CARING PHARMACY GROUP BERHAD

(Company No.1011859-D)

INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED
30 November 2018

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Caring Pharmacy Group Bhd (1011859-D)

Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Financial Period Ended 30 November 2018

	Note	Individual Quarter		Cumulative Quarter	
		Current Year Quarter 30 Nov 2018 RM'000	Preceding Year Quarter 30 Nov 2017 RM'000	Current Year To Date 30 Nov 2018 RM'000	Preceding Year To Date 30 Nov 2017 RM'000
REVENUE		139,302	123,449	282,243	248,695
COST OF SALES		(109,184)	(98,220)	(226,083)	(198,068)
GROSS PROFIT		30,118	25,229	56,160	50,627
OTHER OPERATING INCOME		7,558	7,647	15,525	14,074
		37,676	32,876	71,685	64,701
SELLING AND DISTRIBUTION EXPENSES		(21,513)	(19,436)	(42,006)	(39,251)
ADMINISTRATIVE EXPENSES		(5,423)	(5,235)	(11,492)	(10,313)
OTHER OPERATING EXPENSES		(977)	(1,009)	(1,899)	(1,980)
FINANCE COSTS		(29)	(24)	(54)	(50)
PROFIT BEFORE TAXATION	**B5**	9,734	7,172	16,234	13,107
TAXATION	**B6**	(2,628)	(1,936)	(4,383)	(3,539)
PROFIT AFTER TAXATION		7,106	5,236	11,851	9,568
OTHER COMPREHENSIVE INCOME , NET OF TAX		-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD		7,106	5,236	11,851	9,568
PROFIT AFTER TAXATION ATTRIBUTABLE TO :-					
- Owners of the Company		5,740	4,274	9,828	7,528
- Non-Controlling interests		1,366	962	2,023	2,040
		7,106	5,236	11,851	9,568
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO :-					
- Owners of the Company		5,740	4,274	9,828	7,528
- Non-Controlling interests		1,366	962	2,023	2,040
		7,106	5,236	11,851	9,568
Earnings per share (Sen) attributable to Owners of the Company					
- Basic [(2)]	**B11**	2.64	1.96	4.51	3.46
- Diluted		N/A	N/A	N/A	N/A

Notes:

N/A *Not applicable.*

(1) The Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 31 May 2018 and the accompanying explanatory notes attached to these financial statements.

(2) Based on the weighted average number of ordinary shares in issue as detailed in Note B11.

(3) Preceding year quarter figures have been reclassified to conform with the presentation of the current year quarter.

Unaudited Condensed Consolidated Statement of Financial Position as at 30 November 2018

	Note	AS AT 30 Nov 2018 RM'000	AS AT 31 May 2018 RM'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		39,811	40,276
Intangible assets		3,476	3,476
Deferred tax assets		958	936
		44,245	44,688
CURRENT ASSETS			
Inventories		99,885	90,642
Trade receivables		319	403
Other receivables, deposits and prepayments		7,160	7,541
Tax recoverable		1,109	3,993
Short term investments		61,442	46,451
Fixed deposits with financial institutions		406	405
Cash and bank balances		63,608	65,053
		233,929	214,488
TOTAL ASSETS		278,174	259,176

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Unaudited Condensed Consolidated Statement of Financial Position as at 30 November 2018 (Cont'd)

	Note	AS AT 30 Nov 2018 RM'000	AS AT 31 May 2018 RM'000
EQUITY AND LIABILITIES			
EQUITY			
Share capital		225,108	225,108
Retained profits		99,441	100,585
Merger deficit		(181,984)	(181,984)
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		142,565	143,709
NON-CONTROLLING INTERESTS		3,047	5,780
TOTAL EQUITY		145,612	149,489
NON-CURRENT LIABILITIES			
Long term borrowings	**B8**	7,903	6,737
Deferred tax liabilities		11	11
		7,914	6,748
CURRENT LIABILITIES			
Trade payables		112,075	88,971
Other payables and accruals		7,749	8,994
Amount owing to non-controlling shareholders		2,399	2,508
Provision for taxation		690	952
Short term borrowings	**B8**	1,735	1,514
		124,648	102,939
TOTAL LIABILITIES		132,562	109,687
TOTAL EQUITY AND LIABILITIES		278,174	259,176
Net assets per share attributable to ordinary equity holders of the parent (RM) [(2)]		0.65	0.66

Notes:

(1) The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 May 2018 and the accompanying explanatory notes attached to these financial statements.

(2) Based on the issued share capital of 217,706,400 shares

Unaudited Condensed Consolidated Statement of Changes in Equity for the Financial Period Ended 30 November 2018

	<--------- Non-distributable -------->		<Distributable>			
	Share Capital	**Merger Deficit**	**Retained Profits**	**Total**	**Non-Controlling Interests**	**Total Equity**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Period Ended 30 Nov 2017						
At 31 May 2017	225,108	(181,984)	88,432	131,556	3,916	135,472
Total comprehensive income for the period	-	-	7,528	7,528	2,040	9,568
Dilution in equity interest in subsidiaries	-	-	-	-	35	35
Dividends paid	-	-	(6,531)	(6,531)	-	(6,531)
Dividends paid by subsidiaries to non-controlling shareholders	-	-	-	-	(2,018)	(2,018)
At 30 Nov 2017	225,108	(181,984)	89,429	132,553	3,973	136,526

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Unaudited Condensed Consolidated Statement of Changes in Equity for the Financial Period Ended 30 November 2018 (Cont'd)

	<--------- Non-distributable -------->		<Distributable>			
	Share Capital	Merger Deficit	Retained Profits	Total	Non-Controlling Interests	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Period Ended 30 Nov 2018						
At 1 June 2018 (as previously stated)	225,108	(181,984)	100,585	143,709	5,780	149,489
Initial application of MFRS15	-	-	(51)	(51)	-	(51)
At 1 June 2018 (as restated)	225,108	(181,984)	100,534	143,658	5,780	149,438
Total comprehensive income for the period	-	-	9,828	9,828	2,023	11,851
Dilution in equity interest in subsidiaries	-	-	(36)	(36)	65	29
Dividends paid	-	-	(10,885)	(10,885)	-	(10,885)
Dividends paid by subsidiaries to non-controlling shareholders	-	-	-	-	(4,821)	(4,821)
At 30 November 2018	225,108	(181,984)	99,441	142,565	3,047	145,612

Notes :

(1) The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the financial year ended 31 May 2018 and the accompanying explanatory notes attached to these financial statements.

Unaudited Condensed Consolidated Statement of Cash Flows for the Financial Period Ended 30 November 2018

	Current Year To Date 30 Nov 2018 RM'000	Preceding Year To Date 30 Nov 2017 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	16,234	13,107
Adjustments for:-		
Depreciation of property, plant and equipment	1,830	1,972
Equipment written off	3	5
Interest expense	54	50
Gain on disposal of property, plant and equipment	-	2
Interest income	(1,659)	(1,160)
Rental income	(98)	(74)
Operating profit before working capital changes	16,364	13,902
Increase in inventories	(9,243)	(3,947)
Decrease/(Increase) in trade and other receivables	465	(336)
Increase in trade and other payables	21,807	9,064
CASH FROM OPERATIONS	29,393	18,683
Tax paid	(1,783)	(3,160)
Interest paid	(54)	(50)
NET CASH FROM OPERATING ACTIVITIES	27,557	15,473
CASH FLOWS FROM/(FOR) INVESTING		
Dilution in equity interest in subsidiaries	29	35
Interest received	1,659	1,160
Proceeds from disposal of property, plant and equipment	-	11
Purchase of property, plant and equipment	(1,368)	(2,471)
Rental received	98	74
NET CASH FROM/(FOR) INVESTING ACTIVITIES	418	(1,191)
CASH FLOWS FOR FINANCING ACTIVITIES		
Dividend paid to :		
- shareholders of the Company	(10,885)	(6,531)
- non-controlling shareholders of subsidiaries	(4,821)	(2,018)
Repayment of hire purchase obligations	(34)	(33)
Proceeds from term loan drawdown	2,040	-
Repayment of term loan	(619)	(537)
Repayment to non-controlling shareholders	(109)	(93)
NET CASH FOR FINANCING ACTIVITIES	(14,428)	(9,212)
NET INCREASE IN CASH AND CASH EQUIVALENTS	13,547	5,070
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	111,909	102,546
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	125,456	107,616
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD COMPRISE:-		
- Short term investments	61,442	44,607
- Fixed deposits with financial institutions	406	397
- Cash and bank balances	63,608	62,612
	125,456	107,616

Notes:

(1) The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the financial year ended 31 May 2018 and the accompanying explanatory notes attached to these financial statements.

Part A –Explanatory Notes Pursuant to Malaysian Financial Reporting Standards ("MFRS") 134, Interim Financial Reporting

A1. Basis of Preparation

The interim financial report is unaudited and has been prepared in accordance with MFRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB") and Para 9.22 and 9.40 (Appendix 9B Part A) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

The interim financial report should be read in read in conjunction with the Audited Financial Statements for the financial year ended 31 May 2018 and the accompanying explanatory notes attached to these financial statements.

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the year ended 31 May 2018. The interim consolidated financial report and notes thereon do not include all the information required for a full set of financial statements prepared in accordance with MFRSs.

The group has adopted merger accounting method for the preparation of this Interim Financial Statements.

A2. Changes in Accounting Policies

The significant accounting policies adopted are consistent with those of the adopted as disclosed in the Audited Financial Statements for the financial year ended 31 May 2018.

During the current financial period, the Group has adopted the following new accounting standard(s) and/or interpretation(s) (including the consequential amendments, if any):-

Title	Effective Date
Amendments to MFRS 1 Annual Improvements to MFRS Standards 2014 - 2017 Cycle	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
Clarification to MFRS 15	1 January 2018
MFRS 9 Financial Instruments (IFRS as issued by IASB in July 2014)	1 January 2018
Amendments to MFRS 2 Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 128 Annual Improvements to MFRS Standards 2014 - 2017 Cycle	1 January 2018
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to MFRS 140 Transfers of Investment Property	1 January 2018

A2. Changes in Accounting Policies (cont'd)

During the current financial period, the Group has adopted the following new accounting standard(s) and/or interpretation(s) (including the consequential amendments, if any) (cont'd):-

Title	Effective Date
Amendments to MFRS 4 *Applying MFRS 9* Financial Instruments *with MFRS 4* Insurance Contracts	See MFRS 4 Paragraphs 46 and 48

Adoption of the above Standards did not have any material effect on the financial performance or position of the Group and of the Company.

The Group has not applied in advance the following accounting standard(s) and/or interpretation(s) (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the current financial year:-

Title	Effective Date
MFRS 16 *Leases*	1 January 2019
IC Interpretation 23 *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to MFRS 128 *Long-term Interests in Associates and Joint Ventures*	1 January 2019
Amendments to MFRS 9 *Prepayment Features with Negative Compensation*	1 January 2019
Amendments to MFRS 3 *Annual Improvements to MFRS Standards 2015 - 2018 Cycle*	1 January 2019
Amendments to MFRS 11 *Annual Improvements to MFRS Standards 2015 - 2018 Cycle*	1 January 2019
Amendments to MFRS 112 *Annual Improvements to MFRS Standards 2015 - 2018 Cycle*	1 January 2019
Amendments to MFRS 123 *Annual Improvements to MFRS Standards 2015 - 2018 Cycle*	1 January 2019
Amendments to MFRS 119 *Plan Amendment, Curtailment or Settlement*	1 January 2019
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
MFRS 17 *Insurance Contracts*	1 January 2021

A2. Changes in Accounting Policies (cont'd)

The Group has not applied in advance the following accounting standard(s) and/or interpretation(s) (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the current financial year (cont'd):-

Title	Effective Date
Amendments to MFRS 10 and MFRS 128 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Deferred

MFRS 9 Financial Instruments

MFRS 9 (IFRS 9 issued by IASB in July 2014) replaces the existing guidance in MFRS 139 Financial Instruments: Recognition and Measurement and introduces a revised guidance on the classification and measurement of financial instruments, including a single forward-looking 'expected loss' impairment model for calculating impairment on financial assets, and a new approach to hedge accounting. Under this MFRS 9, the classification of financial assets is driven by cash flow characteristics and the business model in which a financial asset is held.

Furthermore, pursuant to MFRS 9, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, the Group is required to recognise and measure a lifetime expected credit loss ("ECL") on its debt instruments. This application will result in earlier recognition of credit losses.

The adoption of MFRS9 did not have significant effects on the interim financial report upon their initial application.

MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a single comprehensive model for revenue recognition and will supersede the current revenue recognition guidance and other related interpretations when it becomes effective. Under MFRS 15, an entity shall recognise revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the distinct promised goods or services underlying the particular performance obligation is transferred to the customers. The amendments to MFRS 15 further clarify the concept of 'distinct' for the purposes of this accounting standard. In addition, extensive disclosures are also required by MFRS 15 about the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

The adoption of MFRS 15 did not have significant effects on the interim financial report upon their initial application.

A3. Auditors' Report on Preceding Annual Financial Statements

There was no qualification to the audited financial statements of the Company and its subsidiaries for the financial year ended 31 May 2018.

A4. Seasonal or Cyclical Factors

The financial performance of the Group is not significantly affected by any seasonal or cyclical factors save for the materialization of purchase rebate entitlements from our suppliers which can only be determined in the third quarter of the financial year.

A5. Item of Unusual Nature

There were no significant unusual items affecting the assets, liabilities, equity, net income or cash flow because of their nature, size or incidence for the financial quarter under review.

A6. Material Changes in Estimates

There were no changes in estimates of amounts reported in prior financial years that have had a material effect in the current financial quarter.

A7. Changes in Debt and Equity Securities

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities during the current financial quarter.

A8. Dividend Paid

A final single tier tax exempt dividend of 5.0 sen per ordinary share amounting to RM10,885,320 in respect of the financial year ended 31 May 2018 is paid on 14 November 2018.

There was no dividend paid in respect of the current financial period to date.

A9. Segmental Information

No segmental analysis is prepared as the Group is primarily engaged in retail pharmacy and related activities in Malaysia.

A10. Capital Commitments

Capital commitment for property and equipment not provided for as at 30 November 2018 are as follows:-

Capital expenditure commitments	As at 30-November-18 RM'000
Purchase of property, plant and equipment	1,920

A11. Material Events during the Interim Period

There was an additional acquisition of 40,000 shares of RM1.00 each in Cosy Vision Sdn. Bhd. for a total consideration of RM40,000 on 1st October 2018 by Caring Pharmacy Retail Management Sdn. Bhd. ("CPRM"), resulting an increase in CPRM's effective equity interest in the subsidiary from 60% to 100%.

A12. Changes in Composition of the Group

There were no changes in the composition of the Group for the current quarter under review.

A13. Contingent Liabilities or Contingent Assets

There were no material contingent liabilities or contingent assets to be disclosed as at the date of this report.

Part B–Explanatory Notes Pursuant To The Listing Requirements of Bursa Securities

B1. Review of Performance of the Group

The Group registered a revenue of RM139.30 million and profit before tax of RM9.73 million for the current financial quarter as compared to a revenue of RM123.45 million and profit before tax of RM7.17 million reported in the previous year corresponding quarter. The higher revenue was mainly contributed by the sales generated from the establishment of 10 new outlets since 1 September 2017 till 30 November 2018, and also higher sales from existing outlets.

During the quarter under review, we have established additional one complex outlet. As of 30 November 2018, we have a total of 119 community pharmacies.

The increase in profit before taxation for the current quarter compared to the corresponding quarter in the preceding year is mainly contributed by higher revenue and higher gross profit margin.

B2. Variation of Results with the Immediate Preceding Quarter

For the current quarter under review, the Group reported an increase in profit before tax by RM3.23 million, from RM6.50 million (immediate preceding quarter) to RM9.73 million. This was mainly attributable to higher gross profit and lower operating expenses incurred.

B3. Prospect for the Group

The operating environment is expected to remain competitive. Nevertheless, with the Group's continuous effort in improving the marketing strategies, coupled with the few festive sales and year-end sales, the Board of Directors believes that the Group will continue to achieve higher sales in the next quarter.

B4. Profit Forecast and Profit Estimate

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

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Part B–Explanatory Notes Pursuant To The Listing Requirements of Bursa Securities

B5. Notes to the Statement of Profit or Loss and Other Comprehensive Income

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter	Preceding Year Quarter	Current Year To Date	Preceding Year To Date
	30-November-18	30-November-17	30-November-18	30-November-17
	RM'000	RM'000	RM'000	RM'000
Depreciation of property, plant and equipment	951	1,006	1,830	1,972
Equipment written off	-	-	-	5
Gain on disposal of equipment	-	-	-	2
Interest expense	28	24	54	50
Interest income	(912)	(615)	(1,659)	(1,160)
Rental income	(49)	(37)	(98)	(74)

Save for the above, the other items as required under Appendix 9B Part A (16) of the Main Market Listing Requirements of Bursa Securities are not applicable.

B6. Income Tax Expense

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter	Preceding Year Quarter	Current Year To Date	Preceding Year To Date
	30-November-18	30-November-17	30-November-18	30-November-17
	RM'000	RM'000	RM'000	RM'000
Income Tax				
Current Tax	2,628	1,936	4,383	3,539
Tax expense	2,628	1,936	4,383	3,539

Note:

The effective tax rate for the current quarter and financial year under review is higher than the statutory tax rate of 24% mainly due to deferred tax assets not recognised.

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Part B–Explanatory Notes Pursuant To The Listing Requirements of Bursa Securities

B7. Status of Corporate Proposals

There were no corporate proposals commenced but not completed as at the date of this report.

B8. Group Borrowings

The Group's borrowings as at 30 November 2018 are as follows:

	As at 30-November-18 RM'000	As at 30-November-17 RM'000
Long term borrowings		
Secured:		
Hire purchase	-	23
Term loan	7,903	7,284
	7,903	7,307
Short term borrowings		
Secured:		
Hire purchase	23	67
Term loan	1,712	1,457
	1,735	1,524
Total borrowings	9,638	8,831

B9. Material Litigation

There was no material litigation and the Directors do not aware of any proceedings pending or threatened against the Group as at the date of issuance of this interim financial report.

B10. Dividends

No dividend was declared or recommended for payment by the Company for the quarter under review.

B11. Earnings Per Share

(a) Basic Earnings Per Share

The basic earnings per share for the current quarter and financial year to date are computed as follows:-

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30-November-18 RM'000	Preceding Year Quarter 30-November-17 RM'000	Current Year To Date 30-November-18 RM'000	Preceding Year To Date 30-November-17 RM'000
Profit for the period	5,738	4,274	9,826	7,528
Number of ordinary shares of RM1.00 each in issue	217,706	217,706	217,706	217,706
Basic Earnings Per Share (sen)	2.64	1.96	4.51	3.46

(b) Diluted Earnings Per Share

Diluted earnings per share were not computed as the Company does not have any dilutive potential ordinary shares in issue for the current quarter and financial year-to-date.

By order of the Board
24 January 2019