each Director shall determine the areas of training that he or she may require for personal development as a Director or as a member of a Board Committee.

All Directors appointed to the Board have undergone the Mandatory Accreditation Program ("MAP") prescribed by Bursa Securities. It is of the Company's intention that each new Director is given a comprehensive briefing on the Company's history, operations, financial control system, governance process and site visit to enable him/her to have first-hand understanding of the Company's operation. In this respect, an induction programme and/or briefing will be organised by the Management teams for a new Director.

Details of seminars/conferences/training programs attended by the Board members during the financial year as listed below:

Name of Director	Seminars/Conferences/Training Programs Attended
Datin Sunita Mei-Lin Rajakumar	i. United Nations Global Compact Sustainable Development Goals Series "Financing the SDGs" (speaker) ii. Higher Education Strategic Financial Management Conference "Innovating for Financial Resilience" (panelist "Strategic Financial Management for Strategic Decision") iii. Ernst & Young MFRS 17 : Understanding its impact and consequences iv. FIDE FORUM Artificial Intelligence v. Roundtable on the 2030 Agenda for Sustainable Development: Making Climate-Resilient Development a Policy Priority in Malaysia (speaker) vi. SSM National Conference 2019 "Future-Proofing Business in the Digital Age" (panelist) vii. National Forum on Sustainability, CSR and SDG 2019 "Reimagining Sustainability & Strengthening Partnership" viii. RAM-SIDC panel (panelist) ix. 2nd PIDM-FIDE FORUM CEO Dialogue x. Bursa TCFD workshop xi. PIAM IT Risk Management Training for Board Members xii. MIA panel discussion "Journey on Board: Stepping Up To Make A Difference" (panelist)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Continuing Education Programs (cont'd)

Details of seminars/conferences/training programs attended by the Board members during the financial year as listed below: (cont'd)

Name of Director	Seminars/Conferences/Training Programs Attended
Chong Yeow Siang	i. MIRA Special Presentation on Innovation ii. 2nd Asia Leadership Forum 2019
Soo Chan Chiew	i. Cloud Expo Asia & Smart IoT Singapore ii. Vistage Resource Presentation – Employing Big Data iii. Oracle Open World Asia: Singapore 2019 iv. Integrated Reporting <IR> Conference v. 2nd Asia Leadership Forum 2019 vi. Robotic Process Automation (RPA) Presentation by BDO Technology Advisory Services vii. Briefing on Earning Stripping Rules by BDO Tax
Tan Lean Boon	i. Beyond Organizational Boundaries 2019
Tan Sri Dato' Haji Mohd Ariffin Bin Mohd Yusuf	i. Robotic Process Automation (RPA) Presentation by BDO Technology Advisory Services
Ang Khoon Lim	i. Robotic Process Automation (RPA) Presentation by BDO Technology Advisory Services
Mazlan Bin Ibrahim	i. Mandatory Accreditation Program for Directors of Public Listed Companies by Bursa Securities

The Board will on a continuing basis evaluate and determine the training needs of each Director, particularly on relevant new law and regulations and essential practices for effective corporate governance and risk management to enable the Directors to discharge their duties effectively.

In addition to the above, Directors would be updated on recent developments in the areas of statutory and regulatory requirements from the briefing by the External Auditors, the Internal Auditors and Company Secretaries during the Committees and Board Meetings.

Conflict of Interest and Related Party Transactions

To assure accountability and prevent conflict of interest in relation to issues that come before the Board, Directors are reminded by the Company Secretaries of their statutory duties and responsibilities and are provided with updates on any changes thereon. Hence, all related party transactions are submitted to the Audit and Risk Management Committee for review on a quarterly basis.

The Directors further acknowledge that they are also required to abstain from deliberation and voting on relevant resolutions in which they have an interest at the Board or any general meeting convened. In the event a corporate proposal is required to be approved by shareholders, the interested Directors will abstain from voting in respect of their shareholdings and will further undertake to ensure that persons connected to them will similarly abstain from voting on the resolutions.

The details of the related party transactions for the financial year ended 31 May 2019 are set out under Note 33 to the Annual Audited Financial Statements on page 132 of this Annual Report. The Audit and Risk Management Committee had reviewed the related party transactions that arose within the Group to ensure that the transactions were fair, reasonable and on normal commercial terms as well as not detrimental to the minority shareholders and were in the best interest of the Company.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Nomination Committee

In line with the Best Practices of MCCG, the Board has established the Nomination Committee which comprise entirely of Non-Executive Directors with majority being Independent Non-Executive Directors, with the responsibilities of assessing the balance composition of Board members, nominate the proposed Board member by looking into his skills and expertise for contribution to the Company on an ongoing basis.

The terms of reference of the Nomination Committee can be viewed at the Company's website at www.caring2u.com.

The present members of the Nomination Committee of the Company are:

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

The summary of activities undertaken by the Nomination Committee during the financial year included the following:

i) Reviewed and recommended the appointment of Encik Mazlan Bin Ibrahim as Non-Independent Non-Executive Director of the Company;
ii) Reviewed and assessed the effectiveness of the Board, the committees of the Board and the contribution of each individual director, including Independent Non-Executive Directors;
iii) Reviewed and recommended the re-election of Directors who were retiring and seeking for re-election at the Sixth Annual General Meeting; and
iv) Reviewed and assessed the independence of its Independent Non-Executive Directors.

Evaluation for Board, Board Committees and Individual Directors

The Nomination Committee would conduct an assessment of the performance of the Board, as a whole, Board Committees and individual Directors, based on a self and peer assessment approach on an annual basis. From the results of the assessment, including the mix of skills and experience possessed by Directors, the Board will consider and approve the recommendations on the re-election and re-appointment of Directors at the forthcoming Annual General Meeting of the Company, with a view to meeting current and future requirements of the Group.

The Board's effectiveness is assessed through its composition, administration and process, accountability and responsibility, Board conduct, communication and relationship with Management, performance of the Chairperson and MD, the time commitment in discharging their role and responsibilities through attendance at their respective meetings as well as the application of good governance principles to create sustainable shareholder's value.

The criteria used by the Nomination Committee in evaluating the performance of an individual, including contribution to interaction, integrity, competency and time commitment of the members of the Board and Board Committees in discharging their duties, are in a set of questionnaires. The results of the evaluation were summarised by the Company Secretaries and discussed by the Nomination Committee which were then reported to the Board. The Board did not engage any external party to undertake an independent assessment of the Directors.

Based on the assessment conducted for the financial year ended 31 May 2019, the Board and the Nomination Committee were satisfied that all the Executive, Non-Executive and Independent Directors on the Board possess sufficient qualifications to remain on the Board. Save for the Nomination Committee members who are also a member of the Board and have abstained from assessing their own individual performance as Director of the Company, each of the Nomination Committee Members view that all the Directors have good personal attributes and possess sufficient experience and knowledge in various fields that are vital to the Company's industry.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Evaluation for Board, Board Committees and Individual Directors (cont'd)

As for the Board evaluation, the Nomination Committee agreed that all the Directors have discharged their stewardship duties and responsibilities towards the Company as a Director effectively.

On a formal assessment on the performance and effectiveness of the Audit and Risk Management Committee and its members, the Board, through the recommendation of the Nomination Committee and with the exception of the Directors who are also Audit and Risk Management Committee were generally satisfied that the size of the Audit and Risk Management Committee was enough to perform the duties as defined and its judgment was not impaired as they were sufficiently independent from Management.

In particular, the Chairperson of the Audit and Risk Management Committee has continuously demonstrated the strength, personality and tact dealing with Directors, internal auditors and external auditors, as she is experienced and effective in conducting meetings. All the Audit and Risk Management Committee members have also fulfilled the requirements in terms of roles and responsibilities in accordance with its Terms of Reference during the financial year under review.

Re-Election of Directors

The procedure on the re-election of directors by rotation is set out in the Company's Memorandum and Articles of Association. Pursuant to the Company's Memorandum and Articles of Association, all Directors who are appointed by the Board during the year are subject to re-election by shareholders at the first meeting after their appointment. The Company's Memorandum and Articles of Association also provide at least one-third (1/3) of the remaining Directors are subject to re-election by rotation at each Annual General Meeting and retiring directors can offer themselves for re-election. All Directors shall retire from office at least once in every three (3) years, but shall be eligible for re-election.

The Nomination Committee had reviewed the list of Directors standing for re-election/re-appointment at the Seventh (7th) Annual General Meeting of the Company as summarised below:

Name	Designation
Chong Yeow Siang	Managing Director
Ang Khoon Lim	Non-Independent Non-Executive Director

Upon the recommendation of the Nomination Committee and the Board, the abovementioned Directors who are standing for re-election have been recommended by the Board for re-election / re-appointment at the forthcoming Annual General Meeting of the Company.

Annual Assessment of Independence

Annual assessments will be conducted by the Nomination Committee on annual basis and the criteria for assessment covers areas such as contributions to interaction, roles and responsibilities and quality of input to enhance the Board's effectiveness. The independence of Independent Directors was assessed based on their relationship with the Group and their involvement in any significant transactions with the Group including their ability to exercise independent judgment at all times and based on the criteria set out in the MMLR.

Based on the assessment carried out for the financial year ended 31 May 2019, the Board and the Nomination Committee were satisfied that all the Independent Directors have satisfied the criteria for an independent director as prescribed in the MMLR. The Nomination Committee was also satisfied that they are independent of management and free from any business or other relationship which could interfere with the exercise of independent judgment, objectivity or the ability to act in the best interests of the Company. Additionally, each of the Independent Non-Executive Directors has provided an annual confirmation of their independence to the Board through the Nomination Committee.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Remuneration Committee

In line with the Best Practices of MCCG, the Board has established the Remuneration Committee which comprise majority of Independent Non-Executive Directors, with the responsibilities to establish a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors.

The Terms of Reference of the Remuneration Committee can be viewed at the Company's website at www.caring2u.com.

The present members of the Remuneration Committee of the Company are:

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

The summary of activities undertaken by the Remuneration Committee during the financial year included the following :

i) Reviewed and recommended the payment of Directors' fees and other benefits payable to Directors for the financial year ended 31 May 2019.
ii) Reviewed and recommended the remuneration package for the Executive Director of the Company for the financial year ended 31 May 2019.

Remuneration Policy

The Board believes in a remuneration policy that fairly supports the Directors' responsibilities and fiduciary duties in steering the Group to achieve its long-term goals and enhance shareholders' value. The Board's offers a competitive remuneration package in order to attract, develop and retain talented individuals to serve as directors.

The Remuneration Committee's primary responsibilities are to recommend to the Board from time to time, the remuneration package and terms of employment of each Executive Director. Each Executive Director is to abstain from deliberating and voting on the decision in respect of his/her own remuneration package. The Board as a whole decides on the remuneration of the Non-Executive Directors. The individual concerned is to abstain from deliberating his/her own remuneration package. All Directors' fees and other benefits payable to the Directors must be approved by the shareholders at the Annual General Meeting.

The objectives of the Group's policy on Directors' remuneration are to attract and retain Directors of the caliber needed to manage the Group successfully. In the case of Executive Directors, the component parts of their remuneration are structured to link rewards to corporate and individual performances. For Non-Executive Directors, their level of remuneration reflects the experience, expertise and level of responsibilities undertaken by the particular Non-Executive Director concerned.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Directors' Remuneration

Details of the remuneration paid or payable to Non-Executive Directors of the Company (both by the Company and the Group) for the financial year ended 31 May 2019 are as follows:

Director	The Company		The Group	
	Fees	Meeting Allowances	Fees	Meeting Allowances
	RM	RM	RM	RM
Datin Sunita Mei-Lin Rajakumar	66,000	2,000	66,000	2,000
Tan Sri Dato' Haji Mohd Ariffin Bin Mohd Yusuf	48,000	2,000	48,000	2,000
Ang Khoon Lim	48,000	-	48,000	-
Mazlan Bin Ibrahim #	19,032	1,200	19,032	1,200
Datin Rashidah Binti Mohd Sies @	4,968	-	4,968	-
Total	**186,000**	**5,200**	**186,000**	**5,200**

Notes
Appointed on 15 August 2018
@ *Resigned on 15 August 2018*

The number of Executive Directors of the Company whose remuneration band falls within the following successive bands of RM50,000 are as follows:

Range of Remuneration * (RM)	The Company	The Group
250,001 – 300,000	-	-
350,001 – 400,000	-	3
450,001 – 500,000	-	-

Note
* *The remuneration paid to the Executive Directors include the salaries, directors' fees, bonuses, monthly statutory contributions, allowances and other benefit-in-kinds.*

Details of the Executive Directors' remuneration are not disclosed on named basis in this report as the Board is of the view that it is not in the best interest of the Group to disclose their remuneration to the public at large. Further, the Board also of the view that the interest of the shareholders will not be prejudiced as a result of the non-disclosure of the Executive Directors' remuneration. As such, the above remuneration disclosures by appropriate bands should meet the accountability and transparency aspects of the MCCG.

Remuneration of Key Senior Management

The Company notes the need for corporate transparency in the remuneration of its key senior management executives, however, given the confidential and commercial sensitivities associated with remuneration matters and the highly competitive human resource environment for personnel with the requisite knowledge, expertise and experience in the Company's business activities, such disclosure may be detrimental to the business interests and give rise to recruitment and talent retention issues. Thus, the Company is of the view that the interest of the shareholders will not be prejudiced as a result of the non-disclosure of the Group's Key Senior Management personnel who are not directors of the Company.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Remuneration of Key Senior Management (cont'd)

In addition, the remuneration of the Key Senior Management personnel which is a combination of annual salary, bonus and benefits-in-kinds are determined in a similar manner as other management employees of the Group. The basis of determination has been consistently applied and is based on individual performance and the overall performance of the Group. The aggregate remuneration of the top six (6) Key Senior Management received for the financial year ended 31 May 2019 was RM2,248,453 representing 3.3% of the total employees' remuneration of the Group.

The Board is of the opinion that disclosure of remuneration of the Directors of the Board by appropriate components and the top six (6) Key Senior Management's total combined remuneration package should meet the intended objectives of the MCCG.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

Independence of the Audit and Risk Management Committee

The Company recognised the need to uphold the independence of its external auditors and that no possible conflict of interest whatsoever should arise. Currently, none of the members of the Board nor the Audit and Risk Management Committee of the Company were former key audit partners of the external auditors appointed by the Group. The Company will observe a cooling-off period of at least two (2) years in the event any potential candidate to be appointed as a member of the Audit and Risk Management Committee was a key audit partner of the external auditors of the Group.

Financial Literacy of the Audit and Risk Management Committee Members

Collectively, the members of the Audit and Risk Management Committee have the relevant experience and expertise in finance and accounting, and have carried out their duties in accordance with the terms of reference of the Audit and Risk Management Committee. The qualification and experience of the individual Audit and Risk Management Committee members are disclosed in the Directors' Profile on pages 10 to 13 of this Annual Report. The Audit and Risk Management Committee members continuously keep themselves abreast of the latest development in accounting and auditing standards, statutory laws, regulations and best practices to enable them to discharge their duties effectively.

The Board, through the recommendation of the Nomination Committee and with the exception of the Directors who are also Audit and Risk Management Committee are generally satisfied that all the Audit and Risk Management Committee are financially literate and have sufficient understanding of the Company's business.

Compliance with Applicable Financial Reporting Standards

The Board strives to provide shareholders with a balanced and meaningful evaluation of the Group's financial performance, financial position and prospects through the annual audited financial statements, interim financial reports, annual report and announcements to Bursa Securities.

The interim financial reports, annual audited financial statements and annual report of the Group for the financial year ended 31 May 2019 are prepared in accordance with the Malaysian Financial Reporting Standards, MMLR and the Companies Act, 2016. The Board is assisted by the Audit and Risk Management Committee in overseeing the financial reporting processes and ensuring the quality of its financial reporting.

The statement by the Board pursuant to Paragraph 15.26(a) of the MMLR on its responsibilities in preparing the financial statements is set out on page 65 of this Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

Assessment of Suitability and Independence of External Auditors

The Company has established a transparent arrangement with the External Auditors to meet their professional requirements. From time to time, the External Auditors highlight to the Audit and Risk Management Committee and Board of Directors on matters that require the Audit and Risk Management Committee and the Board's attention.

The Audit and Risk Management Committee is responsible for reviewing the audit, recurring audit-related and non-audit services provided by the External Auditors. The Audit and Risk Management Committee has been explicitly accorded the power to communicate directly with both the External Auditors and Internal Auditors. The terms of engagement for services provided by the External Auditors are reviewed by the Audit and Risk Management Committee prior to submission to the Board for approval. The effectiveness and performance of the External Auditors are reviewed annually by the Audit and Risk Management Committee.

To assess or determine the suitability and independence of the External Auditors, the Audit and Risk Management Committee has taken into consideration of, among others, the following:

i) the adequacy of the competency, experience and quality of the External Auditors;

ii) the External Auditor's resource capacity and ability to meet deadlines in providing services and responding to issues in a timely manner as contemplated in the external audit plan;

iii) the nature of the non-audit services provided by the External Auditors and fees paid for such services relative to the audit fee; and

iv) whether there are safeguards in place to ensure that there is no threat to the objectivity and independence of the audit arising from the provision of non-audit services or tenure of the External Auditors.

Annual appointment or re-appointment of the External Auditors is via shareholders' resolution at the Annual General Meeting on the recommendation of the Audit and Risk Management Committee and the Board. The External Auditors are being invited to attend the Annual General Meeting of the Company to respond and reply to the shareholders' enquiries on the conduct of the statutory audit and the preparation and contents of the audited financial statement.

Where necessary, the Audit and Risk Management Committee will meet with the External Auditors without the presence of Executive Directors and members of management to ensure that the independence and objectivity of the External Auditors are not compromised and matters of concerns expressed by the Audit and Risk Management Committee are duly recorded by the Company Secretaries.

In presenting the Audit Planning Memorandum to the Audit and Risk Management Committee, the External Auditors have highlighted their internal policies and procedures with respect to their audit independence and objectivity which include safeguards and procedures and independent policy adopted by the External Auditors. The External Auditors have also provided the required independence declaration to the Audit and Risk Management Committee and the Board for the financial year ended 31 May 2019.

The Audit and Risk Management Committee is satisfied with the quality of services, sufficiency of resources, performance, independence and professionalism, and their ability to conduct the external audit within an agreeable timeline fixed by the Management. Accordingly, the Audit and Risk Management Committee recommended and the Board has accepted the resolution on the re-appointment of Messrs BDO as the External Auditors of the Group for the financial year ending 31 May 2020.

Risk Management and Internal Control

The Board recognises the importance of risk management and internal controls in the overall management processes. The Group has established an internal control system and risk management framework which is adopted by the Group and its business units to ensure the effectiveness of identification, analysis, assessment, monitoring and communication of risks and internal control issues that will allow the Group to safeguard shareholders investments and assets by mitigating losses and maximising opportunities.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

Risk Management and Internal Control (cont'd)

As an effort to enhance the system of internal control, the Board together with the assistance of an external professional Internal Audit firm monitors and reviews the existing risk management process in place within the various business operations regularly, with the aim of formalising the risk management functions across the Group. This function also acts as a source to assist the Audit and Risk Management Committee and the Board to strengthen and improve current management and operating style in pursuit of best practices.

In addition, the Board also established an Enterprise Risk Management ("ERM") framework to formulate and review risk management policies and risk strategies. The Board and Management are mindful of measures required to identify risks residing in any major proposed transactions, changes in nature of activities and/or operating environment, or venturing into new operating environment.

The responsibilities of identifying and managing risks are delegated to the Head of Departments. The Audit and Risk Management Committee is responsible to review the effectiveness of the processes. Any material risk identified will be discussed and appropriate actions or controls will be implemented. This is to ensure the risk is properly monitored and managed to an acceptable level.

The Audit and Risk Management Committee, through the Enterprise Risk Management Committee will assist the Board in overseeing the risk management framework of the Group and reviewing the risk management policies formulated by Management and to make relevant recommendations to the Board for approval.

The Statement on Risk Management and Internal Control which provides an overview of the Group's state of internal control and risk management is set out in pages 61 to 64 in this report.

Internal Audit Activities

The Group has outsourced its internal audit function to NGL Tricor Governance Sdn Bhd ("NGL Tricor"), an independent professional internal audit service provider and the consultancy firm which managed by professionally qualified and experienced staff. For each internal audit review, a team of at least four (4) internal audit personnel led by Mr Chang Ming Chew will be assigned by NGL Tricor to undertake the review in accordance to the internal audit plan approved by the Audit and Risk Management Committee. Mr Chang Ming Chew is a Certified Internal Auditor (CIA) and holds a Certification in Risk Management Assurance (CRMA). He is a professional member with the Institute of Internal Auditors of Malaysia, a member of the ISACA, an international professional association focused on IT governance, the Association of Certified Fraud Examiner, the Association of Chartered Certified Accountants (UK) and the Malaysian Institute of Accountants. The internal auditors are free from any relationships or conflict of interest which could impair their objectivity and independence. The Internal Auditors performed their work by referring to a recognised framework such as the standards recommended by the International Professional Practices Framework of the Institute of Internal Auditors.

In order to act independently from the management, NGL Tricor will report directly to the Audit and Risk Management Committee and assists the Audit and Risk Management Committee in monitoring and reviewing the effectiveness of the risk management, internal control and governance process within the Group.

The Audit and Risk Management Committee approved the internal audit review plan presented by the NGL Tricor. The internal audit plan is derived based on a risk-based assessment of all units and operations of the Group. The internal audit reports highlight any deficiencies or findings which are discussed with the management and relevant action plans agreed and to be implemented. Significant findings are presented in the Audit and Risk Management Committee meetings for consideration and reporting to the Board. A follow-up audit review is also conducted to determine whether all audit recommendations are effectively implemented.

Further details on the internal audit function are set out in the Statement on Risk Management and Internal Control on pages 61 to 64 of this Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

Internal Audit Activities (cont'd)

During the financial year, the following activities were carried out by the internal auditors in discharge of its responsibilities:

i) Formulating of agreement with the Managing Director and the Audit and Risk Management Committee on the annual audit plan which was consistent with the Company's objectives and goals;

ii) reviewed the adequacy and effectiveness of the systems of internal control and compliance with the Group's policies and procedures on the Group's procurement and payroll function; and

iii) Performed follow-up reviews to ensure corrective actions have been implemented in a timely manner.

The professional fee incurred in maintaining the outsourced internal audit function for the financial year ended 31 May 2019 is RM32,000.

Based on the internal audit review conducted by NGL Tricor, the Audit and Risk Management Committee and the Board is of the view that there is no significant breakdown or weaknesses in the systems of internal controls of the Group that may result in material losses incurred by the Group for the financial year ended 31 May 2019.

The Audit and Risk Management Committee and the Board are satisfied with the performance of the outsourced internal audit function and agreed that the internal audit review was done in accordance with the audit plan approved by the Audit and Risk Management Committee and the coverage is adequate.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIPS WITH STAKEHOLDERS

Communication with Stakeholders

The Group recognises the importance of prompt and timely dissemination of information to shareholders and investors, in order for these stakeholders to be able to make informed investment decisions. Towards this, the Company's website incorporates a corporate section which provides all relevant information on the Group and is accessible by the public. This corporate section enhances the Investor Relations function by including share price information, all announcements made, annual reports as well as the corporate and governance structure of the Group.

The Board ensures that shareholders are provided with a balanced and meaningful evaluation of the Group's financial performance, its current position and future prospects, through the issuance of the Annual Audited Financial Statements and quarterly financial reports, as well as corporate announcements on significant developments affecting the Group in accordance with the MMLR.

In ensuring equal and fair access to information by the investing public, various channels of communications are made through meetings with institutional shareholders and investment communities, quarterly announcements on financial results to Bursa Securities, relevant announcements and circulars, when necessary via Bursa LINK in a timely manner as required under the MMLR, the Annual and Extraordinary General Meetings and through the Company's website at www.caring2u.com.my from which shareholders and prospective investors can access corporate information, annual reports, press releases, financial information, company announcements and share prices of the Company.

To maintain a high level of transparency and to effectively address any issues or concerns, the Group has a dedicated electronic mail, tansri@caringpharmacy.com.my, to which stakeholders can direct their queries or concerns.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIPS WITH STAKEHOLDERS (CONT'D)

Integrated Reporting

To improve the quality of information available to the shareholders and stakeholders and promote greater transparency and accountability on the part of the Company, the Board will prepare an integrated report entailing the detailed information flows about the Company's strategy, performance, governance and prospects lead to value creation on yearly basis. In this respect, the Company complies with the recommendation of the MCCG under the Practice Note 11.2.

A full Sustainability Report pursuant to Paragraph 9.45(2) and Paragraph 29, Part A of Appendix 9C of the MMLR and Practice Note 9 is set out in this Annual Report.

Annual General Meeting

The Company recognises the importance of maintaining transparency and accountability to its shareholders. The Board believes that they are not only accountable to shareholders but also responsible for managing a successful and productive relationship with the Company's stakeholders. In this regard, the Board will ensure that all the Company's shareholders and stakeholders are treated equitably and the rights of all investors, including minority shareholders, are protected.

As recommended by the MCCG, the Board is endeavored to dispatch its notice of Annual General Meeting ("AGM") at least twenty-eight (28) days before the meeting and mindful that the sufficient notice and time given would allow the shareholders to make necessary arrangements to attend and participate the AGM. The Notice of AGM, which sets out the business to be transacted at the AGM, is also published at least in a major local newspaper. The Board will ensure that each item of special business included in the notices of the AGM or extraordinary general meeting is accompanied by a full explanation of the effects of any proposed resolution.

At the AGM, the Board will brief the shareholders on the progress and performance of the Group and the shareholders are given the opportunity to raise questions pertaining to the annual report, corporate developments, resolutions and businesses of the Group at the AGM.

In view of the number of shareholders and the size of the Company, the participation of shareholders of the Company at the general meetings is currently by way of attending in person or by proxy. If necessary, the Company would embark on electronic voting and remote shareholder participation if our shareholders request for such services.

Attendance of Directors at General Meetings

The tentative dates of the AGM will be discussed and fixed by the Board in advance to ensure that each of the Directors is able to make the necessary arrangement to attend the planned AGM.

At the Sixth (6th) AGM of the Company held on 30 October 2018, save and except for Mr Tan Lean Boon, who is not able to attend the said AGM due to urgent business schedule, all other Directors were present in person to engage directly with shareholders, and be accountable for their stewardship of the Company.

Poll Voting

In line with Paragraph 8.29A of the MMLR, the Company will ensure that any resolution set out in the notice of any general meeting, or in any notice of resolution which may properly be moved and is intended to be moved at any general meeting, is voted by poll. At the same time, the Company will appoint at least one (1) scrutineer to validate the votes cast at the general meeting.

At the commencement of all general meetings, the Chairperson will inform the shareholders of their rights to a poll voting. Separate resolutions are proposed for substantially separate issues at the meeting and the Chairperson will declare the number of proxy votes received, both for and against each separate resolution where appropriate. The outcome of a general meeting will be announced to Bursa Securities on the same meeting day.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIPS WITH STAKEHOLDERS (CONT'D)

Effective Communication and Proactive Engagements

All the Directors shall endeavor to present in person to engage directly with, and be accountable to the shareholders for their stewardship of the Company at the AGM. The proceedings of the AGM will include the Chairperson's briefing on the Company's overall performance for the year, the presentation of the external auditors' unqualified report to the shareholders, and a Q&A session during which the Chairperson will invite shareholders to raise questions pertaining to the Company's financial statements and other items for adoption at the meeting, before putting a resolution to vote.

The Directors, MD and external auditors will be in attendance to respond to the shareholders' queries. The Board will also share with the shareholders the Company's responses to questions submitted in advance of the AGM by the Minority Shareholder Watchdog Group, if any.

Compliance Statement

Other than as disclosed and/or explained in this Annual Report, the Board is of the view that the Group has complied with and shall remain committed to attaining the highest possible standards through the continuous adoption of the principles and best practices set out in MCCG and all other applicable laws, where applicable and appropriate.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

AUDIT AND RISK MANAGEMENT COMMITTEE

In line with the best practices of MCCG, the Board has set up the Audit and Risk Management Committee which comprising exclusively of Non-Executive Directors with majority being Independent Non-Executive Directors.

The primary objective of the Audit and Risk Management Committee is to establish a documented, formal and transparent procedure to assist the Board in fulfilling its fiduciary responsibilities relating to corporate accounting, financial reporting practices, a system of risk management and internal control, the audit process and the process of monitoring compliance with laws and regulations.

The present members of the Audit and Risk Management Committee are as follows:

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

The members of the Audit and Risk Management Committee of the Company had complied with the MMLR of which at least one (1) member with the requisite accounting qualification.

Should there be a vacancy in the Audit and Risk Management Committee resulting in the non-compliance of the MMLR, the Company will fill up the vacancy within three (3) months thereof.

THE CHAIRPERSON OF THE AUDIT AND RISK MANAGEMENT COMMITTEE IS NOT THE CHAIRPERSON OF THE BOARD

Currently, the Chairperson of the Audit and Risk Management Committee is also the Chairperson of the Board. However, the Board is of the view that the Chairperson of the Audit and Risk Management Committee has performed the duties as defined and her judgment was not impaired as she was sufficiently independent from Management in leading the discussion on the matters being deliberated and findings as well as recommendations made by the Audit and Risk Management Committee objectively in the Board meetings.

Further, based on the assessment conducted for the financial year ended 31 May 2019, the Board and the Nomination Committee is satisfied with the current size, composition as well as the mix of qualifications, skills and experience among the Audit and Risk Management Committee members.

TERMS OF REFERENCE

The terms of reference of the Audit and Risk Management Committee which laid down its duties and responsibilities are accessible via the Company's website at www.caring2u.com.

ATTENDANCE OF MEETINGS

During the financial year ended 31 May 2019, the Audit and Risk Management Committee held six (6) meetings and the details of the attendance are as follows:

Members	Meeting Attendance
Datin Sunita Mei-Lin Rajakumar	6/6
Tan Sri Dato' Haji Mohd Ariffin Bin Mohd Yusuf	6/6
Ang Khoon Lim	5/6

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

ATTENDANCE OF MEETINGS (CONT'D)

The MD and other senior management will be invited to the Audit and Risk Management Committee meetings to facilitate direct communication as well as to provide clarification on audit issues and the operations of the Group. Deliberations during the Audit and Risk Management Committee meetings, including the issues tabled and rationale adopted for decisions were recorded. Minutes of the Audit and Risk Management Committee meetings were tabled for confirmation at the following Audit and Risk Management Committee meeting and subsequently presented to the Board for notation.

SUMMARY OF ACTIVITIES OF THE AUDIT AND RISK MANAGEMENT COMMITTEE

The Audit and Risk Management Committee had during the financial year ended 31 May 2019 discharged the following duties as set out in its terms of reference:

i) Activities with Regards to External Audit:

- review of external audit scope and annual audit plan based on the external auditors' presentation of audit strategy and plan;
- review of external audit results, key audit matters, audit reports, management letter and the response from the Management;
- review and evaluate factors relating to the independence of the external auditors. The Audit and Risk Management Committee worked closely with the external auditors in establishing procedures in assessing the suitability and independence of the external auditors, in confirming that they are, and have been, independent throughout the conduct of the audit engagement with the Group in accordance with the independence criteria set out by the International Federation of Accountants and the Malaysian Institute of Accountants;
- consideration and recommendation to the Board for approval of the audit fees and non-audit fees payable to the external auditors; and
- review of the performance and effectiveness of the external auditors in the provision of statutory audit services and recommended their re-appointment as the external auditors of the Company at the forthcoming AGM for the Board's consideration.

ii) Activities with Regards to Internal Audit:

- review of internal audit's resource requirements, scope, adequacy and function;
- review of annual internal audit plan and programs;
- review of internal audit reports, recommendations and Management's responses. Improvement actions in the areas of internal control, systems and efficiency enhancements suggested by the internal auditors were discussed together with the Management Team in a separate forum;
- review of implementation of these recommendations through follow-up internal audit reports to the Audit and Risk Management Committee;
- suggestion on additional improvement opportunities in the areas of internal control, systems and efficiency improvement; and
- review of the performance and competency of the internal auditors.

iii) Activities with Regards to Financial Statements:

- review of annual report and the annual audited financial statements of the Company prior to submission to the Directors for their perusal and approval. This was to ensure compliance of the financial statements with the provisions of the Companies Act 2016 and the applicable approved accounting standards as per the Malaysian Accounting Standards Board;
- review of the Group's compliance with the MMLR, the applicable approved accounting standards and other relevant legal and regulatory requirements with regards to the quarterly financial statements and annual audited financial statements; and
- review of the unaudited financial results announcements before recommending them for Board's approval, focusing particularly on:
  - any change in accounting policies and practices
  - significant adjustments arising from the audit
  - the going concern assumption
  - compliance with applicable financial reporting standards and other legal requirements

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

SUMMARY OF ACTIVITIES OF THE AUDIT AND RISK MANAGEMENT COMMITTEE (CONT'D)

iv) Activities with Regards to Internal Control and Risk Management:

- assessment on the resources and knowledge of the Management and employees involved in the risk management process;
- review and monitoring of principal risks which may affect the Group directly or indirectly, and if deemed necessary, recommend additional course(s) of action to mitigate such risks;
- monitoring and communication of the risk assessment results to the Board;
- assessment on the actual and potential impact of any failure or weakness of the internal controls in place; and
- monitoring of the Executive Risk Management implementation and review on adequacy and effectiveness thereof from time to time.

v) Other Activities:

- review of its Terms of Reference periodically and recommendation to the Board on revision, if necessary;
- review of related party transactions and conflict of interest situation that may arise within the Company or the Group including any transaction, procedure or code of conduct that may raise concern or question of management's integrity;
- review of Corporate Governance Overview Statement on application of Corporate Governance principles and the extent of the Group's compliance with the best practices set out under the MCCG;
- review of the Audit and Risk Management Committee Report and the Statement on Risk Management and Internal Control for adoption by the Board; and
- discussion on summary of assessment on the performance and effectiveness of Audit and Risk Management Committee and its members.

HOW THE AUDIT AND RISK MANAGEMENT COMMITTEE DISCHARGED AND MET ITS RESPONSIBILITIES DURING THE FINANCIAL YEAR

i) Financial Reporting

The Audit and Risk Management Committee had reviewed the unaudited quarterly financial results and the annual audited financial statements of the Company and of the Group and made recommendations to the Board for approval and for announcement to Bursa Securities.

The Audit and Risk Management Committee also had reviewed the annual audited financial statements with the External Auditors and finance team to ensure that the financial statements give a true and fair view of the financial position and performance of the Group are in compliance with the relevant accounting standards, other legal requirements and to ensure compliance with the provisions of the Companies Act 2016 and the MMLR.

ii) External Auditors

During the financial year under review, the Audit and Risk Management Committee had met with the External Auditors twice without the presence of any Executive Director or management of the Company to review on the issues relating to financial controls and operational efficiencies of the Company and its subsidiaries arising from the audit. Significant matters requiring follow up were highlighted in the management letter by the External Auditors and enquired on the adequacy and effectiveness of remedial actions taken by management in resolving these issues.

The Audit and Risk Management Committee also had reviewed and evaluated the audit planning memorandum and audit review memorandum prepared and presented by the External Auditors.

The proposed audit fees for the External Auditors in respect of their audit of the financial statements of the Company and its subsidiaries were analysed and reviewed by the Audit and Risk Management Committee for recommendation to the Board for approval.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

HOW THE AUDIT AND RISK MANAGEMENT COMMITTEE DISCHARGED AND MET ITS RESPONSIBILITIES DURING THE FINANCIAL YEAR (CONT'D)

ii) External Auditors (cont'd)

The Audit and Risk Management Committee also evaluated the performance and independence of the External Auditors covering areas such as calibre, quality processes/performance, audit team, independence and objectivity, audit scope and planning, audit fees as well as the audit communications of the External Auditors. The Audit and Risk Management Committee having been satisfied with the independence and performance of Messrs BDO, had recommended the re-appointment of Messrs BDO as External Auditors to the Board for consideration and tabled to the shareholders for approval at the Seventh Annual General Meeting.

iii) Internal Audit

During the financial year under review, the Audit and Risk Management Committee had reviewed and evaluated the Internal Audit Reports ("IAR") pertaining to the internal control on the Group's procurement and payroll functions prepared by NGL Tricor, the outsourced Internal Auditors of the Company.

The IAR on audit findings, description, implication, recommendations to improve any weaknesses or non-compliance and the management action plan and comments thereto were tabled to the Audit and Risk Management Committee for their review and deliberations. The management was invited to attend the meetings as and when necessary to brief the Audit and Risk Management Committee on matters relating to their areas of responsibility.

Some weaknesses in internal control were identified for the year under review and measures have been or are being taken to address these weaknesses. The Internal Auditors monitored the implementation of management's action plan on outstanding issues through follow up reports to ensure that all key risks and control weaknesses are being properly addressed.

iv) Enterprise Risk Management

During the financial year under review, the Audit and Risk Management Committee also assisted the Board to oversee the execution of the ERM framework. The Executive Risk Management Committee which comprises the Non-Independent Non-Executive Director and Head of Departments, has been entrusted by the Board to appraise and evaluate the effectiveness of the overall risk management and internal control system and report to the Audit and Risk Management Committee on weaknesses and significant risks which will affect the operations, industrial relations, financial position and compliance status of the Group.

The Executive Risk Management Committee held four (4) meetings in the financial year ended 31 May 2019 and reviewed the findings consolidated and prioritised by the divisions and/ or departments on the risks evaluated under their purview, prior to reporting to the Audit and Risk Management Committee for further deliberation.

In addition to reviewing the top risks, the Executive Risk Management Committee also maintained oversight of second-tier risks to ensure overall adequacy and effectiveness of risk mitigation plans and controls. Major incidents, if any, were reported to the Audit and Risk Management Committee to facilitate the review of the effectiveness of crisis management and the adequacy of mitigating measures taken by the Group to address the underlying risks.

With the reporting and update by the Executive Risk Management Committee on key risk management issues and summary of activities undertaken during the financial year under review, the Audit and Risk Management Committee reviewed the key corporate risk profiles, risk assessment of core business processes, operational risks and mitigation measures as well as the process for identifying, evaluating, and managing risk through the ERM framework as to ensure that the risk management process and culture are embedded throughout the Group.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

HOW THE AUDIT AND RISK MANAGEMENT COMMITTEE DISCHARGED AND MET ITS RESPONSIBILITIES DURING THE FINANCIAL YEAR (CONT'D)

v) Related Party Transactions

The related party transactions including recurrent related party transactions of a revenue and entered into by the Group were reviewed by the Audit and Risk Management Committee to ensure that they were conducted on the Group's normal commercial terms and adequate internal procedures had been deployed in the Group in relation to such transactions to monitor compliance with the MMLR and to ascertain that the transactions entered into were not prejudicial to the interest of the non-controlling shareholders.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The MCCG emphasised on the responsibilities of the Board to ensure implementation of appropriate internal controls and effective risk management within the Group so as to safeguard shareholders' investment, stakeholders' interest and the Group's assets.

The Board is pleased to issue the following Statement on Risk Management and Internal Control (the "Statement") which outlines the internal controls of and the scope and nature of risk management for the Company and its subsidiaries pursuant to paragraph 15.26(b) of the MMLR and as guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

BOARD'S RESPONSIBILITIES

The Board re-affirms its commitment and acknowledges its overall responsibility in maintaining the Group's system of internal control and risk management as well as reviewing its adequacy, integrity and effectiveness to safeguard shareholders' investments and the Group's assets. The Board recognises that a sound system of internal control and risk management is an integral part of good corporate governance. The Board and the Management Team are responsible and accountable for the establishment of internal controls for the Group. The Board has an on-going process for identifying, evaluating and managing significant risks faced by the Group. The Board has delegated the responsibility of monitoring the internal control and risk management systems to the Management Team.

The system of internal control and risk management covers not only financial controls but operational, risk and compliance controls as well. These systems are designed to manage, rather than eliminate, the risk of failure arising from non-achievement of the Group's policies, goals and objectives. Such systems provide reasonable, rather than absolute, assurance against material misstatement or loss.

The internal control and risk management systems and processes are subjected to regular evaluations on their adequacy and effectiveness by the Management Team and are updated from time to time, including mitigating measures taken by the Management Team, via the Executive Risk Management Committee to address areas of key risks as identified prior to reporting to the Audit and Risk Management Committee. This process has been in place for the financial year under review and up to the date of approval of this Statement for inclusion in this Annual Report.

The adequacy and effectiveness of internal controls were reviewed by Audit and Risk Management Committee in relation to the internal audits conducted by an independent assurance provider, NGL Tricor Governance Sdn Bhd (or "internal auditors") during the financial year under review. Audit issues and actions taken by Management to address the issues tabled by internal auditors were deliberated during the Audit and Risk Management Committee meetings. Minutes of the Audit and Risk Management Committee meetings which recorded these deliberations were presented to the Board.

KEY FEATURES OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

1. Risk Management Framework

In line with the MCCG, risk management practices are inculcated and entrenched in the activities of the Group, which requires, amongst others, the establishment of an Executive Risk Management ("ERM") framework which is designed to provide consistency in the management of risks across the Group.

During the financial year under review, the Board maintains a database of risks specific to the Group together with their corresponding controls, which are categorised as follows :

i) Strategic and Market, which are risks that affect the overall direction of the business;
ii) Operational, which are risks that impact the retail division operation and management operation of the Group; and
iii) People, which are risks that affect efficiency, productivity, retention and promotion of employees.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

KEY FEATURES OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM (CONT'D)

1. Risk Management Framework (cont'd)

Through the ERM framework, the Board established an on-going process for identifying, evaluating, and managing risks. The objectives of the Group's ERM framework are as follows :

i) Optimise the return to, and protect the interests of stakeholders (including shareholders, customers and staff);
ii) Safeguard the Group's assets and maintain its reputation;
iii) Improve the Group's operating performance;
iv) Fulfil the Group's strategies objectives;
v) Practice good governance in the Group;
vi) Promote an effective risk awareness culture where risk management is an integral aspect of the Group's management systems; and
vii) Ensure compliance with the MCCG.

The Board through the Audit and Risk Management Committee, regularly reviews this process. The main objective of the review is to formalise and embed a risk management process across the Group in order to sensitise all employees within the Group to risk identification, evaluation, control, ongoing monitoring, and reporting.

In providing oversight of risk management framework and policies in the Group, the Audit and Risk Management Committee will meet on a quarterly basis to review, deliberate and provide advice on matters pertaining to the key corporate risk profiles, risk assessment of projects and programmes, operational risks and mitigation measures, as well as ERM activities reported by the Executive Risk Management Committee. Internal control and risk-related matters which warrant the attention of the Board will be recommended by the Audit and Risk Management Committee to the Board for its approval and matters or decisions made within the Audit and Risk Management Committee's purview will be updated to the Board for its notation.

The Executive Risk Management Committee, chaired by the Non-Independent Non-Executive Director of the Company was also established to promote the ERM framework activities and to provide reporting and update to the Audit and Risk Management Committee on key risk management issues. The Executive Risk Management Committee met four (4) times during the financial year under review whereby the Head of Departments reported the key risks to the attention of the Executive Risk Management Committee and Executive Risk Management Committee carried out the review on key business risks identified by assessing the likelihood and impact of material exposures and updated the Risk Register accordingly. From there, Executive Risk Management Committee determined the corresponding risk mitigation measures and evaluated the effectiveness of mitigating measures and controls already put in place. To ensure a robust risk management and internal control process throughout the Group, the Executive Risk Management Committee conducted follow-ups on the status of implementation and monitored the compliance activities of the Group.

The responsibility for day-to-day risk management however, still resides with the management of each subsidiary and they are accountable for the risks identified and assessed. To further embed a risk awareness culture and risk management process within the Group, the risk management training for selected management personnel will be conducted from time to time. Both Managing Director and Chairman of the Executive Risk Management Committee reiterated the importance of risk management at each Executive Risk Management Committee meeting.

2. Internal Controls

The Board, through the Audit and Risk Management Committee has also put in place the following key elements as part of the Group's system of internal control:

i) Clearly defined organisational structure with proper delegation of responsibilities and accountability;
ii) Appropriate authority limits are established for the approval process, therefore minimising the risk of unauthorised transactions;

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

KEY FEATURES OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM (CONT'D)

2. Internal Controls (cont'd)

The Board, through the Audit and Risk Management Committee has also put in place the following key elements as part of the Group's system of internal control: (cont'd)

iii) Annual budget system is in place. There is requirement for the timely submission of monthly financial reports and key operational performance indicators to the Management. A quarterly review of the annual budget is undertaken by Management to identify and where appropriate, to address significant variances from the budget. The Executive Summary entailing the comparison between the actual and budgeted results will be tabled together with the quarterly financial results to the Audit and Risk Management Committee and the Board for deliberation and approval;
iv) Human resource function sets out policies for recruitment, training and staff appraisal to ensure that staff is competent and adequately trained in carrying out their responsibilities;
v) Policies and procedures for the carrying out of day-to-day operations have been established and are subject to periodic reviews as to ensure that they remain current, relevant and aligned with evolving business environment and operational needs;
vi) The Group's policies, rules and regulations incorporating control procedures are available in the Group's intranet site, which are revised periodically to meet changing business, operational and statutory reporting needs;
vii) An integrated Code of Conduct and Whistleblowing Policy and Procedures are in place and available at the Company's website to set the pace of upholding integrity and ethical values within the Group;
viii) The Group operates on a comprehensive information system platform which enables transactions to be captured, compiled and reported on a timely and accurate manner. The information system is automated and periodically upgraded to provide Management with data, analysis, variations, exceptions and other input relevant to the Group's performance; and
ix) Independent appraisals by internal auditors to ensure on-going compliance with policies, procedures, standards and legislations whilst assessing the effectiveness of the Group's system of financial, compliance and operational controls.

The MD and Finance Director also report to the Board on significant changes in the business and the external environment which affects the operations. Financial information, key performance and risk indicators are also reported on a quarterly basis to the Board.

On the other hand, sufficient insurance coverage and physical safeguards on major assets are in place to ensure the Group's assets are adequately covered against any mishap that could result in material loss. A yearly policy renewal exercise is undertaken in which Management reviews the coverage for the fixed assets and inventories based on their respective net book value and "replacement value", i.e. the prevailing market price for the same or similar item, where applicable. The underwriter also assists by conducting a risk assessment, which helps the Group in assessing the adequacy of the intended coverage.

3. Internal Audit Function

The Board recognises the importance of a sound system of risk management and internal control to safeguard the shareholders' investment, stakeholders' interest and the Group's assets. To ensure the system of internal control is functioning effectively, the internal audit function of the Group has been outsourced to a professional services firm. The external professional services firm shall provide the Audit and Risk Management Committee and the Board an independent professional assessment on the adequacy, efficiency and effectiveness of the Group's internal control systems.

The outsourced internal auditor reports directly to the Audit and Risk Management Committee and the internal audit plans are tabled to the Audit and Risk Management Committee for review and approval to ensure adequate coverage. During the financial year, the internal audit function covered the areas of procurement and payroll functions of the Group.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

KEY FEATURES OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM (CONT'D)

3. Internal Audit Function (cont'd)

The results of the internal audits are monitored by the Management Team and reported periodically to the Audit and Risk Management Committee and the report of the Audit and Risk Management Committee is a permanent agenda in the meeting of the Board. The Management Team responses on each internal audit recommendation and action plans are regularly reviewed and followed up by internal auditors and reported to the Audit and Risk Management Committee. A matrix which covers the overall audit ratings, nature of work and scope, and audit issues and its priorities have been developed by the internal auditors as a template to guide the conduct of the follow-up audit. For the financial year ended 31 May 2019, based on the assessment of ERM framework for the Group and feedback from the Executive Risk Management Committee and internal auditors, the Audit and Risk Management Committee is satisfied that there were no major gaps in respect to the minimum internal controls as determined by the Group.

Based on the internal audit review conducted by the outsourced internal auditor, none of the weaknesses noted has resulted in any material losses, contingencies or uncertainties that would require separate disclosure in this Statement.

MANAGEMENT'S ASSURANCE

The Managing Director and Finance Director of the Company have given reasonable assurance to the Board that the Group's risk management and internal control systems are adequate and effective, in all material aspects, based on the risk management and internal controls adopted by the Group.

Taking into consideration the above assurance from the Management Team and input from the relevant assurance providers, the Board is of the view that the system of risk management and internal control is adequate and operating effectively to safeguard shareholders' investments, customers' interest and Group's assets. The Group will continue to take measures to strengthen the internal control and risk management environment.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

Pursuant to paragraph 15.23 of the MMLR, the External Auditors have reviewed this Statement for inclusion in this Annual Report for the financial year ended 31 May 2019 and have reported to the Board that nothing has come to their attention that causes them to believe this Statement is inconsistent with their understanding of the process the Board has adopted, in the review of the adequacy and integrity of the systems of internal control of the Group.

CONCLUSION

The Board is of the view that the system of internal control and risk management is in place for the financial year under review, and up to the date of approval of this Statement, is sound and sufficient to safeguard shareholders' investments, the interests of customers, regulators, employees and other stakeholders, as well as the Group's assets. There was no material control failure that would have any material adverse effect on the financial results of the Group for the year under review and up to the date of issuance of the financial statements.

The risks taken are at an acceptable level within the context of the business environment throughout the Group and there were no significant internal control deficiencies or weaknesses resulting in material losses, contingencies or uncertainties during the financial year that would require separate disclosure in this Annual Report.

In view that the development of a sound system of internal control is an on-going process, the Board continues to take pertinent measures to sustain and, where required, to improve the Group's internal control and risk management systems in meeting the Group's strategic objectives.

This Statement is made in accordance with the resolution passed in the Board of Directors' Meeting held on 12 September 2019.

STATEMENT OF DIRECTORS' RESPONSIBILITY
IN RESPECT OF THE AUDITED FINANCIAL STATEMENTS

The Directors are required by the Companies Act, 2016 to prepare financial statements for each financial year which have been made out in accordance with the applicable approved accounting standards so as to give a true and fair view of the state of affairs of the Group and Company at the end of the financial year and of the results and cash flows of the Group and Company for the financial year.

The Directors are responsible for ensuring that the Company keeps proper accounting records with reasonable accuracy of the financial position of the Company. The Directors are to ensure that the financial statements comply with mandatory provisions of the Companies Act, 2016, the Malaysian Financial Reporting Standards and the MMLR of Bursa Securities. The Directors are also responsible for taking such reasonable steps to safeguard the assets of the Group and to minimise fraud and other irregularities.

The Directors are satisfied that in preparing the financial statements of the Group for the financial year ended 31 May 2019, the Group has used the appropriate accounting policies and applied them consistently and supported by reasonable and prudent judgments and estimates. The Directors also consider that all applicable approved accounting standards have been complied with and further confirm that the financial statements have been prepared on a going concern basis.

OTHER DISCLOSURE REQUIREMENTS

UTILISATION OF PROCEEDS FROM CORPORATE PROPOSALS

During the financial year, there were no proceeds raised by the Company from any corporate proposals.

AUDIT AND NON-AUDIT FEE PAID TO EXTERNAL AUDITORS

The amount of audit and non-audit fees paid/payable to the external auditors by the Company and the Group respectively for the financial year ended 31 May 2019 are as follows :

	Company Level RM	Group Level RM
Audit services rendered	30,000	286,700
Non-Audit services rendered	-	-

MATERIAL CONTRACTS

During the financial year, there were no material contracts entered into by the Company and its subsidiary involving Directors' and major shareholders' interests.

CONTRACTS RELATING TO LOAN

During the financial year, there were no material contracts relating to loan entered into by the Company and its subsidiaries involving Directors' and major shareholders' interest.

RECURRENT RELATED TRANSACTIONS OF A REVENUE AND TRADING NATURE ("RRPT")

Save for such disclosure made in note 33 of the audited financial statements on page 132 of this Annual Report, there were no other material recurrent related party transactions of revenue nature during the financial year ended 31 May 2019.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 May 2019.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding. The principal activities of the subsidiaries are set out in Note 8 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	Group RM	Company RM
Profit for the financial year	25,650,132	13,014,381
Attributable to:		
Owners of the parent	20,729,546	13,014,381
Non-controlling interests	4,920,586	-
	25,650,132	13,014,381

DIVIDENDS

Dividends paid or declared by the Company since 31 May 2018 are as follows:

	RM
In respect of the financial year ended 31 May 2018	
A final single tier dividend of 5 sen per ordinary share, approved by the shareholders at the Annual General Meeting held on 30 October 2018, paid on 14 November 2018	10,885,320

At the forthcoming Annual General Meeting, a final single tier dividend of 6 sen per ordinary share amounting to RM13,062,384 in respect of the current financial year will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for as a liability in the financial year ending 31 May 2020.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year.

ISSUE OF SHARES AND DEBENTURES

The Company did not issue any shares or debentures during the financial year.

DIRECTORS' REPORT

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued ordinary shares of the Company during the financial year.

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for impairment losses on receivables, and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for impairment losses on receivables. At the date of this report, the Directors are not aware of any circumstances that would render the amount written off for bad debts or the additional allowance for impairment losses on receivables in the financial statements of the Group and of the Company inadequate to any material extend.

CURRENT ASSETS

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ensure that any current assets, which were unlikely to be realised in the ordinary course of business, including their value as shown in the accounting records of the Group and of the Company, have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements misleading.

VALUATION METHODS

At the date of this report, the Directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:-

(a) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year which secures the liabilities of any other person; or

(b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

No contingent or other liability of the Group and of the Company has become enforceable or is likely to become enforceable within the period of twelve (12) months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

DIRECTORS' REPORT

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Group and of the Company during the financial year were not, in the opinion of the Directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

DIRECTORS

The Directors who have held office during the financial year and up to the date of this report are as follows:

Ang Khoon Lim
Chong Yeow Siang
Datin Sunita Mei-Lin Rajakumar
Mazlan Bin Ibrahim
Soo Chan Chiew
Tan Lean Boon
Tan Sri Dato' Haji Mohd Ariffin Bin Mohd Yusuf

DIRECTORS OF SUBSIDIARIES OF CARING PHARMACY GROUP BERHAD

Pursuant to Section 253(2) of the Companies Act 2016, the Directors of the subsidiaries of Caring Pharmacy Group Berhad who have held office during the financial year and up to the date of this report, not including those Directors mentioned above, are as follows:

Ang Hooi Hoon
Ang Swee Lim
Beh Siew Lian
Chan Chia Huoi
Chan Hua Hung
Chan Yin Mei
Cheam Shiau Tyng
Cheong Ngee Koon
Chia Peng Kwang
Ch'ng Haw Chong
Chow Ching Yei
Chua Jia Yunn
Chua Qi Yun
Dato' Sri Lai Kock Poh (Appointed on 28 September 2018)
Datin Sri Yong Mee Yam (Appointed on 28 September 2018)
Derek Moon Weng Chee
Elaine Poon Siew Yan
Foo Fung Jiun
Foong Jeng Yew
Goh Seong Por
Goo Yuan Tieh
Gooi Chean Keong
Hafiz Bin Mos @ Mohsin
Ho Chiew Lim (Resigned on 1 September 2018)
Hoo Gee Pang
Hoong Wuan Leik
Khoo Keh Ai
Koh Pei Ying

DIRECTORS' REPORT

DIRECTORS OF SUBSIDIARIES OF CARING PHARMACY GROUP BERHAD (CONT'D)

Pursuant to Section 253(2) of the Companies Act 2016, the Directors of the subsidiaries of Caring Pharmacy Group Berhad who have held office during the financial year and up to the date of this report, not including those Directors mentioned above, are as follows: (cont'd)

Koh Teng Hein
Kristy Ting Mei Ling
Kuan Mun Ni
Lai Kok Yoong
Lau Yee Voon
Lee Su Fen
Lee Sze Wei
Lee Wei Phang
Lee Yoon Leong
Leong Bee Go
Leong Sow Fun
Liew Pooi Cheng
Lim Ai Luan
Loo Ching Hsin
Loo Chuan Yen
Loo Jooi Leng
Low Yuen Ker
Ng Shih Siang
Ng Yee Choung
Ng Yi Chan
Ong Chin Yee
Ooi Jin Yi
Ooi Lay Kim
Ooi Pei Lin
Ooi Thean Thean
See Choon Keong (Appointed on 1 July 2019)
Seow Fue Chin
Sharon Lai Wai Ling
Siew Ben Jern
Siow Cheuk Ching
Soo Wai Han
Tan Chew Hong
Tan Fei Wun
Tan Kian Chong
Tan Lay Ean
Tan Pik Seng
Tan Teck Koon
Tan Thien Thien
Tan Yee May (Appointed on 1 July 2019)
Tang Guang Hui
Tee Phaik Kien
Tey Lu Ping
Von Jen Vui
Vun Yaw Ping
Wong Kait Chon
Wong Shin Yi
Yap Sze Yin (Appointed on 1 July 2019)
Yee Siew Fen (Resigned on 1 September 2018)

DIRECTORS' REPORT

DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year and their beneficial interests in the ordinary shares of the Company and of its related corporations during the financial year ended 31 May 2019 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016 in Malaysia were as follows:

	-------------- Number of ordinary shares ----------------			
	Balance as at 1.6.2018	Bought	Sold	Balance as at 31.5.2019
Shares in the Company				
Direct interests:				
Ang Khoon Lim	127,301	-	-	127,301
Chong Yeow Siang	127,401	-	-	127,401
Datin Sunita Mei-Lin Rajakumar	150,000	-	-	150,000
Soo Chan Chiew	127,301	-	-	127,301
Tan Lean Boon	127,301	-	-	127,301
Tan Sri Dato' Haji Mohd Ariffin bin Mohd Yusuf	100,000	-	-	100,000
Deemed interests				
Ang Khoon Lim	109,623,857	-	-	109,623,857
Chong Yeow Siang	109,623,857	-	-	109,623,857
Soo Chan Chiew	109,623,857	-	-	109,623,857
Tan Lean Boon	109,623,857	-	-	109,623,857
Share in the holding company, Motivasi Optima Sdn. Bhd.				
Ang Khoon Lim	18,647	-	-	18,647
Chong Yeow Siang	18,647	-	-	18,647
Soo Chan Chiew	18,647	-	-	18,647
Tan Lean Boon	18,647	-	-	18,647

By virtue of their shareholdings in the holding company, Ang Khoon Lim, Chong Yeow Siang, Soo Chan Chiew and Tan Lean Boon are deemed to have interests in the ordinary shares in the subsidiaries during the financial year to the extent of the interests in the Company and the holding company, in accordance with Section 8 of the Companies Act 2016.

The other Director holding office at the end of the financial year did not have any interest in the ordinary shares of the Company or its related corporations during the financial year.

DIRECTORS' REPORT

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors have received or become entitled to receive any benefit (other than those benefits included in the aggregate amount of remuneration received or due and receivable by the Directors as shown in the financial statements or the fixed salary of a full-time employee of the Company or related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest except for any benefits which may be deemed to arise from transactions entered into in the ordinary course of business with companies in which certain Directors have substantial financial interests as disclosed in Note 33 to the financial statements.

Neither during nor at the end of the financial year was the Group or the Company a party to any arrangements whose object is to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' REMUNERATION

The details of the Directors' remuneration paid or payable to the Directors of the Company during the financial year are disclosed in Note 32 to the financial statements.

INDEMNITY AND INSURANCE COST

During the financial year, there is no indemnity given to or professional indemnity insurance effected for Directors, officers or auditors of the Company.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 8 to the financial statements.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Significant events during the financial year are disclosed in Note 38 to the financial statements.

HOLDING COMPANY

The holding company is Motivasi Optima Sdn. Bhd., a company incorporated in Malaysia, which the Directors also regard as the ultimate holding company.

DIRECTORS' REPORT

AUDITORS

The auditors, BDO PLT (LLP0018825-LCA & AF 0206), have expressed their willingness to continue in office.

Details of the auditors' remuneration of the Company and its subsidiaries for the financial year ended 31 May 2019 are disclosed in Note 26 to the financial statements.

BDO PLT (LLP0018825-LCA & AF 0206) was registered on 2 January 2019 and with effect from that date, BDO (AF 0206), a conventional partnership was converted to a limited liability partnership.

Signed on behalf of the Board in accordance with a resolution of the Directors.

....
Soo Chan Chiew
Director

....
Chong Yeow Siang
Director

Kuala Lumpur
12 September 2019

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 80 to 150 have been drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 May 2019 and of the financial performance and cash flows of the Group and of the Company for the financial year then ended.

On behalf of the Board,

....	....
Soo Chan Chiew	**Chong Yeow Siang**
Director	Director

Kuala Lumpur
12 September 2019

STATUTORY DECLARATION

I, Foo Lee Fah, MIA Membership Number: 38951, being the officer primarily responsible for the financial management of Caring Pharmacy Group Berhad, do solemnly and sincerely declare that the financial statements set out on pages 80 to 150 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly
declared by the abovenamed
at Kuala Lumpur this
12 September 2019

Foo Lee Fah

Before me:

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF CARING PHARMACY GROUP BERHAD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Caring Pharmacy Group Berhad, which comprise the statements of financial position as at 31 May 2019 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 80 to 150.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 May 2019, and of the financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

a) Recognition of rebates and incentives income

The Group receives rebates and incentives income from vendors for various programs, primarily advertisement and promotional incentives, central distribution charges, product and conditional (volume) rebates in connection with the purchase of goods from their vendors.

As disclosed in Note 25 to the financial statements, the Group has recognised advertisement and promotion incentives and central distribution charges amounted to RM28,321,115 as other revenue during the financial year ended 31 May 2019. The Group has also recognised product and conditional (volume) rebates as a reduction in cost of sales in the consolidated statement of profit or loss and other comprehensive income.

We determined this to be a key audit matter because the amounts of rebates and incentives income are significant to the financial statements of the Group and required management's estimation in determining the quantum of the rebates and incentives in relation to the nature and level of fulfilment of the obligations under the contractual arrangements with the vendors.

Key Audit Matters (cont'd)

a) Recognition of rebates and incentives income (cont'd)

Audit response

Our audit procedures included the following:

i. reviewed the reconciliations performed by management between vendors' statement of balances and general ledger on a sampling basis to determine that the rebates and incentives income are taken up and accrued for during the financial year;

ii. vouched and agreed rebates and incentives income during the financial year to the contractual agreements, supporting documents and correspondences including approvals from the vendors;

iii. recomputed the rebates and incentives income based on contractual terms agreed by the vendors and vouched to post year-end settlements with the vendors; and

iv. performed cut-off testing to provide further evidence to support the timing of recognition of rebates and incentives income.

b) Impairment assessment of the carrying amount of investment in a subsidiary

As at 31 May 2019, the Company has investment in a subsidiary of RM215,372,397 as disclosed in Note 8 to the financial statements.

We determined this to be a key audit matter because it requires management to exercise significant judgements and estimates about the future results and key assumptions applied to cash flow projections of the subsidiary in determining the recoverable amount. In this instance, the recoverable amount is based on value-in-use. These key assumptions include budgeted gross profit margins and growth rates as well as determining an appropriate pre-tax discount rate used for the subsidiary.

Audit response

Our audit procedures included the following:

i. compared cash flow projections against recent performance, and vouched key assumptions in projections to available external industry sources of data, where applicable;

ii. compared prior period projections to actual outcomes to assess reliability of management forecasting process;

iii. verified gross profit margins, growth rates and terminal value to support the key assumptions in projections;

iv. verified pre-tax discount rate for the subsidiary by comparing to the weighted average cost of capital of the Company and relevant risk factors; and

v. performed sensitivity analysis of our own to stress test the key assumptions in the impairment model.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF CARING PHARMACY GROUP BERHAD

Information Other than the Financial Statements and Auditors' Report Thereon (cont'd)

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with MFRSs, IFRSs and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control of the Group and of the Company.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

(d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF CARING PHARMACY GROUP BERHAD

Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)

As part of an audit in accordance with approved standards on auditing in Malaysia and ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also: (cont'd)

(e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

OTHER MATTERS

The financial statements of the Group and of the Company for the financial year ended 31 May 2018 were audited by another firm of chartered accountants, whose report dated 7 September 2018 expressed an unqualified opinion on those statements.

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

BDO PLT
LLP0018825-LCA & AF 0206
Chartered Accountants

Law Kian Huat
02855/06/2020 J
Chartered Accountant

Kuala Lumpur
12 September 2019

STATEMENTS OF FINANCIAL POSITION

AS AT 31 MAY 2019

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
ASSETS					
Non-current assets					
Property, plant and equipment	6	39,646,009	40,276,419	-	-
Intangible assets	7	3,476,430	3,476,430	-	-
Investment in a subsidiary	8	-	-	215,372,397	215,372,397
Deferred tax assets	9	1,250,367	935,607	-	-
		44,372,806	44,688,456	215,372,397	215,372,397
Current assets					
Inventories	10	96,632,729	90,642,155	-	-
Trade receivables	11	232,345	402,522	-	-
Other receivables, deposits and prepayments	12	11,672,579	7,532,842	5,630	5,543
Amounts owing by related parties	13	8,992	8,490	13,114,680	11,000,000
Current tax assets		2,976,867	3,993,320	1,128	1,370
Short term funds	14	74,079,307	46,451,092	11,383,117	11,408,723
Fixed deposits with licensed banks	15	418,301	405,144	-	-
Cash and bank balances		57,047,330	65,052,760	293,469	253,431
		243,068,450	214,488,325	24,798,024	22,669,067
TOTAL ASSETS		287,441,256	259,176,781	240,170,421	238,041,464

STATEMENTS OF FINANCIAL POSITION

AS AT 31 MAY 2019

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	16	225,108,316	225,108,316	225,108,316	225,108,316
Retained earnings		110,342,900	100,584,490	15,025,405	12,896,344
Merger deficit	17	(181,984,395)	(181,984,395)	-	-
		153,466,821	143,708,411	240,133,721	238,004,660
Non-controlling interests		4,934,410	5,780,248	-	-
TOTAL EQUITY		158,401,231	149,488,659	240,133,721	238,004,660
LIABILITIES					
Non-current liabilities					
Term loans	18	7,632,432	6,737,199	-	-
Hire purchase payables	19	-	147	-	-
Deferred tax liabilities	9	138,902	10,970	-	-
		7,771,334	6,748,316	-	-
Current liabilities					
Trade payables	20	105,836,026	88,970,333	-	-
Other payables and accruals	21	10,118,061	8,879,988	35,000	35,000
Amounts owing to non-controlling shareholders	22	2,327,763	2,508,450	-	-
Amounts owing to related parties	23	117,257	114,248	1,700	1,804
Contract liabilities	24	923,947	-	-	-
Term loans	18	1,352,222	1,456,944	-	-
Hire purchase payables	19	-	57,407	-	-
Current tax liabilities		593,415	952,436	-	-
		121,268,691	102,939,806	36,700	36,804
TOTAL LIABILITIES		129,040,025	109,688,122	36,700	36,804
TOTAL EQUITY AND LIABILITIES		287,441,256	259,176,781	240,170,421	238,041,464

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 MAY 2019

		Group		Company	
	Note	2019 RM	2018 RM	2019 RM	2018 RM
Revenue	25	599,234,496	508,270,277	13,000,000	11,000,000
Cost of sales		(454,104,768)	(400,463,933)	-	-
Gross profit		145,129,728	107,806,344	13,000,000	11,000,000
Other operating income		4,128,295	28,269,973	408,131	435,085
Selling and distribution costs		(87,196,826)	(80,323,104)	-	-
Administrative expenses		(22,709,833)	(20,974,858)	(391,353)	(393,980)
Other operating expenses		(5,289,039)	(5,112,821)	-	-
Finance costs		(96,682)	(99,533)	-	-
Profit before tax	26	33,965,643	29,566,001	13,016,778	11,041,105
Tax expense	27	(8,315,511)	(6,242,124)	(2,397)	(63)
Profit for the financial year		25,650,132	23,323,877	13,014,381	11,041,042
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income for the financial year		25,650,132	23,323,877	13,014,381	11,041,042
Profit attributable to:					
Owners of the parent		20,729,546	18,560,148	13,014,381	11,041,042
Non-controlling interests		4,920,586	4,763,729	-	-
		25,650,132	23,323,877	13,014,381	11,041,042
Total comprehensive income attributable to:					
Owners of the parent		20,729,546	18,560,148	13,014,381	11,041,042
Non-controlling interests		4,920,586	4,763,729	-	-
		25,650,132	23,323,877	13,014,381	11,041,042
Earnings per ordinary shares attributable to owners of the parent (sen):					
Basic and diluted	28	9.52	8.53		

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 MAY 2019

Group	Note	Share capital RM	Non-distributable Merger deficit RM	Distributable Retained earnings RM	Total attributable to owners of the parent RM	Non-controlling interests RM	Total equity RM
Balance as at 1 June 2018, as previously reported		225,108,316	(181,984,395)	100,584,490	143,708,411	5,780,248	149,488,659
Adjustments on initial application of MFRS 15	39.1(a)	-	-	(51,144)	(51,144)	-	(51,144)
Balance as at 1 June 2018, as restated		225,108,316	(181,984,395)	100,533,346	143,657,267	5,780,248	149,437,515
Profit for the financial year		-	-	20,729,546	20,729,546	4,920,586	25,650,132
Other comprehensive income, net of tax		-	-	-	-	-	-
Total comprehensive income		-	-	20,729,546	20,729,546	4,920,586	25,650,132
Transactions with owners							
Issuance of shares by subsidiaries		-	-	-	-	110,000	110,000
Dividends paid:							
- by the Company	29	-	-	(10,885,320)	(10,885,320)	-	(10,885,320)
- by subsidiaries to non-controlling interests		-	-	-	-	(5,823,545)	(5,823,545)
Changes in subsidiaries' ownership interests that do not result in a loss of control		-	-	(34,672)	(34,672)	(52,879)	(87,551)
Total transactions with owners		-	-	(10,919,992)	(10,919,992)	(5,766,424)	(16,686,416)
Balance as at 31 May 2019		225,108,316	(181,984,395)	110,342,900	153,466,821	4,934,410	158,401,231

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 MAY 2019

Group	Note	Share capital RM	Non-distributable Merger deficit RM	Distributable Retained earnings RM	Total attributable to owners of the parent RM	Non-controlling interests RM	Total equity RM
Balance as at 1 June 2017		225,108,316	(181,984,395)	88,431,791	131,555,712	3,915,912	135,471,624
Profit for the financial year		-	-	18,560,148	18,560,148	4,763,729	23,323,877
Other comprehensive income, net of tax		-	-	-	-	-	-
Total comprehensive income		-	-	18,560,148	18,560,148	4,763,729	23,323,877
Transactions with owners							
Issuance of shares by a subsidiary		-	-	-	-	25,000	25,000
Dividends paid:							
- by the Company	29	-	-	(6,531,192)	(6,531,192)	-	(6,531,192)
- by subsidiaries to non-controlling interests		-	-	-	-	(2,936,200)	(2,936,200)
Changes in subsidiaries' ownership interests that do not result in a loss of control		-	-	123,743	123,743	11,807	135,550
Total transactions with owners		-	-	(6,407,449)	(6,407,449)	(2,899,393)	(9,306,842)
Balance as at 31 May 2018		225,108,316	(181,984,395)	100,584,490	143,708,411	5,780,248	149,488,659

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 MAY 2019

Company	Note	Share capital RM	Distributable Retained earnings RM	Total equity RM
Balance as at 1 June 2017		225,108,316	8,386,494	233,494,810
Profit for the financial year		-	11,041,042	11,041,042
Other comprehensive income, net of tax		-	-	-
Total comprehensive income		-	11,041,042	11,041,042
Dividend	29	-	(6,531,192)	(6,531,192)
Balance as at 31 May 2018		225,108,316	12,896,344	238,004,660
Profit for the financial year		-	13,014,381	13,014,381
Other comprehensive income, net of tax		-	-	-
Total comprehensive income		-	13,014,381	13,014,381
Dividend	29	-	(10,885,320)	(10,885,320)
Balance as at 31 May 2019		225,108,316	15,025,405	240,133,721

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2019

		Group		Company	
		2019	2018	2019	2018
	Note	RM	RM	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before taxation		33,965,643	29,566,001	13,016,778	11,041,105
Adjustments for:					
Impairment losses on property, plant and equipment	6	299,675	38,186	-	-
Impairment losses on trade receivables	11	219	1,939	-	-
Depreciation of property, plant and equipment	6	4,010,533	4,129,699	-	-
Write off of:-					
- property, plant and equipment	6	439,568	125,549	-	-
- trade receivables		5,919	-	-	-
Interest expenses		96,682	99,533	-	-
Gain on disposal of property, plant and equipment		-	(30,864)	-	-
Interest income		(3,400,828)	(2,525,858)	(403,039)	(425,188)
(Gain)/Loss on winding up of a subsidiary		(171,891)	35,385	-	-
Waiver of loans from a non-controlling shareholder	31(a)	(66,283)	-	-	-
Operating profit before working capital changes		35,179,237	31,439,570	12,613,739	10,615,917
Working capital changes:					
Increase in inventories		(5,990,574)	(1,651,914)	-	-
Increase in trade and other receivables		(3,976,200)	(416,372)	(87)	(543)
Increase/(Decrease) in trade and other payables		18,227,522	1,978,195	(104)	773
Increase in contract liabilities		923,947	-	-	-
Cash from operations		44,363,932	31,349,479	12,613,548	10,616,147
Tax paid		(7,954,445)	(6,741,890)	(2,155)	(1,433)
Tax refunded		109,538	106,571	-	-
Interest paid	31(a)	(96,682)	(99,533)	-	-
Net cash from operating activities		36,422,343	24,614,627	12,611,393	10,614,714

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2019

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
CASH FLOWS FROM INVESTING ACTIVITIES					
Changes in subsidiaries' ownership interests that do not result in a loss of control		(87,551)	135,550	-	-
Interest received		3,400,828	2,525,858	403,039	425,188
Advances to a subsidiary		-	-	(2,114,680)	(4,432,431)
Proceeds from winding up of a subsidiary		-	44,615	-	-
Proceeds from disposal of property, plant and equipment		-	41,018	-	-
Purchase of property, plant and equipment	6	(4,119,366)	(7,170,089)	-	-
Placements of pledged fixed deposits with licensed banks		(6,314)	(27,422)	-	-
Net cash used in investing activities		(812,403)	(4,450,470)	(1,711,641)	(4,007,243)
CASH FLOWS FOR FINANCING ACTIVITIES					
Dividends paid to:					
- shareholders of the Company	29	(10,885,320)	(6,531,192)	(10,885,320)	(6,531,192)
- non-controlling shareholders of subsidiaries		(5,823,545)	(2,936,200)	-	-
Proceeds from issuance of shares by subsidiaries to non-controlling shareholders		110,000	25,000	-	-
Repayment of hire-purchase payables	31(a)	(57,554)	(65,588)	-	-
Drawdowns of term loans	31(a)	2,040,000	-	-	-
Repayments of term loans	31(a)	(1,249,489)	(1,083,813)	-	-
Net repayments to non-controlling shareholders	31(a)	(114,404)	(236,750)	-	-
Net cash used in financing activities		(15,980,312)	(10,828,543)	(10,885,320)	(6,531,192)
Net increase in cash and cash equivalents		19,629,628	9,335,614	14,432	76,279
Cash and cash equivalents at beginning of the financial year		111,714,559	102,378,945	11,662,154	11,585,875
Cash and cash equivalents at end of the financial year	31(b)	131,344,187	111,714,559	11,676,586	11,662,154

The accompanying notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 MAY 2019

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at 22-09, Menara 1 MK, No.1, Jalan Kiara, Mont Kiara, 50480 Kuala Lumpur.

The principal place of business of the Company is located at No. 1, Jalan 51/203A, Kawasan Perindustrian Tiong Nam, Seksyen 51, 46050 Petaling Jaya, Selangor Darul Ehsan.

The Directors regard Motivasi Optima Sdn. Bhd., a company incorporated in Malaysia as the ultimate holding company.

The consolidated financial statements for the financial year ended 31 May 2019 comprise the Company and its subsidiaries. These financial statements are presented in Ringgit Malaysia ("RM"), which is also the functional currency of the Company.

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors on 12 September 2019.

2. PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding. The principal activities of the subsidiaries are set out in Note 8 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

3. BASIS OF PREPARATION

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the provisions of the Companies Act 2016 in Malaysia.

The accounting policies adopted are consistent with those of the previous financial year except for the effects of adoption of new MFRSs during the financial year. The new MFRSs and Amendments to MFRSs adopted during the financial year are disclosed in Note 39.1 to the financial statements.

The Group and the Company applied MFRS 15 *Revenue from Contracts with Customers* and MFRS 9 *Financial Instruments* for the first time during the current financial year, using the cumulative effect method as at 1 June 2018. Consequently, the comparative information were not restated and are not comparable to the financial information of the current financial year.

The financial statements of the Group and of the Company have been prepared under the historical cost convention except as otherwise stated in the financial statements.

The preparation of these financial statements in conformity with MFRSs and IFRSs requires the Directors to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and contingent liabilities. In addition, the Directors are also required to exercise their judgement in the process of applying the accounting policies. The areas involving such judgements, estimates, and assumptions are disclosed in Note 5 to the financial statements. Although these estimates and assumptions are based on the Directors' best knowledge of events and actions, actual results could differ from those estimates.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of consolidation

The consolidated financial statements of the Group incorporate the financial statements of the Company and all its subsidiaries. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

(a) Power over the investee;
(b) Exposure, or rights, to variable returns from its involvement with the investee; and
(c) The ability to use its power over the investee to affect its returns.

If the Group has less than a majority of the voting of similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) The contractual arrangement with the other vote holders of the investee;
(b) Rights arising from other contractual agreements; and
(c) The voting rights of the Group and potential voting rights.

Intragroup balances, transactions, income and expenses are eliminated in the consolidated financial statement. Unrealised gains arising from transactions with the associate are eliminated against the investment to the extent of the interest of the Group in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no impairment.

The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies. Where necessary, accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by the Group.

Non-controlling interests, if any, represent equity in subsidiaries that are not attributable, directly or indirectly, to owners of the parent, and is presented separately in the consolidated statement of profit or loss and other comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the financial year are included in the statement of profit or loss and other comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

If the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between:

(a) the aggregate of the fair value of the consideration received and the fair value of any retained interest; and

(b) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 9 *Financial Instruments* or, where applicable, the cost on initial recognition of an investment in an associate or a joint venture.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.1 Basis of consolidation (cont'd)

All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity of the Group.

(a) Business combinations

Business combinations other than those involving entities under common control, are accounted for by applying the acquisition method of accounting.

Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured at their fair value at the acquisition date, except that:

(a) deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with MFRS 112 Income Taxes and MFRS 119 Employee Benefits respectively;

(b) right of use assets and lease liabilities for leases are recognised and measured in accordance with MFRS 16 Leases;

(c) liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacements by the Group of an acquiree's share-based payment transactions are measured in accordance with MFRS 2 Share-based Payment at the acquisition date; and

(d) assets (or disposal groups) that are classified as held for sale in accordance with MFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration payable is recognised at fair value at the acquisition date. The Group accounts for changes in fair value of contingent consideration that are not measurement period adjustments as follows:

(a) Contingent consideration classified as equity shall not be remeasured and its subsequent settlement shall be accounted for within equity.

(b) Other contingent consideration that:

   (i) is within the scope of MFRS 9 Financial Instruments shall be measured at fair value at each reporting date and changes in fair value shall be recognised in profit or loss in accordance with MFRS 9 Financial Instruments for the relevant period.

   (ii) is not within the scope of MFRS 9 Financial Instruments shall be measured at fair value at each reporting date and changes in fair value shall be recognised in profit or loss.

In a business combination achieved in stages, previously held equity interests in the acquiree are re-measured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.1 Basis of consolidation (cont'd)

(a) Business combinations (cont'd)

Components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are initially measured at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by MFRS. The choice of measurement basis is made on a combination-by-combination basis. Subsequent to initial recognition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the previously held equity interest of the Group in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the statement of financial position. In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

Business combinations involving entities under common control are accounted for by applying the pooling of interest method of accounting. The assets and liabilities of the combining entities are reflected at their carrying amounts reported in the consolidated financial statements of the Group. Any difference between the consideration paid and the share capital and capital reserves of the "acquired" entity is reflected within equity as merger reserve. The statements of profit or loss and other comprehensive income reflects the results of the combining entities for the full year, irrespective of when the combination takes place. Comparatives are presented as if the entities had always been consolidated since the date the entities had come under common control.

Entities under common control are entities, which are ultimately controlled by the same parties and that control is not transitory. Control exists when the same parties have, as a result of contractual agreements, ultimate collective power to govern the financial and operating policies of each of the combining entities so as to obtain benefits from their activities, and that ultimate collective power is not transitory. The financial statements of commonly controlled entities are included in the consolidated financial statements from the day that control commences until the date that control ceases.

4.2 Goodwill

Goodwill is measured at cost less accumulated impairment losses, if any. The carrying value of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. The impairment value of goodwill is recognised immediately in profit or loss. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Under the acquisition method, any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interests recognised and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities at the date of acquisition is recorded as goodwill.

Where the latter amount exceeds the former, after reassessment, the excess represents a bargain purchase gain and is recognised in profit or loss immediately.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.3 Functional and presentation currency

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency.

The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional and presentation currency.

4.4 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, an equity instrument of another enterprise, a contractual right to receive cash or another financial asset from another enterprise, or a contractual right to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially favourable to the Group.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or a contractual obligation to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially unfavourable to the Group.

Financial instruments are recognised on the statements of financial position when the Group has become a party to the contractual provisions of the instrument. At initial recognition, an entity shall measure a financial asset (unless it is a trade receivable that does not contain a significant financing component) or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

(a) Financial assets

Accounting policies applied from 1 June 2018

When financial assets are initially recognised, they are measured at fair value, plus, in the case of financial assets not at Fair Value Through Profit or Loss ("FVTPL"), directly attributable transaction costs.

The Group determines the classification of financial assets upon initial recognition. The measurement for each classification of financial assets are as below:

(i) Financial assets measured at amortised cost

Financial assets that are debt instruments are measured at amortised cost if they are held within a business model whose objective is to collect contractual cash flows and have contractual terms which give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss through the amortisation process. Financial assets are carried net of any impairment losses, if any.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.4 Financial instruments (cont'd)

(a) Financial assets (cont'd)

Accounting policies applied from 1 June 2018 (cont'd)

(ii) Financial assets measured at fair value

Financial assets that are debt instruments are measured at Fair Value Through Other Comprehensive Income ("FVTOCI"), if they are held within a business model whose objectives are to collect contractual cash flows and selling the financial assets, and have contractual terms which give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequently to initial recognition, financial assets that are debt instruments are measured at fair value. Any gains or losses arising from the changes in fair value are recognised in other comprehensive income, except for impairment losses, exchange differences and interest income which are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

Financial assets that are debt instruments, which do not satisfy the requirements to be measured at amortised cost or FVTOCI are measured at FVTPL.

Equity instruments are classified as financial assets measured at FVTPL if they are held for trading or are designated as such upon initial recognition. Equity instruments are classified as held for trading if they are acquired principally for sale in the near term or are derivatives that do not meet the hedge accounting criteria (including separated embedded derivatives). The Group had elected an irrevocable option to designate its equity instruments not held for trading other than investments in subsidiaries at initial recognition as financial assets measured at FVTPL.

Subsequent to initial recognition, financial assets that are equity instruments are measured at fair value. Any gains or losses arising from the changes in fair value are recognised in profit or loss. Dividends on equity instruments are recognised in profit or loss when the Group's right to receive payment is established.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in profit or loss.

Cash and bank balances are measured at amortised cost. Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three (3) months or less and are used by the Group in the management of their short term commitments. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of pledged deposits.

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or marketplace convention. A regular way purchase or sale of financial assets shall be recognised and derecognised, as applicable, using trade date accounting.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.4 Financial instruments (cont'd)

(a) Financial assets (cont'd)

Accounting policies applied until 31 May 2018

A financial assets is classified into the following four (4) categories after initial recognition for the purpose of subsequent measurement:

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise financial assets that are held for trading (i.e. financial assets acquired principally for the purpose of resale in the near term), derivatives (both, freestanding and embedded) and financial assets that were specifically designated into this classification upon initial recognition.

Subsequent to initial recognition, financial assets classified as fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in the fair value of financial assets classified as fair value through profit or loss are recognised in profit or loss.

However, derivatives that is linked to and must be settled by delivery of unquoted equity instruments that do not have a quoted market price in an active market are recognised at cost.

(ii) Held-to-maturity investments

Financial assets classified as held-to-maturity comprise non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity.

Subsequent to initial recognition, financial assets classified as held-to-maturity are measured at amortised cost using the effective interest method. Gains or losses on financial assets classified as held-to-maturity are recognised in profit or loss when the financial assets are derecognised or impaired, and through the amortisation process.

(iii) Loans and receivables

Financial assets classified as loans and receivables comprise non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Subsequent to initial recognition, financial assets classified as loans and receivables are measured at amortised cost using the effective interest method. Gains or losses on financial assets classified as loans and receivables are recognised in profit or loss when the financial assets are derecognised or impaired, and through the amortisation process.

(iv) Available-for-sale financial assets

Financial assets classified as available-for-sale comprise non-derivative financial assets that are designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Subsequent to initial recognition, financial assets classified as available-for-sale are measured at fair value. Any gains or losses arising from changes in the fair value of financial assets classified as available-for-sale are recognised directly in other comprehensive income, except for impairment losses and foreign exchange gains and losses, until the financial assets is derecognised, at which time the cumulative gains or losses previously recognised in other comprehensive income are recognised in profit or loss. However, interest calculated using the effective interest method is recognised in profit or loss whilst dividend on available-for-sale equity instruments are recognised in profit or loss when the right of the Group to receive payment is established.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.4 Financial instruments (cont'd)

(a) Financial assets (cont'd)

Accounting policies applied until 31 May 2018 (cont'd)

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of change in fair value with original maturities of three (3) months or less, and are used by the Group in the management of their short term commitments. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits, if any.

A financial asset is derecognised when the contractual right to receive cash flows from the financial asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised directly in other comprehensive income shall be recognised in profit or loss.

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or marketplace convention.

A regular way purchase or sale of financial assets shall be recognised and derecognised, as applicable, using trade date accounting.

(b) Financial liabilities

Accounting policies applied from 1 June 2018

Financial liabilities are classified according to the substance of the contractual arrangements entered into and meet the definition of a financial liability.

Financial liabilities are recognised in the statements of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities at amortised cost.

(i) Financial liabilities measured at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term.

(ii) Financial liabilities measured at amortised cost

Other financial liabilities are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised and through the amortisation process.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.4 Financial instruments (cont'd)

(b) Financial liabilities (cont'd)

Accounting policies applied from 1 June 2018 (cont'd)

A financial liability is derecognised when, and only when, it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expired. An exchange between an existing borrower and lender of debt instruments with substantially different terms are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Accounting policies applied until 31 May 2018

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. A financial liability is classified into the following two (2) categories after initial recognition for the purpose of subsequent measurement:

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss comprise financial liabilities that are held for trading, derivatives (both, freestanding and embedded) and financial liabilities that were specifically designated into this classification upon initial recognition.

Subsequent to initial recognition, financial liabilities classified as fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in the fair value of financial liabilities classified as fair value through profit or loss are recognised in profit or loss.

(ii) Other financial liabilities

Financial liabilities classified as other financial liabilities comprise non-derivative financial liabilities that are neither held for trading nor initially designated as at fair value through profit or loss.

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method. Gains or losses on other financial liabilities are recognised in profit or loss when the financial liabilities are derecognised and through the amortisation process.

A financial liability is derecognised when, and only when, it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires. An exchange between an existing borrower and lender of debt instruments with substantially different terms are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.5 Equity (cont'd)

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are classified as equity instruments.

Interim dividends to shareholders are recognised in equity in the period in which they are declared. Final dividends are recognised upon the approval of shareholders in a general meeting.

No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the own equity instruments of the Company. If such shares are issued by resale, any difference between the sales consideration and the carrying amount is shown as a movement in equity.

4.6 Investment in a subsidiary

Investment in a subsidiary is stated at cost in the statement of financial position of the Company, and is reviewed for impairment at the end of the reporting period if events or changes in circumstances indicate that the carrying values may not be recoverable. The cost of the investments includes transaction costs.

On the disposal of the investments in subsidiaries, the difference between the net disposal proceeds and the carrying amount of the investments is recognised in profit or loss.

4.7 Trademark

Expenditure incurred on the acquisition of trademarks is capitalised as non-current assets. The useful life of trademark is estimated to be indefinite because based on the current market share of the trademark, management believes there is no foreseeable limit to the period over which the trademark is expected to generate net cash flows to the Group. Trademark is stated at cost less any impairment losses. The carrying amount of trademark is reviewed annually and adjusted for impairment where it is considered necessary.

4.8 Property, plant and equipment

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that are directly attributable to the acquisition of the asset and other costs directly attributable to bringing the asset to working condition for its intended use, and the costs dismantling and removing the items and restoring that site on which they are located.

Subsequent to initial recognition, all property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Freehold land is not depreciated. Depreciation on other property, plant and equipment is charged to profit or loss (unless it is included in the carrying amount of another asset) on a straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:-

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.8 Property, plant and equipment (cont'd)

Leasehold land	Over the lease period of 70 to 99 years
Buildings	2%
Computer equipment	33.33%
Motor vehicles	20%
Office equipment	20%
Furniture and fittings	20%
Renovation	20%

Capital work-in-progress included in property, plant and equipment represent buildings and equipment under construction and are not depreciated as these assets are not yet available for use.

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property, plant and equipment. Any changes are accounted for as a change in estimate.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset, being the difference between the net disposal proceeds and the carrying amount, is recognised in profit or loss.

4.9 Impairment of financial assets

Accounting policies applied from 1 June 2018

The Group applies the simplified approach to measure expected credit loss ("ECL"). The entails recognising a lifetime expected loss allowance for all trade receivables.

Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The estimate of expected cash shortfall shall reflect the cash flows expected from collateral and other credit enhancements that are part of the contractual terms. The shortfall is then discounted at an approximation to the asset's original effective interest rate of the asset.

The Group considers credit loss experience and observable data such as current changes and futures forecasts in economic conditions of the Group's industry to estimate the amount of expected impairment loss. The methodology and assumptions including any forecasts of future economic conditions are reviewed regularly.

Impairment for trade receivables that do not contain a significant financing component are recognised based on the simplified approach within MFRS 9 using the lifetime expected credit losses.

In measuring the expected credit losses on trade receivables, the probability of non-payment by the trade receivables is adjusted by forward looking information on macroeconomic factor affecting the Group's customers, which is consumer price index and multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such impairments are recorded in a separate impairment account with the loss being recognised in the statements of profit or loss and other comprehensive income. On confirmation that the trade receivable would not be collectible, the gross carrying value of the asset would be written off against the associated impairment.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.9 Impairment of financial assets (cont'd)

Accounting policies applied from 1 June 2018 (cont'd)

Impairment for other receivables and amounts owing by related parties are recognised based on the general approach within MFRS 9 using the forward looking expected credit loss model. The methodology used to determine the amount of the impairment is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset by comparing the risk of default occurring over the expected life with the risk of default since initial recognition. For those in which the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those in which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. At the end of the reporting period, the Group assesses whether there has been a significant increase in credit risk for financial assets by comparing the risk for default occurring over the expected life with the risk of default since initial recognition. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

The probability of non-payment other receivables and amounts due from related parties is adjusted by forward looking information and multiplied by the amount of the expected loss arising from default to determine the twelve month or lifetime expected credit loss for other receivables and amounts due from related parties.

The carrying amount of the financial asset is reduced through the use of an allowance for impairment loss account and the amount of impairment loss is recognised in profit or loss. When a financial asset becomes uncollectible, it is written off against the allowance for impairment loss account.

Accounting policies applied until 31 May 2018

The Group assesses whether there is any objective evidence that a financial asset is impaired at the end of each reporting period.

(a) Loans and receivables

The Group collectively considers factors such as the probability of bankruptcy or significant financial difficulties of the receivable, and default or significant delay in payments by the receivable, to determine whether there is objective evidence that an impairment loss on loans and receivables has occurred. Other objective evidence of impairment include historical collection rates determined on an individual basis and observable changes in national or local economic conditions that are directly correlated with the historical default rates of receivables.

If any such objective evidence exists, the amount of impairment loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of loans and receivables are reduced through use of an allowance account.

If in a subsequent period, the amount of the impairment loss decreases and it objectively relates to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of impairment reversed is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.9 Impairment of financial assets (cont'd)

Accounting policies applied until 31 May 2018 (cont'd)

(b) Available-for-sale financial assets

The Group collectively considers factors such as significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market as objective evidence that available-for-sale financial assets are impaired.

If any such objective evidence exists, an amount comprising the difference between the financial asset's cost (net of any principal payment and amortisation) and current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss.

Impairment losses in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses on available-for-sale equity investments are not reversed in profit or loss in the subsequent periods. Instead, any increase in the fair value subsequent to the impairment loss is recognised in other comprehensive income.

Impairment losses on available-for-sale debt investments are subsequently reversed to profit or loss if the increase in the fair value of the investments can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

4.10 Impairment of non-financial assets

The carrying values of assets, other than those to which MFRS 136 Impairment of Assets does not apply, are reviewed at the end of each reporting period for impairment when an annual impairment assessment is compulsory or there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. When the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount and an impairment loss shall be recognised. The recoverable amount of an asset is the higher of the asset's fair value less costs to sell and its value-in-use, which is measured by reference to discounted future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where it is not possible to estimate the recoverable amount of an individual asset, the Group determines the recoverable amount of the cash-generating unit to which the asset belongs.

An impairment loss is recognised in profit or loss.

In respect of assets other than goodwill, and when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.11 Leased assets

(a) Finance lease

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. The corresponding liability is included in the statement of financial position as hire purchase payables.

Minimum lease payments made under finance leases are apportioned between the finance costs and the reduction of the outstanding liability. The finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the profit or loss and allocated over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each accounting period.

(b) Operating lease

All leases that do not transfer substantially to the Group all the risks and rewards incidental to ownership are classified as operating leases and, the leased assets are not recognised on the statement of financial position of the Group.

Payments made under operating leases are recognised as an expense in the profit or loss on a straight-line method over the term of the lease. Lease incentives received are recognised as a reduction of rental expense over the lease term on a straight-line method. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

4.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in first-out method and comprises the purchase price and incidentals incurred in bringing the inventories to their present location and condition.

Net realisable value represents the estimated selling price less the estimated costs necessary to make the sale.

4.13 Employee benefits

(a) Short-term benefits

Wages, salaries, paid annual leave and bonuses are measured on an undiscounted basis and are recognised in profit or loss in the period in which the associated services are rendered by employees of the Group.

(b) Defined contribution plan

The Group's contributions to defined contribution plan is recognised in profit or loss in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plan.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.14 Income taxes

Income taxes include all domestic and foreign taxes on taxable profit.

Taxes in the statements of profit or loss and other comprehensive income comprise current tax and deferred tax.

(a) Current tax

Current tax expenses are determined according to the tax laws of the jurisdiction in which the Group operates and include all taxes based upon the taxable profits.

(b) Deferred tax

Deferred tax is recognised in full using the liability method on temporary differences arising between the carrying amount of an asset or liability in the statement of financial position and its tax base.

Deferred tax is recognised for all temporary differences, unless the deferred tax arises from goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of transaction, affects neither accounting profit nor taxable profit.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits would be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amount of a deferred tax asset is reviewed at the end of each reporting period. If it is no longer probable that sufficient taxable profits would be available to allow the benefit of part or all of that deferred tax asset to be utilised, the carrying amount of the deferred tax asset would be reduced accordingly. When it becomes probable that sufficient taxable profits would be available, such reductions would be reversed to the extent of the taxable profits.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority on either:

(i) the same taxable entity; or

(ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax would be recognised as income or expense and included in profit or loss for the period unless the tax relates to items that are credited or charged, in the same or a different period, directly to equity, in which case the deferred tax would be charged or credited directly to equity.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on the announcement of tax rates and tax laws by the Government in the annual budgets which have the substantive effect of actual enactment by the end of each reporting period.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.15 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements, unless the probability of outflow of economic benefits is remote. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events whose existence would be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

In the acquisition of subsidiary by the Group under business combinations, contingent liabilities assumed are measured initially at their fair value at the acquisition date.

4.16 Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

4.17 Earnings per ordinary share

Basic earnings per ordinary share is calculated by dividing the consolidated profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the reporting period, adjusted for own shares held.

Diluted earnings per ordinary share is determined by adjusting the consolidated profit or loss attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares, if any.

4.18 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the provision is the present value of the estimated expenditure required to settle the obligation. The discount rate shall be a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as interest expense in profit or loss.

(a) Provision for restoration costs

A provision is recognised when the Group has an obligation to dismantle and remove structures on identified sites and restore these sites at the end of the lease term to an acceptable condition consistent with the lease agreement. The restoration costs are charged to profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.19 Customer loyalty programme

The Group operates the customer loyalty programme, which allows customer to accumulate points when they purchase products at the Group's outlets and these points are redeemable for gift vouchers.

The loyalty points give rise to a separate performance obligation as they provide a material right to the customer. A portion of the transaction price is allocated to the loyalty points awarded to customers based on relative stand-alone selling price and recognised as contract liabilities until the points are redeemed. Revenue is recognised upon redemption of products by the customer.

When estimating the stand-alone selling price of the loyalty points, the Group considers the likelihood that the customer will redeem the points. The Group updates its estimates of the points that will be redeemed on a regular basis and any adjustments to the contract liabilities balance are charged against revenue.

4.20 Borrowing costs

All borrowing costs are recognised to profit or loss in the period in which they are incurred.

4.21 Fair value measurements

The fair value of an asset or a liability, except for share-based payments and lease transactions is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

The Group measures the fair value of an asset or a liability by taking into account the characteristics of the asset or liability if market participants would take these characteristics into account when pricing the asset or liability. The Group has considered the following characteristics when determining fair value:

(a) The condition and location of the asset; and

(b) Restrictions, if any, on the sale or use of the asset.

The fair value measurement for a non-financial asset takes into account the ability of the market participant to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The fair value of a financial or non-financial liability or an entity's own equity instrument assumes that:

(a) A liability would remain outstanding and the market participant transferee would be required to fulfil the obligation. The liability would not be settled with the counterparty or otherwise extinguished on the measurement date; and

(b) An entity's own equity instrument would remain outstanding and the market participant transferee would take on the rights and responsibilities associated with the instrument. The instrument would not be cancelled or otherwise extinguished on the measurement date.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.21 Fair value measurements (cont'd)

The financial and non-financial assets and liabilities that are measured subsequent to initial recognition at fair value are grouped into Level 1 to Level 3 based on the degree to which the fair value inputs are observable:

(a) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

(b) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

(c) Level 3 fair value measurements are those derived from inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The classification of an item into the above levels is based on the lowest level of the inputs used in the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

4.22 Revenue recognition

Accounting policies applied from 1 June 2018

The Group recognises revenue from contracts with customers for the sale of goods based on the five-step model as set out below:

(i) Identify contract(s) with a customer. A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria that must be met.

(ii) Identify performance obligations in the contract. A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

(iii) Determine the transaction price. The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

(iv) Allocate the transaction price to the performance obligations in the contract. For a contract that has more than one performance obligation, the Group allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

(v) Recognise revenue when the Group satisfies a performance obligation.

The Group satisfies a performance obligation and recognises revenue over time if the performance of the Group:

(i) Does not create an asset with an alternative use to the Group and has an enforceable right to payment for performance completed to-date; or

(ii) Creates or enhances an asset that the customer controls as the asset is created or enhanced; or

(iii) Provides benefits that the customer simultaneously receives and consumes as the Group performs.

NOTES TO THE FINANCIAL STATEMENTS

31 MAY 2019

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.22 Revenue recognition (cont'd)

Accounting policies applied from 1 June 2018 (cont'd)

For performance obligations where any one of the above conditions is not met, revenue is recognised at the point in time at which the performance obligation is satisfied.

(a) Sale of goods

Revenue from the sale of goods is recognised at a point in time when control of the goods has been transferred to the customer and coincides with the delivery of goods and acceptance by customers.

Revenue recognition not in relation to performance obligations is described below:

(a) Dividend income

Dividend income is recognised when the shareholder's right to receive payment is established.

(b) Rental income

Income from the rental of property is recognised on an accrual basis in accordance with the terms of the agreements.

(c) Rebates and incentives income

The Group receives incentives and rebates from suppliers for various programs, primarily advertisement and promotional incentives and central distribution charges. Rebates are recognised to consolidated statement of profit or loss and other comprehensive income as other revenue when the Group achieved the performance obligations for central distribution arrangement, and promotional programs have been fulfilled by the Group in accordance with the terms as stipulated in the trade agreements with vendors.

(d) Interest income

Interest income is recognised as it accrues, using the effective interest method.

Accounting policies applied until 31 May 2018

Revenue is measured at the fair value of the consideration received or receivable, net of returns, goods and services tax, cash and trade discounts.

(a) Sales of goods

Revenue from sale of goods is recognised when significant risks and rewards of ownership of the goods have been transferred to the buyer and where the Group does not have continuing managerial involvement and effective control over the goods sold.

(b) Dividend income

Dividend income from investment is recognised when the right to receive dividend payment is established.

(c) Rental income

Rental income is accounted for on a straight-line method over the lease term.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.22 Revenue recognition (cont'd)

Accounting policies applied until 31 May 2018 (cont'd)

(d) Advertising and promotional income

Advertising and promotional income is recognised on an accrual basis.

(e) Interest income

Interest income is recognised on an accrual basis using the effective interest method.

5 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

5.1 Critical judgements made in applying accounting policies

Management believes that there are no instances of application of critical judgement in applying the Group's accounting policies which will have a significant effect on the amounts recognised in the financial statements other than as disclosed below:-

(a) Classification of leasehold land

The classification of leasehold land as a finance lease or an operating lease requires the use of judgement in determining the extent to which risks and rewards incidental to its ownership lie. Despite the fact that there will be no transfer of ownership by the end of the lease term and that the lease term does not constitute the major part of the indefinite economic life of the land, management considered that the present value of the minimum lease payments approximated to the fair value of the land at the inception of the lease. Accordingly, management judged that the Group has acquired substantially all the risks and rewards incidental to the ownership of the land through a finance lease.

5.2 Key sources of estimation uncertainty

Estimates and judgements are continually evaluated by the management of the Group and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have a material impact to the Group's and the Company's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

(a) Recognition of advertisement and promotional incentives, central distribution charges and product and conditional (volume) rebates

Advertisement and promotional incentives and central distribution charges are recognised as other revenue, based on the expected entitlement that has been earned up to the end of the reporting period of each relevant supplier agreement. The Group recognises advertisement and promotional incentives, central distribution charges and product and conditional (volume) rebates where there is documented evidence of an agreement with an individual supplier and when associated performance obligations are met. Actual amounts received from suppliers could differ from the amounts initially estimated.

5 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

5.2 Key sources of estimation uncertainty (cont'd)

(b) Impairment of investment in a subsidiary

The Company reviews the investment in a subsidiary for impairment when there is indication of impairment. The recoverable amounts of the investment in a subsidiary are assessed by reference to the value-in-use.

The value-in-use is the net present value of the projected future cash flows derived from the business operations of the subsidiary discounted at an appropriate pre-tax discount rate. For such discounted cash flow method, it involves the use of estimated future results and a set of assumptions to reflect the income and cash flows. Judgement had also been used to determine the pre-tax discount rate for the cash flows and the future growth of the business of the subsidiary.

(c) Depreciation of property, plant and equipment

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions. The Group anticipates that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amount of property, plant and equipment as at the reporting date is disclosed in Note 6 to the financial statements.

(d) Impairment of goodwill and trademark

Goodwill and trademark are tested for impairment annually and at other times when such indicators exist. This requires management to estimate the expected future cash flows of the cash-generating unit to which goodwill and trademark are allocated and to apply a suitable discount rate in order to determine the present value of those cash flows. The future cash flows are most sensitive to budgeted gross margins, growth rate estimated and discount rate used. If the expectation is different from the estimation, such difference will impact the carrying values of goodwill and trademark. The carrying amount of goodwill and trademark as at the reporting date is disclosed in Note 7 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
31 MAY 2019

6. PROPERTY, PLANT AND EQUIPMENT

Group 2019	Balance as at 1.6.2018 RM	Additions RM	Written off RM	Reclassi-fications RM	Impairment losses RM	Depreciation charges RM	Balance as at 31.5.2019 RM
Carrying amount							
Leasehold land	16,035,487	-	-	-	-	(191,472)	15,844,015
Freehold land	3,393,514	-	-	-	-	-	3,393,514
Buildings	10,678,363	-	-	2,120,000	-	(235,137)	12,563,226
Computer equipment	1,070,410	984,066	-	73,800	(21,946)	(740,367)	1,365,963
Motor vehicles	424,336	115,150	-	-	-	(170,923)	368,563
Office equipment	1,680,317	818,665	(141,173)	63,031	(81,292)	(713,901)	1,625,647
Furniture and fittings	2,012,670	795,889	(51,618)	64,155	(30,267)	(851,043)	1,939,786
Renovation	2,547,035	1,319,608	(246,777)	142,301	(166,170)	(1,107,690)	2,488,307
Capital work-in-progress	2,434,287	85,988	-	(2,463,287)	-	-	56,988
	40,276,419	4,119,366	(439,568)	-	(299,675)	(4,010,533)	39,646,009

	[------At 31.5.2019------] Cost RM	Accumulated impairment losses RM	Accumulated depreciation RM	Carrying amount RM
Leasehold land	16,924,208	-	(1,080,193)	15,844,015
Freehold land	3,393,514	-	-	3,393,514
Buildings	13,733,550	-	(1,170,324)	12,563,226
Computer equipment	8,091,922	(29,897)	(6,696,062)	1,365,963
Motor vehicles	1,753,800	-	(1,385,237)	368,563
Office equipment	6,988,651	(162,643)	(5,200,361)	1,625,647
Furniture and fittings	9,571,790	(118,476)	(7,513,528)	1,939,786
Renovation	9,913,582	(272,027)	(7,153,248)	2,488,307
Capital work-in-progress	56,988	-	-	56,988
	70,428,005	(583,043)	(30,198,953)	39,646,009

NOTES TO THE FINANCIAL STATEMENTS

31 MAY 2019

6. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group 2018	Balance as at 1.6.2017 RM	Additions RM	Disposals RM	Written off RM	Impairment losses RM	Depreciation charges RM	Balance as at 31.5.2018 RM
Carrying amount							
Leasehold land	16,227,973	-	-	-	-	(192,486)	16,035,487
Freehold land	1,108,161	2,285,353	-	-	-	-	3,393,514
Buildings	10,374,782	527,388	-	-	-	(223,807)	10,678,363
Computer equipment	1,026,747	860,230	-	(6,328)	-	(810,239)	1,070,410
Motor vehicles	451,529	215,476	-	-	-	(242,669)	424,336
Office equipment	1,820,718	621,502	-	(39,166)	(11,102)	(711,635)	1,680,317
Furniture and fittings	2,424,639	551,226	(10,154)	(47,739)	-	(905,302)	2,012,670
Renovation	2,607,369	1,042,627	-	(32,316)	(27,084)	(1,043,561)	2,547,035
Capital work-in-progress	1,368,000	1,066,287	-	-	-	-	2,434,287
	37,409,918	7,170,089	(10,154)	(125,549)	(38,186)	(4,129,699)	40,276,419

	[---At 31.5.2018---			]
	Cost RM	Accumulated impairment losses RM	Accumulated depreciation RM	Carrying amount RM
Leasehold land	16,924,208	-	(888,721)	16,035,487
Freehold land	3,393,514	-	-	3,393,514
Buildings	11,613,550	-	(935,187)	10,678,363
Computer equipment	7,034,056	(7,951)	(5,955,695)	1,070,410
Motor vehicles	1,638,650	-	(1,214,314)	424,336
Office equipment	6,337,816	(81,351)	(4,576,148)	1,680,317
Furniture and fittings	8,827,594	(88,209)	(6,726,715)	2,012,670
Renovation	8,819,136	(105,857)	(6,166,244)	2,547,035
Capital work-in-progress	2,434,287	-	-	2,434,287
	67,022,811	(283,368)	(26,463,024)	40,276,419

6. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

a) Included in the property, plant and equipment of the Group at the end of the reporting period were motor vehicles with a total carrying amounts of RM Nil (2018: RM125,133), which were acquired under hire purchase terms. These leased assets have been pledged as security for the related hire purchase liabilities of the Group as disclosed in Note 19 to the financial statements.

b) The carrying amount of certain properties pledged to licensed bank as security for bank facilities granted to the Group as disclosed in Note 18 to the financial statements are as follows:

	Group 2019 RM	Group 2018 RM
Carrying amount		
Leasehold land	14,194,964	12,035,038
Buildings	7,948,887	7,597,780
	22,143,851	19,632,818

c) Impairment assessment

Impairment losses on property, plant and equipment amounting to RM299,675 (2018: RM38,186) have been recognised during the financial year due to recoverable amounts of property, plant and equipment in the Cash Generating Units ("CGU"), which are determined based on cash flow projections, are lower than their carrying amounts.

7. INTANGIBLE ASSETS

Group	Goodwill RM	Trademark RM	Total RM
Cost/Carrying amount			
Balance as at 1 June 2018/31 May 2019	1,601,560	1,874,870	3,476,430

The carrying amounts of goodwill allocated to each community pharmacy business are as follows:-

	Group 2019 RM	Group 2018 RM
Caring Pharmacy (IDR) Sdn. Bhd.	960,000	960,000
Caring Belle Sdn. Bhd.	111,560	111,560
Caring Pharmacy Rising Sdn. Bhd.	50,000	50,000
Caring Pharmacy (SW) Sdn. Bhd.	480,000	480,000
	1,601,560	1,601,560

7. INTANGIBLE ASSETS (CONT'D)

The Group has assessed the recoverable amounts of intangible assets and determined that no impairment is required. Their recoverable amounts are determined using the value in use approach, and this is derived from the present value of the future cash flows from community pharmacy business computed based on the projections of financial budgets approved by management covering a period of 5 years. The key assumptions used in the determination of the recoverable amounts are as follows:-

	Gross profit margin		Growth rate		Pre-tax discount rate	
	2019	2018	2019	2018	2019	2018
	%	%	%	%	%	%
Goodwill	17 - 23	21	5	5	10	10
Trademark	21	21	5	5	10	10

The following describes key assumptions on which management has based its cash flow projections to undertake impairment testing of goodwill and trademark:

(i) Budgeted gross profit margin

Average gross profit margin achieved in previous financial year immediately before the budgeted period.

(ii) Growth rate

Growth rate are projected based on the historical growth rate achieved for the outlets.

(iii) Discount rate (pre-tax)

Reflects specific risks relating to the relevant community pharmacy business.

The values assigned to the key assumptions represent management's assessment of future trends in the community pharmacy business and are based on both external sources and internal historical data.

The Directors believe that there is no reasonable possible change in the above key assumptions applied that is likely to materially cause the community pharmacy business carrying amount to be exceeded its recoverable amount.

8. INVESTMENT IN A SUBSIDIARY

	Company	
	2019	2018
	RM	RM
Unquoted shares, at cost	215,372,397	215,372,397

NOTES TO THE FINANCIAL STATEMENTS

31 MAY 2019

8. INVESTMENT IN A SUBSIDIARY (CONT'D)

The details of the subsidiaries are as follows:

Name of company	Country of incorporation	Effective interest in equity 2019 %	Effective interest in equity 2018 %	Principal activities
Subsidiary of the Company				
Caring Pharmacy Retail Management Sdn. Bhd.	Malaysia	100	100	Investment holding, provision of management services and central warehousing and distribution of pharmaceutical, healthcare and personal care products.
Subsidiaries of Caring Pharmacy Retail Management Sdn. Bhd.				
Caring Health Solutions Sdn. Bhd.	Malaysia	76	76	Operation of community pharmacy including retailing of pharmaceutical, healthcare and personal care products.
Caring Pharmacy (Kinrara) Sdn. Bhd.	Malaysia	100	100	As above
Caring Pharmacy (Ampang) Sdn. Bhd.	Malaysia	60	60	As above
Caring Belle Sdn. Bhd.	Malaysia	90	90	As above
Be Caring Sdn. Bhd.	Malaysia	51	51	As above
Sterling Pharmacy Sdn. Bhd.	Malaysia	51	51	As above
Stay Caring Sdn. Bhd.	Malaysia	90	90	As above
Vertex Pharmacy Sdn. Bhd.	Malaysia	51	51	As above
MN Pharmacy Sdn. Bhd.	Malaysia	60	60	As above
Caring Pharmacy (KLP) Sdn. Bhd.	Malaysia	80	80	As above
Caring "N" You Pharmacy Sdn. Bhd.	Malaysia	60	60	As above
Caring Pharmacy Sdn. Bhd.	Malaysia	100	100	As above
Tonic Pharma Sdn. Bhd.	Malaysia	60	60	As above
Ace Caring Pharmacy Sdn. Bhd.	Malaysia	76	76	As above
My Caring Pharmacy Sdn. Bhd.	Malaysia	60	60	As above
Caring Pharmacy Paradise Sdn. Bhd.	Malaysia	60	60	As above
Preciouslife Pharmacy Sdn. Bhd.	Malaysia	70	70	As above
Caring Pharmacy (SK) Sdn. Bhd.	Malaysia	70	70	As above
Caring Pharmacy Rising Sdn. Bhd.	Malaysia	60	60	As above
Caring Clover Sdn. Bhd.	Malaysia	60	60	As above
Caring Trio Sdn. Bhd.	Malaysia	60	60	As above
Victorie Caring Sdn. Bhd.	Malaysia	70	70	As above

8. INVESTMENT IN A SUBSIDIARY (CONT'D)

The details of the subsidiaries are as follows: (cont'd)

Name of company	Country of incorporation	Effective interest in equity 2019 %	2018 %	Principal activities
Subsidiaries of Caring Pharmacy Retail Management Sdn. Bhd. (cont'd)				
Caring Pharmacy (IDR) Sdn. Bhd.	Malaysia	51	51	Operation of community pharmacy including retailing of pharmaceutical, healthcare and personal care products.
Living Glory Sdn. Bhd.	Malaysia	70	70	As above
Caring Pharmacy (ABM) Sdn. Bhd.	Malaysia	75	75	As above
Caring Pharmacy (MPLS) Sdn. Bhd.	Malaysia	60	60	As above
Caring Pharmacy (RS) Sdn. Bhd.	Malaysia	100	100	As above
One Caring Pharmacy Sdn. Bhd.	Malaysia	60	60	As above
Caring Pharmacy Always Sdn. Bhd.	Malaysia	70	70	As above
Caring Pharmacy (Shah Alam) Sdn. Bhd.	Malaysia	85	85	As above
Caring Pharmacy (JB Molek) Sdn. Bhd.	Malaysia	60	60	As above
Cosy Vision Sdn. Bhd.	Malaysia	100	60	As above
Fuji Acre Sdn. Bhd.	Malaysia	81	81	As above
Mega Caring Sdn. Bhd.	Malaysia	60	60	As above
Viva Caring Sdn. Bhd.	Malaysia	85	85	As above
Caring Trinity Sdn. Bhd.	Malaysia	60	60	As above
Caring Pharmacy (SW) Sdn. Bhd.	Malaysia	51	51	As above
WM Caring Pharmacy Sdn. Bhd.	Malaysia	80	80	As above
Green Surge Sdn. Bhd.	Malaysia	60	60	As above
Caring Healthmark Sdn. Bhd.	Malaysia	75	75	As above
Caring Evergreen Sdn. Bhd.	Malaysia	70	100	As above
Caring Pharmacy Ascend Sdn. Bhd.	Malaysia	60	100	As above
Caring T & T Sdn. Bhd.*	Malaysia	60	-	As above
Caring Estore Sdn. Bhd.	Malaysia	100	100	Internet and warehouse sales of healthcare and personal care products
United Caring Venture Sdn. Bhd.	Malaysia	-	100	Members' voluntary winding up
Caring Pharmacy (Empire) Sdn. Bhd.	Malaysia	-	100	Members' voluntary winding up
Caring Empire Sdn. Bhd.	Malaysia	60	60	Dormant
Caring Link Sdn. Bhd.*	Malaysia	100	-	Dormant

* Consolidated using management accounts for the financial period ended 31 May 2019.

8. INVESTMENT IN A SUBSIDIARY (CONT'D)

The non-controlling interests at the end of the reporting period comprise the following:

	Group	
	2019 RM	2018 RM
Non-controlling interests with the following effective equity interest:		
- 40.10% - 50.00%	2,386,938	3,169,675
- 30.10% - 40.00%	1,933,241	1,838,650
- 20.10% - 30.00%	578,563	654,449
- 10.00% - 20.00%	35,668	117,474
	4,934,410	5,780,248

Summarised financial information of companies with non-controlling interests are not presented as the non-controlling interests of these subsidiaries are not individually material to the Group.

9. DEFERRED TAX (ASSETS)/LIABILITIES

(a) The deferred tax assets and liabilities are made up of the following:-

	Group	
	2019 RM	2018 RM
At 1 June	(924,637)	(222,862)
Recognised in profit or loss (Note 27)	(186,828)	(701,775)
At 31 May	(1,111,465)	(924,637)
Presented after appropriate offsetting:		
Deferred tax assets, net*	(1,250,367)	(935,607)
Deferred tax liabilities, net*	138,902	10,970
	(1,111,465)	(924,637)

* The amounts of set-off between deferred tax assets and deferred tax liabilities of the Group were RM81,849 (2018: Nil).

NOTES TO THE FINANCIAL STATEMENTS
31 MAY 2019

9. DEFERRED TAX (ASSETS)/LIABILITIES (CONT'D)

(b) The components and movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows:

Group 2019	Balance as at 1.6.2018 RM	Recognised in profit or loss RM	Balance as at 31.5.2019 RM
Deferred tax assets			
Property, plant and equipment	(442,207)	303,654	(138,553)
Provisions	(493,400)	(363,580)	(856,980)
Unabsorbed tax losses	-	(336,683)	(336,683)
	(935,607)	(396,609)	(1,332,216)
Deferred tax liabilities			
Property, plant and equipment	10,970	203,781	214,751
Provisions	-	6,000	6,000
	10,970	209,781	220,751

Group 2018	Balance as at 1.6.2017 RM	Recognised in profit or loss RM	Balance as at 31.5.2018 RM
Deferred tax assets			
Property, plant and equipment	(256,812)	(185,395)	(442,207)
Provisions	-	(493,400)	(493,400)
	(256,812)	(678,795)	(935,607)
Deferred tax liabilities			
Property, plant and equipment	186,250	(175,280)	10,970
Provisions	(152,300)	152,300	-
	33,950	(22,980)	10,970

9. DEFERRED TAX (ASSETS)/LIABILITIES (CONT'D)

(c) The amounts of temporary differences for which no deferred tax assets have been recognised in the statements of financial position are as follows:

	Group	
	2019 RM	2018 RM
Unabsorbed tax losses	1,509,539	646,727
Unutilised capital allowances	44,232	74,894
Provisions	57,000	35,000
Other temporary differences	44,909	16,603
	1,655,680	773,224

In accordance with the provision in Finance Act 2018, the unutilised tax losses are available for utilisation in the next seven (7) years and expiring in year of assessment 2026, for which, any excess at the end of the seventh year, will be disregarded. Deferred tax assets of certain subsidiaries have not been recognised in respect of the above items as it is not probable that future taxable profits of the subsidiaries would be available against which the deductible temporary differences could be utilised.

10. INVENTORIES

	Group	
	2019 RM	2018 RM
At cost:		
Trading goods	96,632,729	90,642,155

The amount of inventories recognised as an expenses in cost of sales was RM454,104,768 (2018: RM400,463,933).

11. TRADE RECEIVABLES

	Group	
	2019 RM	2018 RM
Trade receivables	240,442	410,400
Allowance for impairment losses	(8,097)	(7,878)
	232,345	402,522

(a) The Group's sales are normally conducted on cash basis. The trade receivables represent amount owing from transactions conducted with business associates and credit terms are assessed and approved on case-by-case basis.

11. TRADE RECEIVABLES (CONT'D)

(b) Impairment for trade receivables that do not contain significant financing component are recognised based on the simplified approach using the lifetime expected credit losses.

During this process, the probability of non-payment by the trade receivables is adjusted by forward looking information on macroeconomic factor affecting the Group's customers, which is consumer price index and multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such impairments are recorded in a separate impairment account with the loss being recognised in the statements of profit or loss and other comprehensive income. On confirmation that the trade receivable would not be collectible, the gross carrying amount value of the asset would be written off against the associated impairment.

It requires management to exercise significant judgement in determining the probability of default by trade receivables and appropriate forward looking information.

The reconciliation of movements in the impairment losses on trade receivables is as follows:

Group	Lifetime ECL allowance RM	Credit impaired RM	Total allowance RM
At 1 June 2018 under MFRS 139	-	7,878	7,878
Restated through opening retained earnings	-	-	-
Opening impairment loss of trade receivables in accordance with MFRS 9	-	7,878	7,878
Charge for the financial year	-	219	219
At 31 May 2019	-	8,097	8,097
At 1 June 2017 under MFRS 139	-	5,939	5,939
Charge for the financial year	-	1,939	1,939
At 31 May 2018	-	7,878	7,878

Credit impaired refers to individually determined debtors who are in significant financial difficulties and have defaulted on payments to be impaired as at the end of the reporting period.

(c) Trade receivables are denominated in RM.

(d) No expected credit loss is recognised arising from trade receivables as it is negligible.

(e) Information on financial risks of trade receivables is disclosed in Note 37.1(b) to the financial statements.

12. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Other receivables	3,248,850	600,800	630	543
Deposits	7,905,265	6,932,042	5,000	5,000
Prepayments	518,464	-	-	-
	11,672,579	7,532,842	5,630	5,543

(a) Other receivables include amounts receivable from vendors for advertisement and promotional incentives, central distribution charges, product and conditional (volume) rebates amounting to RM2,391,323 (2018: Nil).

(b) No expected credit loss is recognised arising from other receivables as it is negligible.

(c) Other receivables are denominated in RM.

13. AMOUNTS OWING BY RELATED PARTIES

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Ultimate holding company				
Non-trade balance	500	530	-	-
Subsidiary				
Dividend receivables	-	-	13,114,680	11,000,000
Companies in which certain Directors have significant financial interests				
Trade balance	8,492	7,430	-	-
Non-trade balance	-	530	-	-
	8,992	8,490	13,114,680	11,000,000

(a) The trade balances are subject to the normal trade credit terms of 60 days (2018: 60 days). The amounts owing are to be settled in cash.

(b) The non-trade balances represent accounting services receivable from related parties. The amounts owing are repayable on demand and to be settled in cash.

(c) No expected credit loss is recognised arising from amounts owing by related parties as it is negligible.

(d) Amounts owing by related parties are denominated in RM.

NOTES TO THE FINANCIAL STATEMENTS
31 MAY 2019

14. SHORT TERM FUNDS

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
At fair value through profit or loss:-				
Short term funds	74,079,307	46,451,092	11,383,117	11,408,723

(a) The funds invest mainly into highly liquid money market instruments, which are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value.

(b) There is no maturity period for the money market funds as these money are callable on demand.

(c) Short term funds are denominated in RM.

(d) Information on the fair value hierarchy is disclosed in Note 37.4 to the financial statements.

15. FIXED DEPOSITS WITH LICENSED BANKS

(a) The fixed deposits with licensed banks of the Group at the end of the reporting period bear effective interest rate of 3.20% (2018: 3.20%) per annum.

(b) Sensitivity analysis for fixed rates deposits as at the end of the reporting period is not presented as fixed rate instruments are not affected by change in interest rates.

(c) The fixed deposits have maturity periods of 30 days (2018: 30 days).

(d) The fixed deposits with licensed banks are denominated in RM.

(e) Included in the fixed deposits with licensed banks of the Group at the end of the reporting period is an amount of RM200,751 (2018: RM194,437), which has been pledged to a licensed bank for bank guarantees granted to a subsidiary.

(f) No expected credit losses are recognised arising from the fixed deposits with licensed banks because the probability of default by these financial institutions is negligible.

16. SHARE CAPITAL

	Group and Company			
	2019		2018	
	Number of shares	RM	Number of shares	RM
Issued and fully paid:				
Balance as 1 June/31 May	217,706,400	225,108,316	217,706,400	225,108,316

Owners of the parent are entitled to receive dividends as and when declared by the Company and are entitled to one (1) vote per ordinary share at meetings of the Company. All ordinary shares rank pari passu with regard to the residual assets of the Company.

NOTES TO THE FINANCIAL STATEMENTS
31 MAY 2019

17. MERGER DEFICIT

The merger deficit arose from subsidiaries, which were consolidated under the pooling of interest method of accounting.

The merger deficit represents the difference between the carrying value of the investments and the nominal value of the shares of the subsidiaries upon consolidation using merger accounting principles.

18. TERM LOANS (SECURED)

	Group	
	2019 RM	2018 RM
Current liabilities	1,352,222	1,456,944
Non-current liabilities	7,632,432	6,737,199
	8,984,654	8,194,143

(a) Term loans are repayable over 120 (2018: 120) monthly instalments from the date of drawdown and secured by legal charges over the Group's properties as disclosed in Note 6 to the financial statements.

(b) The interest rate profile of the term loans is summarised below:-

	Effective interest rate		Group	
	2019 %	2018 %	2019 RM	2018 RM
Floating rate term loans	4.26	4.59	8,984,654	8,194,143

(c) Term loans are denominated in RM.

(d) Information on financial risks of term loans and its remaining maturity is disclosed in Note 37.1(c) to the financial statements.

19. HIRE PURCHASE PAYABLES (SECURED)

	Group	
	2019 RM	2018 RM
Minimum hire purchase payments:		
- not later than one year	-	58,835
- later than one year and not later than five years	-	147
	-	58,982
Future finance charges	-	(1,428)
	-	57,554
Analysed by:		
Current liabilities	-	57,407
Non-current liabilities	-	147
	-	57,554

19. HIRE PURCHASE PAYABLES (SECURED) (CONT'D)

(a) The hire purchase payables of the Group were secured by the Group's motor vehicles under finance leases as disclosed in Note 6 to the financial statements. The Group has fully repaid the hire purchase during the financial year.

(b) In the previous financial year, the hire purchase payables of the Group bore effective interest rates of 5.22% per annum. The interest rate was fixed at the inception of the hire purchase arrangements.

(c) Information on financial risks of hire purchase and its remaining maturity is disclosed in Note 37.1(c) to the financial statements

20. TRADE PAYABLES

	Group	
	2019 RM	2018 RM
Trade payables	105,836,026	87,930,744
Deferred revenue - customer loyalty awards	-	1,039,589
	105,836,026	88,970,333

(a) The normal trade credit terms granted to the Group range from 30 days to 120 days (2018: 30 days to 120 days). Other credit terms are granted to the Group on a case-by-case basis.

(b) The fair value of the customer loyalty awards was estimated by reference to the monetary value of the awarded loyalty points and redemption profile. While the customer loyalty awards were based on the best estimate of future redemption profile, there was uncertainty regarding the trend of redemption. All the estimates were reviewed on an annual basis or more frequently, where there was indication of a material change.

(c) The following table showed reconciliation from the opening balance to the closing balance for the deferred revenue - customer loyalty awards and its components.

	Group 2018 RM
Balance as at 1 June	-
Additions during the financial year	1,128,194
Utilisation during the financial year	(88,605)
Balance as at 31 May	1,039,589

As at 1 June 2018, this deferred revenue has been classified as contract liabilities.

(d) Trade payables are denominated in RM.

(e) Information on financial risks of trade payables is disclosed in Note 37.1(c) to the financial statements.

21. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Other payables	1,844,526	670,497	-	-
Goods and services tax payable	-	673,964	-	-
Accrued expenses	2,355,429	2,001,571	35,000	35,000
Payroll liabilities	4,963,106	4,678,956	-	-
Provisions for restoration costs	955,000	855,000	-	-
	10,118,061	8,879,988	35,000	35,000

(a) Under certain lease arrangements, the Group has an obligation to restore rented premises at the end of the lease terms to an acceptable condition consistent with the lease agreements.

(b) The provisions are estimated using the assumption that restoration will only take place upon expiry of the lease terms (inclusive of secondary terms) of 1 to 9 years.

(c) While the provisions are based on the best estimate of future costs and the economic lives of the affected assets, there is uncertainty regarding both the amount and timing of incurring these costs. All the estimates are reviewed on an annual basis or more frequently, where there is indication of a material change.

(d) A reconciliation of the provision for restoration costs is as follows:

	Group	
	2019 RM	2018 RM
As at 1 June	855,000	-
Recognised in profit or loss	140,000	855,000
Reversal of provision for restoration costs	(14,380)	-
Utilised during the financial year	(25,620)	-
As at 31 May	955,000	855,000

(e) Other payables and accruals are denominated in RM.

(f) Information on financial risks of other payables and accruals is disclosed in Note 37.1(c) to the financial statements.

22. AMOUNTS OWING TO NON-CONTROLLING SHAREHOLDERS

The amounts owing to non-controlling shareholders are unsecured, interest bearing advances and repayable on demand. The amounts are to be settled in cash. The advances bear floating interest rate ranging from 3.58% to 3.69% (2018: 3.43% to 3.69%) per annum.

Amounts owing to non-controlling shareholders are denominated in RM.

Information on financial risks of amounts owing to non-controlling shareholders is disclosed in Note 37.1(c) to the financial statements.

23. AMOUNTS OWING TO RELATED PARTIES

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Companies in which certain Directors have significant financial interests				
Trade balance	32,487	23,532	-	-
A company in which a closed family of a Director has significant financial interest				
Trade balance	82,070	88,912	-	-
A company in which a substantial shareholder has significant financial interest				
Non-trade balance	2,700	1,804	1,700	1,804
	117,257	114,248	1,700	1,804

(a) The trade balances are subject to the normal trade credit terms of 60 days (2018: 60 days). The amounts owing are to be settled in cash.

(b) The non-trade balances represent share registration services and maintenance services payable to related parties. The amounts owing are repayable on demand and to be settled in cash.

(c) Amounts owing to related parties are denominated in RM.

(d) Information on financial risks of amount owing to related parties is disclosed in Note 37.1(c) to the financial statements.

24. CONTRACT LIABILITIES

	Group 2019 RM
Customer loyalty awards	923,947

(a) The contract liabilities primarily relate to the unredeemed customer loyalty awards. Contract liabilities represent the aggregate amount of the transaction price allocated to the remaining performance obligations and the Group will recognise this revenue as and when the products are redeemed by customers, which are expected to occur in the next financial year.

24. CONTRACT LIABILITIES (CONT'D)

(b) A reconciliation of the contract liabilities is as follows:

	Group RM
Balance as at 1 June 2018	-
Transfer from trade payables upon adoption of MFRS 15	1,039,589
Adjustment on initial application of MFRS 15	51,144
Restated balance as at 1 June 2018	1,090,733
Additions during the financial year	2,561,843
Utilisation during the financial year	(1,667,493)
Lapsed during the financial year	(1,061,136)
Balance as at 31 May 2019	923,947

25. REVENUE

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Revenue from contracts with customers				
Sales of goods	570,913,381	508,270,277	-	-
Other revenue				
Advertising and promotional incentives and central distribution charges	28,321,115	-	-	-
Dividend income	-	-	13,000,000	11,000,000
	28,321,115	-	13,000,000	11,000,000
Total revenue	599,234,496	508,270,277	13,000,000	11,000,000
Timing of revenue recognition				
Transferred at a point in time	570,913,381	508,270,277	-	-

Disaggregation of revenue from contracts with customers has not been presented as the Group evaluates its business performance based on geographical location and the business of the Group is focused only in Malaysia.

26. PROFIT BEFORE TAX

		Group		Company	
		2019	2018	2019	2018
	Note	RM	RM	RM	RM
Profit before tax is arrived at after charging/(crediting):					
Auditors' remuneration					
- audit fees		286,700	288,400	30,000	30,000
- non-audit fees		14,130	154,600	-	8,000
Impairment losses on property, plant and equipment	6	299,675	38,186	-	-
Impairment losses on trade receivables	11	219	1,939	-	-
Directors' remuneration	32(a)	11,202,675	10,952,113	191,800	206,000
Depreciation of property, plant and equipment	6	4,010,533	4,129,699	-	-
Write off of:-					
- property, plant and equipment	6	439,568	125,549	-	-
- trade receivables		5,919	-	-	-
Net fair value gain on short term funds		(102,515)	(75,855)	(5,092)	(9,897)
Interest expenses:					
- hire purchase		1,368	4,872	-	-
- term loans		5,387	-	-	-
- others		89,927	94,661	-	-
(Gain)/Loss on winding up of subsidiaries		(171,891)	35,385	-	-
Rental of premises		25,097,282	22,975,418	-	-
Rental income		(186,050)	(162,067)	-	-
Gain on disposal of property, plant and equipment		-	(30,864)	-	-
Interest income:					
- short term funds		(2,865,714)	(1,665,145)	(397,922)	(415,533)
- fixed deposits with licensed banks		(13,156)	(13,661)	-	-
- others		(521,958)	(847,052)	(5,117)	(9,655)
Waiver of loans from a non-controlling shareholder		(66,283)	-	-	-

27. TAX EXPENSE

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Income tax:				
- Malaysian income tax	8,441,353	7,224,482	-	55
- under/(over) provision in the previous financial year	60,986	(280,583)	2,397	8
	8,502,339	6,943,899	2,397	63
Deferred tax (Note 9):				
- relating to origination and reversal of temporary differences	179,556	(760,275)	-	-
- (over)/under provision in the previous financial year	(366,384)	58,500	-	-
	(186,828)	(701,775)	-	-
	8,315,511	6,242,124	2,397	63

A reconciliation of income tax expense applicable to the profit before taxation at the statutory tax rate to income tax expense at the effective tax rate of the Group and of the Company is as follows:-

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Profit before taxation	33,965,643	29,566,001	13,016,778	11,041,105
Tax at Malaysian statutory tax rate of 24% (2018: 24%)	8,151,754	7,095,840	3,124,027	2,649,865
Tax effects in respect of:				
Non-deductible expenses	850,429	591,350	92,696	94,555
Non-taxable income	(593,063)	(444,612)	(3,216,723)	(2,744,365)
Utilisation of previously unrecognised deferred tax assets	(26,282)	(434,832)	-	-
Deferred tax assets not recognised during the financial year	238,071	-		
Effect of changes in tax rate	-	(343,539)	-	-
Under/(Over) provision of income tax in the previous financial year	60,986	(280,583)	2,397	8
(Over)/Under provision of deferred tax in the previous financial year	(366,384)	58,500	-	-
	8,315,511	6,242,124	2,397	63

Income tax is calculated at the Malaysian statutory tax rate of 24% (2018: 24%) of the estimated assessable profit for the financial year.

27. TAX EXPENSE (CONT'D)

For years of assessment 2017 and 2018, the Malaysian statutory tax rate was reduced by 1% to 4%, based on the prescribed incremental percentage of chargeable income from business, compared to that of the immediate preceding year of assessment. The Group had accounted for the reduction in the tax rate in the previous financial years, based on the percentage of increase in chargeable income of the Company and its subsidiaries.

28. EARNINGS PER ORDINARY SHARE

(a) Basic earnings per ordinary share

The basic earnings per ordinary share for the financial year has been calculated by dividing the consolidated profit for the financial year attributable to owners of the parent by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2019	**2018**
Profit attributable to owners of the parent (RM)	20,729,546	18,560,148
Weighted average number of ordinary shares in issue	217,706,400	217,706,400
Basic earnings per ordinary share (Sen)	9.52	8.53

(b) Diluted earnings per ordinary share

The Company has not issued any potentially dilutive ordinary shares and hence, the dilutive earnings per share is equal to basic earnings per share.

29. DIVIDENDS

	Group and Company	
	2019	**2018**
	RM	**RM**
In respect of the previous financial year:		
Final single-tier dividend of:		
- 5 sen per ordinary share	10,885,320	-
- 3 sen per ordinary share	-	6,531,192

At the forthcoming Annual General Meeting, a final single tier dividend of 6 sen per ordinary share amounting to RM13,062,384 in respect of the current financial year will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for as a liability in the financial year ending 31 May 2020.

30. EMPLOYEE BENEFITS

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Wages, salaries and bonuses	56,300,644	52,920,114	191,200	206,000
Contributions to defined contribution plan	6,857,039	5,972,699	-	-
Social security contributions	576,025	505,772	-	-
Other benefits	3,588,893	3,273,877	-	-
	67,322,601	62,672,462	191,200	206,000

Included in the employee benefits of the Group are Executive Directors' remuneration of the Group amounting to RM11,011,475 (2018: RM10,746,113).

31. CASH FLOW INFORMATION

(a) The reconciliation of liabilities arising from financing activities are as follows:

Group 2019	Amount owing to non-controlling shareholders RM	Hire purchase payables RM	Term loans RM	Total RM
Balance as at 1 June	2,508,450	57,554	8,194,143	10,760,147
<u>Changes in financing cash flows</u>				
Net repayments to non-controlling shareholders	(114,404)	-	-	(114,404)
Drawdowns of borrowing principal	-	-	2,040,000	2,040,000
Repayments of borrowing principal	-	(57,554)	(1,249,489)	(1,307,043)
Repayments of borrowing interests	(89,927)	(1,368)	(5,387)	(96,682)
<u>Non-cash changes</u>				
Finance charges recognised in profit or loss	89,927	1,368	5,387	96,682
Waiver of loans	(66,283)	-	-	(66,283)
Balance as at 31 May	2,327,763	-	8,984,654	11,312,417

31. CASH FLOW INFORMATION (CONT'D)

(a) The reconciliation of liabilities arising from financing activities are as follows: (cont'd)

Group 2018	Amount owing to non-controlling shareholders RM	Hire purchase payables RM	Term loans RM	Total RM
Balance as at 1 June	2,745,200	123,142	9,277,956	12,146,298
Changes in financing cash flows				
Net repayments to non-controlling shareholders	(236,750)	-	-	(236,750)
Repayments of borrowing principal	-	(65,588)	(1,083,813)	(1,149,401)
Repayments of borrowing interests	(94,661)	(4,872)	-	(99,533)
Non-cash changes				
Finance charges recognised in profit or loss	94,661	4,872	-	99,533
Balance as at 31 May	2,508,450	57,554	8,194,143	10,760,147

(b) The cash and cash equivalents comprise the following:-

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Short-term funds	74,079,307	46,451,092	11,383,117	11,408,723
Fixed deposits with licensed banks	418,301	405,144	-	-
Cash and bank balances	57,047,330	65,052,760	293,469	253,431
	131,544,938	111,908,996	11,676,586	11,662,154
Fixed deposits pledged to licensed banks (Note 15)	(200,751)	(194,437)	-	-
	131,344,187	111,714,559	11,676,586	11,662,154

32. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel of the Group and of the Company include executive directors and non-executive directors of the Company and certain members of senior management of the Group and of the Company.

32. KEY MANAGEMENT PERSONNEL COMPENSATION (CONT'D)

The key management personnel compensation during the financial year are as follows:-

(a) Directors

	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Directors of the Company				
Executive directors				
Short term employee benefits:				
- fees	208,800	208,800	-	-
- salaries, bonuses and other benefits	1,324,800	1,272,330	-	-
	1,533,600	1,481,130	-	-
Defined contribution benefits	242,136	266,766	-	-
	1,775,736	1,747,896	-	-
Non-executive directors				
Short term employee benefits:				
- fees	186,000	202,000	186,000	202,000
- other benefits	5,200	4,000	5,200	4,000
	191,200	206,000	191,200	206,000
Directors of the subsidiaries				
Executive directors				
Short term employee benefits:				
- fees	561,800	553,800	-	-
- salaries, bonuses and other benefits	7,474,175	7,305,201	-	-
	8,035,975	7,859,001	-	-
Defined contribution benefits	1,199,764	1,139,216	-	-
	9,235,739	8,998,217	-	-
	11,202,675	10,952,113	191,200	206,000

The estimated monetary value of benefits-in-kind provided by the Group to the Directors of the Company was RM69,200 (2018: RM52,220).

(b) Other key management personnel compensation

	Group 2019 RM	Group 2018 RM
Short term employee benefits	787,720	738,354
Defined contribution benefits	120,491	113,759
	908,211	852,113

33. RELATED PARTIES DISCLOSURES

(a) Identities of related parties

Parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control.

In addition to the information detailed elsewhere in the financial statements, the Group has related party relationships with its Directors, key management personnel and entities within the same group of companies.

(b) Significant Related Party Transactions and Balances

Other than those disclosed elsewhere in the financial statements, the Group and the Company also carried out the following significant transactions with the related parties during the financial year:-

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Ultimate holding company				
Accounting services income/receivable	(6,000)	(6,360)	-	-
Subsidiaries				
Dividend income received/receivable	-	-	(13,000,000)	(11,000,000)
Companies in which a closed family of certain Directors have significant financial interests				
Maintenance services paid/payable	8,050	25,800	-	-
Purchase of goods	690,042	312,861	-	-
Rental income received/receivable	(47,064)	(46,708)	-	-
Companies in which certain Directors have significant financial interests				
Rental expenses paid/payable	63,774	64,420	-	-
Purchase of goods	109,615	164,345	-	-
Accounting services income/ receivables	-	(6,360)	-	-
Companies in which a substantial shareholder has significant financial interest				
Rental expenses paid/ payable	444,835	455,400	-	-
Share registration services paid/ payable	18,135	15,974	18,135	15,974

The related party transactions described above were carried out based on negotiated terms and conditions and mutually agreed with the related parties.

The significant outstanding balances of the related parties together with their terms and conditions are disclosed in the respective notes to the financial statements.

34. OPERATING SEGMENTS

The Group is principally engaged in operation of community pharmacy including retailing of pharmaceutical, healthcare and personal care products. Therefore, segmental information has not been prepared as the Group's revenue, operating profit, assets employed, liabilities, capital expenditure, depreciation and non-cash expenses are confined to one business segment and located in Malaysia.

There is no single customer that contributed 10% or more to the Group's revenue.

35. CAPITAL COMMITMENTS

	Group	
	2019 RM	2018 RM
Purchase of property, plant and equipment	1,750,000	1,707,000

36. OPERATING LEASE COMMITMENTS

(a) Leases as lessee

The Group leases a number of premises under operating leases. The initial lease period range from 1 to 9 (2018: 1 to 9) years with an option to renew after that date.

The future minimum lease payments under the operating leases are as follows:

	Group	
	2019 RM	2018 RM
Not more than 1 year	20,457,080	17,626,046
Later than one year and not later than five years	17,861,335	15,228,815
	38,318,415	32,854,861

(b) Leases as lessor

The Group leases out its properties under operating leases. The leases have initial lease period range from 1 to 3 (2018: 1 to 3) years at the end of the reporting period.

The future minimum lease payments under the operating leases are as follows:

	Group	
	2019 RM	2018 RM
Not more than 1 year	117,900	166,618
Later than one year and not later than five years	73,800	52,200
	191,700	218,818

37. FINANCIAL INSTRUMENTS

The Group's activities are exposed to a variety of market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

37.1 Financial risk management policies

The Group's policies in respect of the major areas of treasury activity are as follows:-

(a) Market risk

(i) Foreign currency risk

The Group does not have any transactions or balances denominated in foreign currencies and hence, is not exposed to foreign currency risks.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises from interest-bearing financial assets and liabilities. The Group's policy is to obtain the most favourable interest rates available. Sensitivity analysis on interest rate is applied on floating rate financial instruments only, as the carrying amount of fixed rate financial instruments are measured at amortised cost. As the Group's exposure to interest rate risk is immaterial, sensitivity analysis is not presented.

(b) Credit risk

The Group's business model does not result in significant exposure to credit risks from receivables. For other financial assets (including cash and bank balances, short-term investments and fixed deposits with licensed banks), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group uses aging analysis to monitor the credit quality of the trade receivables. Any receivables having significant balances past due or more than 60 days, which are deemed to have higher credit risk, are monitored individually.

<u>Credit risk concentration profile</u>

The Group does not have any major concentration of credit risk related to any individual customer or counterparty.

<u>Exposure to credit risk</u>

At the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position of the Group after deducting any allowance for impairment losses (where applicable).

37. FINANCIAL INSTRUMENTS (CONT'D)

37.1 Financial risk management policies (cont'd)

(b) Credit risk (cont'd)

Ageing analysis

The ageing analysis of the Group's trade receivables is as follows:

Group 2019	Gross carrying amount RM	Total allowance RM	Balance as at 31 May RM
Neither past due nor impaired	89,306	-	89,306
Past due, not impaired			
1 to 30 days	85,087	-	85,087
31 to 60 days	31,029	-	31,029
61 to 90 days	11,622	-	11,622
More than 90 days	23,398	(8,097)	15,301
	240,442	(8,097)	232,345
2018*			
Neither past due nor impaired	37,118	-	37,118
Past due, not impaired			
1 to 30 days	287,382	-	287,382
31 to 60 days	46,683	-	46,683
61 to 90 days	6,366	-	6,366
More than 90 days	32,851	(7,878)	24,973
	410,400	(7,878)	402,522

* Comparative information as required under MFRS 139 *Financial Instruments: Recognition and Measurement*

At the end of the reporting period, trade receivables that are individually impaired were those in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancement.

NOTES TO THE FINANCIAL STATEMENTS

31 MAY 2019

37. FINANCIAL INSTRUMENTS (CONT'D)

37.1 Financial Risk Management Policies (cont'd)

(c) Liquidity risk

Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

Maturity Analysis

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):

Group 2019	Weighted average effective interest rate %	Carrying amount RM	Contractual undiscounted cash flows RM	Within 1 year RM	1 - 5 years RM	Overs 5 years RM
Trade payables	-	105,836,026	105,836,026	105,836,026	-	-
Other payables and accruals	-	9,163,061	9,163,061	9,163,061	-	-
Amount owing to non-controlling shareholders	3.58 - 3.69	2,327,763	2,413,657	2,413,657	-	-
Amounts owing to related parties	-	117,257	117,257	117,257	-	-
Contract liabilities	-	923,947	923,947	923,947	-	-
Term loans	4.26	8,984,654	10,274,515	1,711,712	6,846,842	1,715,961
		127,352,708	128,728,463	120,165,660	6,846,842	1,715,961

NOTES TO THE FINANCIAL STATEMENTS
31 MAY 2019

37. FINANCIAL INSTRUMENTS (CONT'D)

37.1 Financial Risk Management Policies (cont'd)

(c) Liquidity risk (cont'd)

Maturity Analysis (cont'd)

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period) : (cont'd)

Group 2018	Weighted average effective interest rate %	Carrying amount RM	Contractual undiscounted cash flows RM	Within 1 year RM	1 - 5 years RM	Overs 5 years RM
Trade payables	-	87,930,744	87,930,744	87,930,744	-	-
Other payables and accruals	-	8,024,988	8,024,988	8,024,988	-	-
Amount owing to non-controlling shareholders	3.43 - 3.69	2,508,450	2,601,012	2,601,012	-	-
Amounts owing to related parties	-	114,248	114,248	114,248	-	-
Term loans	4.59	8,194,143	10,198,580	1,456,944	5,827,776	2,913,860
Hire purchase payables	5.22	57,554	58,982	58,835	147	-
		106,830,127	108,928,554	100,186,771	5,827,923	2,913,860

37. FINANCIAL INSTRUMENTS (CONT'D)

37.1 Financial risk management policies (cont'd)

(c) Liquidity risk (cont'd)

Maturity Analysis (cont'd)

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period): (cont'd)

Company 2019	Carrying amount RM	Contractual undiscounted cash flows RM	Within 1 year RM
Other payable and accruals	35,000	35,000	35,000
Amounts owing to related parties	1,700	1,700	1,700
	36,700	36,700	36,700
2018			
Other payable and accruals	35,000	35,000	35,000
Amounts owing to related parties	1,804	1,804	1,804
	36,804	36,804	36,804

37.2 Capital risk management

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support their businesses and maximise shareholders value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio that complies with debt covenants, if any. The debt-to-equity ratio is calculated as net debt divided by total equity.

There was no change in the Group's approach to capital management during the financial year.

The debt-to-equity ratio of the Group at the end of the reporting period is not presented as its cash and cash equivalents exceeded the total external borrowings.

37. FINANCIAL INSTRUMENTS (CONT'D)

37.3 Classification of financial instruments

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Financial assets				
Financial assets				
Trade receivables*	232,345	402,522	-	-
Other receivables and deposits, net of prepayments*	11,154,115	7,532,842	5,630	5,543
Amounts owing by related parties*	8,992	8,490	13,114,680	11,000,000
Fixed deposits with licensed banks*	418,301	405,144	-	-
Cash and bank balances*	57,047,330	65,052,760	293,469	253,431
	68,861,083	73,401,758	13,413,779	11,258,974
Fair value through profit or loss ("FVTPL")				
Short term funds	74,079,307	46,451,092	11,383,117	11,408,723

* Represent loan and receivables ("L&R") financial assets in prior year and have been reclassified as financial assets measured at amortised cost as at 1 June 2018.

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Financial liabilities				
Financial liabilities				
Trade payables#	105,836,026	87,930,744	-	-
Other payables and accruals#	9,163,061	8,024,988	35,000	35,000
Amounts owing to non-controlling shareholders#	2,327,763	2,508,450	-	-
Amounts owing to related parties#	117,257	114,248	1,700	1,804
Contract liabilities	923,947	-	-	-
Term loans#	8,984,654	8,194,143	-	-
Hire purchase payables#	-	57,554	-	-
	127,352,708	106,830,127	36,700	36,804

Represent other financial liabilities ("OFL") in prior year and have been reclassified as financial liabilities measured at amortised cost as at 1 June 2018.

NOTES TO THE FINANCIAL STATEMENTS

31 MAY 2019

37. FINANCIAL INSTRUMENTS (CONT'D)

37.4 Fair value information

The fair values of the financial assets and financial liabilities of the Group and of the Company maturing within the next 12 months approximate their carrying amounts due to the relatively short-term maturity of the financial instruments or repayable on demand terms.

The following table sets out the fair value profile of financial instruments that are carried at fair value after initial recognition and those not carried at fair value at the end of reporting period:

Group	Fair value of financial instruments carried at fair value			Fair value of financial instruments not carried at fair value				
2019	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total fair value RM'000	Carrying amount RM'000
Financial assets								
Short term funds	74,079,307	-	-	-	-	-	74,079,307	74,079,307
Financial liabilities								
Term loans	-	-	-	-	8,984,654	-	8,984,654	8,984,654
2018								
Financial assets								
Short term funds	46,451,092	-	-	-	-	-	46,451,092	46,451,092
Financial liabilities								
Hire purchase payables	-	-	-	-	57,235	-	57,235	57,554
Term loans	-	-	-	-	8,194,143	-	8,194,143	8,194,143

NOTES TO THE FINANCIAL STATEMENTS

31 MAY 2019

37. FINANCIAL INSTRUMENTS (CONT'D)

37.4 Fair value information (cont'd)

The following table sets out the fair value profile of financial instruments that are carried at fair value after initial recognition and those not carried at fair value at the end of reporting period: (cont'd)

Group	Fair value of financial instruments carried at fair value			Fair value of financial instruments not carried at fair value			Total fair value	Carrying amount
2019	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	RM'000	RM'000
Financial assets								
Short term funds	11,383,117	-	-	-	-	-	11,383,117	11,383,117
2018								
Financial assets								
Short term funds	11,408,723	-	-	-	-	-	11,408,723	11,408,723

37. FINANCIAL INSTRUMENTS (CONT'D)

37.4 Fair value information (cont'd)

(i) Fair value of financial instruments carried at fair value

(a) The fair value of money market fund is determined by reference to the exchange quoted market bid prices at the close of the business at the end of each reporting period.

(b) There were no transfer between level 1 and level 2 during the financial year.

(ii) Fair value of financial instruments not carried at fair value

(a) The fair values of the Group's term loans that carry floating interest rates approximate their carrying amounts as they are repriced to market interest rates on or near the reporting date.

(b) The fair values of hire purchase payables were determined by discounting the relevant cash flows using current market interest rates for similar instruments at the end of the previous reporting period. The interest rate used to discount the estimated cash flows was as follows:-

	Group	
	2019	2018
	%	%
Hire purchase payables	-	5.88

38. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The following are the significant events involving the Group during the financial year:

(a) acquisition of 40,000 ordinary shares in Cosy Vision Sdn. Bhd. for a total consideration of RM40,000 by Caring Pharmacy Retail Management Sdn. Bhd. (herein after referred as "CPRM"), resulting an increase in CPRM's effective equity interest in the subsidiary from 60% to 100%;

(b) incorporation with 2 ordinary shares and subscription of 59,998 new ordinary shares in Caring T & T Sdn. Bhd. for a total consideration of RM60,000 by CPRM;

(c) incorporation with 2 ordinary shares and subscription of 59,998 new ordinary shares in Caring Link Sdn. Bhd. for a total consideration of RM60,000 by CPRM;

(d) Caring Evergreen Sdn. Bhd. ("Caring Evergreen"), a subsidiary of CPRM increased its issued and paid-up share capital from RM10,000 to RM100,000 by an allotment of 90,000 ordinary shares. CPRM subscribed for 60,000 ordinary shares in Caring Evergreen for a total consideration of RM60,000 ("Subscription of Shares"). Following the Subscription of Shares, the equity interest of the Group via CPRM in Caring Evergreen reduced from 100% to 70%;

(e) Caring Pharmacy Ascend Sdn. Bhd. ("Caring Ascend"), a subsidiary of CPRM increased its issued and paid-up share capital from RM10,000 to RM100,000 by an allotment of 90,000 ordinary shares. CPRM subscribed for 50,000 ordinary shares in Caring Ascend for a total consideration of RM50,000 ("Subscription of Shares"). Following the Subscription of Shares, the equity interest of the Group via CPRM in Caring Ascend reduced from 100% to 60%;

(f) United Caring Venture Sdn. Bhd. ("United Caring") and Caring Pharmacy (Empire) Sdn. Bhd. ("Caring Empire"), wholly owned subsidiaries, obtained confirmation that their applications for voluntary strike off had been completed. United Caring and Caring Empire have ceased to be subsidiaries of the Group.

39. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs

39.1 New MFRSs adopted during the financial year

The Group and the Company adopted the following Standards of the MFRS Framework that were issued by the Malaysian Accounting Standards Board ("MASB") during the financial year:

Title	**Effective Date**
Amendments to MFRS 1 *Annual Improvements to MFRS Standards 2014 - 2016 Cycle*	1 January 2018
MFRS 15 *Revenue from Contracts with Customers*	1 January 2018
Clarification to MFRS 15	1 January 2018
MFRS 9 *Financial Instruments (IFRS as issued by IASB in July 2014)*	1 January 2018
Amendments to MFRS 2 *Classification and Measurement of Share-based Payment Transactions*	1 January 2018
Amendments to MFRS 128 *Annual Improvements to MFRS Standards 2014 - 2016 Cycle*	1 January 2018
IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*	1 January 2018
Amendments to MFRS 140 *Transfers of Investment Property*	1 January 2018
Amendments to MFRS 4 *Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*	See MFRS 4 Paragraphs 46 and 48

Adoption of the above Standards did not have any material effect on the financial performance or position of the Group and of the Company except for the adoption of MFRS 9 and MFRS 15 described in the following sections.

(a) MFRS 9 *Financial Instruments*

MFRS 9 replaces MFRS 139 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, encompassing all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group and the Company applied MFRS 9 prospectively, with an initial application date of 1 June 2018. The Group and the Company have not restated the comparative information, which continues to be reported under MFRS 139. There is no impact on the adoption of MFRS 9 on the financial statements of the Group and of the Company.

(i) Classification of financial assets and financial liabilities

The Group and the Company classify their financial assets into the following measurement categories depending on the business model of the Group and the Company for managing the financial assets and the terms of contractual cash flows of the financial assets:

- Those to be measured at amortised cost; and
- Those to be measured subsequently at fair value either through other comprehensive income or through profit or loss.

39. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (CONT'D)

39.1 New MFRSs adopted during the financial year (cont'd)

(a) MFRS 9 *Financial Instruments* (cont'd)

(i) Classification of financial assets and financial liabilities (cont'd)

The following summarises the key changes:

- The Available-For-Sale (AFS), Held-To-Maturity (HTM) and Loans and Receivables (L&R) financial asset categories were removed.
- A new financial asset category measured at Amortised Cost (AC) was introduced. This applies to financial assets with contractual cash flow characteristics that are solely payments of principal and interest and held in a business model whose objective is achieved by collecting contractual cash flows.
- A new financial asset category measured at Fair Value Through Other Comprehensive Income (FVTOCI) was introduced. This applies to debt instruments with contractual cash flow characteristics that are solely payments of principal and interest and held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- A new financial asset category for non-traded equity investments measured at FVTOCI was introduced.

MFRS 9 largely retains the existing requirements in MFRS 139 for the classification of financial liabilities.

However, under MFRS 139 all fair value changes of liabilities designated as FVTPL are recognised in profit or loss, whereas under MFRS 9 these fair value changes are generally presented as follows:

- Amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in Other Comprehensive Income; and
- The remaining amount of change in the fair value is presented in profit or loss.

(ii) Impairment of financial assets

The adoption of MFRS 9 has fundamentally changed the accounting for impairment losses for financial assets of the Group and of the Company by replacing the incurred loss approach of MFRS 139 with a forward-looking expected credit loss approach. MFRS 9 requires the Group to record an allowance for expected credit losses for all debt financial assets not held at fair value through profit or loss.

Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group and the Company expects to receive. The estimate of expected cash shortfall shall reflect the cash flows expected from collateral and other credit enhancements that are part of the contractual terms. The shortfall is then discounted at an approximation to the asset's original effective interest rate of the asset.

Impairment for trade receivables that do not contain a significant financing component are recognised based on the simplified approach within MFRS 9 using the lifetime expected credit losses.

39. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (CONT'D)

39.1 New MFRSs adopted during the financial year (cont'd)

(a) MFRS 9 *Financial Instruments* (cont'd)

(ii) Impairment of financial assets (cont'd)

During this process, the probability of non-payment by the trade receivables is adjusted by forward looking information on macroeconomic factor affecting the Group's customers, which is consumer price index and multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such impairments are recorded in a separate impairment account with the loss being recognised within administrative expenses in the consolidated statement of profit or loss and other comprehensive income. On confirmation that the trade receivable would not be collectable, the gross carrying value of the asset would be written off against the associated impairment.

Impairment for other receivables and amounts owing by related parties are recognised based on the general approach within MFRS 9 using the forward looking expected credit loss model. The methodology used to determine the amount of the impairment is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset by comparing the risk of default occurring over the expected life with the risk of default since initial recognition. For those in which the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those in which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

(iii) Classification and measurement

The following table summarises the reclassifications and measurement of the financial assets and financial liabilities of the Group and of the Company as at 1 June 2018:

	Classification		Carrying amount	
	Existing under MFRS 139	New under MFRS 9	Existing under MFRS 139 RM	New under MFRS 9 RM
Group				
Financial assets				
Trade receivables	L&R	AC	402,522	402,522
Other receivables	L&R	AC	7,532,842	7,532,842
Cash and bank balances	L&R	AC	65,052,760	65,052,760
Amounts owing by related parties	L&R	AC	8,490	8,490
Fixed deposits with licensed banks	L&R	AC	405,144	405,144
Short term funds	FVTPL	FVTPL	46,451,092	46,451,092

39. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (CONT'D)

39.1 New MFRSs adopted during the financial year (cont'd)

(a) MFRS 9 *Financial Instruments* (cont'd)

(iii) Classification and measurement (cont'd)

The following table summarises the reclassifications and measurement of the financial assets and financial liabilities of the Group and of the Company as at 1 June 2018: (cont'd)

	Classification		Carrying amount	
	Existing under MFRS 139	New under MFRS 9	Existing under MFRS 139 RM	New under MFRS 9 RM
Group				
Financial liabilities				
Trade payables	OFL	AC	88,970,333	88,970,333
Other payables and accruals	OFL	AC	8,879,988	8,879,988
Amount owing to non-controlling shareholders	OFL	AC	2,508,450	2,508,450
Amounts owing to related parties	OFL	AC	114,248	114,248
Term loans	OFL	AC	8,194,143	8,194,143
Hire purchase payables	OFL	AC	57,554	57,554
Company				
Financial assets				
Other receivables	L&R	AC	5,543	5,543
Amounts owing by related parties	L&R	AC	11,000,000	11,000,000
Cash and bank balances	L&R	AC	253,431	253,431
Short term funds	FVTPL	FVTPL	11,408,723	11,408,723
Financial liabilities				
Accruals	OFL	AC	35,000	35,000
Amounts owing by related parties	OFL	AC	1,804	1,804

39. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (CONT'D)

39.1 New MFRSs adopted during the financial year (cont'd)

(b) MFRS 15 *Revenue from Contracts with Customers*

MFRS 15 establishes a comprehensive framework for revenue recognition and measurement. It replaces MFRS 118 *Revenue*, MFRS 111 *Construction Contracts*, and related Interpretations. Under MFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control, at a point in time or over time, requires significant judgement.

The Group adopted MFRS 15 using the modified retrospective method (without practical expedients), with the effect of initially applying this Standard at the date of initial application of 1 January 2018. The cumulative effect of initially applying MFRS 15 was recognised at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continued to be reported under MFRS 111, MFRS 118 and related Interpretations.

The effects of adopting MFRS 15 as at 1 June 2018 were as follows:

Statement of financial position (extract)

1 June 2018 Group	Note	As previously reported RM	Adjustments RM	As restated under MFRS 15 RM
Equity				
Retained earnings	(i)	100,584,490	(51,144)	100,533,346
Current liabilities				
Trade payables	(ii)	88,970,333	(1,039,589)	87,930,744
Contract liabilities	(ii)	-	1,090,733	1,090,733

The following summarises the impact of adopting MFRS 15 on the statements of financial position as at 31 May 2019 and the statements of profit or loss and other comprehensive income of the Group for the financial year then ended for each of the line items affected:

Statement of financial position (extract)

31 May 2019 Group	Note	As reported RM	Adjustments RM	Amount without adoption of MFRS 15 RM
Current liabilities				
Trade payables	(ii)	105,836,026	923,947	106,759,973
Contract liabilities	(ii)	923,947	(923,947)	-

39. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (CONT'D)

39.1 New MFRSs adopted during the financial year (cont'd)

(b) MFRS 15 *Revenue from Contracts with Customers (cont'd)*

The following summarises the impact of adopting MFRS 15 on the statements of financial position as at 31 May 2019 and the statements of profit or loss and other comprehensive income of the Group for the financial year then ended for each of the line items affected: (cont'd)

Statement of profit or loss and other comprehensive income (extract)

31 May 2019 Group	Note	As reported RM	Adjustments RM	Amount without adoption of MFRS 15 RM
Revenue	(iii)	599,234,496	(28,321,115)	570,913,381
Cost of sales		(454,104,768)	-	(454,104,768)
Other operating income	(iii)	4,128,295	28,321,115	32,449,410
Tax expense		(8,315,511)	-	(8,315,511)
Others		(115,292,380)	-	(115,292,380)
Profit for the financial year		25,650,132	-	25,650,132
Total comprehensive income for the financial year		25,650,132	-	25,650,132

The nature of the adjustments as at 1 June 2018 and the reasons for the changes in the statement of financial position as at 31 May 2019 and the statement of profit or loss and other comprehensive income for the year ended 31 May 2019 are described below:

(i) Cash vouchers

Under MFRS 15, cash vouchers give rise to a separate performance obligation as they provide a material right to the customers and are recognised as contract liabilities until cash vouchers are redeemed. Revenue is recognised upon redemption of cash vouchers by the customers.

(ii) Customer loyalty awards

Prior to adoption of MFRS 15, deferred revenue arising from unredeemed customer loyalty awards are presented under "Trade payables" in the statement of financial position.

Under MFRS 15, customer loyalty awards give rise to a separate performance obligation as they provide a material right to the customers and are recognised as contract liabilities until customer loyalty awards are redeemed. Consequently, the Group has reclassified the unredeemed customer loyalty awards amounted to RM1,039,589 from trade payables to contract liabilities.

39. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (CONT'D)

39.1 New MFRSs adopted during the financial year (cont'd)

(b) MFRS 15 *Revenue from Contracts with Customers (cont'd)*

The nature of the adjustments as at 1 June 2018 and the reasons for the changes in the statement of financial position as at 31 May 2019 and the statement of profit or loss and other comprehensive income for the year ended 31 May 2019 are described below: (cont'd)

(iii) Presentation of advertising and promotional incentives and central distribution charges

Prior to adoption of MFRS 15, advertising and promotional incentives and central distribution charges from vendors are presented under "Other operating income" in the statement of profit or loss and other comprehensive income.

Upon adoption of MFRS 15 on 1 June 2018, the Group has reclassified advertising and promotional incentives and central distribution charges amounted to RM28,321,115 from other operating income to other revenue in the 'Revenue' line for the financial year ended 31 May 2019 as these incentives and charges involve separate distinct performance obligations as required by the contractual agreements with the suppliers.

39.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2019

The following are Standards of the MFRS Framework that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been early adopted by the Group and the Company:

Title	**Effective Date**
MFRS 16 *Leases*	1 January 2019
IC Interpretation 23 *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to MFRS 128 *Long-term Interests in Associates and Joint Ventures*	1 January 2019
Amendments to MFRS 9 *Prepayment Features with Negative Compensation*	1 January 2019
Amendments to MFRS 3 *Annual Improvements to MFRS Standards 2015 - 2017 Cycle*	1 January 2019
Amendments to MFRS 11 *Annual Improvements to MFRS Standards 2015 - 2017 Cycle*	1 January 2019
Amendments to MFRS 112 *Annual Improvements to MFRS Standards 2015 - 2017 Cycle*	1 January 2019
Amendments to MFRS 123 *Annual Improvements to MFRS Standards 2015 - 2017 Cycle*	1 January 2019
Amendments to MFRS 119 *Plan Amendment, Curtailment or Settlement*	1 January 2019
Amendments *to References to the Conceptual Framework in MFRS Standards*	1 January 2020
Amendments to MFRS 3 *Definition of a Business*	1 January 2020
Amendments to MFRS 101 and MFRS 108 *Definition of Material*	1 January 2020
MFRS 17 *Insurance Contracts*	1 January 2021
Amendments to MFRS 10 and MFRS 128 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Deferred

The Group does not expect the adoption of the above Standards to have a significant impact on the financial statements, except for MFRS 16 as described in the following sections.

39. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (CONT'D)

39.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2019 (cont'd)

The Group is currently finalising the adjustments upon adoption of MFRS 16. As a result of the adoption of MFRS 16, the existing requirements for a lessee to distinguish between finance leases and operating leases under the MFRS 117 are no longer required. This Standard introduces a single accounting model, requiring the lessee to recognise the right-of-use of the underlying lease assets and the future lease payments liabilities in the statements of financial position. For a lessor, MFRS 16 continues to allow the lessor to classify leases as either operating leases or finance leases and to account for these two types of leases differently.

Comparatives are not restated in accordance with the transition requirements under the Appendix C, paragraph 5(b) of this Standard.

The following table provides an estimate of the impact of expected changes to the statements of financial position of the Group resulting from the adoption of MFRS 16 as at 1 June 2019:

Group	Note	As at 31 May 2019 RM	Changes RM	As at 1 June 2019 RM
Non-current assets				
Right-of-use assets	(a)	-	78,241,847	78,241,847
Non-current liabilities				
Lease liabilities		-	19,291,642	19,291,642
Current liabilities				
Lease liabilities		-	63,320,891	63,320,891
Total lease liabilities	(b)	-	82,612,533	82,612,533
Equity attributable to owners of the parent				
Retained earnings		-	(4,370,686)	(4,370,686)

(a) Right-of-use assets are mainly comprised premises. Subsequent to initial recognition, the right-of-use assets are measured at cost less any accumulated depreciation, accumulated impairment losses and adjusted for any remeasurement of lease liabilities. The right-of-use assets are measured at an amount equal to the lease liabilities.

(b) Lease liabilities arising from the premises are recognised and discounted using the weighted average incremental borrowing rate of the Group of 4.36%. Subsequent to initial recognition, the Group measures the lease liabilities by increasing the carrying amount to reflect the interest on the lease liabilities, reducing the carrying amount to reflect lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications.

(c) There is an estimated impact amounting to RM4,335,007 to the retained earnings of the Group as at 1 June 2019.

Other than the above, the Group elected to apply exemption for lease of premises expiring within 12 months under the Appendix C, paragraph 10(c) of this Standard. The lease payments of these premises are recognised as an expense on a straight line basis over the remaining lease terms.

LIST OF PROPERTIES

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 Acquisition	Audited Net Book Value as at 31.5.2019 (RM)
1.	Caring Pharmacy Retail Management Sdn. Bhd.	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	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: 35 years Tenure: 99 years - Till 18 April 2076 Category of land use: Building	2 March 2012	1,109,869
2.	Caring Pharmacy Retail Management Sdn. Bhd.	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	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: 35 years Tenure: 99 years - Till 5 April 2078 Category of land use: Building	26 August 2008	1,519,403
3.	Caring Pharmacy (Kinrara) Sdn. Bhd.	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, Daerah Petaling, Negeri 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: 21 years Tenure: 99 years - Till 27 August 2088 Category of land use: Building	26 November 2007	1,145,663

LIST OF PROPERTIES

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 Acquisition	Audited Net Book Value as at 31.5.2019 (RM)
4.	Caring Pharmacy Retail Management Sdn. Bhd.	No. 1, Jalan 51/203A, Kawasan Perindustrian Tiong Nam, Seksyen 51, 46050 Petaling Jaya, Selangor Pajakan Negeri 10310, Lot 73, Seksyen 20, Bandar Petaling Jaya, Daerah Petaling, Negeri Selangor Darul Ehsan	Description of Property: Four (4) Storey Detached Factory Existing Use: Headquarter and Warehouse	Land area: 33,778 Built up area: 68,000	Approximate age of building: 4 years Tenure: 99 years - Till 13 August 2114 Category of land use: Building	28 December 2011	19,345,551
5.	Caring Pharmacy Retail Management Sdn. Bhd.	No. 22, Jalan Manis 4, Taman Segar, 56100 Kuala Lumpur PN 10493, Lot No. 39187, Mukim Kuala Lumpur, Daerah Kuala Lumpur, Negeri Wilayah Persekutuan	Description of Property: Three (3) Storey Intermediate Shophouse Existing Use: Ground floor – CARiNG outlet Other floors – for rental purposes	Land area: 1,679 Built up area: 4,002	Approximate age of building: 35 years Tenure: 99 years - Till 10 December 2077 Category of land use: Building	18 February 2013	2,367,594
6.	Caring Pharmacy Retail Management Sdn. Bhd.	15, Jalan USJ 2/2C, 47600 Subang Jaya, Selangor Darul Ehsan	Description of Property: One and a half (1.5) Storey Intermediate Shophouse Existing Use: CARiNG outlet	Land area: 1,302 Built up area: 1,953	Approximate age of building: 9 years Tenure: Freehold Category of land use: Building	30 November 2016	1,394,376

LIST OF PROPERTIES

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 Acquisition	Audited Net Book Value as at 31.5.2019 (RM)
7.	Caring Pharmacy Retail Management Sdn. Bhd.	No. 32G, 32-01, 32-02, Jalan Bestari 2/2, Taman Nusa Bestari, Iskandar Puteri, 81300 Skudai, Johore	Description of Property: Three (3) Storey Shop Office Existing Use: Ground floor – CARiNG outlet Other floors – for internal training purposes	Land area: 1,550 Built up area: 4,650	Approximate age of building: 7 years Tenure: Freehold Category of land use: Building	22 February 2018	2,798,299
8.	Caring Pharmacy Retail Management Sdn. Bhd.	R-G-23, R-01-23 Bell Avenue, Jalan Sunsuria, 43900 Sepang, Selangor Darul Ehsan Master Title: N/A	Description of Property: Two (2) Storey Intermediate Shop Office Existing Use: Vacant	Land area: 2,282 Built up area: 4,392	Approximate age of building: 0 years Tenure: Freehold Category of land use: Building	25 March 2016	2,120,000

STATISTICS OF SHAREHOLDINGS

AS AT 30 AUGUST 2019

SHARE CAPITAL

Total Number of Issued Shares	:	217,706,400
Issued Share Capital	:	RM225,108,316.00
Class of Shares	:	Ordinary Shares
Voting Rights	:	One vote for each ordinary share held

DISTRIBUTION OF SHAREHOLDINGS AS AT 30 AUGUST 2019

	No. of holders	% of shareholders	No. of holdings	% of shares
1 – 99	67	5.93	698	Negligible
100 - 1,000	380	33.63	212,280	0.10
1,001 - 10,000	531	46.99	2,314,400	1.06
10,001 - 100,000	109	9.65	3,415,200	1.57
100,001 to less than 5% of issued shares	41	3.63	81,219,965	37.31
5% and above of issued shares	2	0.17	130,543,857	59.96
	1,130	100.00	217,706,400	100.00

SUBSTANTIAL SHAREHOLDERS AS AT 30 AUGUST 2019

		Direct	%	Indirect	%
1.	Motivasi Optima Sdn Bhd	109,623,857	50.35	-	-
2.	Chong Yeow Siang	127,401	0.06	109,623,857 (a)	50.35
3.	Soo Chan Chiew	127,301	0.06	109,623,857 (a)	50.35
4.	Tan Lean Boon	127,301	0.06	109,623,857 (a)	50.35
5.	Ang Khoon Lim	127,301	0.06	109,623,857 (a)	50.35
6.	Jitumaju Sdn Bhd	11,515,780	5.29	-	-
7.	Tan Sri Dato' Seri Vincent Tan Chee Yioun	-	-	19,372,780 (b)	8.90
8.	Perbadanan Nasional Berhad	20,920,000	9.61	-	-
9.	Dato' Zurainah Binti Musa	-	-	20,920,000 (c)	9.61

(a) *Deemed interested by virtue of his direct interests in Motivasi Optima Sdn Bhd*

(b) *Deemed interested by virtue of his direct interests in Jitumaju Sd. Bhd, U Telemedia Sdn Bhd and Convenience Shopping (Sabah) Sdn Bhd.*

(c) *Deemed interested by virtue of her direct interests in Perbadanan Nasional Berhad.*

STATISTICS OF SHAREHOLDINGS

AS AT 30 AUGUST 2019

DIRECTORS' INTERESTS IN SHARES AS AT 30 AUGUST 2019

		Direct	%	Indirect	%
1.	Datin Sunita Mei-Lin Rajakumar	150,000	0.07	-	-
2.	Chong Yeow Siang	127,401	0.06	109,623,857 [(a)]	50.35
3.	Soo Chan Chiew	127,301	0.06	109,623,857 [(a)]	50.35
4.	Tan Lean Boon	127,301	0.06	109,623,857 [(a)]	50.35
5.	Tan Sri Dato' Haji Mohd Ariffin Bin Mohd Yusof	100,000	0.05	-	-
6.	Ang Khoon Lim	127,301	0.06	109,623,857 [(a)]	50.35
7.	Mazlan Bin Ibrahim	-	-	-	-

[(a)] *Deemed interested by virtue of his direct interests in Motivasi Optima Sdn Bhd*

LIST OF TOP 30 LARGEST SECURITIES ACCOUNTS HOLDERS

(ACCORDING TO THE REGISTER OF DEPOSITORS AS AT 30 AUGUST 2019)

No.	Name of Shareholders	No. of Shares	(%)
1.	Motivasi Optima Sdn Bhd	109,623,857	50.35
2.	Perbadanan Nasional Berhad	20,920,000	9.61
3.	MIDF Amanah Investment Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Syed Ali Bin Abbas Alhabshee (MGN-WSA0001M)*	9,527,035	4.38
4.	Inter-Pacific Equity Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Fabulous Channel Sdn Bhd (AF0010)*	9,100,000	4.18
5.	MIDF Amanah Investment Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Lye Ek Seang (MGN-LES0002M)*	8,934,035	4.10
6.	MIDF Amanah Investment Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Arsam Bin Damis (MGN-ARD0003M)*	7,085,160	3.25
7.	MIDF Amanah Investment Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for U Telemedia Sdn Bhd (MGN-UTS0001M)*	6,857,000	3.15
8.	MIDF Amanah Investment Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Ismail Bin Osman (MGN-IBO0001M)*	6,574,035	3.02
9.	MIDF Amanah Investment Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Jitumaju Sdn Bhd (MGN-VTC0001M)*	4,491,278	2.06
10.	Malaysia Nominees (Tempatan) Sendirian Berhad *Pledged Securities Account for Jitumaju Sdn Bhd (01-00856-000)*	4,294,502	1.97
11.	MIDF Amanah Investment Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Hii Chii Kok @ Hii Chee Kok (MGN-HCK0007M)*	4,259,900	1.96
12.	Inter-Pacific Equity Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Pantai Cemerlang Sdn Bhd*	2,886,500	1.33
13.	CIMB Group Nominees (Asing) Sdn. Bhd. *Exempt An For DBS Bank Ltd (SFS)*	2,840,500	1.30
14.	MIDF Amanah Investment Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Muara Setara Sdn Bhd (MGN-MSS0010M)*	2,500,000	1.15
15.	MIDF Amanah Investment Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Ismail Bin Osman (MGN-MSS0010M)*	2,500,000	1.15

STATISTICS OF SHAREHOLDINGS
AS AT 30 AUGUST 2019

LIST OF TOP 30 LARGEST SECURITIES ACCOUNTS HOLDERS (CONT'D)
(ACCORDING TO THE REGISTER OF DEPOSITORS AS AT 30 AUGUST 2019)

No.	Name of Shareholders	No. of Shares	(%)
16.	MIDF Amanah Investment Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Jitumaju Sdn Bhd (MGN-IBO0001M)*	1,565,000	0.72
17.	MIDF Amanah Investment Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Jitumaju Sdn Bhd (MGN-WSA0001M)*	1,115,000	0.51
18.	Convenience Shopping (Sabah) Sdn. Bhd.	960,000	0.44
19.	JF Apex Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Generasi Panduan Sdn Bhd (Margin)*	700,000	0.32
20.	Maybank Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Hii Siew Hee*	500,000	0.23
21.	HSBC Nominees (Tempatan) Sdn Bhd *HSBC (M) Trustee Bhd For Manulife Investment Progress Fund (4082)*	446,200	0.20
22.	Ch'ng Haw Chong	303,160	0.14
23.	Inter-Pacific Equity Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Harmoni Genting Sdn Bhd (AH0020)*	300,000	0.14
24.	JF Apex Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Symphony Diversified Sdn Bhd (Margin)*	268,200	0.12
25.	Ong Seng Khek	267,500	0.12
26.	Kenanga Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Indah Pusaka Sdn Bhd*	250,000	0.11
27.	Gooi Chean Keong	225,628	0.10
28.	Loo Jooi Leng	225,628	0.10
29.	Inter-Pacific Equity Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Generasi Panduan Sdn Bhd (AG0016)*	220,000	0.10
30.	Goh Kee Leong	200,000	0.09
		209,940,118	96.40

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Seventh (7th) Annual General Meeting of Caring Pharmacy Group Berhad ("Caring" or "the Company") will be held at Langkawi Room, Bukit Jalil Golf and Country Resort, Jalan Jalil Perkasa 3, Bukit Jalil, 57000 Kuala Lumpur on Wednesday, 30 October 2019 at 10.30 a.m. for the purpose of transacting the following businesses:

1. To receive the Audited Financial Statements for the financial year ended 31 May 2019 together with the Reports of the Directors and Auditors thereon. **(Please refer to Explanatory Note 1)**

2. To approve the payment of the Final Single Tier Tax Exempt Dividend of 6.0 sen per share in respect of the financial year ended 31 May 2019. **(Ordinary Resolution 1)**

3. To approve the payment of Directors' fees of up to RM420,000 for the financial year ending 31 May 2020 to be divided amongst the Directors in such manner as the Directors may determine and other benefits payable of up to RM72,000 for the period commencing from 30 October 2019 up to the next Annual General Meeting of the Company. **(Ordinary Resolution 2)**

4. To re-elect the following Directors who retire pursuant to Article 95 of the Company's Articles of Association:

   (a) Chong Yeow Siang **(Ordinary Resolution 3)**

   (b) Ang Khoon Lim **(Ordinary Resolution 4)**

5. To re-appoint Messrs BDO PLT as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. **(Ordinary Resolution 5)**

As Special Business:
To consider and, if thought fit, to pass the following resolutions:

6. **Proposed Renewal of Authority to Allot Shares Pursuant to Sections 75 and 76 of the Companies Act, 2016**

   THAT pursuant to Sections 75 and 76 of the Companies Act, 2016 and subject to the approvals of the relevant governmental/ regulatory authorities, the Directors be and are hereby empowered to issue shares in the capital of the Company from time to time and upon such terms and conditions and for such purposes as the Directors, may in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being and that the Directors be and are hereby also empowered to obtain approval from the Bursa Malaysia Securities Berhad for the listing and quotation of the additional shares so issued and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company. **(Ordinary Resolution 6)**

NOTICE OF ANNUAL GENERAL MEETING

7. **Proposed Renewal of Share Buy-Back Authority for the Purchase of its Own Ordinary Shares ("Proposed Share Buy-Back Authority")** **(Ordinary Resolution 7)**

THAT subject to the compliance with Section 127 of the Companies Act, 2016 ("the Act") and all other applicable laws, rules and regulations, approval be and is hereby given to the Company, to purchase such amount of ordinary shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Malaysia Securities Berhad ("Bursa Securities") as the Directors may deem fit and expedient in the interest of the Company provided that the aggregate number of shares to be purchased and held pursuant to this resolution does not exceed 10% of the existing issued share capital of the Company including the shares previously purchased and retained as treasury shares (if any) and the maximum funds to be allocated by the Company for the purpose of purchasing its own shares shall not exceed the total retained profits of the Company, upon such terms and conditions as set out in the Statement to Shareholders dated 30 September 2019.

AND THAT such authority shall commence immediately upon the passing of this Ordinary Resolution and until the conclusion of the next AGM of the Company or the expiry of the period within which the next AGM is required by law to be held unless revoked or varied by Ordinary Resolution in the general meeting of the Company but so as not to prejudice the completion of a purchase made before such expiry date, in any event in accordance with the provisions of the Main Market Listing Requirements of Bursa Securities ("Listing Requirements") and any other relevant authorities.

AND THAT authority be and is hereby given to the Directors of the Company to decide in their absolute discretion to retain the ordinary shares in the Company so purchased by the Company as treasury shares and/or to cancel them and/or to resell them and/or to distribute them as share dividends in such manner as may be permitted and prescribed by the provisions of the Listing Requirements and any other relevant authorities.

AND THAT authority be and is hereby given to the Directors of the Company to take all such steps as are necessary to enter into any agreements, arrangements and guarantees with any party or parties to implement, finalise and give full effect to the aforesaid with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities and to do all such acts and things as the Directors may deem fit and expedient in the interests of the Company.

8. **Proposed Adoption of New Constitution of the Company ("Proposed Adoption")** **(Special Resolution)**

THAT approval be and is hereby given for the Company to alter or amend the whole of the existing Memorandum and Articles of Association of the Company by the replacement thereof with a new Constitution of the Company as set out in Appendix I of the Circular to Shareholders dated 30 September 2019 with immediate effect.

AND THAT the Board be and are hereby empowered and authorised to do all acts, deeds and things and to execute, sign, deliver and cause to be delivered on behalf of the Company all such documents (including, without limitation, the affixing of the Company's common seal, where necessary) as the Board may consider necessary, expedient or relevant to give effect to and complete the Proposed Adoption with full power to assent to any conditions, modifications, variations and/or amendments in any manner as may be required by the relevant authorities or as the Board may deem necessary or expedient in order to implement, finalise and give full effect to the Proposed Adoption.

NOTICE OF ANNUAL GENERAL MEETING

9. To transact any other ordinary business of the Company for which due notice shall have been given.

BY ORDER OF THE BOARD

Chong Voon Wah (MAICSA 7055003)
Thai Kian Yau (MIA 36921)
Company Secretaries

Kuala Lumpur
Date: 30 September 2019

NOTES ON APPOINTMENT OF PROXY

1. A member entitled to attend and vote at the general meeting may appoint up to two (2) proxies to attend and vote in his stead. A proxy may but need not be a member of the Company.

2. The Form of Proxy must be signed by the appointor or his attorney duly authorised in writing or in the case of a corporation, be executed under its common seal or under the hand of its officer, attorney or other person duly authorised in writing.

3. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.

4. Where a member of the Company is an exempt authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provision of subsection 25A(1) of the Central Depositories Act which holds ordinary shares in the Company for multiple beneficial owners in one Securities Account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

5. The Form of Proxy or other instruments of appointment must be deposited at the Company's Share Registrar Office at Berjaya Registration Services Sdn Bhd, Lot 10-04A & 10-04B, Level 10, West Berjaya Times Square, No. 1 Jalan Imbi, 55100 Kuala Lumpur not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument, proposes to vote or, in the case of a poll, not less than 24 hours before the time appointed for the taking of the poll.

6. For the purpose of determining a member who shall be entitled to attend the meeting, only a member whose name appear in the Record of Depositors as at 22 October 2019 will be entitled to attend, speak and vote at the said meeting or appoint proxies to attend, speak and vote on his stead.

7. Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out above will be put to vote by way of poll.

EXPLANATORY NOTES :

1. Audited Financial Statements for the Financial Year Ended 31 May 2019

The Agenda No. 1 is meant for discussion only as Section 340(1)(a) of the Companies Act, 2016 provide that the audited financial statements are to be laid in the general meeting and does not require a formal approval of the shareholders. Hence, this Agenda item is not put forward for voting.

NOTICE OF ANNUAL GENERAL MEETING

2. **Ordinary Resolution 2 : To Approve the Payment of Directors' Fees and Other Benefits Payable**

   The Directors' benefits payable comprises of meeting attendance allowances, travelling allowances and other claimable benefits.

   In determining the estimated total amount of Directors' benefits, the Board has considered various factors, among others, the estimated claimable benefits and estimated number of meetings for the Board and its Committees held for the period commencing from 30 October 2019 until the next Annual General Meeting for the Company.

3. **Ordinary Resolution 6 : Proposed Renewal of Authority to Allot Shares Pursuant to Sections 75 and 76 of the Companies Act, 2016**

   The Proposed Ordinary Resolution 6, if passed, is a renewal of General Mandate to empower the Directors to issue and allot shares up to an amount not exceeding 10% of the issued share capital of the Company for the time being for such purposes as the Directors consider would be in the best interest of the Company. This authority, unless revoked or varied by the Company at a General Meeting, will expire at the next Annual General Meeting.

   The General Mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for the purpose of funding future investment project(s) workings capital and/or acquisitions.

   As at the date of this Notice, the Company has not issued any new shares pursuant to the General Mandate granted to the Directors at the Sixth (6th) Annual General Meeting held on 30 October 2018 and which will lapse at the conclusion of the Seventh (7th) Annual General Meeting. A renewal of this General Mandate is being sought at the Seventh (7th) Annual General Meeting under the proposed Ordinary Resolution 6.

4. **Ordinary Resolution 7 : Proposed Renewal of Share Buy-Back Authority for the Purchase of its Own Ordinary Shares**

   The Proposed Ordinary Resolution 7, if passed, will empowers the Company to purchase its own ordinary shares of up to 10% of the total issued share capital of the Company for the time being by utilising the funds allocated out of the retained profits of the Company. This authority, unless renewed or revoked or varied by the Company at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company or the expiration of the period within which the next Annual General Meeting after that date is required by the law to be held, whichever occurs first.

5. **Special Resolution : Proposed Adoption of New Constitution of the Company ("Proposed Adoption")**

   The Proposed Adoption is primarily for the purpose of streamlining the Constitution to be in line with the Companies Act, 2016 which came into force on 31 January 2017, the Listing Requirements, the prevailing statutory and regulatory requirements as well as to update the existing Memorandum and Articles of Association of the Company, where relevant, to render consistency throughout in order to facilitate and further enhance administrative efficiency. The proposed new Constitution is set out in Appendix I of the Circular to Shareholders dated 30 September 2019.

6. **Annual Report**

   The Annual Report for the financial year ended 31 May 2019 is in CD-ROM format. Printed copy of the Annual Report shall be provided to the shareholders upon request within 4 market days from the date of receipt of the written request. A copy of the Annual Report can also be downloaded at www.caring2u.com.

   Shareholders who wish to receive the printed Annual Report and who require assistance in viewing the CD-ROM, kindly fax to Berjaya Registration Services Sdn. Bhd. at fax no. 03-21459702 or email your request to brssbsu@gmail.com.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS ALSO HEREBY GIVEN THAT the Final Single Tier Tax Exempt Dividend of 6.0 sen per share in respect of the financial year ended 31 May 2019, if approved by shareholders at the forthcoming Annual General Meeting, will be payable on 20 November 2019 to the shareholders whose names appear in the Record of Depositors of the Company at the close of business on 22 October 2019.

A Depositor shall qualify for entitlement only in respect of:

(a) shares transferred to the Depositor's Securities Account before 4.00 p.m. on 22 October 2019 in respect of transfer; and

(b) shares bought on Bursa Malaysia Securities Berhad on a cum-entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

As at date of this notice, there are no individuals who are standing for election as Directors (excluding the above Directors who are standing for re-election) at this forthcoming Annual General Meeting.

The Company will seek shareholders' approval on the general mandate for issue of securities in accordance with Paragraph 6.03 (3) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. Please refer to the proposed Ordinary Resolution 6 as stated in the Notice of Annual General Meeting of the Company for the details.

CARING PHARMACY GROUP BERHAD

(Company No. 1011859-D)

FORM OF PROXY

Number of Shares Held	CDS Account No.

I/We,.. NRIC No./Passport No./Company No ....

of ....

being a member/members of **Caring Pharmacy Group Berhad** hereby appoint ....

.... NRIC No./Passport No ....

of ....

and/or.. NRIC No./Passport No ....

of...

or failing *him/her, the Chairman of the meeting as my / our proxy to vote and act on my / our behalf at the Seventh (7th) Annual General Meeting of the Company to be held at Langkawi Room, Bukit Jalil Golf and Country Resort, Jalan Jalil Perkasa 3, Bukit Jalil, 57000 Kuala Lumpur on Wednesday, 30 October 2019 at 10.30 a.m. and at any adjournment thereof.

No.	Resolutions		For	Against
1.	To approve the payment of the Final Single Tier Tax Exempt Dividend of 6.0 sen per share in respect of the financial year ended 31 May 2019.	**Ordinary Resolution 1**		
2.	To approve the payment of Directors' fees and other benefits payable.	**Ordinary Resolution 2**		
3.	To re-elect Chong Yeow Siang as Director.	**Ordinary Resolution 3**		
4.	To re-elect Ang Khoon Lim as Director.	**Ordinary Resolution 4**		
5.	To re-appoint Messrs BDO PLT as External Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.	**Ordinary Resolution 5**		
6.	To approve the proposed renewal of authority to allot shares pursuant to Sections 75 and 76 of the Companies Act, 2016.	**Ordinary Resolution 6**		
7.	To approve the proposed renewal of share buy-back authority.	**Ordinary Resolution 7**		
8.	To approve the proposed adoption of new Constitution of the Company.	**Special Resolution**		

Please indicate with an "X" how you wish to cast your vote. In the absence of specific directions, the proxy may vote or abstain from voting on the resolution as he/she may think fit.

For appointment of two proxies, percentage of shareholdings to be represented by each proxy is as follow :

	NRIC No./ Passport No.	No. of Ordinary Shares	Percentage
Proxy 1			
Proxy 2			
Total			100%

Signed this ....day of 2019

Signature: ....

(If shareholder is a corporation, this form should be executed under seal)

NOTES ON APPOINTMENT OF PROXY

1. A member entitled to attend and vote at the general meeting may appoint up to two (2) proxies to attend and vote in his stead. A proxy may but need not be a member of the Company.
2. The Form of Proxy must be signed by the appointor or his attorney duly authorised in writing or in the case of a corporation, be executed under its common seal or under the hand of its officer, attorney or other person duly authorised in writing.
3. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.
4. Where a member of the Company is an exempt authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provision of subsection 25A(1) of the Central Depositories Act which holds ordinary shares in the Company for multiple beneficial owners in one Securities Account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
5. The Form of Proxy or other instruments of appointment must be deposited at the Company's Share Registrar Office at Berjaya Registration Services Sdn Bhd, Lot 10-04A & 10-04B, Level 10, West Berjaya Times Square, No. 1 Jalan Imbi, 55100 Kuala Lumpur not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument, proposes to vote or, in the case of a poll, not less than 24 hours before the time appointed for the taking of the poll.
6. For the purpose of determining a member who shall be entitled to attend the meeting, only a member whose name appear in the Record of Depositors as at 22 October 2019 will be entitled to attend, speak and vote at the said meeting or appoint proxies to attend, speak and vote on his stead.
7. Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out above will be put to vote by way of poll.

Personal Data Privacy

By submitting the form of proxy, the member or proxy accepts and agrees to the collection, use and disclosure of their personal data by the Company (or its agents or service providers) for the purpose of preparation and compilation of documents relating to the Seventh (7th) AGM (including any adjournment thereof).

1st fold here

AFFIX
STAMP
HERE

THE SHARE REGISTRAR OF
CARING PHARMACY GROUP BERHAD
Berjaya Registration Services Sdn Bhd
Lot 10-04A & 10-04B, Level 10
West Berjaya Times Square
No. 1 Jalan Imbi, 55100 Kuala Lumpur, Malaysia

2nd fold here

25th Anniversary 1994 - 2019

A Caring Journey With You

CARiNG PHARMACY

CARiNG PHARMACY GROUP BERHAD (Co. No. 1011859-D)
No. 1, Jalan 51/203A, Kawasan Perindustrian Tiong Nam, Seksyen 51, 46050 Petaling Jaya.
Tel : +603 7453 1988 | Fax : +603 7450 1988