

THIS INDEPENDENT ADVICE CIRCULAR (“IAC”) IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. YOU SHOULD READ THIS IAC IN CONJUNCTION WITH THE OFFER DOCUMENT DATED 6 MARCH 2020 ISSUED BY RHB INVESTMENT BANK BERHAD ON BEHALF OF THE OFFEROR (AS DEFINED HEREIN) WHICH HAS BEEN SENT TO YOU.

If you are in any doubt as to the action to be taken in relation to the Offer (as defined herein), please consult your stockbrokers, bank managers, solicitors, accountants or other professional advisers immediately. If you have sold or transferred all your Caring Shares (as defined herein), you should at once hand this IAC to the purchaser or stockbroker or agent through whom you effected the sale or transfer for onward transmission to the purchaser or transferee of such Caring Shares.

Pursuant to Rule 11 of the Rules on Take-overs, Mergers and Compulsory Acquisitions, the Securities Commission Malaysia (“SC”) has notified that it has no further comments on this IAC. However, such notification shall not be taken to suggest that the SC agrees with our recommendation or assumes responsibility for the correctness of any statements made or opinions or reports expressed in this IAC.



CARING PHARMACY GROUP BERHAD
(Registration No. 201201027369 (1011859-D))
(Incorporated in Malaysia)

**INDEPENDENT ADVICE CIRCULAR TO THE HOLDERS OF THE CARING SHARES
IN RELATION TO THE UNCONDITIONAL MANDATORY TAKE-OVER OFFER**

BY

CONVENIENCE SHOPPING (SABAH) SDN BHD (“OFFEROR”)
(Registration No. 199601009089 (381437-U))
(Incorporated in Malaysia)

A WHOLLY-OWNED SUBSIDIARY OF

7-ELEVEN MALAYSIA HOLDINGS BERHAD (“ULTIMATE OFFEROR”)
(Registration No. 201301028701 (1058531-W))
(Incorporated in Malaysia)

THROUGH

RHB INVESTMENT BANK BERHAD
(Registration No. 197401002639 (19663-P))
(A Participating Organisation of Bursa Malaysia Securities Berhad)

TO ACQUIRE

ALL THE REMAINING ORDINARY SHARES IN CARING PHARMACY GROUP BERHAD (“CARING SHARES”) NOT ALREADY HELD BY THE OFFEROR FOR A CASH OFFER PRICE OF RM2.60 PER CARING SHARE (“OFFER”)

Independent Adviser



MERCURY SECURITIES SDN BHD
(Registration No. 198401000672 (113193-W))
(A Participating Organisation of Bursa Malaysia Securities Berhad)

This Independent Advice Circular is dated 16 March 2020

DEFINITIONS

Except where the context otherwise requires or where otherwise defined herein, the following definitions shall apply throughout this Independent Advice Circular:-

Accepting Holder	: A Holder who accepts the Offer in accordance with the terms and conditions set out in the Offer Document
Acquisition	: Acquisition by CSSSB of 55,198,000 Caring Shares (<i>representing approximately 25.35% equity interest in Caring</i>) from MOSB for a total cash consideration of RM143,514,800 or RM2.60 per Caring Share via the SSA, which was completed on 27 February 2020
Act	: Companies Act, 2016
Board	: Board of Directors of Caring
Bursa Depository	: Bursa Malaysia Depository Sdn Bhd (Registration No. 198701006854 (165570-W))
Bursa Securities	: Bursa Malaysia Securities Berhad (Registration No. 200301033577 (635998-W))
Caring or the Company or the Offeree	: Caring Pharmacy Group Berhad (Registration No. 201201027369 (1011859-D))
Caring Group or the Group	: Collectively, Caring and its subsidiaries
Caring Shares	: Ordinary shares in Caring
Closing Date	: First Closing Date unless extended or revised in accordance with the Rules and the terms and conditions set out in the Offer Document or as the Offeror may decide and RHB Investment Bank may announce, on behalf of the Offeror, at least 2 days before the Closing Date
CMSA	: Capital Markets and Services Act, 2007
CSSSB or the Offeror	: Convenience Shopping (Sabah) Sdn Bhd (Registration No. 199601009089 (381437-U)), a wholly-owned subsidiary of SEM
DCF	: Discounted cash flow
Directors	: Directors of Caring
Dissenting Holder	: Any Holder who has not accepted the Offer and/or failed or refused to transfer the Offer Shares to the Offeror in accordance with the terms and conditions set out in the Offer Document
FCFE	: Free cash flows to equity
First Closing Date	: 5:00 p.m. (<i>Malaysian time</i>) on 27 March 2020, being at least 21 days from the Posting Date
Form of Acceptance and Transfer	: Form of acceptance and transfer for the Offer Shares as enclosed with the Offer Document
FPE	: Financial period ended
FYE	: Financial year ended / ending
Holder	: Each holder of the Offer Shares

DEFINITIONS *(cont'd)*

IAC	: Independent advice circular dated 16 March 2020 in relation to the Offer
IAL	: Independent advice letter from the Independent Adviser to the Holders dated 16 March 2020
Interested Directors	: Collectively, (i) Chong Yeow Siang, (ii) Soo Chan Chiew, (iii) Tan Lean Boon and (iv) Ang Khoon Lim (<i>by virtue of them being the PACs</i>) who are deemed interested in the Offer and have abstained from deliberations and making any recommendation in relation to the Offer
KLCSU	: Bursa Malaysia Consumer Product Index
Listing	: Listing of Caring on the Main Market of Bursa Securities on 13 November 2013
Listing Requirements	: Main Market Listing Requirements of Bursa Securities
LPD	: 10 March 2020, being the latest practicable date prior to the issuance of this IAC
LTD1	: 22 November 2019, being the last trading day of Caring Shares prior to the signing of the SSA
LTD2	: 13 February 2020, being the last trading day of Caring Shares prior to the serving of the Notice
Market Day	: A day on which Bursa Securities is open for trading in securities
Mercury Securities or the Independent Adviser	: Mercury Securities Sdn Bhd (Registration No. 198401000672 (113193-W)), being the independent adviser appointed by the Board in accordance with Paragraph 3.06 of the Rules to provide comments, opinions, information and recommendation on the Offer to the Non-Interested Directors and the Holders
MOSB	: Motivasi Optima Sdn Bhd (Registration No. 201201043183 (1027659-M))
MOSB's Undertaking	: An irrevocable undertaking, provided by MOSB to the Offeror on 16 December 2019, not to accept the Offer in respect of its remaining 54,425,857 Caring Shares (<i>representing approximately 25.00% equity interest in Caring</i>), held after the completion of the Acquisition
NA	: Net assets
Non-Interested Directors	: Directors of Caring (<i>excluding the Interested Directors who have abstained from deliberations and making any recommendation in relation to the Offer</i>)
Notice	: Notice of the Offer dated 14 February 2020 issued by RHB Investment Bank, on behalf of the Offeror, and served on the Board
Offer	: Unconditional mandatory take-over offer by the Offeror, through RHB Investment Bank, to acquire all the remaining Caring Shares not already held by the Offeror for the Offer Price, in accordance with the terms and conditions set out in the Offer Document, including any revision thereof

DEFINITIONS *(cont'd)*

Offer Document	: The document dated 6 March 2020 in relation to the Offer together with the enclosed Form of Acceptance and Transfer
Offer Document LPD	: 28 February 2020, being the latest practicable date prior to the Posting Date
Offer Period	: The period commencing from 28 November 2019, being the date of the signing of the SSA, until the earlier of either:- (i) the Closing Date; or (ii) the date on which the Offer lapses or is withdrawn with the written consent of the SC
Offer Price	: Cash offer price of RM2.60 for each Offer Share, subject to any adjustment in the manner as set out in Section 2.1 of the Offer Document
Offer Shares	: All the remaining 98,454,543 Caring Shares (<i>representing approximately 45.22% of the total issued shares of Caring</i>) not already held by the Offeror and MOSB as at the Offer Document LPD
Official List	: A list specifying all securities listed on Bursa Securities
PACs	: Persons acting in concert with the Offeror in relation to the Offer pursuant to Sections 216(2) and 216(3) of the CMSA
Posting Date	: 6 March 2020, being the date of posting of the Offer Document
Public Spread Requirement	: Requirement under Paragraph 8.02(1) of the Listing Requirements which stipulates that a listed issuer must ensure that at least 25% of its total listed shares (<i>excluding treasury shares</i>) are in the hands of public shareholders to ensure its continued listing on the Main Market of Bursa Securities
RHB Investment Bank	: RHB Investment Bank Berhad (Registration No. 197401002639 (19663-P))
Rules	: Rules on Take-overs, Mergers and Compulsory Acquisitions issued by the SC
SC	: Securities Commission Malaysia
SEM or the Ultimate Offeror	: 7-Eleven Malaysia Holdings Berhad (Registration No. 201301028701 (1058531-W))
SEM Group	: Collectively, SEM and its subsidiaries
SOPV	: Sum-of-parts valuation
SSA	: Conditional share sale agreement dated 28 November 2019 entered into between CSSSB and MOSB in relation to the Acquisition
TSVT	: Tan Sri Dato' Seri Vincent Tan Chee Yioun
VWAP	: Volume-weighted average market price

DEFINITIONS *(cont'd)*

CURRENCIES

RM and sen : Ringgit Malaysia and sen, respectively, the lawful currency of Malaysia

In this IAC, words referring to the singular shall, where applicable, include the plural and *vice versa*, and words referring to the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. References to persons shall include companies or corporations, unless otherwise specified.

All references to “you” or “Holder” in this IAC are to each holder of the Offer Shares, being the person to whom the Offer is being made. All references to “we”, “us” and “our” in this IAC (*save for the Executive Summary and the letter from the Board*) are to Mercury Securities, the Independent Adviser for the Offer.

Any discrepancies in the tables between amounts stated and the totals in this IAC are, unless otherwise explained, due to rounding.

Any references to time and date in this IAC shall be references to Malaysian time and date, unless otherwise stated. Where a period specified in the Rules ends on a day which is not a Market Day, the period is extended until the next Market Day, as appearing in this IAC.

Any references in this IAC to any enactment are references to that enactment as for the time being amended or re-enacted.

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EXECUTIVE SUMMARY

THIS EXECUTIVE SUMMARY HIGHLIGHTS THE SALIENT INFORMATION OF THE OFFER. WE ADVISE HOLDERS TO READ BOTH PART A: LETTER FROM THE BOARD AND PART B: INDEPENDENT ADVICE LETTER FROM MERCURY SECURITIES (*THE INDEPENDENT ADVISER*) FOR THEIR VIEWS AND RECOMMENDATIONS IN RELATION TO THE OFFER. THIS IAC SHOULD ALSO BE READ TOGETHER WITH THE OFFER DOCUMENT.

1. INTRODUCTION

On 28 November 2019, CSSSB had entered into the SSA with MOSB for the Acquisition. The SSA became unconditional on 14 February 2020 and the Acquisition was subsequently completed on 27 February 2020.

Upon completion of the Acquisition, CSSSB's shareholding in Caring had increased from 9,628,000 Caring Shares (*representing approximately 4.42% of the total issued shares of Caring*) to 64,826,000 Caring Shares (*representing approximately 29.78% of the total issued shares of Caring*). Further, TSVT, a major shareholder of SEM, and companies controlled by him, namely Jitumaju Sdn Bhd and U Telemedia Sdn Bhd, hold 19,572,780 Caring Shares (*representing approximately 8.99% of the total issued shares of Caring*). As such, upon completion of the Acquisition, the collective shareholdings of CSSSB, TSVT, Jitumaju Sdn Bhd and U Telemedia Sdn Bhd in Caring had increased from approximately 13.41% to approximately 38.77%. Accordingly, CSSSB is obliged to extend a mandatory take-over offer to acquire all the remaining Caring Shares not already held by it and PACs for a cash offer price of RM2.60 per Caring Share pursuant to Section 218(2) of the CMA and Paragraph 4.01(a) of the Rules.

Since the collective shareholdings of CSSSB and PACs in Caring (*the details of which are set out in Section 1 in Part A of this IAC*) have exceeded 50%, the Offer is unconditional as to acceptances. Notwithstanding this, the Offer shall be extended to PACs.

As such, upon the SSA becoming unconditional on 14 February 2020, RHB Investment Bank had, on behalf of the Offeror, served the Notice on the Board in accordance with Paragraph 9.10(1) of the Rules to acquire all the remaining Caring Shares not already held by the Offeror for the Offer Price. The Board had, on the same day, announced the receipt of the Notice and a copy of the Notice was subsequently despatched to the shareholders of Caring on 21 February 2020.

In accordance with Paragraph 3.06 of the Rules, Mercury Securities has been appointed as the Independent Adviser on 12 December 2019 to provide comments, opinions, information and recommendation on the Offer to the Holders, which shall be contained in this IAC.

In addition to this IAC, you should have by now received a copy of the Offer Document dated 6 March 2020 (*together with the enclosed Form of Acceptance and Transfer*) in relation to the Offer.

As set out in the Offer Document:-

- (i) SEM (*being the holding company of CSSSB*) is the Ultimate Offeror of the Offer;
- (ii) the PACs as at the Offer Document LPD are:-
 - (a) TSVT;
 - (b) Jitumaju Sdn Bhd;
 - (c) U Telemedia Sdn Bhd;
 - (d) MOSB;
 - (e) Chong Yeow Siang;
 - (f) Soo Chan Chiew;
 - (g) Tan Lean Boon;
 - (h) Ang Khoon Lim;
 - (i) Loo Jooi Leng;

EXECUTIVE SUMMARY (cont'd)

- (j) Gooi Chean Keong;
 - (k) Ch'ng Haw Chong;
 - (l) Datuk Seri Syed Ali Bin Abbas Alhabshee; and
 - (m) Indah Pusaka Sdn Bhd.
- (iii) as at the Offer Document LPD, save for MOSB's Undertaking, the Offeror, Ultimate Offeror and PACs have not received any irrevocable undertaking from any other Holder to accept or reject the Offer.

Pursuant to Rule 11 of the Rules, the SC has on 12 March 2020 notified that it has no further comments on this IAC. However, such notification shall not be taken to suggest that the SC agrees with the recommendations contained herein or assumes responsibility for the correctness of any statements made or opinions or reports expressed in this IAC.

The purpose of this IAC is to provide you with relevant information on the Offer, the Non-Interested Directors' views and recommendation on the Offer as well as the recommendation of Mercury Securities.

2. TERMS AND CONDITIONS OF THE OFFER

The terms and conditions of the Offer include the following:-

Consideration for the Offer	:	The cash consideration for the Offer is RM2.60 per Offer Share , subject to such reduction by an amount equivalent to the net dividend and/or distribution for each Offer Share declared, made and/or paid by Caring on or after the date of the Notice but prior to the Closing Date, of which the Holders are entitled to retain. You may accept the Offer in respect of all or part of your Offer Shares. The Offeror will not pay fractions of a sen to the Accepting Holders and the cash consideration payable to the Accepting Holders will be rounded down to the nearest whole sen, where applicable.
Condition of the Offer	:	The Offer is not conditional upon any minimum level of valid acceptances of the Offer Shares since the Offeror, Ultimate Offeror and PACs already hold, in aggregate, more than 50% of the voting shares in Caring.
Duration of the Offer	:	The Offer will remain open for acceptances until 5.00 p.m. (Malaysian time) on 27 March 2020, being the First Closing Date or such later date(s) as the Offeror may decide . Any such extension will be announced by RHB Investment Bank, on behalf of the Offeror, at least 2 days before the Closing Date. Notice of any such extension will be posted to you accordingly. Please refer to Section 2 in Appendix I of the Offer Document for further information on the duration of the Offer.

Method of settlement	:	The settlement of the consideration for the Offer Shares will be effected through remittance in the form of cheque(s), banker's draft(s) or cashier's order(s) which will be despatched by ordinary mail to you (<i>or your designated agent(s), as you may direct</i>) at your registered Malaysian address last maintained with Bursa Depository at your own risk within 10 days from the date of the valid acceptances .
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Please refer to Section 2 of the Offer Document and Appendix I of the Offer Document for the full terms and conditions of the Offer as well as Appendix II of the Offer Document for the procedures for acceptance and method of settlement of the Offer.

3. DETAILS OF ACCEPTANCES

As at the Offer Document LPD, save for MOSB's Undertaking, the Offeror, Ultimate Offeror and PACs have not received any irrevocable commitment from any Holder to accept or reject the Offer.

Based on announcements on Bursa Securities, the Offeror has received acceptances for a total of 6,123,900 Offer Shares up to the LPD.

4. EVALUATION OF THE OFFER

In arriving at the conclusion and recommendation, Mercury Securities has assessed and evaluated the fairness and reasonableness of the Offer in accordance with Paragraphs 1 to 6 under Schedule 2: Part III of the Rules, whereby:-

- (i) The term "fair and reasonable" should generally be analysed as 2 distinct criteria, i.e. whether the Offer is "fair" and whether the Offer is "reasonable", rather than as a composite term;
- (ii) The Offer is considered as "fair" if the Offer Price is equal to or higher than the market price and is also equal to or higher than the value of the Offer Shares. However, if the Offer Price is equal to or higher than the market price but is lower than the value of the Offer Shares, the Offer is considered as "not fair". In making the assessment, the value of the Offer Shares is determined based on the assumption that 100% of the issued share capital of the Offeree is being acquired;
- (iii) In considering whether the Offer is "reasonable", we have taken into consideration matters other than the valuation of the Offer Shares; and
- (iv) Generally, a take-over offer would be considered "reasonable" if it is "fair".

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4.1 FAIRNESS OF THE OFFER

(please refer to Section 6 in Part B of this IAC for further details)

In assessing the fairness of the Offer, Mercury Securities has considered the following pertinent factors:-

Considerations							
Valuation of the Caring Shares	<ul style="list-style-type: none"> The Caring Group operates a chain of community pharmacies primarily under the brand of 'CARiNG' in Malaysia. As a retail operator, the Group undertakes retail sales of pharmaceutical products which include scheduled drugs, over-the-counter drugs and health supplements, and also non-pharmaceutical products like personal care products, medical and healthcare devices, health food, confectionary, beverages, and household products ("Retail Business"). In arriving at the value of the Caring Shares, Mercury Securities has adopted the SOPV model as the sole valuation method in view that the value of the Caring Group comprise (i) the Retail Business and (ii) cash and cash equivalents of the Group which are considered in excess of the Group's working capital requirements in generating income and/or cash flows for the Retail Business ("Surplus Cash"). The SOPV represents the aggregate valuation of these components which shall be valued based on the respective appropriate valuation methods as follows:- <table> <tr> <th><u>Business segment / Asset</u></th><th><u>Valuation method</u></th></tr> <tr> <td>(i) Retail Business</td><td>DCF</td></tr> <tr> <td>(ii) Surplus Cash</td><td>NA</td></tr> </table> Mercury Securities views the abovementioned valuation method to be the most appropriate method to estimate the value of the Caring Shares for the reasons as set out in Section 6.1 in Part B of this IAC. Based on the SOPV model, Mercury Securities has derived a range of estimated value for the entire equity interest in Caring of between RM503.00 million (RM2.31 per Caring Share) and RM544.47 million (RM2.50 per Caring Share). The Offer Price of RM2.60 is higher than and represents a premium of between RM0.10 (4.00%) and RM0.29 (12.55%) over the abovementioned range of estimated value per Caring Share. 	<u>Business segment / Asset</u>	<u>Valuation method</u>	(i) Retail Business	DCF	(ii) Surplus Cash	NA
<u>Business segment / Asset</u>	<u>Valuation method</u>						
(i) Retail Business	DCF						
(ii) Surplus Cash	NA						
Historical market price performance of the Caring Shares	<ul style="list-style-type: none"> The Offer Price is higher than the daily VWAPs* of the Caring Shares since the Listing and up to the LPD. It is also worth noting that the Caring Shares have never traded above the Offer Price since the Listing and up to the LPD. The Offer Price represents a premium of RM0.1000 (4.00%) over the last traded market price of the Caring Shares on the LTD1 and a premium of between RM0.1006 (4.02%) and RM0.5945 (29.64%) over the 5-day, 1-month, 3-month, 6-month and 1-year VWAPs* of the Caring Shares up to the LTD1. The Offer Price represents a premium of RM0.0200 (0.78%) and RM0.0199 (0.77%) over the last traded market price of the Caring Shares on the LPD and the 5-day VWAP of the Caring Shares up to the LPD respectively. <p><u>Note:-</u> * As extracted from Bloomberg which have been adjusted for the effects of any dividends and corporate exercises throughout the period.</p>						
Mercury Securities' view	The Offer is FAIR in view that the Offer Price of RM2.60 is higher than the estimated value and market price of the Caring Shares.						

4.2 REASONABLENESS OF THE OFFER

(please refer to Section 7 in Part B of this IAC for further details)

In assessing the reasonableness of the Offer, Mercury Securities has considered the following pertinent factors:-

Considerations																		
Historical liquidity analysis of the Caring Shares	<ul style="list-style-type: none"> The Caring Shares are illiquid, with a simple average monthly trading volume-to-free float for the past 12 months up to February 2020 (being the last full trading month prior to the LPD) of 0.28% (with an average monthly trading volume of 213,655 Caring Shares) (excluding outlier). Further, the monthly trading volume-to-free float of Caring Shares during the said period had been lower than that of KLCSU as follows:- <table border="1"> <thead> <tr> <th rowspan="2">Index / Securities</th><th colspan="3">Monthly volume traded over free float (%)</th></tr> <tr> <th>High</th><th>Low</th><th>Simple average</th></tr> </thead> <tbody> <tr> <td>KLCSU</td><td>18.65</td><td>6.06</td><td>10.55</td></tr> <tr> <td>Caring Shares (excluding outlier)*</td><td>0.66</td><td>0.11</td><td>0.28</td></tr> </tbody> </table> <p><u>Note:-</u> * We have excluded the trading volume of the Caring Shares in February 2020 as an outlier (which is determined based on extreme deviation from the average).</p>			Index / Securities	Monthly volume traded over free float (%)			High	Low	Simple average	KLCSU	18.65	6.06	10.55	Caring Shares (excluding outlier)*	0.66	0.11	0.28
Index / Securities	Monthly volume traded over free float (%)																	
	High	Low	Simple average															
KLCSU	18.65	6.06	10.55															
Caring Shares (excluding outlier)*	0.66	0.11	0.28															
No alternative proposal and level of control	<ul style="list-style-type: none"> As at the LPD, the Board has not received any alternative proposal for the Offer Shares (including any offer to acquire the assets and liabilities of the Caring Group). Further, in view that the Offeror, Ultimate Offeror and PACs hold the majority equity stake of approximately 64.46%* in Caring as at the Offer Document LPD, any alternative proposal will not be successful unless with their support. In that respect, the Non-Interested Directors do not intend to seek an alternative person to make a take-over offer. Unless the Offeror, Ultimate Offeror and PACs are required to abstain from voting on resolutions sought at shareholders' general meetings of the Company, they are able to (through casting of their votes which represent 64.46%* of the total voting shares in Caring):- <ul style="list-style-type: none"> (i) vote through or vote down any ordinary resolutions (as such resolutions only require approval from more than 50% of the total votes cast); and (ii) vote down any special resolutions (as such resolutions require approval from at least 75% of the total votes cast). <p><u>Note:-</u> * Based on announcements on Bursa Securities, the Offeror has received acceptances for a total of 6,123,900 Offer Shares (representing approximately 2.81% equity interest in Caring) up to the LPD.</p>																	
Mercury Securities' view	<p>The Offer is REASONABLE as it provides an exit opportunity to the Holders (especially for those holding a significant number of the Caring Shares) to realise their investment in the Offer Shares for cash at the Offer Price.</p>																	

5. RECOMMENDATION

5.1 BY MERCURY SECURITIES

Premised on the above and the evaluation of the Offer by Mercury Securities, Mercury Securities is of the view that the Offer is **FAIR** and **REASONABLE**. Accordingly, Mercury Securities recommends that you **ACCEPT** the Offer.

However, the decision to be made would rest on the individual risk appetite and specific investment requirements of the Holders. If the Holders so wish and if the trading liquidity permits, they may consider disposing of their Caring Shares in the open market in the event the market prices of Caring Shares are higher than the Offer Price, after taking into consideration the associated transaction costs and assuming that there will not be any revision to the Offer Price.

The Holders are advised to closely monitor the market prices, trading volume and any press releases and/or announcements made in relation to the Offer before making a decision on the course of action to be taken in respect of the Offer Shares.

Please refer to Section 12 in Part B of this IAC for further details.

5.2 BY THE NON-INTERESTED DIRECTORS

The following Directors (*by virtue of them being the PACs*) are deemed interested in the Offer and have abstained from deliberations and making any recommendation in relation to the Offer:-

- (i) Chong Yeow Siang;
- (ii) Soo Chan Chiew;
- (iii) Tan Lean Boon; and
- (iv) Ang Khoon Lim.

After careful examination of the terms and conditions of the Offer as contained in the Offer Document and taking into consideration the evaluation, views and recommendation by Mercury Securities as set out in Part B of this IAC, the following Non-Interested Directors, being:-

- (i) Datin Sunita Mei-Lin Rajakumar;
- (ii) Tan Sri Dato' Haji Mohd Ariffin Bin Mohd Yusuf;
- (iii) Mazlan Bin Ibrahim; and
- (iv) Loh Poh Im

have **concurred** with the evaluation, views and recommendation of Mercury Securities that the Offer is **FAIR** and **REASONABLE**.

Accordingly, the Non-Interested Directors recommend that you **ACCEPT** the Offer.

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6. IMPORTANT DATES AND EVENTS

The important relevant dates in relation to the Offer are as follows:-

Event	Date
Serving of the Notice	14 February 2020
Posting of the Offer Document	6 March 2020
Issuance of this IAC	16 March 2020
First Closing Date ⁽¹⁾	27 March 2020

Note:-

(1) *The Offer will remain open for acceptances until 5:00 p.m. (Malaysian time) on 27 March 2020, being the First Closing Date unless extended or revised in accordance with the Rules or as the Offeror may decide and RHB Investment Bank may announce, on behalf of the Offeror, at least 2 days before the closing date. Notice of any such extension or revision will be posted to the Holders accordingly.*

You should carefully consider the terms and conditions of the Offer based on all the relevant and pertinent factors including those which are set out above, and other information as set out in this IAC, the Offer Document and any other publicly available information.

You are advised to read this IAC in its entirety, together with the Offer Document, carefully for more information and not rely solely on this Executive Summary before forming an opinion on the Offer.

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PART A
LETTER FROM THE BOARD



CARING PHARMACY GROUP BERHAD
(Registration No. 201201027369 (1011859-D))
(Incorporated in Malaysia)

Registered office:
22-09, Menara 1MK
No. 1 Jalan Kiara, Mont Kiara
50480 Kuala Lumpur
Wilayah Persekutuan

16 March 2020

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 Khoo Lim (*Non-Independent Non-Executive Director*)
Mazlan Bin Ibrahim (*Non-Independent Non-Executive Director*)
Loh Poh Im (*Independent Non-Executive Director*)

To: The Holders

Dear Sir / Madam,

UNCONDITIONAL MANDATORY TAKE-OVER OFFER BY THE OFFEROR TO ACQUIRE ALL THE REMAINING CARING SHARES NOT ALREADY HELD BY THE OFFEROR FOR A CASH OFFER PRICE OF RM2.60 PER CARING SHARE

1. INTRODUCTION

On 28 November 2019, CSSSB had entered into the SSA with MOSB for the Acquisition. The SSA became unconditional on 14 February 2020 and the Acquisition was subsequently completed on 27 February 2020.

Upon completion of the Acquisition, CSSSB's shareholding in Caring had increased from 9,628,000 Caring Shares (*representing approximately 4.42% of the total issued shares of Caring*) to 64,826,000 Caring Shares (*representing approximately 29.78% of the total issued shares of Caring*). Further, TSVT, a major shareholder of SEM, and companies controlled by him, namely Jitumaju Sdn Bhd and U Telemedia Sdn Bhd, hold 19,572,780 Caring Shares (*representing approximately 8.99% of the total issued shares of Caring*). As such, upon completion of the Acquisition, the collective shareholdings of CSSSB, TSVT, Jitumaju Sdn Bhd and U Telemedia Sdn Bhd in Caring had increased from approximately 13.41% to approximately 38.77%. Accordingly, CSSSB is obliged to extend a mandatory take-over offer to acquire all the remaining Caring Shares not already held by it and PACs for a cash offer price of RM2.60 per Caring Share pursuant to Section 218(2) of the CMSA and Paragraph 4.01(a) of the Rules.

Since the collective shareholdings of CSSSB and PACs in Caring (*the details of which are set out below*) have exceeded 50%, the Offer is unconditional as to acceptances. Notwithstanding this, the Offer shall be extended to PACs.

As such, upon the SSA becoming unconditional on 14 February 2020, RHB Investment Bank had, on behalf of the Offeror, served the Notice on the Board in accordance with Paragraph 9.10(1) of the Rules to acquire all the remaining Caring Shares not already held by the Offeror for the Offer Price. The Board had, on the same day, announced the receipt of the Notice and a copy of the Notice was subsequently despatched to the shareholders of Caring on 21 February 2020.

In accordance with Paragraph 3.06 of the Rules, Mercury Securities has been appointed as the Independent Adviser on 12 December 2019 to provide comments, opinions, information and recommendation on the Offer to the Holders, which shall be contained in this IAC.

In addition to this IAC, you should have by now received a copy of the Offer Document dated 6 March 2020 (*together with the enclosed Form of Acceptance and Transfer*) in relation to the Offer.

As set out in the Offer Document, as at the Offer Document LPD, the shareholdings of the Offeror, Ultimate Offeror and PACs in Caring are as follows:-

Name	Direct		Indirect	
	No. of Caring Shares	% ⁽¹⁾	No. of Caring Shares	% ⁽¹⁾
<u>Offeror</u> CSSSB	64,826,000 ⁽²⁾	29.78	-	-
<u>Ultimate Offeror</u> SEM (<i>holding company of CSSSB</i>)	-	-	64,826,000 ⁽³⁾	29.78
<u>PACs</u> TSVT (<i>a major shareholder of SEM</i>)	1,200,000	0.55	83,198,780 ⁽⁴⁾	38.22
Companies controlled by TSVT:-				
• Jitumaju Sdn Bhd	11,515,780	5.29	-	-
• U-Telemedia Sdn Bhd	6,857,000	3.15	-	-
Sub-total	84,398,780	38.77		
MOSB (<i>a promoter (together with Jitumaju Sdn Bhd) of Caring for the Listing</i>)	54,425,857	25.00	-	-
Shareholders and/or directors of MOSB:-				
• Chong Yeow Siang	127,401	0.06	54,425,857 ⁽⁵⁾	25.00
• Soo Chan Chiew	127,301	0.06	54,425,857 ⁽⁵⁾	25.00
• Tan Lean Boon	127,301	0.06	54,425,857 ⁽⁵⁾	25.00
• Ang Khoo Lim	127,301	0.06	54,425,857 ⁽⁵⁾	25.00
• Loo Jooi Leng	225,628	0.10	-	-
• Gooi Chean Keong	225,628	0.10	-	-
• Ch'ng Haw Chong	303,160	0.14	-	-
Datuk Seri Syed Ali Bin Abbas Alhabshee (<i>a director of several companies controlled by TSVT</i>)	-	-	250,000 ⁽⁶⁾	0.11
Indah Pusaka Sdn Bhd (<i>a company in which Datuk Seri Syed Ali Bin Abbas Alhabshee indirectly owns 45.00%</i>)	250,000	0.11	-	-
Total	140,338,357	64.46		

Notes:-

- (1) Computed based on 217,706,400 Caring Shares as at the Offer Document LPD.
- (2) Based on announcements on Bursa Securities, the Offeror has received acceptances for a total of 6,123,900 Offer Shares (representing approximately 2.81% equity interest in Caring) up to the LPD.
- (3) Deemed interested through its interest in CSSSB pursuant to Section 8 of the Act.
- (4) Deemed interested through his interests in Jitumaju Sdn Bhd, U Telemedia Sdn Bhd and CSSSB pursuant to Section 8 of the Act.
- (5) Deemed interested through his interest in MOSB pursuant to Section 8 of the Act.
- (6) Deemed interested through his interest in Tema Juara Sdn Bhd, which in turn holds 45% equity interest in Indah Pusaka Sdn Bhd pursuant to Section 8 of the Act.

Save for MOSB's Undertaking, as at the Offer Document LPD, the Offeror, Ultimate Offeror and PACs have not received any irrevocable undertaking from any other Holder to accept or reject the Offer.

Pursuant to Rule 11 of the Rules, the SC has on 12 March 2020 notified that it has no further comments on this IAC. However, such notification shall not be taken to suggest that the SC agrees with the recommendations contained herein or assumes responsibility for the correctness of any statements made or opinions or reports expressed in this IAC.

The purpose of this IAC is to provide you with relevant information on the Offer, the Non-Interested Directors' views and recommendation on the Offer as well as the recommendation of Mercury Securities.

You are advised to read this IAC, together with the Offer Document and carefully consider the recommendations contained herein before taking any action.

2. TERMS AND CONDITIONS OF THE OFFER

The terms and conditions of the Offer are set out in Section 2 in Part B of this IAC. Please refer to Section 2 of the Offer Document and Appendix I of the Offer Document for the full terms and conditions of the Offer as well as Appendix II of the Offer Document for the procedures for acceptance and method of settlement of the Offer.

3. DETAILS OF ACCEPTANCES

As at the Offer Document LPD, save for MOSB's Undertaking, the Offeror, Ultimate Offeror and PACs have not received any irrevocable commitment from any Holder to accept or reject the Offer.

Based on announcements on Bursa Securities, the Offeror has received acceptances for a total of 6,123,900 Offer Shares up to the LPD.

4. DIRECTORS' INTENTION IN RELATION TO THE OFFER

As at the LPD, save as disclosed below, the Directors of Caring do not have any interest (*direct and indirect*) in the Caring Shares:-

Name	Direct		Indirect	
	No. of Caring Shares	% ⁽¹⁾	No. of Caring Shares	% ⁽¹⁾
Datin Sunita Mei-Lin Rajakumar	150,000	0.07	-	-
Chong Yeow Siang	127,401	0.06	54,425,857 ⁽²⁾	25.00
Soo Chan Chiew	127,301	0.06	54,425,857 ⁽²⁾	25.00
Tan Lean Boon	127,301	0.06	54,425,857 ⁽²⁾	25.00
Tan Sri Dato' Haji Mohd Ariffin Bin Mohd Yusuf	100,000	0.05	-	-
Ang Khoon Lim	127,301	0.06	54,425,857 ⁽²⁾	25.00

Notes:-

- (1) Computed based on 217,706,400 Caring Shares as at the LPD.
(2) Deemed interested through his interest in MOSB pursuant to Section 8 of the Act.

Interested Directors

The following Interested Directors intend to **ACCEPT** the Offer in respect of their direct interests in the Caring Shares:-

- (i) Chong Yeow Siang;
- (ii) Soo Chan Chiew;
- (iii) Tan Lean Boon; and
- (iv) Ang Khoon Lim.

Through their shareholdings in MOSB, the Interested Directors also have indirect interests in the Caring Shares. MOSB is a promoter (*together with Jitumaju Sdn Bhd*) of Caring for the Listing and is one of the PACs of the Offeror in relation to the Offer.

Pursuant to MOSB's Undertaking, MOSB will **REJECT** the Offer in respect of its direct interest in the Caring Shares.

Non-Interested Directors

In line with their recommendation to the Holders to **ACCEPT** the Offer, the following Non-Interested Directors intend to **ACCEPT** the Offer in respect of their direct interest in the Caring Shares:-

- (i) Datin Sunita Mei-Lin Rajakumar; and
- (ii) Tan Sri Dato' Haji Mohd Ariffin Bin Mohd Yusuf.

Notwithstanding the abovementioned Non-Interested Directors' intention to accept the Offer, they may dispose of their Caring Shares in the open market in the event the market prices of Caring Shares are higher than the Offer Price, after taking into consideration the associated transaction costs.

5. NON-INTERESTED DIRECTORS' COMMENTS

5.1 Rationale for the Offer

The Non-Interested Directors have noted the rationale for the Offer as set out in Section 3 of the Offer Document.

The Non-Interested Directors take cognisance that:-

- (i) the Offer is a mandatory obligation by the Offeror pursuant to Section 218(2) of the CMA and Paragraph 4.01(a) of the Rules as a result of the increase in collective shareholdings of CSSSB, TSVT, Jitumaju Sdn Bhd and U Telemedia Sdn Bhd in Caring from approximately 13.41% to approximately 38.77% following the Acquisition;
- (ii) in view that both SEM Group and Caring Group operate within similar retail sector, the Acquisition and the Offer are part of the SEM Group's strategy to expand its network / reach and diversify its products and customer base, which in turn are expected to further improve the performance of the SEM Group. Depending on the eventual level of acceptances received by the Offeror, the Offer provides an opportunity for the SEM Group to increase its shareholdings in Caring to above 50%, thus allowing the SEM Group to recognise Caring as a subsidiary and consolidate the financial results of the Caring Group; and

- (iii) the Offer will provide the Holders with an opportunity to realise their investment in Caring Shares for cash at a premium over the market price of Caring Shares.

Whilst the SEM Group also rationalise the Acquisition and the Offer in terms of opportunity for cross-selling of products, expansion of e-commerce sales channel by leveraging on each other's network and infrastructure as well as streamlining the shared business operations including warehousing, distribution and procurement functions, the Caring Group is not privy to full details of the SEM Group's future plans and accordingly, any expected benefits to be derived by the Caring Group could not be ascertained at this juncture.

Please refer to Section 7 in Part A of this IAC for the Non-Interested Directors' recommendation in relation to the Offer.

5.2 Future plans for the Caring Group and its employees

The Non-Interested Directors take note of the current intentions of the Offeror and Ultimate Offeror in relation to the future plans for the Caring Group and its employees after the completion of the Offer as stated in Section 5 of the Offer Document.

The current intentions of the Offeror and Ultimate Offeror in relation to the future plans for the Caring Group and its employees after the completion of the Offer are set out below:-

(i) Continuation of the Caring Group's business

The Offeror and Ultimate Offeror intend to continue with the existing businesses and operations of the Caring Group. Through the 'CARiNG' outlets, the SEM Group will, among others, have immediate access to a new network of retail stores which are mostly situated in shopping malls and is able to widen its product range by incorporating appropriate products from Caring Group's product range. Both groups of companies will be able to cross-sell their respective products in '7-Eleven' and 'CARiNG' outlets thereby providing a more comprehensive range of products that would bring additional convenience to customers and ultimately improve customer experience.

(ii) Major changes to the Caring Group's business

The Offeror and Ultimate Offeror do not have any plan and/or intention to liquidate any company within the Caring Group, dispose any major asset or undertake any major re-deployment of the fixed assets of the Caring Group or introduce or effect any major change to the existing businesses of the Caring Group as a direct consequence of the Offer except where such change, disposal and/or redeployment is necessary as part of the process to rationalise the business activities and/or direction of Caring Group or to improve the use of resources of Caring Group.

(iii) Employees of the Caring Group

The Offeror and Ultimate Offeror do not have any plan at this juncture to dismiss or make redundant the existing employees of Caring Group as a direct consequence of the Offer. However, it should be noted that some changes with regards to employment and/or redeployment of the Caring Group's employees may take place as a result of rationalisation and/or streamlining of business activities to improve the productivity and efficiency of the enlarged group.

Notwithstanding the above, the Offeror and Ultimate Offeror shall retain the flexibility to consider options and/or potential opportunities as they consider fit and in the best interests of the enlarged group which may include strategic investments, rationalisations and/or restructuring of the Caring Group.

As at the Offer Document LPD, save for MOSB's Undertaking, the Offeror and Ultimate Offeror have not entered into any negotiation or arrangement or understanding with any third party in relation to any significant change in the businesses and assets of the Caring Group or the shareholding structure of Caring.

In view of the above, the Non-Interested Directors note that the future plans of the Offeror and Ultimate Offeror are generally in line with the rationale for the Acquisition and the Offer.

5.3 Listing status of Caring

The Non-Interested Directors take note that **the Offeror and Ultimate Offeror do not intend to maintain the listing status of Caring on the Main Market of Bursa Securities** and as such, they will not be taking steps to address any shortfall in the public shareholding spread of Caring.

In the event 90% or more of the Caring Shares are held by the Offeror either individually or jointly with its associates pursuant to the Offer, the Offeror and Ultimate Offeror will procure Caring to take the requisite steps to withdraw its listing status from the Official List in accordance with Paragraph 16.07 of the Listing Requirements.

However, if more than 75% but less than 90% of the Caring Shares are held by the Offeror either individually or jointly with its associates pursuant to the Offer, the Offeror and Ultimate Offeror may request that Caring makes the necessary application to withdraw its listing status from the Official List pursuant to Paragraph 16.06 of the Listing Requirements.

If Caring is delisted from the Official List, Caring Shares will no longer be traded on the Main Market of Bursa Securities.

Please refer to Section 8 in Part B of this IAC for further details.

5.4 Compulsory acquisition and rights of Dissenting Holders

(i) Compulsory acquisition

The Non-Interested Directors take note that in the event the Offeror receives valid acceptances from the Holders of not less than nine-tenths (9/10) in the nominal value of the shares in Caring (*excluding the Caring Shares already held by the Offeror, Ultimate Offeror and PACs as at the date of the Offer*) on or before the Closing Date, **the Offeror and Ultimate Offeror intend to invoke the provisions of Section 222(1) of the CMSA**, subject to Section 224 of the CMSA, to compulsorily acquire any remaining Offer Shares for which acceptances have not been received on or prior to the Closing Date ("**Compulsory Acquisition**").

(ii) Rights of Dissenting Holders

The Non-Interested Directors take note that subject to Section 224 of the CMSA, if the Offeror receives valid acceptances from the Holders resulting in the Offeror, Ultimate Offeror and PACs holding not less than nine-tenths (9/10) in the value of all the shares in Caring on or before the Closing Date, a Dissenting Holder may exercise his rights under Section 223(1) of the CMSA by serving a notice on the Offeror to require the Offeror to acquire his Offer Shares on the same terms as set out in the Offer Document or such other terms as may be agreed.

- (iii) Modified approach in relation to the computation of thresholds relating to the Compulsory Acquisition and the rights of the Dissenting Holders

The Non-Interested Directors take note that on 6 February 2020, the board of directors of SEM had announced that in view of the disposals of a total of 29,562,000 Caring Shares by certain persons who are deemed to be PACs of CSSSB without the prior consent of the SC as required under Paragraph 19.01 of the Rules and for purposes of good governance, the board of directors of SEM has decided to adopt a modified approach in computing the number of valid acceptances required to invoke the Compulsory Acquisition.

Please refer to Sections 4.2 and 4.3 of the Offer Document as well as Section 9 in Part B of this IAC for further details.

6. INDEPENDENT ADVICE LETTER

The Holders are advised to read and consider the views and recommendation of Mercury Securities, the Independent Adviser appointed to provide comments, opinions, information and recommendation on the Offer to the Non-Interested Directors and the Holders. The IAL is included in Part B of this IAC.

7. NON-INTERESTED DIRECTORS' RECOMMENDATION

The following Directors (*by virtue of them being the PACs*) are deemed interested in the Offer and have abstained from deliberations and making any recommendation in relation to the Offer:-

- (i) Chong Yeow Siang;
- (ii) Soo Chan Chiew;
- (iii) Tan Lean Boon; and
- (iv) Ang Khoo Lim.

After careful examination of the terms and conditions of the Offer as contained in the Offer Document and taking into consideration the evaluation, views and recommendation by Mercury Securities as set out in Part B of this IAC, the following Non-Interested Directors, being:-

- (i) Datin Sunita Mei-Lin Rajakumar;
- (ii) Tan Sri Dato' Haji Mohd Ariffin Bin Mohd Yusuf;
- (iii) Mazlan Bin Ibrahim; and
- (iv) Loh Poh Im

have **concurred** with the evaluation, views and recommendation of Mercury Securities that the Offer is **FAIR** and **REASONABLE**.

Accordingly, the Non-Interested Directors recommend that you **ACCEPT** the Offer.

8. DIRECTORS' RESPONSIBILITY STATEMENT

The Board has seen and approved the contents of this IAC. The Board, collectively and individually, accepts full responsibility for the accuracy of the information contained in this IAC (*save for the views and recommendation of Mercury Securities*) and confirms, after having made all reasonable enquiries, that to the best of their knowledge, the opinions expressed in this IAC have been arrived at after due and careful consideration and there are no other facts not contained in this IAC, the omission of which would make any information in this IAC misleading.

The responsibility of the Board in respect of:-

- (i) the information relating to the Offeror, Ultimate Offeror, PACs, Acquisition and Offer (*as extracted from the Offer Document and other publicly available information*) is limited to ensuring that such information is accurately reproduced in this IAC; and
- (ii) the independent advice and expression of opinion by Mercury Securities in relation to the Offer as set out in Part B of this IAC is limited to ensuring that accurate information in relation to the Caring Group was provided to Mercury Securities for its evaluation of the Offer and to ensure that all information in relation to the Caring Group that are relevant to Mercury Securities' evaluation of the Offer have been completely disclosed to Mercury Securities and that there is no material fact, the omission of which would make any information provided to Mercury Securities false or misleading.

THE HOLDERS ARE ADVISED TO CAREFULLY CONSIDER THE INFORMATION CONTAINED IN THE OFFER DOCUMENT AND THIS IAC BEFORE MAKING A DECISION ON THE COURSE OF ACTION TO BE TAKEN.

THE NON-INTERESTED DIRECTORS HAVE NOT TAKEN INTO CONSIDERATION ANY SPECIFIC INVESTMENT OBJECTIVES, FINANCIAL SITUATIONS, RISK PROFILES AND PARTICULAR NEEDS OF ANY INDIVIDUAL HOLDER OR ANY SPECIFIC GROUP OF HOLDERS.

THE NON-INTERESTED DIRECTORS RECOMMEND THAT HOLDERS, WHO REQUIRE ADVICE IN RELATION TO THE OFFER IN THE CONTEXT OF THEIR INVESTMENT OBJECTIVES, FINANCIAL SITUATIONS, RISK PROFILES OR PARTICULAR NEEDS, SHOULD CONSULT THEIR RESPECTIVE STOCKBROKERS, BANK MANAGERS, SOLICITORS, ACCOUNTANTS OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

Yours faithfully,
for and on behalf of the Board of
CARING PHARMACY GROUP BERHAD

Chong Yeow Siang
Managing Director

PART B

INDEPENDENT ADVICE LETTER FROM MERCURY SECURITIES

Headquarters:

Ground, 1st, 2nd and 3rd Floor
Wisma UMNO
Lorong Bagan Luar Dua
12000 Butterworth
Seberang Perai

To: The Holders

Dear Sir / Madam,

16 March 2020

UNCONDITIONAL MANDATORY TAKE-OVER OFFER BY THE OFFEROR TO ACQUIRE ALL THE REMAINING CARING SHARES NOT ALREADY HELD BY THE OFFEROR FOR A CASH OFFER PRICE OF RM2.60 PER CARING SHARE

1. INTRODUCTION

Please refer to Section 1 in Part A of this IAC for the chronological events in relation to the Offer.

The purpose of this IAL is to provide our independent evaluation of the Offer together with our recommendation thereon, subject to the scope of our role and limitations specified herein.

WE ADVISE YOU TO READ AND UNDERSTAND THIS IAL CAREFULLY TOGETHER WITH PART A: LETTER FROM THE BOARD AND THE OFFER DOCUMENT, A COPY OF WHICH YOU SHOULD HAVE RECEIVED BY NOW, BEFORE TAKING ANY ACTION. THIS IAL DOES NOT CONSTITUTE THE OFFER OR ANY PART THEREOF.

2. TERMS AND CONDITIONS OF THE OFFER

The terms and conditions of the Offer include the following:-

Consideration for the Offer :	The cash consideration for the Offer is RM2.60 per Offer Share , subject to such reduction by an amount equivalent to the net dividend and/or distribution for each Offer Share declared, made and/or paid by Caring on or after the date of the Notice but prior to the Closing Date, of which the Holders are entitled to retain. You may accept the Offer in respect of all or part of your Offer Shares. The Offeror will not pay fractions of a sen to the Accepting Holders and the cash consideration payable to the Accepting Holders will be rounded down to the nearest whole sen, where applicable.
Condition of the Offer :	The Offer is not conditional upon any minimum level of valid acceptances of the Offer Shares since the Offeror, Ultimate Offeror and PACs already hold, in aggregate, more than 50% of the voting shares in Caring.
Duration of the Offer :	The Offer will remain open for acceptances until 5.00 p.m. (Malaysian time) on 27 March 2020, being the First Closing Date or such later date(s) as the Offeror may decide . Any such extension will be announced by RHB Investment Bank, on behalf of the Offeror, at least 2 days before the Closing Date. Notice of any such extension will be posted to you accordingly. Please refer to Section 2 in Appendix I of the Offer Document for further information on the duration of the Offer.

Butterworth - Ground, 1st, 2nd & 3rd Floor, Wisma UMNO, Lorong Bagan Luar Dua 12000 Butterworth, Seberang Perai.
Tel: 04-3322123 Fax: 04-3231813 / 3312195 E-mail: mercury@mersec.com.my Website: www.mercurysecurities.com.my

Kuala Lumpur - L-7-2, No. 2, Jalan Solaris, Solaris Mont' Kiara 50480 Kuala Lumpur.
Tel: 03-62037227 Fax: 03-62037117 E-mail: mercurykl@mersec.com.my

Melaka - No. 81, Ground Floor, 81A & 81B, Jalan Merdeka, Taman Melaka Raya, 75000 Melaka. Tel: 06-2921898 Fax: 06-2926898

Penang - 2nd Floor, Standard Chartered Bank Chambers, 2 Lebuhr Pantai, 10300 Penang. Tel: 04-2639118 Fax: 04-2612118

Johor Bahru - Menara Pelangi, Suite 17.1, Level 17, Jalan Kuning, Taman Pelangi, 80400 Johor Bahru, Johor. Tel: 07-3316992 Fax: 07-3322693

Method of settlement	:	The settlement of the consideration for the Offer Shares will be effected through remittance in the form of cheque(s), banker's draft(s) or cashier's order(s) which will be despatched by ordinary mail to you <i>(or your designated agent(s), as you may direct)</i> at your registered Malaysian address last maintained with Bursa Depository at your own risk within 10 days from the date of the valid acceptances.
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Please refer to Section 2 of the Offer Document and Appendix I of the Offer Document for the full terms and conditions of the Offer as well as Appendix II of the Offer Document for the procedures for acceptance and method of settlement of the Offer.

3. DETAILS OF ACCEPTANCES

As at the Offer Document LPD, save for MOSB's Undertaking, the Offeror, Ultimate Offeror and PACs have not received any irrevocable commitment from any Holder to accept or reject the Offer.

Based on announcements on Bursa Securities, the Offeror has received acceptances for a total of 6,123,900 Offer Shares up to the LPD.

4. SCOPE AND LIMITATIONS TO THE EVALUATION OF THE OFFER

We have evaluated the Offer and in rendering our advice, we have considered various factors which we believe are of relevance and general importance to an assessment of the Offer and would be of general concern to the Holders.

Our scope as the Independent Adviser is limited to expressing an independent opinion on the Offer as to whether the Offer is fair and reasonable insofar as the Holders are concerned based on information and documents provided to us or which are available to us and making enquiries as were reasonable in the circumstances. In performing our evaluation, we have relied on the following sources of information:-

- (i) information contained in the Notice, Offer Document and the appendices attached thereto;
- (ii) audited consolidated financial statements of Caring for the FYE 31 May 2017, 31 May 2018 and 31 May 2019 as well as the latest unaudited consolidated financial statements of Caring for the 6-month FPE 30 November 2019;
- (iii) discussions with and representations by the Board and management of Caring;
- (iv) other relevant information, documents, confirmations and representations furnished to us by the Board and management of Caring; and
- (v) other publicly available information which we deem to be relevant.

We have relied on the Board and management of Caring to take due care to ensure that all information, documents, confirmations and representations provided by them to facilitate our evaluation of the Offer are accurate, valid and complete in all material aspects. Nonetheless, we have made enquiries as were reasonable in the circumstances and we are satisfied that the information provided to us or which are available to us is sufficient and we have no reason to believe that the aforementioned information is unreliable, inaccurate, incomplete and/or misleading as at the LPD.

Our evaluation as set out in this IAL is rendered solely for the benefit of the Holders as a whole and not for any specific group of Holders. Hence, in carrying out our evaluation, we have not taken into consideration any specific investment objectives, financial situations, risk profiles or particular needs of any individual Holder or any specific group of Holders. We recommend that any Holder who is in doubt as to the action to be taken or requires advice in relation to the Offer in the context of his individual investment objectives, financial situation, risk profile or particular needs to consult his stockbrokers, bank managers, solicitors, accountants or other professional advisers immediately.

Our advice should be considered in the context of the entirety of this IAL. Our views expressed in this IAL are, amongst others, based on economic, market and other conditions prevailing, and the information and/or documents made available to us as at the LPD or such other period as specified herein. Such conditions may change significantly over a short period of time.

We shall immediately disclose to the SC in writing and notify the Holders by way of press notice and announcement on Bursa Securities if, after despatching this IAC, as guided by Paragraph 11.07(1) of the Rules, we become aware that this IAC:-

- (i) contains a material statement which is false or misleading;
- (ii) contains a statement from which there is a material omission; or
- (iii) does not contain a statement relating to a material development.

If circumstances require, we shall send a supplementary IAC to the Holders in accordance with Paragraph 11.07(2) of the Rules.

5. EVALUATION OF THE OFFER

In arriving at our conclusion and recommendation, we have assessed and evaluated the fairness and reasonableness of the Offer in accordance with Paragraphs 1 to 6 under Schedule 2: Part III of the Rules, whereby:-

- (i) The term "fair and reasonable" should generally be analysed as 2 distinct criteria, i.e. whether the Offer is "fair" and whether the Offer is "reasonable", rather than as a composite term;
- (ii) The Offer is considered as "fair" if the Offer Price is equal to or higher than the market price and is also equal to or higher than the value of the Offer Shares. However, if the Offer Price is equal to or higher than the market price but is lower than the value of the Offer Shares, the Offer is considered as "not fair". In making the assessment, the value of the Offer Shares is determined based on the assumption that 100% of the issued share capital of the Offeree is being acquired;
- (iii) In considering whether the Offer is "reasonable", we have taken into consideration matters other than the valuation of the Offer Shares; and
- (iv) Generally, a take-over offer would be considered "reasonable" if it is "fair".

We have considered the following pertinent factors in our evaluation of the Offer:-

Fairness of the Offer	Section 6
• Valuation of the Caring Shares	Section 6.1
• Historical market price performance of the Caring Shares	Section 6.2
Reasonableness of the Offer	Section 7
• Historical liquidity analysis of the Caring Shares	Section 7.1
• No alternative proposal and level of control	Section 7.2

6. FAIRNESS OF THE OFFER

6.1 Valuation of the Caring Shares

The Caring Group operates a chain of community pharmacies primarily under the brand of 'CARiNG' in Malaysia. As a retail operator, the Group undertakes retail sales of pharmaceutical products which include scheduled drugs, over-the-counter drugs and health supplements, and also non-pharmaceutical products like personal care products, medical and healthcare devices, health food, confectionary, beverages, and household products ("**Retail Business**").

As at 30 November 2019, the Group has a total of 132 community pharmacies and 1 clinic. As set out in the annual report of Caring for the FYE 31 May 2019, the Group has embarked on a strategic 5-year transformation plan (*codenamed Project V1B*) with an objective to exceed RM1 billion in revenue and a vision to have 200 outlets across all cities and major towns in Malaysia by 2024.

In arriving at the value of the Caring Shares, we have adopted the SOPV model as our sole valuation method in view that the value of the Caring Group comprise (i) the Retail Business and (ii) cash and cash equivalents of the Group which are considered in excess of the Group's working capital requirements in generating income and/or cash flows for the Retail Business ("**Surplus Cash**"). The SOPV represents the aggregate valuation of these components which shall be valued based on the respective appropriate valuation methods as follows:-

<u>Business segment / Asset</u>	<u>Valuation method</u>
(i) Retail Business	DCF
(ii) Surplus Cash	NA

We view the SOPV model to be the most appropriate method to estimate the value of the Caring Shares for the following reasons:-

(A) Retail Business

We view the DCF valuation model as the most appropriate method to estimate the value of the Retail Business as the method is able to effectively factor in the earnings and cash flows potential of the business as well as the timing of such cash flows to be generated. The DCF valuation model considers both the time value of money and the future cash flows to be generated by the Retail Business over a specified period of time. As the methodology entails the discounting of the future cash flows to be generated from the Retail Business at a specified discount rate to arrive at its value, the riskiness of generating such cash flows will also be taken into consideration.

Under the DCF valuation method, the FCFE projected to be generated from the Retail Business is discounted at an appropriate cost of equity to derive the present value of all future cash flows from the Retail Business attributable to the shareholders of Caring.

We have reviewed the future financial information of the Retail Business for the FYE 31 May 2020 until the FYE 31 May 2024 ("**Future Financials**"), which was prepared by the management of Caring based on estimate on a best-effort basis.

We have considered and evaluated the key bases and assumptions adopted in the Future Financials and we are satisfied that the key bases and assumptions used in the preparation of the Future Financials are reasonable given the prevailing circumstances and significant factors that are known as at the LPD.

The Future Financials *(together with the bases and assumptions adopted therein)* have been reviewed and approved by the Board. The key bases and assumptions adopted in the preparation of the Future Financials are as follows:-

- (i) the Retail Business will continue to operate on a going concern basis and is expected to sustain its operations in perpetuity;
- (ii) there will not be any significant change in the consumer retail industry landscape which will affect, amongst others, the supply and demand conditions as well as pricing of products and the market share of existing players;
- (iii) there will not be any significant or material increase in costs which is expected to have a material adverse effect on the financial results, cash flows or business prospects of the Retail Business. The increase in operating costs will be in tandem with sales and/or inflationary effects;
- (iv) there will not be any major disruptions to the business operations which may have a material adverse impact on the financial results, cash flows or business prospects of the Retail Business, including towards the attainment of the Group's objectives under the Project V1B;
- (v) the Group will continue to expand its market presence / reach *(with renewed focus at peripheral towns outside Klang Valley and other major cities in both Peninsular and East Malaysia)* by setting up new wholly-owned and partially-owned outlets *(in similar proportion as current business operations)*. Further, it is assumed that the Group will be able to identify and secure strategic locations at reasonable purchase price or rental rate for the setting up of new outlets;
- (vi) sufficient funds will be available or obtainable to finance the working capital requirements and capital expenditure of the Retail Business without any material adverse effect on its financial results, cash flows or business prospects;
- (vii) there will not be any significant or material changes in the principal activities of the Caring Group. For the purpose of the Future Financials, the FCFE from operations of the clinic has not been considered in view of the management's intention to discontinue the said operations, taking into consideration the insignificant revenue contribution *(approximately 0.01% of the Caring Group's average monthly revenue for the 6-month FPE 30 November 2019)* and loss making position of the clinic *(which commenced operations during the financial quarter ended 30 November 2019)* as well as uncertainties involved in respect of the new business venture;
- (viii) there will not be any significant or material changes to the agreements, contracts, licenses and regulations governing the Retail Business;
- (ix) the current accounting policies adopted by the Caring Group will remain relevant and there will not be any significant changes in the accounting policies of the Caring Group which may have a material adverse effect on the financial performance and financial position of the Retail Business; and
- (x) there will not be any significant or material changes in political, social and economic conditions, monetary and fiscal policies, inflation and regulatory requirements relating to the Retail Business in Malaysia.

In order to derive the value of the Retail Business, we have discounted the FCFE projected to be generated from the said business at an appropriate cost of equity to reflect the rate of return required by the shareholders of Caring. Our valuation, together with the key bases and assumptions adopted, are as follows:-

No	Key bases and assumptions		Descriptions
(i)	FCFE	Based on the Future Financials for the FYE 31 May 2020 until the FYE 31 May 2024	<p>FCFE is the free cash flows from operations available to the equity holders of a company after taking into consideration all operating expenses, movements in working capital, net investing cash flows and net financing cash flows.</p> <p>We have reviewed the key bases and assumptions adopted in the Future Financials prepared by the management of Caring in deriving the FCFE and we are satisfied that they are reasonable given the prevailing circumstances and significant factors that are known as at the LPD.</p>
(ii)	Cost of equity (" K_e ")	6.67% to 6.92% (based on the expected capital structure for the respective financial year)	<p>Cost of equity represents the rate of return required by an investor on the cash flow streams generated by the business given the risks associated with the cash flows. In deriving the cost of equity for the Retail Business, we have adopted the Capital Asset Pricing Model and derived an estimated cost of equity ranging between 6.67% and 6.92% with the following inputs:-</p> $K_e = R_f + \beta (R_m - R_f)$
(iii)	Risk-free rate of return (" R_f ")	2.89%	Risk-free rate of return represents the expected rate of return from a risk-free investment. The closest available approximation of the risk-free rate of return is the yield of 10-year Malaysian Government Securities. As extracted from Bloomberg, the said yield is 2.89% per annum as at the LTD2.
(iv)	Expected market rate of return (" R_m ")	9.95%	<p>Expected market rate of return represents the expected rate of return for investing in a portfolio consisting of a weighted sum of assets representing the entire equity market.</p> <p>In our opinion, the expected rate of return for FTSE Bursa Malaysia Top 100 Index is a good indicator of the equity market return in Malaysia. Given the volatility of the stock market and market cycles, we view that a 10-year historical expected rate of return of the said index is an appropriate estimate of the expected market rate of return as it normalises the year-on-year fluctuations of the stock market and mitigates market bias. Based on the information sourced from Bloomberg, we have derived an average expected market rate of return in Malaysia of 9.95% per annum for the past 10 years up to the LTD2.</p>

No	Key bases and assumptions	Descriptions
(v)	<div data-bbox="169 1579 730 2011">Beta ("β")</div> <div data-bbox="169 1276 730 1579">0.535 to 0.570 (based on the expected capital structure for the respective financial year)</div>	<p>Beta is the sensitivity of an asset's returns to the changes in market returns. It measures the correlation of systematic risk between the said asset and the market. A beta of more than 1 signifies that the asset is riskier than the market and vice versa.</p> <p>In deriving the estimated beta for the Retail Business, we have relied on the 3-year historical beta up to the LTD2 of companies listed on Bursa Securities with a market capitalisation of between RM500.00 million and RM1,000.00 million, which are principally involved in the consumer retail industry⁽¹⁾ involving the distribution of consumer products including but not limited to medical and healthcare products, health supplements, personal care products, food and beverages and basic household products. As the historical beta extracted from Bloomberg is based on the capital structure of the respective companies, we have un-levered the beta and re-levered the beta based on the expected capital structure of the Retail Business (with a debt to equity ratio ranging from 0.15 times to 0.25 times based on the Future Financials). Based on our computation, the re-levered beta of the Retail Business ranges from 0.535 to 0.570.</p> <p><u>Note:-</u> (1) There is no company listed on Bursa Securities which is identical to the Retail Business. Whilst we noted that the companies may have different business models and offer different products, we view that the identified companies are adequately comparable to the Retail Business and are reasonable to be adopted for the purposes of deriving the estimated beta of the industry.</p>
(vi)	Perpetuity growth rate ("g")	<p>For the period beyond the FYE 31 May 2024, we have adopted a range of perpetuity growth rate of 1.50% to 2.00% on the FCFE, which we view as reasonable after taking into consideration, amongst others, the long-term growth prospects of the Retail Business and the consumer retail industry in Malaysia. As a cross-check, we have considered the following factors:-</p> <ul style="list-style-type: none"> (a) in 2020, the wholesale and retail trade subsector is projected to increase 7% (source: Economic Outlook 2020, Ministry of Finance); (b) the headline inflation (which is a measure of the general annual increase in the consumer price index that represents the weighted average price of a basket of consumer goods and services) in 2018 was 1.0% while the headline inflation for the months in 2019 ranges from -0.7% to 1.5% (source: Bank Negara Malaysia); (c) inflation is projected to expand 2% in 2020, mainly due to the expected introduction of targeted fuel subsidy (source: Economic Outlook 2020, Ministry of Finance); and (d) Malaysia's gross domestic product growth in 2020 is estimated to be in the range of 3.2% to 4.2% (source: Economic Stimulus Package 2020, Ministry of Finance). <p>Therefrom, we derived the terminal value (in present terms) for the Retail Business of between RM330.50 million and RM371.97 million based on the formula set out below.</p>

No	Key bases and assumptions		Descriptions
(vii)	Statutory corporate income tax rate	24%	The latest Malaysian statutory corporate income tax rate applicable to the Retail Business is 24%.
Value of the Retail Business		ranging from RM394.53 million to RM436.00 million	<p>The formula used to derive the value of the Retail Business is as follows:-</p> $\text{Value of the Retail Business} = \text{Present value of projected FCFE based on the Future Financials}^{(1)} + \text{Present value of terminal value}^{(2)}$ <p><u>Notes:-</u></p> <p>(1) Computed based on the following formula:-</p> $\text{Present value of FCFE} = \frac{\text{FCFE}}{(1 + K_e)^n}$ <p>whereby, <i>n</i> represents time in number of years into the future.</p> <p>(2) Computed based on the following formula:-</p> $\text{Present value of terminal value} = \frac{\text{Expected sustainable level of FCFE} \times (1+g)}{(K_e - g) \times (1 + K_e)^n}$ <p>whereby, <i>n</i> represents the year in which the expected sustainable level of FCFE is derived.</p>

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(B) Surplus Cash

As the Surplus Cash is considered in excess of the Group's working capital requirements in generating income and/or cash flows for the Retail Business, the value of the Surplus Cash is assessed separately.

In deriving the value of the Surplus Cash, we use the unaudited carrying amount of cash and cash equivalents of the Group as at 30 November 2019 and after deducting the funds required for the Group's lease liabilities, short-term borrowings and cash float requirements for the outlets, as set out below:-

Unaudited carrying amount as at 30 November 2019	Amount (RM'million)
Short-term funds	74.41
Fixed deposits with licensed banks (excluding fixed deposits pledged to licensed banks)	0.22
Cash and bank balances	56.89
Cash and cash equivalents	131.52
<u>Less:-</u>	
(i) Lease liabilities	(20.57)
(ii) Short-term borrowings	(1.38)
(iii) Cash float requirements for the outlets	(1.10)
Surplus Cash	108.47

(C) SOPV for the Caring Shares

Based on the SOPV model, we have derived a range of estimated value for the entire equity interest in Caring of between RM503.00 million (RM2.31 per Caring Share) and RM544.47 million (RM2.50 per Caring Share):-

Business segment / Asset	Workings	Valuation method	Value	
			Low range	High range
			Total (RM'million)	Total (RM'million)
Value of the:-				
(i) Retail Business	A	DCF	394.53	436.00
(ii) Surplus Cash	B	NA	108.47	108.47
Value of the Caring Shares	A + B	SOPV	503.00	544.47
Value per Caring Share		Note (1)	2.31	2.50

Note:-

(1) Computed based on 217,706,400 Caring Shares as at the LPD.

Comments:-

The Offer Price of RM2.60 is **higher than** and represents a **premium** of between RM0.10 (4.00%) and RM0.29 (12.55%) over the range of estimated value per Caring Share derived using the SOPV method of RM2.31 and RM2.50.

Considering the market position of the Caring Group as one of the leading operators of community pharmacies in Malaysia, we are of the view that greater emphasis should be placed on the high range of the valuation i.e. RM2.50 per Caring Share, against which the Offer Price represents a marginal premium of 4.00%.

6.2 Historical market price performance of the Caring Shares

The graph below sets out the historical daily VWAPs of the Caring Shares (extracted from Bloomberg which have been adjusted for the effects of any dividends and corporate exercises throughout the period) since the Listing and up to the LPD:-



(Source: Bloomberg)

Based on the graph above, the Offer Price is **higher than** the daily VWAPs of the Caring Shares since the Listing and up to the LPD. It is also worth noting that the Caring Shares have never traded above the Offer Price since the Listing and up to the LPD.

From 1 August 2019 and up to the LPD, the daily VWAPs of the Caring Shares had been trending upwards and reached a high of RM2.5900 (on 4 March 2020). The increase in the historical market prices of the Caring Shares during the said period may have been contributed by the following:-

- (i) acquisitions of Caring Shares by CSSSB and TSVT via open market purchases and/or direct business transactions from August 2019 to January 2020 (see further details in Sections 2.1 and 2.3 in Appendix V of the Offer Document). For information purposes, the total Caring Shares acquired by CSSSB via open market purchases represents approximately 71.52% of the total trading volume of Caring Shares in the open market during the said period;
- (ii) announcement by SEM of the Acquisition and the Offer on 28 November 2019 (which were subsequently approved by the shareholders of SEM at its extraordinary general meeting held on 7 February 2020); and
- (iii) serving of the Notice on 14 February 2020.

Save for the abovementioned and the announcements of the Group's financial performance (see table below), there is no significant event being announced since the Listing and up to the LPD which may have materially impacted the historical market price performance of the Caring Shares during the said period.

FYE	Profit attributable to owners of the Company (RM'000)	Variance from comparative FYE (%)	Earnings per Caring Share (sen)	Variance from comparative FYE (%)
31 May 2019	20,730	↑ 11.7	9.52	↑ 11.7
31 May 2018	18,560	↑ 41.4	8.53	↑ 41.4
31 May 2017	13,130	↑ 80.1	6.03	↑ 80.1
31 May 2016	7,289	↓ 43.4	3.35	↓ 43.4
31 May 2015	12,869	↓ 14.7	5.91	↓ 20.8
31 May 2014	15,078	↓ 26.6	7.47	↓ 33.6

In addition, the principal activities of the Caring Group have remained unchanged since the Listing and up to the LPD save for the establishment of new outlets under its chain of community pharmacies and a clinic (during the financial quarter ended 30 November 2019).

Further, the Offer Price is yielding the following premium to the historical closing market prices / VWAPs of the Caring Shares (extracted from Bloomberg which have been adjusted for the effects of any dividends and corporate exercises throughout the period):-

	Closing market prices / VWAPs	Premium of the Offer Price to the historical closing market prices / VWAPs of the Caring Shares	
	(RM)	(RM)	(%)
Up to the LTD1:- (22 November 2019)			
Last traded market price	2.5000	0.1000	4.00
5-day VWAP	2.4994	0.1006	4.02
1-month VWAP	2.4424	0.1576	6.45
3-month VWAP	2.2521	0.3479	15.45
6-month VWAP	2.1519	0.4481	20.82
1-year VWAP	2.0055	0.5945	29.64
Up to the LTD2:- (13 February 2020)			
Last traded market price	2.5700	0.0300	1.17
5-day VWAP	2.5608	0.0392	1.53
1-month VWAP	2.5496	0.0504	1.98
3-month VWAP	2.5339	0.0661	2.61
6-month VWAP	2.3492	0.2508	10.68
1-year VWAP	2.1886	0.4114	18.80
Up to the LPD:- (10 March 2020)			
Last traded market price	2.5800	0.0200	0.78
5-day VWAP	2.5801	0.0199	0.77

(Source: Bloomberg)

Based on the table above, we noted that the Offer Price:-

- (i) represents a premium of RM0.1000 (4.00%) over the last traded market price of the Caring Shares on the LTD1 and a premium of between RM0.1006 (4.02%) and RM0.5945 (29.64%) over the 5-day, 1-month, 3-month, 6-month and 1-year VWAPs of the Caring Shares up to the LTD1;
- (ii) represents a premium of RM0.0300 (1.17%) over the last traded market price of the Caring Shares on the LTD2 and a premium of between RM0.0392 (1.53%) and RM0.4114 (18.80%) over the 5-day, 1-month, 3-month, 6-month and 1-year VWAPs of the Caring Shares up to the LTD2; and
- (iii) represents a premium of RM0.0200 (0.78%) and RM0.0199 (0.77%) over the last traded market price of the Caring Shares on the LPD and the 5-day VWAP of the Caring Shares up to the LPD respectively.

Our view on the fairness of the Offer:-

Based on our analysis as set out in Sections 6.1 and 6.2 in Part B of this IAC, we view the Offer as **FAIR** in view that the Offer Price of RM2.60:-

- (i) is **higher than** and represents a **premium** of between RM0.10 (4.00%) and RM0.29 (12.55%) over the range of estimated value per Caring Share derived using the SOPV method of RM2.31 and RM2.50;
- (ii) is **higher than** the daily VWAPs* of the Caring Shares since the Listing and up to the LPD and the Caring Shares have never traded above the Offer Price since the Listing and up to the LPD;
- (iii) represents a **premium** of RM0.1000 (4.00%) over the last traded market price of the Caring Shares on the LTD1 and a premium of between RM0.1006 (4.02%) and RM0.5945 (29.64%) over the 5-day, 1-month, 3-month, 6-month and 1-year VWAPs* of the Caring Shares up to the LTD1; and
- (iv) represents a **premium** of RM0.0200 (0.78%) and RM0.0199 (0.77%) over the last traded market price of the Caring Shares on the LPD and the 5-day VWAP of the Caring Shares up to the LPD respectively.

* As extracted from Bloomberg which have been adjusted for the effects of any dividends and corporate exercises throughout the period.

You are advised to closely monitor the market prices of the Caring Shares and evaluate the Offer Price before deciding whether to accept or reject the Offer for your Offer Shares prior to the Closing Date. If you so wish and if the trading liquidity permits, you may consider disposing of your Caring Shares in the open market in the event the market prices of Caring Shares are higher than the Offer Price, after taking into consideration the associated transaction costs and assuming that there will not be any revision to the Offer Price.

7. REASONABLENESS OF THE OFFER

7.1 Historical liquidity analysis of the Caring Shares

The monthly highest and lowest trading market prices (extracted from Bloomberg which have been adjusted for the effects of any dividends and corporate exercises throughout the period) and trading volume of the Caring Shares for the past 12 months up to February 2020 (being the last full trading month up to the LPD) are shown below:-

Month	High (RM)	Low (RM)	Monthly volume traded ⁽¹⁾ (units)	Monthly volume traded over free float ⁽²⁾ (%)
2020				
February	2.590	2.500	3,192,500 ⁽³⁾	4.83 ⁽³⁾
January	2.530	2.490	149,800	0.23
2019				
December	2.570	2.480	177,400	0.27
November	2.520	2.320	76,900	0.11
October	2.500	1.958	220,700	0.29
September	2.240	1.928	171,300	0.22
August	2.240	1.850	243,300	0.31
July	1.919	1.841	171,000	0.22
June	1.889	1.811	126,000	0.16
May	1.899	1.860	150,000	0.19
April	1.919	1.850	344,700	0.44
March	1.919	1.763	519,100	0.66
Simple average			213,655	0.28

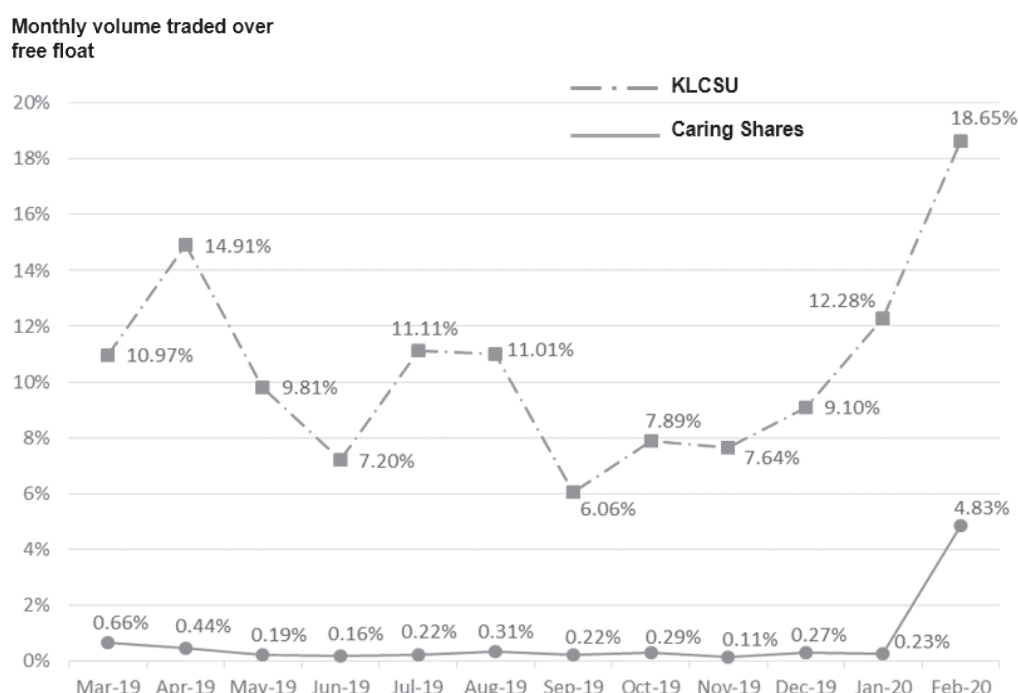
(Sources: Bloomberg and announcements on Bursa Securities)

Notes:-

- (1) Monthly volume traded excludes the Caring Shares traded in the open market by the Directors, substantial shareholders of Caring as well as those purchased from the open market and retained as treasury shares by Caring during the respective months, if any.
- (2) Free float excludes the Caring Shares held by the Directors and substantial shareholders of Caring as well as those retained as treasury shares by Caring as at the end of the respective months, if any.
- (3) The trading volume is deemed an outlier (which is determined based on extreme deviation from the average) and hence, is excluded from the computation of simple average.

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We have further noted that the trading volume-to-free float of Caring Shares had been lower than the trading volume for KLCSU during the same period as shown in the graph below:-



(Sources: Bloomberg and announcements on Bursa Securities)

Index / Securities	Monthly volume traded over free float (%)		
	High	Low	Simple average
KLCSU	18.65	6.06	10.55
Caring Shares (excluding outlier)*	0.66	0.11	0.28

Note:-

* We have excluded the trading volume of the Caring Shares in February 2020 as an outlier (which is determined based on extreme deviation from the average).

Based on our analysis, there was a significant increase in the trading volume of the Caring Shares in February 2020, which may have been contributed by the approval of the Acquisition and the Offer by shareholders of SEM on 7 February 2020 and thereafter, the serving of the Notice on 14 February 2020. Hence, we have excluded the trading volume of the Caring Shares in February 2020 for the purpose of our assessment.

Save for the abovementioned, there is no significant event being announced for the past 12 months up to February 2020 (being the last full trading month prior to the LPD) which may have materially impacted the trading volume of the Caring Shares during the said period.

Comments:-

The Caring Shares are **illiquid**, with a simple average monthly trading volume-to-free float for the past 12 months up to February 2020 (*being the last full trading month prior to the LPD*) of 0.28% (*with an average monthly trading volume of 213,655 Caring Shares*) (*excluding outlier*). Further, the monthly trading volume-to-free float of Caring Shares during the said period had been lower than that of KLCSU (*which ranges from 6.06% to 18.65%, with a simple average of 10.55%*).

If the Offeror accumulates a higher shareholding level as a result of valid acceptances received pursuant to the Offer and/or via further acquisitions, the liquidity of the Caring Shares and the Holders' ability to dispose of their Caring Shares in the open market after the Closing Date may be further constrained.

Considering the above, the Offer represents an avenue for the Holders (*especially for those holding a significant number of the Caring Shares*) to realise their investment in the Caring Shares for cash at the Offer Price.

However, the above evaluation is based on the historical trading volume of the Caring Shares for the respective periods as well as the free float as at the respective dates and should not be relied upon as an indication of the future trading liquidity of the Caring Shares, which may be influenced by amongst others, the performance and prospects of the Caring Group, prevailing economic conditions, economic outlook, stock market conditions, market sentiments and other general macroeconomic conditions as well as company-specific factors.

7.2 No alternative proposal and level of control

As at the LPD, the Board has not received any alternative proposal for the Offer Shares (*including any offer to acquire the assets and liabilities of the Caring Group*).

In the absence of an alternative proposal, the Offer presents an opportunity for the Holders to realise their investment in the Offer Shares for cash at the Offer Price.

Further, in view that the Offeror, Ultimate Offeror and PACs hold the majority equity stake of approximately 64.46%* in Caring as at the Offer Document LPD, any alternative proposal will not be successful unless with their support. In that respect, the Non-Interested Directors do not intend to seek an alternative person to make a take-over offer.

Unless the Offeror, Ultimate Offeror and PACs are required to abstain from voting on resolutions sought at shareholders' general meetings of the Company, they are able to (*through casting of their votes which represent 64.46%* of the total voting shares in Caring*):-

- (i) vote through or vote down any ordinary resolutions (*as such resolutions only require approval from more than 50% of the total votes cast*); and
- (ii) vote down any special resolutions (*as such resolutions require approval from at least 75% of the total votes cast*).

Note:-

* Based on announcements on Bursa Securities, the Offeror has received acceptances for a total of 6,123,900 Offer Shares (representing approximately 2.81% equity interest in Caring) up to the LPD.

Our view on the reasonableness of the Offer:-

Based on our analysis as set out in Sections 7.1 and 7.2 in Part B of this IAC, we view the Offer as **REASONABLE** as it provides an exit opportunity to the Holders (*especially for those holding a significant number of the Caring Shares*) to realise their investment in the Offer Shares for cash at the Offer Price.

8. LISTING STATUS OF CARING

(i) Provisions of the Listing Requirements

Paragraph 8.02(1) of the Listing Requirements stipulates the Public Spread Requirement, whereby a listed issuer must ensure that at least 25% of its total listed shares (*excluding treasury shares*) are in the hands of public shareholders to ensure its continued listing on the Main Market of Bursa Securities. Bursa Securities may accept a percentage lower than 25% of the total number of listed shares (*excluding treasury shares*) if it is satisfied that such lower percentage is sufficient for a liquid market in such shares.

The non-compliance with the Public Spread Requirement will not automatically result in the delisting of the listed issuer. A listed issuer which fails to maintain the required public shareholding spread may request for an extension of time to rectify the situation in the manner as may be prescribed by Bursa Securities. Where no extension of time is granted by Bursa Securities or the non-compliance with the Public Spread Requirement is not rectified within the timeframe, Bursa Securities may take or impose any type of action or penalty pursuant to Paragraph 16.19 of the Listing Requirements for a breach of Paragraph 8.02(1) of the Listing Requirements, which may include suspension of trading of the securities of the listed issuer pursuant to Paragraph 16.02(1) of the Listing Requirements and delisting of the listed issuer.

Further, subject to Paragraph 16.02(3) of the Listing Requirements (*as detailed below*), where the public shareholding spread of a listed issuer is 10% or less of its total listed shares (*excluding treasury shares*), Bursa Securities shall suspend trading of the securities of the listed issuer upon expiry of 30 Market Days from the date of immediate announcement by the listed issuer pursuant to Paragraph 8.02(3) of the Listing Requirements, where the Public Spread Requirement is not met. In this regard, the suspension will only be uplifted upon the listed issuer's full compliance with the Public Spread Requirement or as may be determined by Bursa Securities.

In accordance with Paragraph 16.02(3) of the Listing Requirements, Bursa Securities shall suspend the trading of the securities of the listed issuer upon expiry of 5 Market Days from the close of the take-over offer if the listed issuer has made an announcement that the offeror does not intend to maintain the listed issuer's listing status pursuant to Paragraph 9.19(48) of the Listing Requirements. Paragraph 9.19(48) of the Listing Requirements requires that in relation to a take-over offer, an immediate announcement must be made by the listed issuer upon 90% or more of the listed shares (*excluding treasury shares*) of the listed issuer being held by a shareholder either individually or jointly with associates of the said shareholder. Thereafter, the listed issuer may withdraw its listing from the Official List in accordance with Paragraph 16.07 of the Listing Requirements.

Notwithstanding the above, a listed issuer may request to withdraw its listing from the Official List if:-

- (a) the listed issuer convenes a general meeting to obtain its shareholders' approval and a separate meeting for the approval of the holders of any other class of listed securities, if applicable;
- (b) the passing of the resolution for the withdrawal of listing is subject to the following conditions:-
 - (1) the resolution is approved by a majority of shareholders and holders of any other class of listed securities, if applicable, in number, representing 75% of the total number of issued securities held by the shareholders and other securities holders respectively, present and voting either in person or by proxy at each meeting; and

- (2) the number of votes cast against the resolution, if any, by each class of listed securities respectively, if applicable, is not more than 10% of the total number of issued securities held by the shareholders and other securities holders respectively, present and voting either in person or by proxy at each meeting.

Where the constituent document of the listed issuer imposes a stricter condition in respect of the votes required to approve the withdrawal of listing, such stricter condition will apply in substitution of the foregoing provision;

- (c) the shareholders and holders of any other class of listed securities, if applicable, are offered a reasonable cash alternative or other reasonable alternative ("**Exit Offer**"); and
- (d) the listed issuer appoints an independent adviser, which meets the approval of the independent directors, to advise and make recommendations for the consideration of the shareholders and holders of any other class of listed securities, if applicable, in connection with the withdrawal of its listing as well as the fairness and reasonableness of the Exit Offer.

(ii) Intention of the Offeror and Ultimate Offeror

The Offeror and Ultimate Offeror do not intend to maintain the listing status of Caring on the Main Market of Bursa Securities and as such, they will not be taking steps to address any shortfall in the public shareholding spread of Caring.

In the event 90% or more of the Caring Shares are held by the Offeror either individually or jointly with its associates pursuant to the Offer, the Offeror and Ultimate Offeror will procure Caring to take the requisite steps to withdraw its listing status from the Official List in accordance with Paragraph 16.07 of the Listing Requirements.

However, if more than 75% but less than 90% of the Caring Shares are held by the Offeror either individually or jointly with its associates pursuant to the Offer, the Offeror and Ultimate Offeror may request that Caring makes the necessary application to withdraw its listing status from the Official List pursuant to Paragraph 16.06 of the Listing Requirements.

If Caring is delisted from the Official List, Caring Shares will no longer be traded on the Main Market of Bursa Securities.

(iii) Comments

Should there be any suspension in trading / delisting of the Caring Shares consequent to the circumstances above, the Holders will not be able to trade these securities on the Main Market of Bursa Securities.

You are advised to closely monitor any press releases and/or announcements made in relation to the Offer, particularly on the level of acceptances and non-compliance with the Public Spread Requirement (*if any*).

9. COMPULSORY ACQUISITION AND RIGHTS OF DISSENTING HOLDERS

(i) Compulsory acquisition

As set out in Section 4.2 of the Offer Document, in the event the Offeror receives valid acceptances from the Holders of not less than nine-tenths (9/10) in the nominal value of the shares in Caring (*excluding the Caring Shares already held by the Offeror, Ultimate Offeror and PACs as at the date of the Offer*) on or before the Closing Date, **the Offeror and Ultimate Offeror intend to invoke the provisions of Section 222(1) of the CMSA**, subject to Section 224 of the CMSA, to compulsorily acquire any remaining Offer Shares for which acceptances have not been received on or prior to the Closing Date ("**Compulsory Acquisition**").

In accordance with Section 224(1) of the CMSA, where a notice is given under Section 222(1) of the CMSA, the court may, on an application made by any Dissenting Holder within 1 month from the date on which the notice was given by the Offeror, order that the Offeror shall not be entitled and shall not be bound to acquire the Offer Shares of any Dissenting Holder, or specify terms of acquisition that are different from the terms of the Offer.

(ii) Rights of Dissenting Holders

As set out in Section 4.2 of the Offer Document, subject to Section 224 of the CMSA, if the Offeror receives valid acceptances from the Holders resulting in the Offeror, Ultimate Offeror and PACs holding not less than nine-tenths (9/10) in the value of all the shares in Caring on or before the Closing Date ("**Section 223 Threshold**"), a Dissenting Holder may exercise his rights under Section 223(1) of the CMSA by serving a notice on the Offeror to require the Offeror to acquire his Offer Shares on the same terms as set out in the Offer Document or such other terms as may be agreed.

In accordance with Section 224(3) of the CMSA, when a Dissenting Holder exercises his rights under Section 223(1) of the CMSA, the court may, on an application made by such Dissenting Holder or the Offeror, order that the terms on which the Offeror shall acquire such Offer Shares shall be as the court thinks fit.

Section 223(2) of the CMSA requires the Offeror to give the Dissenting Holders a notice in the manner specified by the SC of the rights exercisable by the Dissenting Holders under Section 223(1) of the CMSA, within 1 month from the fulfilment of the Section 223 Threshold. Such notice may specify the period for the exercise of the rights of the Dissenting Holders, which shall, in any event, be no less than 3 months after the Closing Date.

We wish to advise that if you have become entitled to and wish to exercise your rights under Section 223 of the CMSA, you should consult your legal adviser immediately.

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(iii) Modified approach in relation to the computation of thresholds relating to the Compulsory Acquisition and the rights of the Dissenting Holders

As set out in Section 4.3 of the Offer Document, on 6 February 2020, the board of directors of SEM had announced that in view of the disposals of a total of 29,562,000 Caring Shares by certain persons who are deemed to be PACs of CSSSB ("Parties") without the prior consent of the SC as required under Paragraph 19.01 of the Rules ("Affected Caring Shares") and for purposes of good governance, the board of directors of SEM has decided to adopt a modified approach ("Modified Approach") in computing the number of valid acceptances required to invoke the Compulsory Acquisition, as follows:-

$$9/10 \times \left[\begin{array}{c} \text{No. of Caring} \\ \text{Shares in issue} \\ \text{as at the Posting} \\ \text{Date} \end{array} - \left(\begin{array}{c} \text{No. of Caring Shares} \\ \text{held by CSSSB and} \\ \text{PACs as at the Posting} \\ \text{Date} \end{array} + \begin{array}{c} \text{No. of} \\ \text{Affected} \\ \text{Caring} \\ \text{Shares} \\ \text{disposed} \end{array} \right) \right] + \begin{array}{c} \text{No. of} \\ \text{Affected} \\ \text{Caring} \\ \text{Shares} \\ \text{disposed} \end{array}$$

For information purposes, the Modified Approach is intended to restore the shareholdings of the PACs in Caring as at the Posting Date to a level that would have prevailed had the Affected Caring Shares not been disposed by the Parties, in determining the threshold of valid acceptances required for CSSSB to invoke the Compulsory Acquisition. Based on the Modified Approach, the threshold of valid acceptances required to invoke the Compulsory Acquisition will be higher.

In addition, with regards to the provisions of Section 223 of the CMSA, a similar adjustment will be applied in determining the level of valid acceptances that CSSSB and PACs must achieve whereupon a Dissenting Holder may exercise his rights to require CSSSB to acquire his Offer Shares. Such adjustment will enable the Dissenting Holder to exercise his rights under Section 223 of the CMSA at a lower threshold.

Solely for illustrative purposes, a comparison of the computations of the required thresholds in connection with the Compulsory Acquisition and the rights of the Dissenting Holders as prescribed under the CMSA and under the Modified Approach, calculated based on the shareholdings of CSSSB and PACs in Caring as at the Offer Document LPD is set out below:-

(i) Compulsory Acquisition

	Original approach prescribed under Section 222 of the CMSA (No. of Caring Shares)	Modified Approach (No. of Caring Shares)
No. of Caring Shares in issue	217,706,400	217,706,400
<u>Less:-</u> No. of Caring Shares held by CSSSB and PACs as at the Posting Date ⁽¹⁾	(140,338,357)	(140,338,357)
Open portion	77,368,043	77,368,043
<u>Less:-</u> Total no. of Affected Caring Shares disposed	not applicable	(29,562,000)
Restated open portion	not applicable	47,806,043

	Original approach prescribed under Section 222 of the CMSA (No. of Caring Shares)	Modified Approach (No. of Caring Shares)
Nine-tenths (9/10) in the nominal value of Caring Shares under the open portion / restated open portion, as the case may be	69,631,239	43,025,439
<u>Add back:-</u> Total no. of Affected Caring Shares disposed	-	29,562,000
No. of Caring Shares for which valid acceptances are required to invoke the Compulsory Acquisition	69,631,239	72,587,439

Note:-

(1) Assuming the shareholdings of CSSSB and PACs in Caring as at the Posting Date remain unchanged from the Offer Document LPD.

Based on the illustration above, the number of Caring Shares (*including all valid acceptances pursuant to the Offer*) that CSSSB and PACs are required to hold in order to invoke the Compulsory Acquisition under the Modified Approach is 212,925,796 Caring Shares.

(ii) Rights of the Dissenting Holders

	Original approach prescribed under Section 223 of the CMSA (No. of Caring Shares)	Modified Approach (No. of Caring Shares)
90% of all the Caring Shares in issue	195,935,760	195,935,760
<u>Less:-</u>		
(i) No. of Caring Shares already held by CSSSB and PACs ⁽¹⁾	(140,338,357)	(140,338,357)
(ii) Total no. of Affected Caring Shares disposed	-	(29,562,000)
No. of Caring Shares for which valid acceptances must be obtained by CSSSB to enable the Dissenting Holders to exercise their rights under Section 223 of the CMSA	55,597,403	26,035,403

Note:-

(1) Assuming the shareholdings of CSSSB and PACs in Caring remain unchanged from the Offer Document LPD.

Based on the illustration above, the number of Caring Shares (*including all valid acceptances pursuant to the Offer*) that CSSSB and PACs are required to hold in order for the Dissenting Holders to exercise their rights under Section 223 of the CMSA under the Modified Approach is 166,373,760 Caring Shares.

For the avoidance of doubt, the illustrative computations of the required thresholds included in this section should not be construed as the final thresholds required for the Offeror to invoke the Compulsory Acquisition or for the Dissenting Holders to exercise their rights under Section 223 of the CMSA. The final thresholds are dependent on the actual number of Caring Shares held by the Offeror and PACs as at the relevant date.

10. RATIONALE FOR THE OFFER AND FUTURE PLANS FOR THE CARING GROUP AND ITS EMPLOYEES

We refer to the rationale for the Offer and future plans for the Caring Group and its employees as set out in Sections 3 and 5 of the Offer Document respectively. Set out below are our comments on:-

Rationale for the Offer

The Acquisition and the Offer are part of the SEM Group's strategy to expand its network / reach and diversify its products and customer base, which in turn are expected to further improve the performance of the SEM Group. Depending on the eventual level of acceptances received by the Offeror, the Offer provides an opportunity for the SEM Group to increase its shareholdings in Caring to above 50%, thus allowing the SEM Group to recognise Caring as a subsidiary and consolidate the financial results of the Caring Group.

As a result of the Acquisition, the collective shareholdings of CSSSB, TSVT, Jitumaju Sdn Bhd and U Telemedia Sdn Bhd in Caring increased from approximately 13.41% to approximately 38.77%. Arising therefrom, the Offer is a mandatory requirement pursuant to Section 218(2) of the CMSA and Paragraph 4.01(a) of the Rules.

The Offer provides an opportunity for the Holders to realise their investment in the Caring Shares for cash at the Offer Price. The Offer Price of RM2.60 is equivalent to the price paid by the Offeror for each Caring Share acquired pursuant to the Acquisition and is not lower than any price (*excluding stamp duty and commission*) paid by the Offeror, Ultimate Offeror and PACs for the purchase of Caring Shares during the 6 months prior to the beginning of the Offer Period, to be in compliance with Paragraph 6.03(1) of the Rules. The disclosure of dealings in the Caring Shares by the Offeror, Ultimate Offeror and PACs during the 6 months prior to the commencement of the Offer Period and up to the LPD is set out in Section 2 in Appendix V of the Offer Document (*up to Offer Document LPD*) and announcements on Bursa Securities.

Further, as set out in Section 6 in Appendix I of the Offer Document, if the Offeror or the Ultimate Offeror or any of the PACs purchase or agree to purchase any of the Offer Shares during the Offer Period at a consideration that is higher than the Offer Price, the Offeror shall increase the Offer Price to an amount not less than the highest price (*excluding stamp duty and commission*) paid or agreed to be paid by the Offeror or the Ultimate Offeror or any of the PACs for the Offer Shares during the Offer Period. If the Offeror increases the Offer Price, Holders who have accepted the Offer prior to the revision in the Offer Price will be paid the revised price in cash.

Please refer to Sections 6 and 7 in Part B of this IAC for our evaluation on the fairness and reasonableness of the Offer and Section 12 in Part B of this IAC for our conclusion and recommendation in respect of the Offer.

Future plans for the Caring Group and its employees

The current intentions of the Offeror and Ultimate Offeror in relation to the future plans for the Caring Group and its employees after the completion of the Offer (*see full details in Section 5 of the Offer Document*) is summarised as follows:-

- (i) continuation of the existing businesses and operations of the Caring Group;
- (ii) no plan and/or intention to liquidate any company within the Caring Group, dispose any major asset or undertake any major re-deployment of the fixed assets of the Caring Group or introduce or effect any major change to the existing businesses of the Caring Group as a direct consequence of the Offer; and
- (iii) no plan at this juncture to dismiss or make redundant the existing employees of the Caring Group as a direct consequence of the Offer,

unless pursuant to rationalisation and/or streamlining of business activities for the betterment of the Group.

Notwithstanding the above, the Offeror and Ultimate Offeror shall retain the flexibility to consider options and/or potential opportunities as they consider fit and in the best interests of the enlarged group which may include strategic investments, rationalisations and/or restructuring of the Caring Group.

As at the Offer Document LPD, save for MOSB's Undertaking, the Offeror and Ultimate Offeror have not entered into any negotiation or arrangement or understanding with any third party in relation to any significant change in the businesses and assets of the Caring Group or the shareholding structure of Caring.

Pursuant to the Acquisition, the SEM Group has emerged as the largest direct shareholder in Caring. Based on the rationale for the Offer as set out in Section 3 of the Offer Document, the Caring Group may benefit from opportunity for cross-selling of products, expansion of e-commerce sales by leveraging on each other's network and infrastructure as well as streamlining the shared business operations including warehousing, distribution and procurement functions. However, as the Caring Group is not privy to full details of the SEM Group's future plans, any expected benefits to be derived by the Caring Group could not be ascertained at this juncture.

11. FURTHER INFORMATION

The Holders are advised to refer to the views and recommendation of the Non-Interested Directors as set out in Part A of this IAC as well as the attached appendices and other relevant information in the Offer Document for further details in relation to the Offer.

12. CONCLUSION AND RECOMMENDATION

In arriving at our conclusion and recommendation, we have assessed and evaluated the fairness and reasonableness of the Offer in accordance with Paragraphs 1 to 6 under Schedule 2: Part III of the Rules, whereby the term "fair and reasonable" should generally be analysed as 2 distinct criteria, i.e. whether the Offer is "fair" and whether the Offer is "reasonable", rather than as a composite term.

The Offer is considered as "fair" if the Offer Price is equal to or higher than the market price and is also equal to or higher than the value of the Offer Shares. However, if the Offer Price is equal to or higher than the market price but is lower than the value of the Offer Shares, the Offer is considered as "not fair".

In considering whether the Offer is “reasonable”, we have taken into consideration matters other than the valuation of the Offer Shares. Generally, a take-over offer would be considered “reasonable” if it is “fair”.

Summarised below are the pertinent factors which you should carefully consider prior to making a decision whether to accept or reject the Offer:-

Fairness	<p>We view the Offer as <u>FAIR</u> in view that:-</p> <p>(i) the Offer Price of RM2.60 is <u>higher than</u> and represents a <u>premium</u> of between RM0.10 (4.00%) and RM0.29 (12.55%) over the range of estimated value per Caring Share derived using the SOPV model of RM2.31 to RM2.50; and</p> <p>(ii) the Offer Price of RM2.60:-</p> <p>(a) is <u>higher than</u> the daily VWAPs* of the Caring Shares since the Listing and up to the LPD and the Caring Shares have never traded above the Offer Price since the Listing and up to the LPD;</p> <p>(b) represents a <u>premium</u> of RM0.1000 (4.00%) over the last traded market price of the Caring Shares on the LTD1 and a premium of between RM0.1006 (4.02%) and RM0.5945 (29.64%) over the 5-day, 1-month, 3-month, 6-month and 1-year VWAPs* of the Caring Shares up to the LTD1; and</p> <p>(c) represents a <u>premium</u> of RM0.0200 (0.78%) and RM0.0199 (0.77%) over the last traded market price of the Caring Shares on the LPD and the 5-day VWAP of the Caring Shares up to the LPD respectively.</p> <p>* As extracted from Bloomberg which have been adjusted for the effects of any dividends and corporate exercises throughout the period.</p>															
Reasonableness	<p>We view the Offer as <u>REASONABLE</u> as it provides an exit opportunity to the Holders (especially for those holding a significant number of the Caring Shares) to realise their investment in the Offer Shares for cash at the Offer Price in view that:-</p> <p>(i) the Caring Shares are <u>illiquid</u>, with a simple average monthly trading volume-to-free float for the past 12 months up to February 2020 (being the last full trading month prior to the LPD) of 0.28% (with an average monthly trading volume of 213,655 Caring Shares) (excluding outlier). Further, the monthly trading volume-to-free float of Caring Shares during the said period had been lower than that of KLCSU as follows:-</p> <table><tr><th rowspan="2">Index / Securities</th><th colspan="3">Monthly volume traded over free float (%)</th></tr><tr><th>High</th><th>Low</th><th>Simple average</th></tr><tr><td>KLCSU</td><td>18.65</td><td>6.06</td><td>10.55</td></tr><tr><td>Caring Shares (excluding outlier)*</td><td>0.66</td><td>0.11</td><td>0.28</td></tr></table> <p><u>Note:-</u> * We have excluded the trading volume of the Caring Shares in February 2020 as an outlier (which is determined based on extreme deviation from the average).</p>	Index / Securities	Monthly volume traded over free float (%)			High	Low	Simple average	KLCSU	18.65	6.06	10.55	Caring Shares (excluding outlier)*	0.66	0.11	0.28
Index / Securities	Monthly volume traded over free float (%)															
	High	Low	Simple average													
KLCSU	18.65	6.06	10.55													
Caring Shares (excluding outlier)*	0.66	0.11	0.28													

Reasonableness	<p>(ii) as at the LPD, the Board has not received any alternative proposal for the Offer Shares <i>(including any offer to acquire the assets and liabilities of the Caring Group)</i>.</p> <p>Further, in view that the Offeror, Ultimate Offeror and PACs hold the majority equity stake of approximately 64.46%* in Caring as at the Offer Document LPD, any alternative proposal will not be successful unless with their support. In that respect, the Non-Interested Directors do not intend to seek an alternative person to make a take-over offer.</p> <p>Unless the Offeror, Ultimate Offeror and PACs are required to abstain from voting on resolutions sought at shareholders' general meetings of the Company, they are able to <i>(through casting of their votes which represent 64.46%* of the total voting shares in Caring):-</i></p> <p>(i) vote through or vote down any ordinary resolutions <i>(as such resolutions only require approval from more than 50% of the total votes cast)</i>; and</p> <p>(ii) vote down any special resolutions <i>(as such resolutions require approval from at least 75% of the total votes cast)</i>.</p> <p><u>Note:-</u> * Based on announcements on Bursa Securities, the Offeror has received acceptances for a total of 6,123,900 Offer Shares (representing approximately 2.81% equity interest in Caring) up to the LPD.</p>
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Premised on the above and our evaluation of the Offer, we are of the view that the Offer is **FAIR** and **REASONABLE**. Accordingly, we recommend that the Holders **ACCEPT** the Offer.

However, the decision to be made would rest on the individual risk appetite and specific investment requirements of the Holders. If the Holders so wish and if the trading liquidity permits, they may consider disposing of their Caring Shares in the open market in the event the market prices of Caring Shares are higher than the Offer Price, after taking into consideration the associated transaction costs and assuming that there will not be any revision to the Offer Price.

The Holders are advised to closely monitor the market prices, trading volume and any press releases and/or announcements made in relation to the Offer before making a decision on the course of action to be taken in respect of the Offer Shares.

The advice of Mercury Securities as contained in this IAL is addressed to the Holders at large and not to any particular Holder. Accordingly, in providing this advice, we have not taken into consideration any specific investment objectives, financial situations, risk profiles and particular needs of any individual Holder or any specific group of Holders. We recommend that any individual Holder or any specific group of Holders who may require advice in the context of their investment objectives, financial situations, risk profiles and particular needs should consult their respective stockbrokers, bank managers, solicitors, accountants or other professional advisers immediately.

Yours faithfully,
for and on behalf of
MERCURY SECURITIES SDN BHD

CHEW SING GUAN
Managing Director

DENIS LIM
Director / Head of Corporate Finance

INFORMATION ON CARING

1. HISTORY AND PRINCIPAL ACTIVITIES

Caring was incorporated in Malaysia on 30 July 2012 under the Companies Act, 1965 as a private limited company under the name of Caring Pharmacy Group Sdn Bhd and is deemed registered under the Act. The Company was subsequently converted to a public limited company on 24 October 2012 and it was listed on the Main Market of Bursa Securities on 13 November 2013.

The principal activity of the Company is investment holding. Further information on Caring's subsidiaries is set out in Section 5 of this Appendix I.

2. SHARE CAPITAL

2.1 Issued share capital

The issued share capital of Caring as at the LPD is as follows:-

	No. of Caring Shares (‘000)	Amount (RM’000)
Issued share capital	217,706	225,108

The holders of Caring Shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry 1 vote per share and rank equally with regard to the Company's residual assets.

2.2 Changes in the issued share capital

Since the end of the FYE 31 May 2019 up to the LPD, there are no changes in Caring's issued share capital.

2.3 Convertible securities

As at the LPD, Caring does not have any convertible securities.

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INFORMATION ON CARING (cont'd)
3. SUBSTANTIAL SHAREHOLDERS

The substantial shareholders of Caring and their shareholdings in Caring based on the Register of Substantial Shareholders as at the LPD are as follows:-

Name	Direct		Indirect	
	No. of Caring Shares	% ⁽¹⁾	No. of Caring Shares	% ⁽¹⁾
Jitumaju Sdn Bhd	11,515,780	5.29	-	-
CSSSB	70,949,900	32.59	-	-
SEM	-	-	70,949,900 ⁽²⁾	32.59
TSVT	1,200,000	0.55	89,322,680 ⁽³⁾	41.03
MOSB	54,425,857	25.00	-	-
Chong Yeow Siang	127,401	0.06	54,425,857 ⁽⁴⁾	25.00
Soo Chan Chiew	127,301	0.06	54,425,857 ⁽⁴⁾	25.00
Tan Lean Boon	127,301	0.06	54,425,857 ⁽⁴⁾	25.00
Ang Khoon Lim	127,301	0.06	54,425,857 ⁽⁴⁾	25.00
Tan Sri Dr Lim Wee Chai	12,000,000	5.51	-	-

Notes:-

(1) Computed based on 217,706,400 Caring Shares as at the LPD.

(2) Deemed interested through its interest in CSSSB pursuant to Section 8 of the Act.

(3) Deemed interested through his interests in Jitumaju Sdn Bhd, U Telemedia Sdn Bhd and CSSSB pursuant to Section 8 of the Act.

(4) Deemed interested through his interest in MOSB pursuant to Section 8 of the Act.

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INFORMATION ON CARING (cont'd)**4. DIRECTORS**

As at the LPD, the details of the Directors of Caring (*all Malaysians*) are as follows:-

Name	Designation	Address
Datin Sunita Mei-Lin Rajakumar	Independent Non-Executive Chairperson	22, Jalan Kent 1, Jalan Semarak, 54000 Kuala Lumpur
Chong Yeow Siang	Managing Director	21, Jalan BU 2/6, Bandar Utama Damansara, 47400 Petaling Jaya, Selangor
Soo Chan Chiew	Executive Director	21, Jalan TMP 2A, Taman Mutiara Puchong, 47100 Puchong
Tan Lean Boon	Executive Director	32, Jalan BRP 7/1B, Bukit Rahman Putra, 47400 Sungai Buloh, Selangor
Tan Sri Dato' Haji Mohd Ariffin Bin Mohd Yusuf	Senior Independent Non-Executive Director	5, Jalan Beka, Damansara Heights, 50490 Kuala Lumpur
Ang Khoo Lim	Non-Independent Non-Executive Director	157, Jalan Kinrara, Taman Kinrara, Batu 7, Jalan Puchong, 58200 Kuala Lumpur
Mazlan Bin Ibrahim	Non-Independent Non-Executive Director	No. 13, Jalan Kubah U8/58, Bukit Jelutong, 40150 Shah Alam, Selangor
Loh Poh Im	Independent Non-Executive Director	2, Jalan USJ 3B/7, UEP Subang Jaya, 47610 Subang Jaya, Selangor

The interests of the Directors of Caring in the Caring Shares as at the LPD are set out in Section 2.2(iii) in Appendix II of this IAC.

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INFORMATION ON CARING *(cont'd)***5. SUBSIDIARIES, ASSOCIATED COMPANY AND JOINT VENTURE**

The details of the subsidiaries of Caring *(all incorporated in Malaysia)* as at the LPD are as follows:-

Name of company	Effective equity interest (%)	Principal activities
Caring Pharmacy Retail Management Sdn Bhd	100.00	Investment holding, provision of management services and central warehousing and distribution of pharmaceutical, healthcare and personal care products
Caring Pharmacy (Kinrara) Sdn Bhd	100.00	Investment holding
Caring Health Solutions Sdn Bhd	87.75	
Caring Pharmacy (Ampang) Sdn Bhd	60.00	
Caring Belle Sdn Bhd	90.00	
Be Caring Sdn Bhd	51.00	
Sterling Pharmacy Sdn Bhd	51.00	
Stay Caring Sdn Bhd	90.00	
Vertex Pharmacy Sdn Bhd	51.00	
MN Pharmacy Sdn Bhd	60.00	
Caring Pharmacy (KLP) Sdn Bhd	80.00	
Caring "N" You Pharmacy Sdn Bhd	60.00	
Caring Pharmacy Sdn Bhd	100.00	Operation of community pharmacy including retailing of pharmaceutical, healthcare and personal care products
Tonic Pharma Sdn Bhd	60.00	
Ace Caring Pharmacy Sdn Bhd	75.50	
My Caring Pharmacy Sdn Bhd	60.00	
Caring Pharmacy Paradise Sdn Bhd	60.00	
Preciouslife Pharmacy Sdn Bhd	70.00	
Caring Pharmacy (SK) Sdn Bhd	70.00	
Caring Pharmacy Rising Sdn Bhd	60.00	
Caring Clover Sdn Bhd	60.00	
Caring Trio Sdn Bhd	59.50	
Victorie Caring Sdn Bhd	70.00	

INFORMATION ON CARING (cont'd)

Name of company	Effective equity interest (%)	Principal activities
Caring Pharmacy (IDR) Sdn Bhd	51.00	Operation of community pharmacy including retailing of pharmaceutical, healthcare and personal care products
Living Glory Sdn Bhd	100.00	
Caring Pharmacy (ABM) Sdn Bhd	75.00	
Caring Pharmacy (MPLS) Sdn Bhd	60.00	
Caring Pharmacy (RS) Sdn Bhd	100.00	
One Caring Pharmacy Sdn Bhd	60.00	
Caring Pharmacy Always Sdn Bhd	70.00	
Caring Pharmacy (Shah Alam) Sdn Bhd	85.00	
Caring Pharmacy (JB Molek) Sdn Bhd	60.00	
Fuji Acre Sdn Bhd	86.67	
Mega Caring Sdn Bhd	60.00	
Viva Caring Sdn Bhd	60.00	
Caring Trinity Sdn Bhd	59.50	
Caring Pharmacy (SW) Sdn Bhd	51.00	
WM Caring Pharmacy Sdn Bhd	80.00	
Green Surge Sdn Bhd	60.00	
Caring Healthmark Sdn Bhd	75.00	
Caring Evergreen Sdn Bhd	70.00	
Caring Pharmacy Ascend Sdn Bhd	60.00	
Caring T & T Sdn Bhd	60.00	
Caring Link Sdn Bhd	60.00	
Caring Alliance Sdn Bhd	60.00	
Caring Estore Sdn Bhd	100.00	Internet and warehouse sales of healthcare and personal care products
Cosy Vision Sdn Bhd	75.00	Operation of clinic including providing healthcare services
Caring Empire Sdn Bhd	59.50	Dormant

As at the LPD, Caring does not have any associated company and joint venture.

INFORMATION ON CARING (cont'd)

6. PROFIT AND DIVIDEND RECORD

A summary of the Group's results based on the audited consolidated financial statements of Caring for the FYE 31 May 2017, 31 May 2018 and 31 May 2019 as well as the latest unaudited consolidated financial statements of Caring for the 6-month FPE 30 November 2019 is as follows:-

	6-month FPE 30 November 2019 (RM'000)	FYE 31 May		
		2019 (RM'000)	2018 (RM'000)	2017 (RM'000)
Revenue	330,169	599,234	508,270	459,957
Profit before tax	14,439	33,966	29,566	21,952
Tax expense	(3,754)	(8,316)	(6,242)	(5,163)
Profit for the financial period / year	10,685	25,650	23,324	16,789
Profit attributable to:-				
- owners of the Company	9,137	20,730	18,560	13,130
- non-controlling interests	1,548	4,920	4,764	3,659
	10,685	25,650	23,324	16,789
Weighted average number of ordinary shares in issue ('000)	217,706	217,706	217,706	217,706
Basic earnings per ordinary share (sen) ⁽¹⁾	4.20	9.52	8.53	6.03
Net dividend per ordinary share declared in respect of the respective financial period / year (sen)	-	6.00	5.00	3.00

Note:-

(1) There is no dilutive effect on the basic earnings per ordinary share as the Company does not have any dilutive potential ordinary shares in issue for the respective financial period / year. Accordingly, the diluted earnings per ordinary share is not presented.

There is no material exceptional item in the audited consolidated financial statements of Caring for the past 3 financial years up to the FYE 31 May 2019 and the latest unaudited consolidated financial statements of Caring for the 6-month FPE 30 November 2019.

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INFORMATION ON CARING (cont'd)

7. STATEMENT OF ASSETS AND LIABILITIES

The statement of assets and liabilities of Caring based on its audited consolidated financial statements for the FYE 31 May 2019 as well as the latest unaudited consolidated financial statements of Caring for the 6-month FPE 30 November 2019 are as follows:-

	As at 30 November 2019 (RM'000)	As at 31 May	
		2019 (RM'000)	2018 (RM'000)
ASSETS			
Non-current assets			
Property, plant and equipment	41,526	39,646	40,276
Intangible assets	4,594	3,477	3,477
Right of use assets ⁽¹⁾	74,335	-	-
Deferred tax assets	1,172	1,250	936
Total non-current assets	121,627	44,373	44,689
Current assets			
Inventories	117,669	96,633	90,642
Trade receivables	798	232	403
Other receivables, deposits and prepayments	12,530	11,673	7,533
Amounts owing by related parties	1	9	8
Current tax assets	2,829	2,977	3,993
Short term funds	74,407	74,079	46,451
Fixed deposits with licensed banks	419	418	405
Cash and bank balances	56,896	57,047	65,053
Total current assets	265,549	243,068	214,488
TOTAL ASSETS	387,176	287,441	259,177
EQUITY AND LIABILITIES			
EQUITY			
Share capital	225,108	225,108	225,108
Retained earnings	102,424	110,343	100,585
Merger deficit	(181,984)	(181,984)	(181,984)
Equity attributable to owners of the Company	145,548	153,467	143,709
Non-controlling interests	3,054	4,934	5,780
TOTAL EQUITY	148,602	158,401	149,489
LIABILITIES			
Non-current liabilities			
Term loans	6,933	7,632	6,737
Lease liabilities ⁽¹⁾	58,295	-	-
Hire purchase payables	-	-	negligible
Deferred tax liabilities	139	139	11
Total non-current liabilities	65,367	7,771	6,748
Current liabilities			
Trade payables	135,341	105,836	88,970
Other payables and accruals	9,449	10,118	8,880
Amounts owing to non-controlling shareholders	3,096	2,328	2,509
Amounts owing to related parties	393	117	114
Contract liabilities	1,120	924	-
Term loans	1,381	1,352	1,457
Lease liabilities ⁽¹⁾	20,571	-	-
Hire purchase payables	-	-	58
Current tax liabilities	1,856	594	952
Current liabilities	173,207	121,269	102,940
TOTAL LIABILITIES	238,574	129,040	109,688
TOTAL EQUITY AND LIABILITIES	387,176	287,441	259,177
Number of ordinary shares in issue as at the end of the respective financial period / year ('000)	217,706	217,706	217,706
NA per ordinary share (RM)	0.67	0.70	0.66

INFORMATION ON CARING (cont'd)Note:-

(1) Arising from the adoption of Malaysian Financial Reporting Standard ("MFRS") 16 Leases, which is effective for the financial period beginning 1 January 2019. For further details of the impact of the adoption of MFRS 16 by the Group, please refer to the quarterly financial results of the Group for the 6-month FPE 30 November 2020 as announced on Bursa Securities on 22 January 2020.

As at the LPD, save for the impact of the adoption of MFRS 16 and as those disclosed in the latest unaudited consolidated financial statements of Caring for the 6-month FPE 30 November 2019, there is no known material change in the financial position of Caring subsequent to the latest audited consolidated financial statements of Caring for the FYE 31 May 2019.

8. ACCOUNTING POLICIES

The audited consolidated financial statements of Caring for the FYE 31 May 2017, 31 May 2018 and 31 May 2019 have been prepared based on approved accounting standards in Malaysia and there was no audit qualification for Caring's financial statements for the respective years under review.

Save for the adoption of MFRS 9 *Financial Instruments* and MFRS 15 *Revenue from Contracts with Customers*, there is no change in the accounting standards adopted by Caring which would result in a material variation to the comparable figures for the audited consolidated financial statements of Caring for the FYE 31 May 2017, 31 May 2018 and 31 May 2019. For further details of the impact of the adoption of MFRS 9 and MFRS 15 by the Group, please refer to Note 39.1 in the annual report of Caring for the FYE 31 May 2019.

9. BORROWINGS

As at 31 January 2020, which is not more than 3 months preceding the LPD, the Caring Group has total outstanding interest-bearing borrowings (*all secured*) of approximately RM8.09 million as follows:-

Borrowings	Non-current (RM'000)	Current (RM'000)	Total (RM'000)
Term loan	6,697	1,391	8,088

10. CONTINGENT LIABILITIES

As at the LPD, there are no contingent liabilities which upon becoming due or enforceable may have a material effect on the financial position or business of the Group.

11. MATERIAL LITIGATION

As at the LPD, the Group is not engaged in any material litigation, claim and/or arbitration either as plaintiff or defendant, which may have a material effect on the financial position or business of the Group and the Board is not aware of any proceedings, pending or threatened, or of any fact likely to give rise to any proceedings which may have a material effect on the financial position or business of the Group.

12. MATERIAL CONTRACTS

The Group has not entered into any material contracts (*not being contracts entered into in the ordinary course of business*) within 2 years immediately preceding the commencement of the Offer Period and up to the LPD.

FURTHER INFORMATION

1. CONSENTS

Mercury Securities and RHB Investment Bank have given and have not subsequently withdrawn their written consent to the inclusion of their names and all references thereto in the form and context in which they appear in this IAC prior to the despatch of this IAC.

2. DISCLOSURE OF INTERESTS AND DEALINGS IN SHARES

2.1 By Caring

(i) Disclosure of interests in the Offeror and Ultimate Offeror

Caring does not have any interest, whether direct or indirect, in any voting shares or convertible securities of the Offeror and Ultimate Offeror as at the LPD.

(ii) Dealings in the securities of the Offeror and Ultimate Offeror

Caring has not dealt, directly or indirectly, in any voting shares or convertible securities of the Offeror and Ultimate Offeror during the period beginning 6 months prior to the Offer Period and up to the LPD.

(iii) Dealings in the securities of Caring

Caring has not dealt, directly or indirectly, in any of its own voting shares or convertible securities during the period commencing 6 months prior to the beginning of the Offer Period and up to the LPD.

2.2 By the Directors of Caring

(i) Disclosure of interests in the Offeror and Ultimate Offeror

The Directors of Caring do not have any interest, whether direct or indirect, in any voting shares or convertible securities of the Offeror and Ultimate Offeror as at the LPD.

(ii) Dealings in the securities of the Offeror and Ultimate Offeror

The Directors of Caring have not dealt, directly or indirectly, in any voting shares or convertible securities of the Offeror and Ultimate Offeror during the period beginning 6 months prior to the Offer Period and up to the LPD.

(iii) Disclosure of interests in Caring

Save as disclosed below, the Directors of Caring do not have any interest, whether direct or indirect, in any voting shares or convertible securities of Caring as at the LPD:-

Name	Direct		Indirect	
	No. of Caring Shares	% ⁽¹⁾	No. of Caring Shares	% ⁽¹⁾
Datin Sunita Mei-Lin Rajakumar	150,000	0.07	-	-
Chong Yeow Siang	127,401	0.06	54,425,857 ⁽²⁾	25.00
Soo Chan Chiew	127,301	0.06	54,425,857 ⁽²⁾	25.00
Tan Lean Boon	127,301	0.06	54,425,857 ⁽²⁾	25.00
Tan Sri Dato' Haji Mohd Ariffin Bin Mohd Yusuf	100,000	0.05	-	-
Ang Khoon Lim	127,301	0.06	54,425,857 ⁽²⁾	25.00

FURTHER INFORMATION (cont'd)Notes:-

(1) Computed based on 217,706,400 Caring Shares as at the LPD.

(2) Deemed interested through his interest in MOSB pursuant to Section 8 of the Act.

(iv) Dealings in the securities of Caring

Save as disclosed below, the Directors of Caring have not dealt, directly or indirectly, in any voting shares or convertible securities of Caring during the period beginning 6 months prior to the Offer Period and up to the LPD:-

Name of transacting party and relationship with the Directors of Caring	Date of transaction	Nature of transaction	No. of Caring Shares	Transacted price⁽¹⁾ (RM)
MOSB (a company in which the Interested Directors are shareholders and directors)	27.02.2020	Disposal of Caring Shares to CSSSB pursuant to the SSA	55,198,000	2.60

Note:-

(1) Excludes brokerage and other incidental costs.

2.3 By the persons with whom Caring or any persons acting in concert with it has any arrangement over the Offer Shares

As at the LPD, there are no persons with whom Caring or any persons acting in concert with it has entered into any arrangement, including any arrangement involving rights over shares, any indemnity arrangement, and any agreement or understanding, formal or informal, of whatever nature, relating to relevant securities which may be an inducement to deal or to refrain from dealing with the Offer Shares.

2.4 By the persons with whom Caring or any persons acting in concert with it has borrowed or lent

As at the LPD, there are no persons with whom Caring or any persons acting in concert with it has borrowed or lent any voting shares or convertible securities of Caring.

2.5 By Mercury Securities and funds whose investments are managed by Mercury Securities on a discretionary basis ("Discretionary Funds")**(i) Disclosure of interests in Caring**

Mercury Securities and its Discretionary Funds do not have any interest, whether direct or indirect, in any voting shares or convertible securities of Caring as at the LPD.

(ii) Dealings in the securities of Caring

Mercury Securities and its Discretionary Funds have not dealt, directly or indirectly, in any voting shares or convertible securities of Caring during the period beginning 6 months prior to the Offer Period and up to the LPD.

FURTHER INFORMATION (cont'd)

3. ARRANGEMENT AFFECTING DIRECTORS OF CARING

- (i) As at the LPD, no payment or other benefit will be made or given to any Director of Caring as compensation for loss of office or otherwise in connection with the Offer.
- (ii) As at the LPD, save for MOSB's Undertaking, there is no agreement or arrangement between any Director of Caring and any other person which is conditional on or dependent upon the outcome of the Offer or otherwise connected with the outcome of the Offer.
- (iii) As at the LPD, save for the SSA, the Offeror, Ultimate Offeror and PACs have not entered into any material contract in which any Director of Caring has a material personal interest.

4. SERVICE CONTRACTS

As at the LPD, the Caring Group does not have any service contracts with any directors or proposed directors, which have been entered into or amended within 6 months before the commencement of the Offer Period or which are fixed term contracts with more than 12 months to run.

For the purpose of this section, the term "service contracts" excludes those expiring or determinable by the employing company without payment of compensation within 12 months from the date of this IAC.

5. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal office hours from 9:00 a.m. to 6:00 p.m. (*Malaysian time*) on Mondays to Fridays (*except for public holidays*) from the date of this IAC up to and including the Closing Date at the registered office of the Company at 22-09, Menara 1MK, No. 1 Jalan Kiara, Mont Kiara, 50480 Kuala Lumpur, Wilayah Persekutuan:-

- (i) the Constitution of Caring;
- (ii) the audited consolidated financial statements of Caring for the FYE 31 May 2017, 31 May 2018 and 31 May 2019 as well as the latest unaudited consolidated financial statements of Caring for the 6-month FPE 30 November 2019;
- (iii) a copy of the Notice dated 14 February 2020; and
- (iv) the letters of consent referred to in Section 1 of this Appendix II.