

20 October 2017

Minority Shareholders Watchdog Group
Tingkat 11, Bangunan KWSP,
No: 3, Changkat Raja Chulan,
Off Jalan Raja Chulan,
50200 Kuala Lumpur.

Attn : Mr. LYA RAHMAN
(General Manager)

Dear Sir,

Re : 5th Annual General Meeting ("AGM") of Caring Pharmacy Group Berhad

Refer to your letter dated 16 October 2017, enclose herewith our replies for your perusal.

Strategic & Financial Matters

- 1) The Group had recently launched new products under the brand names "Herbs of Gold" and "Linola".
 - (i) Kindly brief shareholders on the status of these new products and its expected contribution to the Group's business.

Reply:

Herbs of Gold ('HoG') is one of the leading health supplement brands in Australia. It was launched exclusively at CARiNG Pharmacy in Malaysia since November'15. We have introduced 15 SKUs (Stock Keeping Unit) into all our CARiNG stores. HoG offers wide range of product selections from common vitamins like vitamin C, vitamin B complex, fish oil; to certain formulations that offer specific health benefits for heart care, women health, liver care and more. The acceptance level of HoG by Malaysian consumers was very encouraging in the past 2 years and HoG sales accounted for 1.1% of our total group sales for the financial year ended 31 May 2017. We expect HoG to be the Top 3 brand in our Total Health Supplement business in term of Sale (RM) and Profit Margin (RM) in current financial year.

LINOLA is one of the leading medical skin care brands in Germany. It was recently launched exclusively at CARiNG Pharmacy in August'17 and 8 SKUs have been introduced into the market so far. LINOLA is formulated specifically for dry and sensitive skin conditions. LINOLA currently offers products that cover various segments in hair care, face care, hand and body, bath wash and foot care. The sales of LINOLA range in the first 2 months since launch is encouraging. We expect LINOLA to be the Top 5 brand in our Total Skin Care business in term of Sale (RM) and Profit Margin (RM) in two years' time.

- (ii) Would there be any additional new products to be launched in this financial year?

Reply:

Yes. We target to launch additional 50 new exclusive SKUs in this financial year.

- (iii) Would the Company be introducing new super-premium products which cater for female and young consumers who have strong consumption power?

Reply:

We target to introduce more natural, organic and evidence-based products for our female consumers. The price points of these products are expected to be higher than normal FMCG (fast moving consumer goods) product category but shall be lower than super-premium price point products.

Besides, we have identified young parents group as another good business opportunity to expand further. We have started to increase our product assortments actively in certain categories like kid's vitamin, baby skin care, baby personal care, probiotic range, prenatal care and kid's complete nutrition formula for our young parent shoppers since last financial year. The overall sale growth was very encouraging and continue to show strong double digit growth (>20%) compared to previous financial year. The targeted price point is at the range of RM30-RM100 which is well accepted by our present young parent shoppers.

- 2) What is the total estimated CAPEX allocated for 2018 and how would it be funded in line with its expansion of around 10 to 12 outlets with focus on outside Klang Valley region?

Reply:

Total CAPEX allocated for the expansion of 10 to 12 new outlets outside Klang Valley and other major cities in the peninsular of Malaysia are estimated at the total of RM2.64 million. The CAPEX will be funded by internal operating funds.

- 3) Please explain the "Omni-channel reality" stated on page 7 of the Annual Report.

Reply:

The Group always put convenience for shoppers to receive our products and services as one of our top value proposition. At the same time, we also reckon the significance and importance of the E-Commerce contributions to our future success. Therefore we are determined to provide a seamless and effortless shopping experience for our customers to seek our products and services. Our customers can get their products from us through multiple channels:

- (i) From our physical stores; or*
- (ii) Order the products from our Caring Estore and deliver to their doorsteps; or*

- (iii) *Use our "Click & Pick" service to search and order the products online and collect the goods off line. Further, our "Click & Pick" service allows our customers to order the items which are currently not available in our physical stores, and deliver to their doorsteps or collect at the stores later.*

We are in the midst of enhancing customer experience in all our channels of offering either from our physical stores or Estore (through our website and mobile app) to reflect uniform and consistency. This is ultimately our Omni-Channel mission and we are consistently building strength in this important proposition to achieve reality.

- 4) Please justify the increase of staff costs from RM38.6 million in FYE 2016 to RM42.5 million in FYE 2017 despite the total number of outlets remained unchanged in FYE 2017.

Reply:

The increase in the staff costs in FYE 2017 was mainly due to the impact of annual staff salary increment at average of 4% as well as more incentives rewarded to all staffs in line with the good company performance for FYE 2017.

Corporate Governance


- 1) We noted that the non-audit fees FYE 2017 were about 46% of the audit fees in FYE 2017. Could the Board explain the nature of the non-audit fees?

Reply:

The non-audit fees mainly consists of professional fee incurred on preparation of tax computation, professional fee on verification of sales report as well as the review of Statement of Internal Control and Risk Management.

Thank you.

Yours sincerely,



Chong Yeow Siang
Managing Director
Caring Pharmacy Group Berhad