# annual report 2014

## CARING PHARMACY GROUP BERHAD

(Company No. 1011859-D)

# Contents


2 Corporate Structure

3 Financial Highlights

4 Corporate Information

5 Chairperson's Statement

7 Directors' Profile

10 Corporate Social Responsibility Statement

15 Corporate Governance Statement

28 Audit Committee Report

31 Statement on Internal Control and Risk Management

34 Directors' Responsibility Statement for the Audited Financial Statements

35 Financial Statements

92 List of Properties

93 Additional Compliance Information Disclosures

94 Analysis of Shareholdings

96 Notice of Annual General Meeting

98 Statement Accompany Notice of Annual General Meeting

Proxy Form

# Corporate Structure

**Caring Pharmacy Group Berhad** (1011859-D)

100%

**Caring Pharmacy Retail Management Berhad** (757411-U)

## PARTIALLY-OWNED SUBSIDIARIES

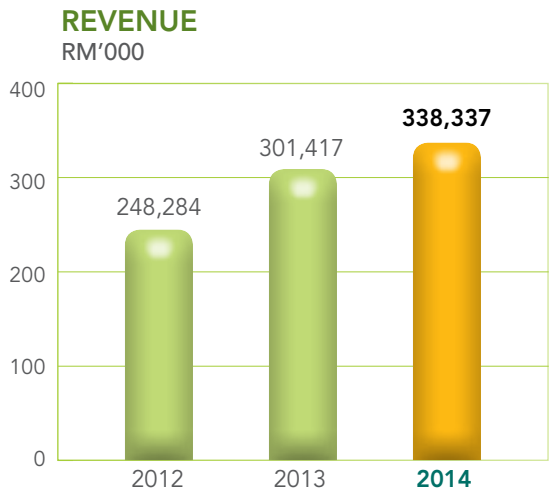
- 51.0% Ace Caring Pharmacy Sdn Bhd (783350-D)
- 51.0% Be Caring Sdn Bhd (610579-X)
- 80.0% Caring Belle Sdn Bhd (539411-A)
- 60.0% Caring Clover Sdn Bhd (1074282-D)
- 51.0% Caring Health Solutions Sdn Bhd (758693-P)
- 60.0% Caring 'N' You Pharmacy Sdn Bhd (785860-D)
- 75.0% Caring Pharmacy (ABM) Sdn Bhd (873196-M)
- 60.0% Caring Pharmacy (AMC) Sdn Bhd (873532-U)
- 60.0% Caring Pharmacy (Ampang) Sdn Bhd (825266-W)
- 51.0% Caring Pharmacy (IDR) Sdn Bhd (961134-H)
- 60.0% Caring Pharmacy (JB Molek) Sdn Bhd (952979-M)
- 50.0% Caring Pharmacy (Kinrara) Sdn Bhd (515698-K)
- 60.0% Caring Pharmacy (KLP) Sdn Bhd (776548-H)
- 70.0% Caring Pharmacy (Lifeplus) Sdn Bhd (968014-D)
- 80.0% Caring Pharmacy (Puchong) Sdn Bhd (837657-X)
- 60.0% Caring Pharmacy (Shah Alam) Sdn Bhd (952977-A)
- 90.0% Caring Pharmacy (SK) Sdn Bhd (947306-U)
- 70.0% Caring Pharmacy Always Sdn Bhd (897754-A)
- 60.0% Caring Pharmacy Paradise Sdn Bhd (982479-P)
- 60.0% Caring Pharmacy Rising Sdn Bhd (1044604-D)
- 59.5% Caring Trinity Sdn Bhd (1044606-P)
- 59.5% Caring Trio Sdn Bhd (1004207-T)
- 60.0% Cosy Vision Sdn Bhd (1023064-T)
- 70.0% Fuji Acre Sdn Bhd (1036832-M)
- 70.0% Green Surge Sdn Bhd (907199-H)
- 70.0% Living Glory Sdn Bhd (963210-H)
- 60.0% Mega Caring Sdn Bhd (1019846-Y)
- 60.0% MN Pharmacy Sdn Bhd (650272-T)
- 60.0% My Caring Pharmacy Sdn Bhd (854236-U)
- 60.0% One Caring Pharmacy Sdn Bhd (888822-W)
- 70.0% Preciouslife Pharmacy Sdn Bhd (819638-M)
- 51.0% Stay Caring Sdn Bhd (661575-M)
- 50.0% Sterling Pharmacy Sdn Bhd (575790-U)
- 60.0% Tonic Pharma Sdn Bhd (779489-D)
- 60.0% United RX Care Sdn Bhd (896651-V)
- 51.0% Vertex Pharmacy Sdn Bhd (824229-W)
- 60.0% Victorie Caring Sdn Bhd (882809-W)

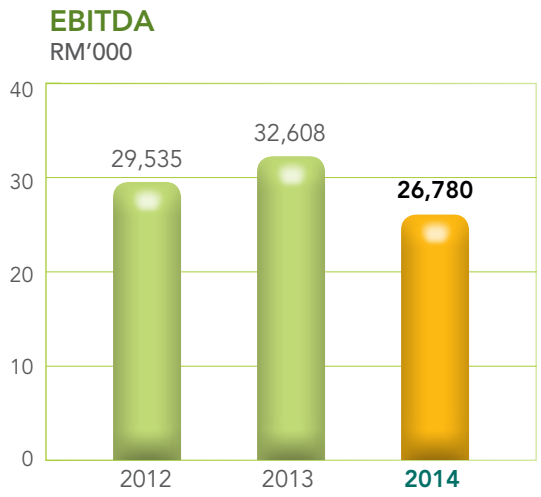
## WHOLLY-OWNED SUBSIDIARIES

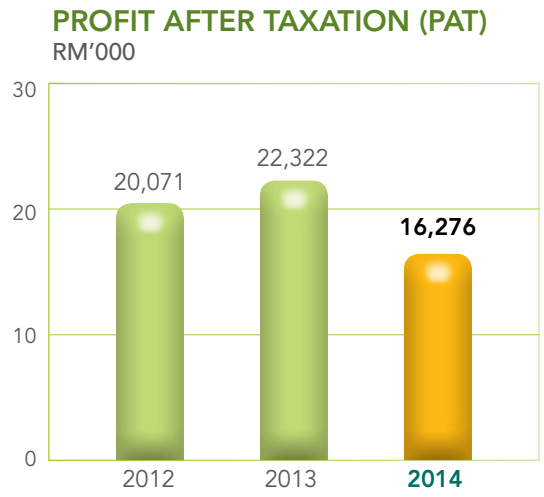
- Caring Pharmacy (MSF) Sdn Bhd (846171-V) 100%
- Caring Pharmacy (SW) Sdn Bhd (847445-W) 100%
- Caring Pharmacy Estore Sdn Bhd (881773-W) 100%
- Caring Pharmacy Help Sdn Bhd (1053702-X) 100%
- Caring Pharmacy Sdn Bhd (296901-H) 100%
- Miracle Cure Caring Sdn Bhd (1039695-P) 100%
- United Caring Venture Sdn Bhd (690348-H) 100%
- Viva Caring Sdn Bhd (512540-T) 100%

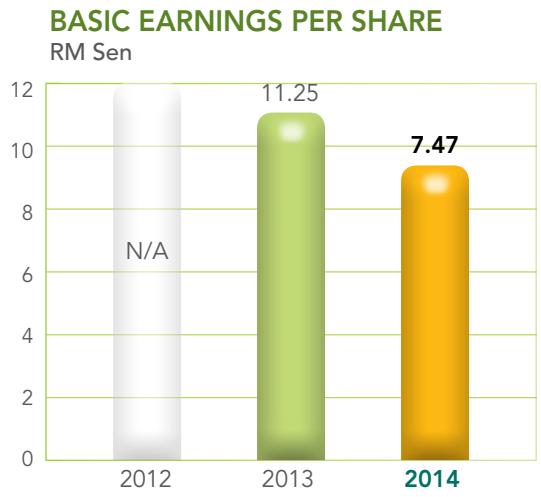
*Note:*
The Group Structure above is depicted as at 31 May 2014

# Financial Highlights




| | | Proforma (Audited) | | (Audited) |
|---|---|---|---|---|
| **Financial Year Ended 31 May** | | **2012** | **2013** | **2014** |
| Revenue | RM'000 | 248,284 | 301,417 | **338,337** |
| Gross Profit (GP) | RM'000 | 64,132 | 77,790 | **83,274** |
| GP Margin | % | 25.83 | 25.81 | **24.61** |
| Earnings Before Interest, Tax, Depreciation & Amortisation (EBITDA) | RM'000 | 29,535 | 32,608 | **26,780** |
| Profit Before Taxation (PBT) | RM'000 | 26,947 | 29,819 | **22,810** |
| PBT Margin | % | 10.85 | 9.89 | **6.74** |
| Profit After Taxation (PAT) | RM'000 | 20,071 | 22,322 | **16,276** |
| PAT Margin | % | 8.08 | 7.41 | **4.81** |
| Basic Earnings Per Share [(a)] | sen | N/A | 11.25 | **7.47** |

**Notes:-**

N/A = Not Applicable

(a) Based on the weighted average number of ordinary shares in issue.

# Corporate Information

## BOARD OF DIRECTORS

**Datin Sunita Mei-Lin Rajakumar**
Independent Non-Executive Chairperson

**Chong Yeow Siang**
Managing Director

**Soo Chan Chiew**
Executive Director

**Tan Lean Boon**
Executive Director

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

**Ang Khoon Lim**
Non-Independent Non-Executive Director

## AUDIT COMMITTEE

**Datin Sunita Mei-Lin Rajakumar**
Committee Chairperson

**Tan Sri Dato' Haji Mohd Ariffin Bin Mohd Yusuf**
Committee Member

**Ang Khoon Lim**
Committee Member

## NOMINATION COMMITTEE

**Tan Sri Dato' Haji Mohd Ariffin Bin Mohd Yusuf**
Committee Chairman

**Datin Sunita Mei-Lin Rajakumar**
Committee Member

**Ang Khoon Lim**
Committee Member

## REMUNERATION COMMITTEE

**Datin Sunita Mei-Lin Rajakumar**
Committee Chairperson

**Tan Sri Dato' Haji Mohd Ariffin Bin Mohd Yusuf**
Committee Member

**Ang Khoon Lim**
Committee Member

## COMPANY SECRETARY

**Pang Kah Man** (MIA 18831)

## REGISTERED OFFICE

No. 3-2, 3rd Mile Square
No. 151 Jalan Kelang Lama
Batu 3½ 58100 Kuala Lumpur
Tel : +603-7987 5300
Fax : +603-7987 5200
Email : lsca-kl@lsca.com.my

## AUDITORS

**Crowe Horwath** (AF1018)

## SHARE REGISTRAR

**Berjaya Registration Services Sdn Bhd**
Lot 06-03 Level 6 East Wing
Berjaya Times Square
No.1 Jalan Imbi
55100 Kuala Lumpur
Tel : +603-2145 0533
Fax : +603-2145 9702

## PRINCIPAL PLACE OF BUSINESS

No. 8B, Jalan 1/137C
Bedford Business Park
Off Jalan Kelang Lama
58000 Kuala Lumpur
Tel : +603-7782 1988
Fax : +603-7782 1928

## STOCK EXCHANGE LISTING

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

## WEBSITE

www.caring2u.com.my

# Chairperson's Statement

## *Dear Shareholders,*

On behalf of the Board of Directors, I am pleased to present the inaugural Annual Report and Audited Accounts of Caring Pharmacy Group Bhd for the financial year ended 31 May 2014.

As the only pharmacy chain listed in Bursa Malaysia and as we enter our 20th year, we view ourselves as the leading community pharmacist and are single-minded on maintaining our strong positioning. Dedicated, enthusiastic and friendly pharmacists remain our hallmark; professional and unparalleled customer service will continue to be the cornerstone of our business.

## FINANCIAL REVIEW

For the year under review, the Group registered turnover of RM338.34 million, which represented a growth of 12% against the previous year's turnover of RM301.42 million, largely on the back of an additional 19 new outlets opened during the year, which made a total of 99 outlets in the Group by 31 May 2014.

The Group registered profit before tax of RM22.81 million and a profit after tax of RM16.28 million in the financial year, less than the previous year as 19 outlets were new, in operation for less than a year. Increased market competition also led to a drop in profit margin and selling and distributing expenses increased, mainly in terms of personnel costs.

To prepare the Group for the next phase of growth, we are investing in our human capital and have stepped up the recruitment for both senior management and frontline staff. These two has impacted the current financial year's bottom line, but is an essential investment to ensure the continued growth of the Group in the long run.

## OPERATION REVIEW

19 new outlets were opened with 7 high street outlets, 10 complex outlets, 2 specialty retail outlets. We were very pleased to have successfully bid and won the right to operate two outlets in the newly operational low-cost carrier airport (KLIA 2).

We have an unwavering focus on our pharmacist recruitment and retention strategy to fuel our aggressive expansion and this includes constant training, guidance and motivation throughout the year to our pharmacists and staff.

Partnership is deep rooted in our business. Our partners are loyal, committed and have been contributing consistently in growing our business. They are our brand ambassadors who help us in building long trusted relationship with our customers. We shall continue to be sensitive to their needs, prioritize their interests and give them full support in running the outlets.

# Chairperson's Statement (cont'd)

We provide first class business support to our front liners so that they can focus on what matters most to us: our customers and the sales. This means our highly effective business support team provides a range of business support to our front liners, in order for them to focus on looking after our customers and driving forward our businesses. Driving operational excellence in our business processes was a key focus area during the year under review.

To this end, we upgraded our supply chain and warehouse management system to achieve higher efficiency across our supply chain and to better support our outlets. To ensure our outlets enjoy ongoing, undisrupted and reliable access to great value products, our supply chain team from sourcing, purchasing, warehousing and distributing have been worked tirelessly to create a robust supply chain system and maintain a long-lasting strategic business relationship with all suppliers. By having real time stock on hand info, we are able to improve stock management of the Group.

The Group fosters an environment that leverages best practices to drive business process improvements. We are committed to improving productivity and efficiency in key areas like finance, business development, operation and marketing.

Operational excellence requires capital discipline and efficiency, including managing increasing costs in rent, being innovative in managing the refurbishment and renovation cost of new stores and how we allocate funds towards advertising and promotional activities.

## PROSPECTS

We believe our markets will continue to be highly competitive with new players joining the fray. Our customers will continue to be demanding – and rightly so – with the rising cost of living and the introduction of a Good and Service Tax ("GST") in the country.

With decades of experiences as a people-oriented business with vast and rich pharmacy retailing experience, coupled with the passion and enthusiasm of our stakeholders to serve and to succeed, we are confident in our growing prospects. We recognize the importance of excellent customer service and great pricing as two key factors to succeed in the retail pharmacy industry. Our customers are assured of the best possible deal and experience with no compromise to quality or service.

The Group intends to continue its plan to open 12-15 new outlets a year primarily within the Klang Valley and other major cities in West Malaysia and will upgrade existing outlets where needed to stay attractive and competitive to the consumers.

## DIVIDEND

The Board of Directors remains committed to our company's dividend policy of paying not less than 30% of our Group's profit after taxation. For the FYE 2013/14, the company has declared the interim single tier dividend of 1.5 sen per share paid out on 21 March 2014.

The Board recommends the payment of a final single tier dividend of 1.5 sen per share for the FYE 2013/14 subject to the shareholders' approval at the forthcoming annual general meeting.

The dividend declared for the financial year in aggregate is 3 sen per share or in total RM6.53 million representing a dividend payout rate of approximately 40% to the profit after taxation for FYE 2013/14.

The Group is in a healthy financial position with a net cash position of RM77.90 million. This provides the Group with the capacity and flexibility to continue rewarding our shareholders.

## APPRECIATION

On behalf of the Board of Directors, I would like to thank the management and staff of the Company for their commitment, dedication and contributions in taking Caring through another challenging year.

To our customers, shareholders, suppliers, bankers and business associates, who have continued to provide us support and made us who we are today, I wish to express my sincere appreciation and gratitude to every one of you.

**Datin Sunita Mei-Lin Rajakumar**
*Independent Non-Executive Chairperson*

# Directors' Profile

## DATIN SUNITA MEI-LIN RAJAKUMAR

Aged : 46
Designation : Independent Non-Executive Chairperson
Appointment date : 27 December 2012
Tenure of service : 1 year 11 months

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

## CHONG YEOW SIANG

Aged : 47
Designation : Managing Director
Appointment date : 30 July 2012
Tenure of service : 2 years 4 months

He graduated in 1992 from Universiti Sains Malaysia with a Bachelor of Pharmacy (Honours) Degree. He became a Registered Pharmacist with the Ministry of Health in 1993. His career started in 1992 as a Pupil Pharmacist in the Pharmacy Department of the Penang General Hospital. Subsequently he left and joined Servier Malaysia, a French pharmaceutical company located in Kuala Lumpur, as a Hospital Product Specialist in 1993. In 1994, he became Product Executive at Servier Malaysia and was later appointed as Product Manager of the company in 1995. He left Servier Malaysia in 1997 and took up the position as Branch Manager and Pharmacist at the Taman Kok Lian outlet of Caring Pharmacy Sdn Bhd. In 1999, he was later appointed as General Manager of Caring Pharmacy Sdn Bhd where he was responsible for the operations of six Caring outlets. He was appointed to his current tenure as Group Managing Director of CARiNG Group of companies in 2002 and is mainly responsible for developing the strategic direction and overseeing the business operations of the Group.

# Directors' Profile (cont'd)

## SOO CHAN CHIEW

Aged : 46
Designation : Executive Director
Appointment date : 30 July 2012
Tenure of service : 2 years 4 months

He graduated in 1992 from Universiti Sains Malaysia with a Bachelor of Pharmacy (Honours) Degree. He became a Registered Pharmacist with the Ministry of Health in 1993. His career started in 1992 as a Pupil Pharmacist with Universiti Hospital, Kuala Lumpur. In 1993, he joined George Town Chemist Sdn Bhd, a retail pharmacy chain, as a Pharmacist in one of the outlets. Subsequently he left to set up Caring Pharmacy Sdn Bhd in 1994 and was appointed as Branch Manager of our first 'CARiNG' community pharmacy outlet in Taman Muda. In 2007, with the establishment of Caring Pharmacy Retail Management Sdn Bhd. both the Heads of Finance and Management Information System Department report to him. His role and responsibilities include identifying critical business issues and to develop solutions to enhance the existing core applications, such as our in-house point-of-sales system and our retail management software system.

## TAN LEAN BOON

Aged : 47
Designation : Executive Director
Appointment date : 27 December 2012
Tenure of service : 1 year 11 months

He graduated in 1992 from Universiti Sains Malaysia with a Bachelor of Pharmacy (Honours) Degree. He became a Registered Pharmacist with the Ministry of Health in 1993. His career started in 1992 as a Houseman Pharmacist with Universiti Hospital, Kuala Lumpur. In 1993, he left and joined Apex Pharmacy Sdn Bhd as a Pharmacist at one of its retail outlets. In 1994, he joined Eli Lily (M) Sdn Bhd, a pharmaceutical company, as a Regulatory Affairs Executive. He then left and joined Caring Pharmacy Sdn Bhd in 1997 as a Branch Manager in one of the group's retail outlets. Subsequently in 2002, he was appointed to as Purchasing Director of Caring Pharmacy Sdn Bhd. He is currently responsible for overseeing the supply chain operations of our Group which includes procurement, warehousing and logistics.

# Directors' Profile (cont'd)

## TAN SRI DATO' HAJI MOHD ARIFFIN BIN MOHD YUSUF

Aged : 66
Designation : Senior Independent Non-Executive Director
Appointment date : 27 December 2012
Tenure of service : 1 year 11 months

He graduated from the Institut Teknologi Mara with a Diploma in Banking in 1972. He is a Member of the British Institute of Management, United Kingdom. His career started in 1975 when he took up the position of Managing Director of Primabumi Sdn Bhd, a company involved in procurement and supply of pharmaceutical products to government hospitals and institutions, where he has been involved in leading the overall operations of the company till to date. He is currently a director and shareholder of several private companies.

## ANG KHOON LIM

Aged : 47
Designation : Non-Independent Non-Executive Director
Appointment date : 27 December 2012
Tenure of service : 1 year 11 months

He graduated in 1992 with a Bachelor of Pharmacy (Honours) Degree from Universiti Sains Malaysia. He became a Registered Pharmacist with the Ministry of Health in 1993. His career started in 1994 when he joined Sime Darby Marketing Sdn Bhd as Product Manager. The company is involved in the distribution of pharmaceutical products. In 1996, he joined Solvay Pharmaceutical B.V., Holland, a subsidiary of Solvay SA, a public listed company in Belgium, as Country Manager for Malaysia. Subsequently he left in 1999 and joined Caring Pharmacy Sdn Bhd in the position of General Manager. In 2000, he was appointed Executive Director of Caring Pharmacy Holdings Sdn Bhd.

### Conflict of interest

None of the Directors has any conflict of interest with the Company.

### Conviction of offence

None of the Directors has been convicted of any offence within the past 10 years other than traffic offences.

# Corporate Social Responsibility Statement

*We care for the communities we serve*

Corporate social responsibility is a vital part of CARiNG. Our approach to corporate social responsibility is focused on our partnership with stakeholders that share our values of improving health and wellbeing of the communities that we serve.

## COMMUNITY HEALTHCARE

### Objective :

To establish meaningful partnership with National Stroke Association Malaysia and other stakeholders to promote the awareness of stroke rehabilitation and stroke prevention nationwide under the National Stroke Campaign (NSC) through early screening and education.

### Achievement :

**National Stroke Campaign**

In 2014, we provided free health screenings in seven NSC road shows across Malaysia as an initiative to encourage the public to engage in early health screening, alert them on their own health status as well as educate them on common contributing risk factors leading to stroke.

We utilised our significant consumer reach to deliver health related information and advice to customers. In addition, we launched a 3 months CARiNG Stroke Prevention Campaign in all CARiNG outlets, providing valuable information on hypertension, high cholesterol and stroke; besides conducting simple stroke risk assessment for customers. Through our partnership with Pfizer, we offer free full lipid profile and glucose test vouchers to high risk patients and refer them to neighbouring medical doctors with the aim of encouraging early management and prevention of disease complication.

# Corporate Social Responsibility Statement (cont'd)

## CARING HEALTH CAMPAIGN AND HEALTH TALKS / WORKSHOPS

### Objective :

To improve customers' understanding of medical illness and use of medication, thus improves medication adherence and management of the condition.

We are committed to provide health education and create awareness program for our communities. We have launched campaigns to encourage customers to talk to pharmacy teams about their health concerns. We provide free health screenings, valuable information and health talks/workshops by medical doctors, senior diabetic nurse, physiotherapist and psychologist.

### Achievement :

**CARiNG Health Campaign 2013/2014**

- Elderly Care Month - June and July 2013
- Monitor your Blood Pressure Campaign - September 2013
- Stroke Awareness Month - October 2013
- Diabetes: Protect Our Future Campaign - November 2013
- Know Your Pain Campaign - January 2014
- Women's Health Campaign - February and March 2014
- Managing Eczema Campaign - April 2014
- Manage Your Asthma Campaign - May 2014
- Men's Health Campaign - June 2014
- Stroke Prevention Campaign - August, September and October 2014

**CARiNG Health Talk / Workshops**

- Managing Osteoarthritis and Move to Improve
- Talk about Stroke with NASAM
- Healthy Eating for People with Diabetes Workshop
- Caring World Heart Day
- Monitor your Blood Pressure
- Diabetes Management Workshop – Self Monitoring Blood Glucose
- Diabetes Conversation Map - a tool to manage Diabetes & its complications
- A Friend of Skin Eczema Workshop

# Corporate Social Responsibility Statement (cont'd)

### Caring Customer Care (3C)

**Objective :**

A program to create awareness on the importance of regular medical check-up with doctor, thus encourage patients to visit the doctor on a regular basis.

Through our CARiNG Customer Care (3C) program, we identify those with high risk and encourage them to seek advice from medical doctors.

**Challenges:**

Mainly the public is not in favour to the idea of seeking the advice from medical doctors due to the escalating medical cost.

**Strategy:**

We plan to organise more referral program and work closely with neighbouring medical doctors to achieve our objective.

## CARING HEALTH AWARENESS DAY (CHAD)

**Objective :**

To promote healthy living and the importance of early detection and management of common silent killers (high blood pressure, high cholesterol, high glucose and obesity).

**Achievement :**

Since Jun 2013, we have organised 26 roadshows in CARiNG outlets nationwide and we plan to have more in the coming year.

We provided free health screenings to the communities through CHAD roadshow, create awareness of managing these risk factors, leading cause of many chronic disease such as stroke and heart disease. Following every screening, we refer high risk patients to their medical doctors.

# Corporate Social Responsibility Statement (cont'd)

## LOCAL COMMUNITIES PROGRAM / CARE HOME VISIT

### Objective:

To encourage our employees to volunteer their time to make a difference in the communities that we serve.

### Achievement :

In conjunction with CARE for Elderly Campaign in June 2013, CARiNG employees had the opportunity to visit 6 care homes in Klang Valley. We were there to show our care to the elderly and provided them free health screenings and small gifts.

CARiNG also sponsored our employees and family members to participate in local communities program such as NASAM annual fund-raising event, Hope Walk 2013.

## Charitable Giving

### Women's Health Campaign

In conjunction with International Women's Day 2014, we launched CARiNG Women's Health Campaign and WomenCare Day of Health Roadshow in partnership with National Cancer Society Malaysia to promote early detection and prevention of breast and cervical cancer. CARiNG also supported NCSM cause in helping people affected by cancer with a donation of RM5,000.

# Corporate Social Responsibility Statement (cont'd)

## Go Green Campaign & No Plastic Bag Day

We aim to reduce plastic usage whenever possible. In 2008, Caring launched an awareness campaign aimed at reducing plastic use in our retail stores by embracing a few simple daily actions. We educated our own employees not use plastic bags whenever they make purchases at our stores.

Since 2008, we encouraged our customers to Go Green with CARiNG. In our recent campaigns, CARiNG has given out more than 60,000 recycle bags to our customers. Futhermore we provided monetary rewards through instant rebates to those who use recycle bags or paper bags instead of plastic bags.

In 2013, CARiNG raised a total of RM16,000 through No Plastic Bag Campaign and donated to National Kidney Foundation. The sum of all pennies charged for every plastic bags given for customers' use was donated for a good cause.

## Gift of Love

CARiNG outlets nationwide, through the launch of "Gift of Love" raised RM13,824 for World Vision Children's Development Fund in support of of its local community project in the sub-district Tulid, Sabah.

## National Varsity Chinese Debate Competition, University of Malaya

In support of our local university initiatives to encourage awareness of current issues, cultivate critical thinking and inculcate the spirit of thinking, CARiNG has contributed a sum of RM20,000 to Chinese Language Society of University of Malaya in its National Varsity Chinese Debate.

## Expansion / Future Plan

We aspire to deliver continuous service excellence towards the wellness and wellbeing of the communities we serve. Following are the descriptions of our strategies which serve as a roadmap to achieve our goals.

## Goals

Caring recognizes the impact of the CHAD roadshows and hence we aspire to increase the number of CHAD to 50 (inclusive of outstation outlets) and home care visits to 10 in year 2015.

As a healthcare provider we understand our role in health promotion and will effectively communicate across our outlets to encourage our pharmacists to enrol more customers in CHAD roadshows.

We will work within our communities to increase the number pharmacists contributing in CHAD roadshows.

We will work within our purchasing department and suppliers to build on the sustainability of continuous sponsorship of diagnostic materials and educational leaflets.

# Corporate Governance ("CG") Statement

## 1. Establish Clear Roles and Responsibilities

### 1.1 Clear Functions of the Board and Management

The Board of Directors (or "Board") of Caring Pharmacy Group Berhad ("Caring" or "the Company") is responsible for oversight and overall management of the Company. In order to ensure the effective discharge of its function and responsibilities, it has established a Board Charter for the Company and the subsidiaries ("Group" or "Caring Group") where specific powers of the Board are delegated to the relevant Board Committees and the Managing Director (or "MD"). Board Committees comprise Audit Committee ("AC"), Remuneration Committee ("RC") and Nomination Committee ("NC") as set out herein.

The Board reviews and approves the annual corporate plan ("ACP") for Caring Group, which includes the annual business plan and budget, dividend policy, business continuity plan, new issues of securities, business restructuring, expenditure above a certain limit, disposals of significant fixed assets and the acquisition or disposal of companies within the Group risk management, risk management strategy, internal controls and reporting systems (including their establishment and maintenance).

The Board Committees are entrusted with specific responsibilities to oversee the Group's affairs, with authority to act on behalf of the Board in accordance with their respective Terms of Reference ("ToR"). Although specific powers are delegated to the Board Committees, the Board continues to keep itself abreast of the actions and decisions taken by each Board Committee, including key issues via reports by the Chairman and/or Chairperson of each of the Board Committees, as well as the tabling of minutes of all Board Committee meetings, to the Board at Board meetings. The Board reviews the respective Board Committees' authority and ToR from time to time to ensure their relevance.

### 1.2 Clear Roles and Responsibilities

The Board has wide responsibilities which are discharged in the best interests of the Company in pursuance of its commercial objectives. Amongst the key responsibilities of the Board are as described below:

**a. Reviewing and adopting the Company's strategic plans**

The Board plays an active role in the development of the Company's strategy. It has in place a strategy planning process, whereby the Management presents to the Board its recommended strategy annually, together with its proposed business plans for the ensuing year at a dedicated session, for the Board's review and approval. At this session, the Board deliberates both the Management's and its own perspectives, and challenges the Management's views and assumptions, to ensure the best outcome.

In conjunction with this, the Board also reviews and approves the annual budget for the ensuing year, and sets the Key Performance Indicators ("KPIs") under the ACP, ensuring that the targets correspond to the Company's strategy and business plan, reflect competitive industry trends and internal capabilities as well as provide sufficient stretch for the Management.

The Board actively engaged with Management in monitoring the progress of initiatives and projects identified from time to time and, where required, identified alternative measures to be taken to ensure the successful realisation of the strategies. The Board also discussed strategy implementation processes taking cognisance of internal and external factors which had supported various achievements as well as challenges facing Management. On 27 October 2014, a Board meeting was held where Management's proposal on the 2015 Budget was presented to the Board and approved.

**b. Overseeing the conduct of the Company's business**

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

# CG Statement (cont'd)

The Non-Executive Directors do not participate in the day-to-day management of the Group and do not engage in any business dealing or other relationship with the Group to ensure that they are capable of exercising judgment objectively and act in the best interest of the Group, its stakeholders and shareholders, including minority shareholders. To enhance accountability, the Board has specific functions reserved for the Board and those delegated to Management. There is a schedule of key matters reserved to the Board for its deliberation and decision to ensure the direction and control of the Group are in its hands.

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

**c. Identifying principal risks and ensuring the implementation of appropriate systems to manage them**

In the absence of the Risk Management Committee, the Board oversees the risk management framework of the Group. Based on the feedback provided by the Management Team, the AC advises the Board on areas of high risk faced by the Group and the adequacy of compliance and control throughout the Group. The AC reviews the risk management policies formulated by Management annually and makes relevant recommendations to the Board for approval. Details of the Company's risk management framework are set out in the Statement on Internal Control and Risk Management of this Annual Report.

**d. Succession planning**

The NC is responsible for reviewing candidates for key management positions, determining compensation packages for these appointments, and formulating nomination, selection, compensation and succession policies for the Group. In discharging its responsibility, the NC reviews the Group's human resources plan including the succession management framework and activities, human resources initiatives such as jobs and salary review, and the annual manpower budget.

Through the input and feedback provided by the MD, the NC continues to monitor the actions taken by the Group Human Resources Department to ensure the smooth transition of key personnel into critical positions, and that the development plans for the identified successors are put in place based on their readiness to assume the positions.

**e. Overseeing the development and implementation of a communication policy for the Company**

Given the Company was just listed in November 2013, the Company will take necessary steps in carrying out its Investor Relations ("IR") activities in accordance with the resources and needs of the Group from time to time.

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

**f. Reviewing the adequacy and integrity of management information and internal control system of the Company**

The Board is ultimately responsible for the adequacy and integrity of the Company's internal control system. Details pertaining to the Company's internal control system and the review of its effectiveness are set out in the Statement on Internal Control and Risk Management of this Annual Report.

In addition to the above, the Whistleblower Policy and Procedures have been formulated with a view to provide a mechanism for officers and employees of Caring to report instances of unethical behaviour, actual or suspected fraud or dishonesty or violation of the Company's Code of Conduct or ethics policy. The implementation of the WPP is in line with Section 368B of the Companies Act, 1965 ("the Act") where provisions have been made to protect Caring's officers who make disclosures on breach or nonobservance of any requirement or provision of the Act or on any serious offence involving fraud and dishonesty.

# CG Statement (cont'd)

## 1.3 Access to Information and Advice

The Directors have individual and independent access to the advice and dedicated support services of the Company Secretary in ensuring the effective functioning of the Board. The Directors may seek advice from Management on issues under their respective purview. The Directors may also interact directly with, or request further explanation, information or updates on any aspect of the Company's operations or business concerns from Management. The Board may seek independent professional advice at the Company's expense on specific issues to enable it to discharge its duties in relation to matters being deliberated. Individual Directors may also obtain independent professional or other advice in furtherance of their duties, subject to approval by the Chairperson or the Board, depending on the quantum of the fees involved.

## 1.4 Strategies promoting Sustainability

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

## 1.5 Board Charter

The Board recognises the importance of establishing a single source of reference for Board activities through a Board Charter as recommended by the Malaysian Code of Corporate Governance 2012 ("MCCG 2012"). As such, the Board has formalised such a Charter to clearly delineate the roles of the Board, Board Committees and Management in order to provide a structured guidance for Directors and Management regarding their responsibilities of the Board, its Committees and Management, including the requirements of Directors in carrying out their stewardship role and in discharging their duties towards the Group as well as boardroom activities. The Board will review its Charter regularly, to keep itself up to date with new changes in regulations and best practices and to ensure its effectiveness and relevance to the Board's objectives. Further, steps will be taken to make available the salient features of the Board Charter on the Company's website.

## 1.6 Formalised Ethical Standards through Code of Ethics

The Company's Code of Conduct, which incorporates a Code of Ethics, requires all officers and employees to observe high standards of business and personal ethics in carrying out duties and responsibilities. As employers and representatives of Caring, or any of its subsidiaries, they must practice honesty and integrity in fulfilling their duties and responsibilities, and comply with all applicable laws and regulations. It is thus the responsibility of all officers and employees to comply with the Code of Conduct and to report violations or suspected violations thereto.

## 1.7 Qualified and Competent Company Secretary

The Company Secretary of Caring is a person with legal qualifications, and is qualified to act as company secretary under Section 139A of the Act. The Board is satisfied with the performance and support rendered by the Company Secretary to the Board in the discharge of her functions. The Company Secretary plays an advisory role to the Board in relation to the Company's constitution, Board policies and procedures and compliance with the relevant regulatory requirements, codes or guidance and legislations. The Company Secretary ensures that deliberations at Board and Board Committee meetings are well captured and documented, and proper records are maintained accordingly at the Registered Office of the Company, and produced for inspection, if required. The Company Secretary constantly keeps herself abreast of the evolving capital market environment, regulatory changes and developments in CG through continuous training. The removal of the Company Secretary is a matter for the Board, as a whole to decide.

# CG Statement (cont'd)

## 2. Strengthen Composition

### 2.1 Nomination Committee

The NC was established on 18 February 2013 to make recommendations to the Board on suitable candidates for appointment to the Board. The ToR of the NC provides that it shall comprise three Non-Executive Directors of whom two are Independent Non-Executive Directors and one is Non-Independent Non-Executive Directors. The NC is chaired by a Senior Independent Non-Executive Director. In 2014, the NC met once and all members attended the meeting.

The ToR of the NC further provides that it shall have specific responsibilities in relation to nomination matters. With respect to nomination matters, the specific responsibilities of the NC shall include, amongst others:

- Formulating the nomination, selection and succession policies for the members of the Board;
- Making recommendations to the Board on new candidates for appointment and re-appointment/re-election of Directors to the Board;
- Reviewing the required mix of skills, experience and other qualities of the Board annually;
- Reviewing and recommending to the Board the appointment of members of Board Committees established by the Board annually;
- Establishing a set of quantitative and qualitative performance criteria to evaluate the performance of each member of the Board, and reviewing the performance of the members of the Board; as well as
- Ensuring that orientation and education programmes are provided for new members of the Board, and reviewing the Directors' continuing education programmes.

### 2.2 Develop, Maintain and Review Criteria for Recruitment and Annual Assessment of Directors

#### a. Recruitment or appointment of Directors

The policies and procedures for recruitment or appointment (including re-election/re-appointment) of Directors are detailed out the Policies and Procedures for Nomination of Directors ("PP") approved by the Board on 23 July 2014. The NC is guided by the PP in carrying out its responsibilities in respect of the nomination, selection and appointment process, which also provides the requirements under the relevant laws and regulations on the matter. The review process involved the NC's consideration and submission to the Board its recommendation of suitable candidates for the proposed appointment as Directors of the Company.

The Company re-election process accords with Article 95 of the Company's Articles of Association ("Articles"), which states that one-third of the Directors for the time being or, if their number is not three or a multiple of three, then the number nearest to one-third shall retire from office and be eligible for re-election. All Directors shall retire from office once at least in each three years but shall be eligible for re-election. A retiring Director shall retain office until the close of the meeting at which he retires, whether the meeting is adjourned or not. An election of Directors shall take place each year.

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

# CG Statement (cont'd)

The NC reviews the composition of the Board Committees annually in accordance with the procedures as set out in the PP. In determining candidates for appointment to the Board Committees, various factors are considered, including the time commitment of the Board Committee members in discharging their role and responsibilities through attendance at their respective meetings.

Given the Company was just listed since November 2013 and much of the time and resources have been channeled into attaining corporate goals (such as upgrading of information management systems via an integrated enterprise resource planning system and opening of new outlets), the Board unanimously agreed that the evaluation and assessment on performance of the Board and Board Committees for the financial year ended 31 May 2014 ("FY2014") would be based on justification and/or recommendation made by the NC and approved by the Board accordingly. From FY 2015 onwards, the evaluation and annual assessment would be conducted via the Audit Committee evaluation questionnaire, Audit Committee members' self and peer evaluation form, Independent Directors' evaluation form, Board and Board committee evaluation form (Collectively referred to as "Questionnaires").

The Directors standing for re-election/re-appointment at the Second ("2nd") Annual General Meeting of the Company are as follows:

| Name | Designation |
|---|---|
| Soo Chan Chiew | Executive Director |
| Tan Sri Dato' Haji Mohd Ariffin Bin Mohd Yusuf | Senior Independent Non-Executive Director |

Soo Chan Chiew and Tan Sri Dato' Haji Mohd Ariffin Bin Mohd Yusuf are due to retire pursuant to Article 95 at the 2nd Annual General Meeting. All these Directors will be recommended for re-election/re-appointment by the Board. Information of each Director standing for re-election is set out in pages 8 and 9 of the Directors' Profile of this Annual Report.

**b. Annual assessment**

The NC will carry out the annual assessment exercise annually and the Company Secretary will facilitate the NC in carrying out the annual assessment exercise. The annual assessment will be conducted via Questionnaires commencing from FY2015. The NC will review the outcome of the annual assessment and recommend to the Board the areas identified for continuous improvement.

The Board's effectiveness is assessed in the areas of composition, administration and process, accountability and responsibility, Board conduct and communication with Management, as well as performance of the Chairperson and MD.

The Board, through the Questionnaires, will examine the Board committees, including their respective Chairman or Chairperson, to ascertain whether their functions and duties are effectively discharged in accordance with their respective ToR.

**c. Gender diversity policy**

The Company currently has one female director who is the Chairperson of the Board. The Board recognises that diversity is critical to a well-functioning Board and an essential measure of good governance. However, the appointment of a new Board member will not be guided solely by gender but rather the skills-set, experience and knowledge of the candidate. The NC is mindful of its responsibilities to ensure that new appointments should provide the appropriate mix of skills, experience, strength and other qualities which would be relevant to enhance the composition of the Board.

# CG Statement (cont'd)

## 2.3 Remuneration Committee

The RC was established on 18 February 2013 and is primarily responsible for the development and review of the remuneration policy and packages for the Board members and senior management. The ToR of the RC provides that it shall comprise three members with a majority of Independent Non-Executive Directors. The NC is chaired by an Independent Non-Executive Director with two members of whom one is Independent Non-Executive Director and one is Non-Independent Non-Executive Director. In 2014, the NC met twice and all members attended the meetings.

The specific responsibilities of the RC in relation to remuneration matters as set out under its ToR include, amongst others:

- Formulating and reviewing the remuneration policies and remuneration for the members of the Board, Board Committees and the senior management, and recommending the same to the Board for approval; and
- Recommending the engagement of external professional advisors to assist and/or advise the RC on remuneration matters, where necessary.

## 2.4 Remuneration Policies

The Board is mindful that fair remuneration is critical to attract, retain and motivate the Directors of the Company as well as other individuals serving as members of the Board Committees. Hence, the Board has established formal and transparent remuneration policies for the Board and Board Committees, and the procedures in determining the same. The RC reviews the Board remuneration policy annually and in the course of deliberating on the remuneration policy, it considers various factors including the Non-Executive Directors' fiduciary duties, time commitments expected of Non-Executive Directors and Board Committee members, the Company's performance and market conditions. The RC also takes into consideration the remuneration of Directors of other public listed companies ("PLCs") in order to ensure competitive remuneration policies that reflect the prevailing market rate.

In 2014, the Board approved the RC's recommendation on remuneration of the Executive Directors and MD, remuneration of the Non-Executive Directors, and Directors' fees for 2014 for the approval of the shareholders at the 2nd Annual General Meeting. The Board is of the view that the current remuneration level suffices to attract, retain and motivate qualified Directors to serve on the Board. Disclosure of each Director's remuneration, including that of the MD, is set out in the Annual Audited Financial Statements of this Annual Report.

Directors' remuneration for FY2014 in aggregate, with categorisation into appropriate components, distinguishing between Executive and Non-Executive Directors, is as follows:

| | Executive Directors | Non-Executive Directors |
|---|---|---|
| **[RM, in Gross] *** | | |
| Salaries | 943,200 | - |
| Directors Fees ** | 208,800 | 204,000 |
| Emoluments *** | 410,230 | - |
| Benefits ^ | - | - |
| **Total** | **1,562,230** | **204,000** |

* Numbers are provided before tax.
** Fees paid to Executive and Non-Executive Directors.
*** Other emoluments include bonuses, incentives, retirement benefits, provision for leave passage and other allowances.
^ Benefits include rental payment, motor vehicle, club membership, personal expenses and other benefits as Directors.

# CG Statement (cont'd)

The number of Directors of the Company whose remuneration band falls within the following successive bands of MYR50,000 is as follows:

| [RM, in Gross]* Ranges of Remuneration [MYR] | Executive Directors | Non-Executive Directors |
|---|---|---|
| 1 – 50,000 | - | - |
| 50,000 – 100,000 | - | 3 |
| 150,000 – 500,000 | 3 | - |
| 1,000,000 – 2,000,000 | - | - |
| 2,800,000 – 2,950,000 | - | - |
| **Total** | **3** | **3** |

* Numbers are provided before tax

In respect of the non-disclosure of detailed remuneration of each Director, the Board views that the transparency in respect of the Directors' remuneration has been appropriately dealt with by the 'band disclosure' presented in this CG Statement.

## 3. Reinforce Independence

### 3.1 Annual Assessment of Independence

The Policy on Assessing Independence of Directors ("Policy") approved by the Board on 23 July 2014, sets out policies and procedures to ensure the effectiveness of the Independent Non-Executive Directors on the Board, including new appointments. The Board, through the NC, assesses the independence of Non-Executive Directors annually using the Directors' Policy, which is in line with Recommendation 3.1 of the MCCG 2012, as one of the factors in determining their eligibility to stand for reelection/re-appointment. The NC reviewed and was satisfied that all the Directors had satisfied the criteria for an independent director as prescribed in Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements ("Listing Requirements") and Practice Note 13. The NC was also satisfied that they are independent of management and free from any business or other relationship which could interfere with the exercise of independent judgment, objectivity or the ability to act in the best interests of the Company.

### 3.2 Tenure of Independent Director

The Board has implemented a nine-year policy for Independent Non-Executive Directors, in line with Recommendation 3.2 of the MCCG 2012. Upon completion of the nine years, an Independent Director may continue to serve on the Board subject to the Director's re-designation as a Non-Independent Director. In the event such Director was to retain as an Independent Director, the Board would have to justify in the notice convening the Annual General Meeting and seek shareholders' approval the retention of such Independent Director at every Annual General Meeting.

As at the date of this CG Statement, none of the Independent Non-Executive Directors has reached nine years of service since their appointment and/or election as Directors. Their tenure of service is set out in the Directors' Profile of this Annual Report.

### 3.3 Separation of Positions of the Chairperson and MD

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

# CG Statement (cont'd)

The positions of Chairperson and MD are held by two different individuals. The MD is a Non-Independent Executive Director, who manages the business and operations of the Company and implements the Board's decisions. He is subject to the control of the Board and is accountable for leading the Management team, implementing the policies/decisions approved by the Board, building a dynamic corporate culture with the requisite skills and competency and acting as Caring Group's official spokesperson. The distinct and separate roles of the Chairperson and MD, with a clear division of responsibilities, ensure a balance of power and authority, such that no one individual has unfettered powers of decision-making.

### 3.4 Composition of the Board

The Board of Caring, chaired by an Independent Non-Executive Director, comprises six Directors of whom two are Independent Non-Executive Directors, one is Non-Independent Non-Executive Director and three are Executive Director of whom one is also the MD. In this respect, Caring complies with the requirement of the Listing Requirements for Independent Non-Executive Directors to make up at least one-third of the Board membership.

The Board is of the opinion that its current composition and size constitute an effective Board to Caring Group. Furthermore, the strong representation of high caliber Independent Non-Executive Directors provides the necessary balance. The role of the Independent Non-Executive Directors is important in ensuring that the strategies proposed by the Management are fully discussed and deliberated, and the interests of the shareholders, employees, customers, suppliers and other stakeholders are taken into consideration.

The Independent Non-Executive Director, Tan Sri Dato' Haji Mohd Ariffin Bin Mohd Yusuf also performs the role as the Senior Independent Non-Executive Director to whom concerns relating to the Company may be conveyed by shareholders and stakeholders. The Group has made available a dedicated electronic mail, tansri@caringpharmacy.com.my, to which the shareholders and stakeholders can direct such concerns to be reviewed and addressed by the Board accordingly.

## 4. Foster Commitment

### 4.1 Time Commitment

The Board ordinarily schedules four meetings in a year. Board and Board Committee meetings are scheduled well in advance, i.e. prior to the closing of each quarter to facilitate the Directors in planning ahead and to ensure that the Board and Committees meetings are booked in their respective schedules. Additional meetings are convened when urgent and important decisions need to be made between scheduled meetings. The agenda for the meeting of the Board are set by the Company Secretary in consultation with the Chairperson and the MD. Decisions of the Board are made unanimously or by consensus. Where appropriate, decisions may be taken by way of Directors' Circular Resolutions between scheduled and special meetings.

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of Caring. This is evidenced by the attendance record of the Directors at Board of Directors and Board Committee meetings from the listing date to the date of this CG Statement as set out as follows:

| Board members' Meeting Attendance | Board | AC | NC | RC |
|---|---|---|---|---|
| Datin Sunita Mei-Lin Rajakumar | ^6/6 | ^6/6 | 1/1 | ^2/2 |
| Chong Yeow Siang | 6/6 | 6/6 | - | - |
| Soo Chan Chiew | 6/6 | 6/6 | - | - |
| Tan Lean Boon | 6/6 | 6/6 | - | - |
| Ang Khoon Lim | 6/6 | 6/6 | 1/1 | 2/2 |
| Tan Sri Dato' Haji Mohd Ariffin Bin Mohd Yusuf | 5/6 | 5/6 | ^1/1 | 2/2 |

^ Chairperson/Chairman of the Board or Board Committees

# CG Statement (cont'd)

**a. Procedures for appointment of Director**

Notwithstanding that no specific quantum of time has been fixed, all the Board members must be able to commit sufficient time to the Company's matters and are required to notify the Board before accepting any new directorships. To ensure the Directors have the time to focus and fulfill their roles and responsibilities effectively, one criterion as agreed by the Board is that they must not hold directorships at more than five PLCs (as prescribed in Paragraph 15.06 of Listing Requirements).

**b. Annual meeting calendar**

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

## 4.2 Training

The Board takes a strong view of the importance of continuing education for its Directors to ensure they are equipped with the necessary skills and knowledge to meet the challenges of the Board. Although the Board does not have a policy requiring each Director to attend a specific number and types of training sessions each year, to keep abreast of industry developments and trends, each Director shall determine the areas of training that he or she may require for personal development as a Director or as a member of a Board Committee. Any Director appointed to the Board is required to complete the Mandatory Accreditation Programme ("MAP") within four months from the date of appointment.

The external auditors also briefed the Board members on any changes to the Malaysian Financial Reporting Standards that affect the Group's financial statements during the year. The Directors' are also encouraged to attend appropriate external trainings on subject matter that aids the Directors in the discharge of their duties as Directors, at the Company's expense.

All the Directors have attended the MAP. During the financial year under review, the Directors attended in-house development programs conducted for the Directors and senior management and various external programs, which included the following:

| Board members | Courses/Training Programmes Attended |
|---|---|
| Datin Sunita Mei-Lin Rajakumar | i) Nominating Committee Programme 2: Effective Board Evaluation organised by Iclif and Bursa<br>ii) Corporate Governance Statement Reporting Workshops by Bursa<br>iii) Pricewaterhouse Coopers: Directors Training - E & P Accounting under Malaysian Financial Reporting Standards<br>iv) Annual Directors Duties , Governance and Regulatory Updates Seminar 2014 by M'sian Institute of Corp Governance<br>v) Messrs Murad Yee & Partners on the Policy regarding Insider Dealing and Whistle Blower Policy<br>vi) Bloomberg " Invest Asean " |
| Chong Yeow Siang | i) World Retail Congress Asia Pacific 2014<br>ii) GST Training by Crowe Horwath |
| Soo Chan Chiew | i) World Retail Congress Asia Pacific 2014<br>ii) GST Training by Crowe Horwath |
| Tan Lean Boon | i) GST Training by Crowe Horwath |
| Ang Khoon Lim | i) GST Training by Crowe Horwath |
| Tan Sri Dato' Haji Mohd Ariffin Bin Mohd Yusuf | i) GST Training by Crowe Horwath |

# CG Statement (cont'd)

## 5. Uphold Integrity in financial reporting

### 5.1 Compliance with Applicable Financial Reporting Standards

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

The AC Chairperson, Datin Sunita Mei-Lin Rajakumar, who is a member of one professional accounting organisation, together with all AC members, reviewed the Company's financial statements in the presence of both external and internal auditors, prior to recommending them for the Board's approval and issuance to stakeholders.

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

In addition to the above, the Head of each business unit also undertook an independent assessment of the system of internal control on an annually basis and assured the AC that no material issue or major deficiency had been noted which posed a high risk to the overall system of internal control under review.

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

### 5.2 Assessment of Suitability and Independence of External Auditors

The AC is empowered by the Board to review any matters concerning the appointment and re-appointment, resignations or dismissals of external auditors and review and evaluate factors relating to the independence of the external auditors. The terms of engagement for services provided by the external auditors are reviewed by the AC prior to submission to the Board for approval.

The AC undertakes an annual assessment of the suitability and independence of the external auditors in accordance with the Board's Non-Audit Services Policy which was adopted on 23 July 2013 as well as the independence criteria set out by the International Federation of Accountants and the Malaysian Institute of Accountants.

In this regard, the AC had on 30 July 2014, assessed the independence of Messrs. Crowe Horwath ("CH") as external auditors of the Company as well as reviewed the level of non-audit services to be rendered by CH to the Company for FY2014. The AC was satisfied with CH's technical competency and audit independence. Having satisfied itself with their performance and fulfillment of criteria as set out in the policy, the AC recommends their re-appointment to the Board, upon which the shareholders' approval will be sought at the 2nd Annual General Meeting.

### 5.3 Related Party Transactions

All related party transactions are submitted to the AC for review on a quarterly basis. The details of the related party transactions are set out under Note 32 to the Annual Audited Financial Statements on pages 61 to 62 of this Annual Report.

# CG Statement (cont'd)

## 6. Recognise and manage risks

### 6.1 Sound Framework to Manage Risks

The Board and Management are mindful of measures required to identify risks residing in any major proposed transactions, changes in nature of activities and/or operating environment, or venturing into new operating environment. The responsibilities of identifying and managing risks are delegated to the respective Head of each business unit. The Board and the AC are responsible to review the effectiveness of the processes. Any material risk identified will be discussed and appropriate actions or controls will be implemented. This is to ensure the risk is properly monitored and managed to an acceptable level.

The AC oversees the risk management framework of the Group and reviews the risk management policies formulated by Management and makes relevant recommendations to the Board for approval.

The Company continues to maintain and review its internal control procedures to ensure, as far as possible, the protection of its assets and its shareholders' investments.

### 6.2 Internal Audit Function

The Board has established an internal audit function within the Company based on the risk profiles of the business unit of the Group, which is led by the Head of each business unit who reports directly to the AC. The Board has also outsourced the internal audit function to an independent assurance provider to provide an independent appraisal over the system of internal control of the Group to the AC.

Details of the Company's internal control system and framework are set out in the Statement on Internal Control and Risk Management and AC Report of this Annual Report.

## 7. Ensure timely and high quality disclosure

### 7.1 Corporate Disclosure Policy

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

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

### 7.2 Leverage on Information Technology for Effective Dissemination of Information

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

The Company has leveraged on information technology for broader and effective dissemination of information with regard to the dates scheduled to release its quarterly results. The announcement of the quarterly financial results is also made via Bursa LINK in a timely manner as required under the Listing Requirements in ensuring equal and fair access to information by the investing public.

# CG Statement (cont'd)

## 8. Strengthen relationship between the Company and shareholders

### 8.1 Encourage Shareholder Participation at General Meetings

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

The Company dispatches its notice of Annual General Meeting to shareholders at least twenty one days before the Annual General Meeting, under the Act and Listing Requirements. This would allow the shareholders to make necessary arrangements to attend and participate either in person, by corporate representative, by proxy or by attorney together with the Notice of Annual General Meeting, which provides information to shareholders with regard to, among others, details of the Annual General Meeting, their entitlement to attend the Annual General Meeting, the right to appoint proxy and also qualification of proxy. The Company allows a member to appoint a proxy who may but need not be a member of the Company. If the proxy is not a member of the Company, he or she need not be an advocate, an approved company auditor or a person approved by the Registrar of Companies.

Where special business items appear in the Notice of the Annual General Meeting, a full explanation is provided to shareholders on the effect of the proposed resolution emanating from the special business item. The Annual General Meeting is the principal opportunity for the Board to meet shareholders and for the Chairperson to provide an overview of the Company's progress and receive questions from shareholders.

To in line with Paragraph 7.21A(2) of Listing Requirements for further promoting participation of members through proxies, the Chairperson will brief the members, corporate representatives and proxies present of their right to speak and vote on the resolutions set out in the Notice of the 2nd Annual General Meeting dated 05 November 2014. Following the removal of the limit on the number of proxies to be appointed by an exempt authorised nominee with shares in the Company for multiple beneficial owners in one securities account under the Listing Requirements, the beneficial owners of shares will have greater participation at general meetings of the Company. The Articles further entitles a member to vote in person, by corporate representative, by proxy or by attorney. Essentially, a corporate representative, proxy or attorney shall be entitled to vote both on a show of hands and on a poll as if they were a member of the Company.

### 8.2 Encourage Poll Voting

At the commencement of all general meetings, the Chairperson will inform the shareholders of their rights to a poll voting. All the resolutions set out in the Notice of the 2nd Annual General Meeting will be put to vote by show of hands. Separate resolutions are proposed for substantially separate issues at the meeting and the Chairperson will declare the number of proxy votes received, both for and against each separate resolution where appropriate. The Company shall endeavor, whenever possible, to put to vote of substantive resolutions at the 2nd Annual General Meeting by poll. The outcome of the 2nd Annual General Meeting will be announced to Bursa Securities on the same meeting day.

### 8.3 Effective Communication and Proactive Engagements

All the Directors shall endeavor to present in person to engage directly with, and be accountable to the shareholders for their stewardship of the Company the 2nd Annual General Meeting. The proceedings of the 2nd Annual General Meeting will include the Chairperson's briefing on the Company's overall performance for FY2014, the presentation of the external auditors' unqualified report to the shareholders, and a Q&A session during which the Chairperson will invite shareholders to raise questions pertaining to the Company's accounts and other items for adoption at the meeting, before putting a resolution to vote. The Directors, MD and external auditors will be in attendance to respond to the shareholders' queries.

The various channels of communications are through meetings with institutional shareholders and investment communities, quarterly announcement son financial results to Bursa Securities, relevant announcements and circulars, when necessary, the Annual and Extraordinary General Meetings and through the Company's corporate website at www.caring2u.com.my from which shareholders and prospective investors can access corporate information, annual reports, press releases, financial information, company announcements and share prices of the Company. To maintain a high level of transparency and to effectively address any issues or concerns, the Group has a dedicated electronic mail, tansri@caringpharmacy.com.my, to which shareholders and stakeholders can direct their queries or concerns.

# CG Statement (cont'd)

## COMPLIANCE STATEMENT

This CG Statement on the Company's CG practices is made in compliance with Paragraphs 15.25 and 15.08A of the Listing Requirements. The Board considers and is satisfied that in 2014, the Company fully complied with the principles and recommendations of the MCCG 2012, the relevant chapters of the Listing Requirements on CG and all applicable laws and regulations throughout FY2014.

This CG Statement was approved by the Board on 27 October 2014.

# Audit Committee ("AC") Report

## COMPOSITION AND ATT ENDANCE

The Audit Committee ("AC") of Caring Pharmacy Group Berhad ("Caring" or "the Company") comprises three members, all of whom are Non-Executive Directors, one being a Non-Independent Non-Executive Director and two being Independent Non-Executive Directors who also satisfy the test of independence under Bursa Malaysia Securities Berhad Main Market Listing Requirements ("Listing Requirements"). This meets the requirements of paragraph 15.09(1)(b) of the Listing Requirements. The AC also possesses the requisite qualifications as stipulated under the Listing Requirements. The AC members and their attendance records are outlined in the Corporate Governance ("CG") Statement.

The Board will review annually the terms of office of the AC members and assesses the performance of the AC and its members through an annual Audit Committee self and peer effectiveness evaluation. The Board is satisfied that in 2014, the AC and its members have been able to discharge their functions, duties and responsibilities in accordance with the Terms of Reference of the AC ("ToR") which is set out in this Statement, thereby supporting the Board in ensuring appropriate CG standards within the Company and the subsidiaries ("Group" or "Caring Group").

## MEETINGS

The AC held six meetings in 2014. The Managing Director ("MD") and/or other Director(s) and employees were invited to all AC meetings to facilitate direct communication as well as to provide clarification on audit issues and the operations of the Group.

The lead audit engagement partner of the external auditors responsible for the Group attended three AC meetings in 2014 to present the audit plans and auditors' report on the annual audited financial statements for the financial year ended 31 May ("FY") 2014, as well as the auditors' review reports on the unaudited quarterly financial statements together with the cumulative quarters for 2014.

During the first meeting between the external auditors and the AC in 2014 without the presence of management, the AC sought confirmation from the external auditors that they had been given unfettered access to information and co-operation from the Management during the course of audit. In the AC meetings, the external auditors were also invited to raise any matter they considered important for the AC's attention. The AC Chairperson obtained confirmation from the external auditors that the Management had given its full support and unrestricted access to information as required by the external auditors to perform their duties and that there were no other matters considered important which had not already been raised with the AC.

In addition to the meetings held between the AC and the external auditors during AC meetings where the external auditors were given opportunities to raise any matters without the presence of Management, the AC members also given unrestricted access to the external auditors to contact them at any time should they become aware of incidents or matters in the course of their audits or reviews. Deliberations during the AC meetings, including the issues tabled and rationale adopted for decisions, were recorded. Minutes of the AC meetings were tabled for confirmation at the following AC meeting and subsequently presented to the Boardfor notation. As part of the AC's efforts to ensure the reliability of the Company's quarterly financial statements and compliance with applicable Malaysian Financial Reporting Standards ("MFRS"), from the second quarter of FY 2015 onwards, external auditors will be engaged to conduct a limited review of the Company's quarterly financial statements before presenting to the AC for review and recommendation for the Board's approval and adoption.

In 2014, the AC Chairperson presented to the Board the recommendations of the AC for approval of the annual and quarterly financial statements as well as declaration of dividends. The AC Chairperson also conveyed to the Board matters of significant concern as and when raised by the external auditors or internal auditors. The internal auditors were present at three AC meetings to table the respective internal audit ("IA") reports. The relevant Departmental Head of the respective business units of the audit subjects were invited to brief the AC on specific issues arising from the relevant IA reports.

# AC Report (cont'd)

## SUMMARY OF ACTIVITIES

The AC's activities during the period from the listing date to the date of this Report encompassed the following:

**Activities with regards to external audit:**

- review of external audit scope and audit plans based on the external auditors' presentation of audit strategy and plan;
- review of external audit results, audit reports, management letterand the response from the Management;
- review and evaluation of factorsrelating to the independenceof the external auditors.The AC worked closely with the external auditors in establishing procedures in assessing the suitability and independence of the external auditors, in confirming that they are, and have been, independent throughout the conductof the audit engagement with the Group inaccordance with the independence criteria set out by the International Federation of Accountants and the Malaysian Institute of Accountants;
- consideration and recommendation to the Board for approval of the audit fees payable to the external auditors; and
- consideration and recommendation to the Board for approval on the re-appointment of external auditors.

**Activities with regards to internal audit:**

- review of internal audit's resource requirements, scope, adequacy andfunction;
- review of internal audit's plan and programs;
- review of IA reports, recommendations and Management responses. Improvement actions in the areas of internal control, systems and efficiency enhancements suggested by the internal auditors were discussed together with the Management Team in separate forums throughout the period under review;
- review of implementation of these recommendations through follow up internal audit reports to the AC;
- suggestion on additional improvement opportunities in the areas of internal control, systems and efficiency improvement; and
- review of the whistle-blowing policy for adoption by the Board; and
- review of the risk management framework from time to time and any significant proposed changes to risk management policies and strategies for adoption by the Board.

**Activities with regards to financial statements:**

- review of the annual report and annual audited financial statements of the Company prior to submission to the Directors for their perusal and approval. This was to ensure compliance of the financial statements with the provisions of the Companies Act, 1965 ("the Act") and the applicable approved accounting standards as per the Malaysian Accounting Standards Board ("MASB");
- review of the Group's compliance with the Listing Requirements, MASB and other relevant legal and regulatory requirements with regards to the quarterly and year-end financial statements; and
- review of the unaudited financial results announcements before recommending them for Board's approval.

# AC Report (cont'd)

**Other activities:**

- review of related party transactions, and ordinary dividend payments; and
- review of application of corporate governance principles and the extent of the Group's compliance with the best practices set out under with the Malaysian Code for Corporate Governance 2012; and
- review of the CG Statement, AC Report and the Statement on Internal Control and Risk Management for adoption by the Board.

## INTERNAL AUDIT FUNCTION

The purpose of the IA function is to provide the Board, through the AC, with reasonable assurance of the effectiveness of the risk management, control and governance processes in the Group. To ensure that the responsibilities of internal auditors are fully discharged, the AC reviews the adequacy of the scope, functions and resources of the IA function as well as the competency of the internal auditors. The internal auditors also highlighted to the AC the audit findings which required follow-up action by Management as well as outstanding audit issues which required corrective action to ensure an adequate and effective internal control system within the Group.

The IA activities were carried out based on a risk-based audit plan presented by the internal auditors to the AC for approval. The establishment of the audit plan took into consideration the corporaterisk profile and input from Senior Management and the AC members. The results of the audits provided in the IA reports were reviewed by the AC. The relevant Departmental Head of the respective business unitsof the specific audit subject was made responsible for ensuring that corrective actions on reported weaknesses were taken within the required timeframe. Internal auditors also conducted follow-up audits to ensure that Management's corrective actions were implemented appropriately. In this respect, the IA has added value by improving the control processes within the Group. All IA activities in 2014 were outsourced to an independent assurance provider and the total costs incurred in 2014 amounted to RM32,000.

# Statement on Internal Control and Risk Management

## INTRODUCTION

The Board of Directors (or "Board") of Caring Pharmacy Group Berhad ("Caring" or "the Company") is committed towards maintaining a sound system of internal control and risk management is pleased to provide the following Statement on Internal Control and Risk Management ("Statement") which outlines the internal controls of and the scope and nature of risk management for the Company and the subsidiaries ("Group" or "Caring Group") for the financial year ended 31 May ("FY") 2014. For the purpose of disclosure, this Statement is guided by the Statement on Internal Control and Risk Management: Guidelines for Directors of Listed Issuers ("Guidelines") pursuant to Paragraph 15.26(b) of Bursa Malaysia Securities Berhad Main Market Listing Requirements ("Listing Requirements").

## BOARD RESPONSIBILITY

The Board is committed and acknowledges its overall responsibility to maintain the Group's system of internal control and risk management as well as for reviewing its adequacy, integrity and effectiveness to safeguard shareholders' investments and the Group's assets. The Board recognises that a sound system of internal control and risk management is an integral part of good corporate governance. The Board and the Management Team are responsible and accountable for the establishment of internal controls to manage significant risks faced by the Group. The Board has delegated the responsibility of monitoring the system of internal control and risk management to the Management Team.

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

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

The AC assists the Board to review the adequacy and effectiveness of the systems of internal control and risk management in the Group and ensures that appropriate methods and procedures are used to obtain the level of assurance required by the Board. Towards this end, internal audits were conducted by an independent assurance provider, NGL Tricor Governance Sdn Bhd ("internal auditors") during the financial year under review. Audit issues as well as actions taken by Management to address the issues tabled by the internal auditors were deliberated upon during the AC meetings. Minutes of the AC meetings which recorded these deliberations were presented to the Board.

## RISK MANAGEMENT FRAMEWORK

The Board and the Management Team fully support the contents of the Guidelines. In support of the Board, the AC and Management have put in place risk management guidelines, control measures and processes for the major operations of the Group.

The results of the internal audits are reported periodically to the AC and the report of the AC is a permanent agenda in the meeting of the Board. The Management Team responses on each internal audit recommendation and action plans therein, are regularly reviewed and followed up by internal auditors and reported to the AC. A matrix which covers the overall audit ratings, nature of work and scope, and audit issues and its priorities have been developed by the internal auditors as a template to guide the conduct of the follow up audit.

# Statement on Internal Control and Risk Management (cont'd)

## OTHER RISK AND CONTROL PROCESSES

The overall governance structure and formally defined policy and procedures play a major part in establishing the control and the risk environment in the Group. These processes and procedures have been established and embedded across the whole organisation and provides assurance to all levels of Management, including the Board. The internal auditors are engaged to independently assess the implementation and the effectiveness of these procedures and reporting structures, as well as to verify the system of internal control and risk management, based on a detailed internal audit plan approved by the AC. These results are monitored by the Management Team and reported to the Board through the AC. Improvement opportunities where identified, were addressed with action plans for implementation against expected completion dates and persons responsible. Internal auditors will perform the follow-up audit to assess and report on the status of these action plans (i.e. implemented, in progress, or pending) periodically to the Board through the AC.

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

The Group also has sufficient insurance coverage and physical safeguards on major assets are in place to ensure the Group's assets are adequately covered against any mishap that could result in material loss.

## ADEQUACY AND EFFECTIVENESS OF THE GROUP'S SYSTEM OF INTERNAL CONTROL AND RISK MANAGEMENT

The Board has received assurance from the MD that the Group's system of internal control and risk management are operating adequately and effectively, in all material aspects, during the financial year under review. Taking into consideration the assurance from the Management Team and input from the relevant assurance providers, the Board is of the view that the system of internal control and risk management is satisfactory and is adequate to safeguard shareholders' investments, customers' interest and Group assets. The Group will continue to take measures to strengthen the internal control and risk management environment.

## REVIEW OF THIS STAT EMENT

Pursuant to paragraph 15.23 of the Listing Requirements, the external auditors have reviewed this Statement for inclusion in this Annual Report, and reported to the Board that nothing has come to their attention that causes them to believe that the Statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of internal control and risk management.

Internal auditors have reviewed this Statement and reported to the AC that, while it has addressed individual lapses in internal control during the course of its internal audit assignments for the financial year under review, it has not identified any circumstances which suggest any fundamental deficiencies in the Group's system of internal control and risk management.

This Statement was approved by the Board on 27October 2014.

# Statement on Internal Control and Risk Management (cont'd)

## CONCLUSION

The Board is of the view that the system of risk management and internal control is in place for the financial year under review, and up to the date of approval of this Statement, is sound and sufficient to safeguard shareholders' investments, the interests of customers, regulators, employees and other stakeholders, as well as the Caring Group's assets.

The Board continues to take pertinent measures to sustain and, where required, to improve the Group's system of internal control and risk management in meeting the Group's strategic objectives.

# Directors' Responsibility Statement for the Annual Audited Financial Statements

The Directors are required by the Companies Act, 1965 ("the Act") to prepare the financial statements for each financial year which have been made out in accordance with applicable Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the requirements of the Act in Malaysia and the Bursa Malaysia Securities Berhad Main Market Listing Requirements.

The Directors are responsible to ensure that the financial statements give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year, and of the results and cash flows of the Group and of the Company for the financial year.

In preparing the financial statements, the Directors have:

- Adopted appropriate accounting policies and applied them consistently;
- Made judgements and estimates that are reasonable and prudent; and
- Prepared the financial statements on a going concern basis.

The Directors are responsible to ensure that the Group and the Company keep accounting records which disclose with reasonable accuracy the financial position of the Group and of the Company which enable them to ensure that the financial statements comply with the Act. The Directors are responsible for taking such steps as are reasonably open to them to safeguard the assets of the Group and of the Company, and to detect and prevent fraud and other irregularities.

# Financial Statements


36 Directors' Report

41 Statement by Directors

41 Statutory Declaration

42 Independent Auditors' Report

44 Statements of Financial Position

46 Statements of Profit or Loss and Other Comprehensive Income

48 Statements of Changes in Equity

51 Statements of Cash Flow

53 Notes to the Financial Statements

# Directors' Report

The directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 May 2014.

## Principal Activities

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

## Results

| | The Group RM | The Company RM |
|---|---|---|
| Profit after taxation for the financial year | 16,276,278 | 6,656,359 |
| Attributable to:- | | |
| Owners of the Company | 15,078,271 | 6,656,359 |
| Non-controlling interests | 1,198,007 | - |
| | 16,276,278 | 6,656,359 |

## Dividends

Since end of the previous financial year, the Company paid an interim single tier dividend of 1.5 sen per ordinary share amounting to RM3,265,596 in respect of the financial year under review.

The directors now recommend the payment of a single tier final tax-exempt dividend of 1.5 sen per ordinary share amounting to RM3,265,596 in respect of the financial year under review, subject to the approval of the shareholders at the forthcoming Annual General Meeting.

## Reserves And Provisions

There were no material transfers to or from reserves or provisions during the financial year except as disclosed in the financial statements.

## Issues Of Shares And Debentures

During the financial year,

(a) the Company increased its issued and paid-up share capital from RM3 to RM217,706,400 as part of its listing scheme on the Main Market of Bursa Malaysia Securities Berhad. The issued and paid-up share capital was increased in the following manner:-

(i) Acquisition of Caring Pharmacy Retail Management Sdn. Bhd. ("CPRM")

The Company, on 4 September 2013, acquired entire issued and paid-up share capital of CPRM comprising 2,310,918 ordinary shares of RM1.00 each in CPRM for a purchase consideration of RM182,706,397 which was wholly satisfied by the issuance of 182,706,397 Company's share at an issue price of RM1.00 per share;

# Directors' Report (cont'd)

(ii) Public Issue

On 11 November 2013, the Company issued 35,000,000 new ordinary shares of RM1.00 each at an issue price of RM1.25 each per ordinary share for public issue and listing. The issuance of these new ordinary shares has created a share premium account of RM8,750,000 of which RM1,348,084 being expenses directly attributed to the issuance of these shares were written off against the share premium account.

The new ordinary shares issued during the financial year ranked *pari passu* in all respects with the existing ordinary shares of the Company.

(b) there were no issues of debentures by the Company.

## Options Granted Over Unissued Shares

During the financial year, no options were granted by the Company to any person to take up any unissued shares in the Company.

## Bad And Doubtful Debts

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for impairment losses on receivables, and satisfied themselves that there are no known bad debts and that no allowance for impairment losses on receivables is required.

At the date of this report, the directors are not aware of any circumstances that would require the writing off of bad debts, or the allowance for impairment losses on receivables in the financial statements of the Group and of the Company.

## Current Assets

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

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

## Valuation Methods

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

# Directors' Report (cont'd)

## Contingent And Other Liabilities

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

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

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

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

## Change Of Circumstances

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

## Items Of An Unusual Nature

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

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

## Holding Company

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

## Directors

The directors who served since the date of the last report are as follows:-

ANG KHOON LIM
CHONG YEOW SIANG
DATIN SUNITA MEI-LIN RAJAKUMAR
SOO CHAN CHIEW
TAN LEAN BOON
TAN SRI DATO' HAJI MOHD ARIFFIN BIN MOHD YUSUF

Pursuant to Article 63 of the Articles of Association of the Company, all of the directors retire by rotation at the forthcoming annual general meeting.

# Directors' Report (cont'd)

## Directors' Interests

According to the register of directors' shareholdings, the interests of directors holding office at the end of the financial year in shares in the Company and its related corporations during the financial year are as follows:-

| | Number Of Ordinary Shares Of RM1 Each | | | |
|---|---|---|---|---|
| THE COMPANY | AT 1.6.2013 | BOUGHT | SOLD | AT 31.5.2014 |
| *Direct Interests* | | | | |
| ANG KHOON LIM | - | 262,600 | - | 262,600 |
| CHONG YEOW SIANG | 1 | 262,699 | - | 262,700 |
| DATIN SUNITA MEI-LIN RAJAKUMAR | - | 200,000 | - | 200,000 |
| SOO CHAN CHIEW | 1 | 262,599 | - | 262,600 |
| TAN LEAN BOON | - | 262,600 | - | 262,600 |
| TAN SRI DATO' HAJI MOHD ARIFFIN BIN MOHD YUSUF | - | 300,000 | - | 300,000 |
| | | | | |
| MOTIVASI OPTIMA SDN. BHD. (HOLDING COMPANY) | | | | |
| *Direct Interests* | | | | |
| ANG KHOON LIM | 18,647 | - | - | 18,647 |
| CHONG YEOW SIANG | 14,239 | - | - | 14,239 |
| SOO CHAN CHIEW | 18,647 | - | - | 18,647 |
| TAN LEAN BOON | 18,647 | - | - | 18,647 |

By virtue of their shareholdings in the holding company, Ang Khoon Lim, Soo Chan Chiew and Tan Lean Boon are deemed to have interests in the shares in the Company and its related corporations to the extent of the holding company's interests, in accordance with Section 6A of the Companies Act 1965.

## Directors' Benefits

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors as shown in the financial statements, or the fixed salary of a full time employee of the Company) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except for any benefits which may be deemed to arise from transactions entered into in the ordinary course of business with companies in which certain directors have substantial financial interests as disclosed in Note 32 to the financial statements.

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

## Significant Events During The Financial Year

The significant events during the financial year are disclosed in Note 36 to the financial statements.

# Directors' Report (cont'd)

## Auditors

The auditors, Messrs. Crowe Horwath, have expressed their willingness to continue in office.

**Signed In Accordance With A Resolution Of The Directors**
**Dated 25 August 2014**

**Soo Chan Chiew**

**Chong Yeow Siang**

# Statement By Directors

We, Soo Chan Chiew and Chong Yeow Siang, being two of the directors of Caring Pharmacy Group Berhad., state that, in the opinion of the directors, the financial statements set out on pages 11 to 70 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 May 2014 and of their results and cash flows for the financial year ended on that date.

The supplementary information set out in Note 38, which is not part of the financial statements, is prepared in all material respects, in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

**Signed In Accordance With A Resolution Of The Directors**
**Dated 25 August 2014**

**Soo Chan Chiew** **Chong Yeow Siang**

# Statutory Declaration

I, Hwah Shih Chia, I/C No. 660217-08-5441, being the officer primarily responsible for the financial management of Caring Pharmacy Group Berhad., do solemnly and sincerely declare that the financial statements set out on pages 11 to 70 are, to the best of my knowledge and belief, correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by Hwah Shih Chia, I/C No. 660217-08-5441, at Melaka in the state of Melaka on this 25 August 2014

**Hwah Shih Chia**

Before me

# Independent Auditors' Report

**To The Members Of CARING PHARMACY GROUP BERHAD**
(Incorporated In Malaysia)
Company No: 1011859-D

## Report on the Financial Statements

We have audited the financial statements of Caring Pharmacy Group Berhad, which comprise the statements of financial position as at 31 May 2014 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 11 to 70.

### *Directors' Responsibility for the Financial Statements*

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 May 2014 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

# Independent Auditors' Report (cont'd)

**To The Members Of CARING PHARMACY GROUP BERHAD**
(Incorporated In Malaysia)
Company No: 1011859-D

## Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report the following:-

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(c) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

## Other Reporting Responsibilities

The supplementary information set out in Note 38 on page 71 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

## Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

**Crowe Horwath**
Firm No: AF 1018
Chartered Accountants

**Wong Tak Mun**
Approval No: 1793/09/14 (J)
Chartered Accountant

25 August 2014

Melaka

# Statements of Financial Position

**At 31 May 2014**

| | | The Group | | The Company | |
|---|---|---|---|---|---|
| | | 2014 | 2013 | 2014 | 2013 |
| | Note | RM | RM | RM | RM |
| **ASSETS** | | | | | |
| NON-CURRENT ASSETS | | | | | |
| Property, plant and equipment | 6 | 32,853,330 | 27,191,489 | - | - |
| Intangible assets | 7 | 2,946,430 | 2,946,430 | - | - |
| Investment in subsidiaries | 8 | - | - | 182,706,397 | - |
| Deferred tax assets | 9 | 1,342,400 | 448,300 | - | - |
| | | 37,142,160 | 30,586,219 | 182,706,397 | - |
| CURRENT ASSETS | | | | | |
| Inventories | 10 | 79,855,424 | 57,507,217 | - | - |
| Trade receivables | 11 | 336,422 | 175,585 | - | - |
| Other receivables, deposits and prepayment | 12 | 5,768,465 | 7,930,777 | 5,000 | 955,444 |
| Amounts owing by related companies | 13 | - | - | 7,635,582 | - |
| Tax recoverable | | 426,216 | 587,383 | - | - |
| Deposits with financial institutions | 14 | 58,624,884 | 28,355,251 | 37,631,744 | - |
| Cash and bank balances | | 19,271,237 | 13,169,710 | 533,238 | 10,426 |
| | | 164,282,648 | 107,725,923 | 45,805,564 | 965,870 |
| TOTAL ASSETS | | 201,424,808 | 138,312,142 | 228,511,961 | 965,870 |

The annexed notes form an integral part of these financial statements.

# Statements of Financial Position (cont'd)

**At 31 May 2014**

| | Note | The Group 2014 RM | The Group 2013 RM | The Company 2014 RM | The Company 2013 RM |
|---|---|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | | | |
| EQUITY | | | | | |
| Share capital | 15 | 217,706,400 | 182,706,400 | 217,706,400 | 3 |
| Share premium | 16 | 7,401,916 | - | 7,401,916 | - |
| Retained profits/(Accumulated loss) | 17 | 71,003,801 | 59,184,030 | 3,383,645 | (7,118) |
| Merger deficit | 18 | (181,984,395) | (181,984,395) | - | - |
| TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY | | 114,127,722 | 59,906,035 | 228,491,961 | (7,115) |
| NON-CONTROLLING INTERESTS | 8(a) | 3,170,282 | 3,669,471 | - | - |
| TOTAL EQUITY | | 117,298,004 | 63,575,506 | 228,491,961 | (7,115) |
| NON-CURRENT LIABILITIES | | | | | |
| Term loans | 19 | 9,778,588 | 9,602,713 | - | - |
| Deferred tax liabilities | 9 | 277,866 | 150,500 | - | - |
| | | 10,056,454 | 9,753,213 | - | - |
| CURRENT LIABILITIES | | | | | |
| Trade payables | 20 | 62,905,995 | 54,223,303 | - | - |
| Other payables and accruals | 21 | 6,814,288 | 5,719,768 | 20,000 | 957,444 |
| Amount owing to non-controlling shareholders | 22 | 3,531,900 | 3,120,135 | - | - |
| Amounts owing to related parties | 23 | 56,215 | 40,576 | - | 15,541 |
| Provision for taxation | | 640,540 | 1,437,625 | - | - |
| Term loans | 19 | 121,412 | 442,016 | - | - |
| | | 74,070,350 | 64,983,423 | 20,000 | 972,985 |
| TOTAL LIABILITIES | | 84,126,804 | 74,736,636 | 20,000 | 972,985 |
| TOTAL EQUITY AND LIABILITIES | | 201,424,808 | 138,312,142 | 228,511,961 | 965,870 |

The annexed notes form an integral part of these financial statements.

# Statements of Profit or Loss and Other Comprehensive Income

**For the Financial Year Ended 31 May 2014**

| | | The Group | | The Company | |
|---|---|---|---|---|---|
| | Note | Year ended 31.5.2014 RM | Year ended 31.5.2013 RM | 1.6.2013 to 31.5.2014 RM | 30.7.2012 to 31.5.2013 RM |
| REVENUE | 24 | 338,337,107 | 301,417,019 | 8,088,213 | - |
| COST OF SALES | | (255,063,526) | (223,627,416) | - | - |
| GROSS PROFIT | | 83,273,581 | 77,789,603 | 8,088,213 | - |
| OTHER OPERATING INCOME | | 22,828,479 | 19,579,916 | 588,584 | - |
| | | 106,102,060 | 97,369,519 | 8,676,797 | - |
| SELLING AND DISTRIBUTION EXPENSES | | (48,089,181) | (40,175,152) | - | - |
| ADMINISTRATIVE EXPENSES | | (29,310,640) | (24,557,706) | (2,020,438) | (7,118) |
| OTHER OPERATING EXPENSES | | (5,610,339) | (2,762,729) | - | - |
| FINANCE COSTS | | (281,690) | (54,599) | - | - |
| PROFIT/(LOSS) BEFORE TAXATION | 25 | 22,810,210 | 29,819,333 | 6,656,359 | (7,118) |
| TAXATION | 26 | (6,533,932) | (7,497,183) | - | - |
| PROFIT/(LOSS) AFTER TAXATION | | 16,276,278 | 22,322,150 | 6,656,359 | (7,118) |
| OTHER COMPREHENSIVE INCOME, NET OF TAX | | - | - | - | - |
| TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE FINANCIAL YEAR/PERIOD | | 16,276,278 | 22,322,150 | 6,656,359 | (7,118) |

The annexed notes form an integral part of these financial statements.

# Statements of Profit or Loss and Other Comprehensive Income (cont'd)

**For the Financial Year Ended 31 May 2014**

| | | The Group | | The Company | |
|---|---|---|---|---|---|
| | Note | Year ended 31.5.2014 RM | Year ended 31.5.2013 RM | 1.6.2013 to 31.5.2014 RM | 30.7.2012 to 31.5.2013 RM |
| PROFIT/(LOSS) AFTER TAXATION ATTRIBUTABLE TO:- | | | | | |
| Owners of the Company | | 15,078,271 | 20,552,001 | 6,656,359 | (7,118) |
| Non-controlling interests | | 1,198,007 | 1,770,149 | - | - |
| | | 16,276,278 | 22,322,150 | 6,656,359 | (7,118) |
| TOTAL COMPREHENSIVE INCOME/(EXPENSE) ATTRIBUTABLE TO:- | | | | | |
| Owners of the Company | | 15,078,271 | 20,552,001 | 6,656,359 | (7,118) |
| Non-controlling interests | | 1,198,007 | 1,770,149 | - | - |
| | | 16,276,278 | 22,322,150 | 6,656,359 | (7,118) |
| EARNINGS PER SHARE (SEN) | | | | | |
| Basic | 27 | 7.47 | 11.25 | | |
| Diluted | | Not applicable | Not applicable | | |

The annexed notes form an integral part of these financial statements.

# Statements of Changes in Equity

**For the Financial Year Ended 31 May 2014**

| The Group | Note | <---- Non-Distributable ----> Share Capital RM | Merger Deficit RM | <Distributable> Retained Profit RM | Attributable To Owners Of The Company RM | Non-Controlling Interests RM | Total Equity RM |
|---|---|---|---|---|---|---|---|
| At 30.7.2012 (date of incorporation) | | 3 | - | - | 3 | - | 3 |
| Total comprehensive expense for the financial period | | - | - | (7,118) | (7,118) | - | (7,118) |
| Contribution by and distribution to owners of the Company:- | | | | | | | |
| - Issuance of shares pursuant to acquisition of subsidiaries | 15 | 182,706,397 | (181,984,395) | 59,191,148 | 59,913,150 | 3,669,471 | 63,582,621 |
| Total transactions with owners | | 182,706,397 | (181,984,395) | 59,191,148 | 59,913,150 | 3,669,471 | 63,582,621 |
| Balance at 31.5.2013 | | 182,706,400 | (181,984,395) | 59,184,030 | 59,906,035 | 3,669,471 | 63,575,506 |

The annexed notes form an integral part of these financial statements.

# Statements of Changes in Equity (cont'd)

For the Financial Year Ended 31 May 2014

| The Group | Note | <---------- Non-Distributable | | ----------> | <Distributable> | | | |
|---|---|---|---|---|---|---|---|---|
| | | Share Capital RM | Share Premium RM | Merger Deficit RM | Retained Profit RM | Attributable To Owners Of The Company RM | Non-Controlling Interests RM | Total Equity RM |
| Balance at 31.5.2013/1.6.2013 | | 182,706,400 | - | (181,984,395) | 59,184,030 | 59,906,035 | 3,669,471 | 63,575,506 |
| Total comprehensive income for the financial year | | - | - | - | 15,078,271 | 15,078,271 | 1,198,007 | 16,276,278 |
| Contributions by and distributions to owners of the Company:- | | | | | | | | |
| - Issuance of shares pursuant to public issue | 15 & 16 | 35,000,000 | 8,750,000 | - | - | 43,750,000 | - | 43,750,000 |
| - Dividends: | | | | | | | | |
| - by the Company | 28 | - | - | - | (3,265,596) | (3,265,596) | - | (3,265,596) |
| - by subsidiaries to non-controlling interests | | - | - | - | - | - | (1,743,600) | (1,743,600) |
| Total transactions with owners | | 35,000,000 | 8,750,000 | - | (3,265,596) | 40,484,404 | (1,743,600) | 38,740,804 |
| Dilution in equity interest in subsidiary | | - | - | - | 7,096 | 7,096 | (7,096) | - |
| Effect of issue of share capital by subsidiaries | | - | - | - | - | - | 53,500 | 53,500 |
| Listing expenses | | - | (1,348,084) | - | - | (1,348,084) | - | (1,348,084) |
| Balance at 31.5.2014 | | 217,706,400 | 7,401,916 | (181,984,395) | 71,003,801 | 114,127,722 | 3,170,282 | 117,298,004 |

The annexed notes form an integral part of these financial statements.

# Statements of Changes in Equity (cont'd)

**For the Financial Year Ended 31 May 2014**

| | | <----- Non-Distributable----> | | <Distribution> | |
|---|---|---|---|---|---|
| | | Share Capital | Share Premium | Retained Profits | Total Equity |
| **The Company** | **Note** | **RM** | **RM** | **RM** | **RM** |
| At 30.7.2012 (date of incorporation) | | 3 | - | - | 3 |
| Total comprehensive expense for the financial period | | - | - | (7,118) | (7,118) |
| Balance at 31.5.2013/1.6.2013 | | 3 | - | (7,118) | (7,115) |
| Contributions by and Distributions to owners of the Company:- | | | | | |
| - Acquisition of subsidiaries | 15 | 182,706,397 | - | - | 182,706,397 |
| - Issuance of shares pursuant to public issue | 15 & 16 | 35,000,000 | 8,750,000 | - | 43,750,000 |
| Total transactions with owners | | 217,706,397 | 8,750,000 | - | 226,456,397 |
| Listing expenses | | - | (1,348,084) | - | (1,348,084) |
| Total comprehensive income for the financial year | | - | - | 6,656,359 | 6,656,359 |
| Dividends paid | 28 | - | - | (3,265,596) | (3,265,596) |
| Balance at 31.5.2014 | | 217,706,400 | 7,401,916 | 3,383,645 | 228,491,961 |

The annexed notes form an integral part of these financial statements.

# Statements of Cash Flows

**For the Financial Year Ended 31 May 2014**

| | | The Group | | The Company | |
|---|---|---|---|---|---|
| | Note | Year ended 31.5.2014 RM | Year ended 31.5.2013 RM | 1.6.2013 to 31.5.2014 RM | 30.7.2012 to 31.5.2013 RM |
| CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES | | | | | |
| Profit /(Loss) before taxation | | 22,810,210 | 29,819,333 | 6,656,359 | (7,118) |
| Adjustments for:- | | | | | |
| Impairment loss on property, plant and equipment | | 315,812 | - | - | - |
| Depreciation of property, plant and equipment | | 3,558,645 | 2,737,355 | - | - |
| Equipment written off | | - | 21,074 | - | - |
| Interest expenses | | 411,133 | 51,312 | - | - |
| Listing expenses | | 1,735,885 | - | 1,735,885 | - |
| Gain on disposal of property, plant and equipment | | (184,332) | (84,663) | - | - |
| Interest income | | (1,284,483) | (808,717) | (588,584) | - |
| Rental income | | (176,900) | (158,100) | - | - |
| Operating profit before working capital changes | | 27,185,970 | 31,577,594 | 7,803,660 | (7,118) |
| Increase in inventories | | (22,348,207) | (7,188,295) | - | - |
| Increase in trade and other receivables | | (659,257) | (1,352,423) | (5,000) | - |
| Increase in trade and other payables | | 9,792,851 | 12,217,452 | 18,000 | 2,000 |
| CASH FROM/(FOR) OPERATIONS | | 13,971,357 | 35,254,328 | 7,816,660 | (5,118) |
| Tax paid | | (8,498,471) | (7,937,542) | - | - |
| Tax refunded | | 561,887 | 10,140 | - | - |
| Interest paid | | (411,133) | (51,312) | - | - |
| NET CASH FROM/(FOR) OPERATING ACTIVITIES | | 5,623,640 | 27,275,614 | 7,816,660 | (5,118) |

The annexed notes form an integral part of these financial statements.

# Statements of Cash Flows (cont'd)

**For the Financial Year Ended 31 May 2014**

| | | The Group | | The Company | |
|---|---|---|---|---|---|
| | Note | Year ended 31.5.2014 RM | Year ended 31.5.2013 RM | 1.6.2013 to 31.5.2014 RM | 30.7.2012 to 31.5.2013 RM |
| CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES | | | | | |
| Interest received | | 1,284,483 | 808,717 | 588,584 | - |
| Proceeds from dilution in equity interest in a subsidiary | | - | 13,600 | - | - |
| Proceeds from disposal of property, plant and equipment | | 188,500 | 87,907 | - | - |
| Payment of deposit for the acquisition of property, plant and equipment | | - | (1,705,288) | - | - |
| Purchase of property, plant and equipment | 29 | (7,835,178) | (18,478,217) | - | - |
| Rental received | | 176,900 | 158,100 | - | - |
| NET CASH (FOR)/FROM INVESTING ACTIVITIES | | (6,185,295) | (19,115,181) | 588,584 | - |
| CASH FLOW FROM/(FOR) FINANCING ACTIVITIES | | | | | |
| Dividends paid to:- | | | | | |
| - shareholders of the Company | | (3,265,596) | - | (3,265,596) | - |
| - non-controlling shareholders of subsidiaries | | (1,743,600) | (11,582,972) | - | - |
| Payment of initial public offering expenses | | (2,128,525) | (955,444) | (2,128,525) | (955,444) |
| Proceeds from issuance of shares | | - | 3 | - | 3 |
| Proceeds from issuance of shares pursuant to public Issue | | 43,750,000 | - | 43,750,000 | - |
| Drawdown of term loans | | 2,970,000 | 9,055,000 | - | - |
| Proceeds from issuance of shares by subsidiaries to non-controlling shareholders | | 53,500 | 217,500 | - | - |
| Repayment of term loans | | (3,114,729) | (220,177) | - | - |
| Net advances from non-controlling shareholders | | 411,765 | 599,136 | - | - |
| Net advances (to)/from subsidiary | | - | - | (8,606,567) | 15,541 |
| Advances from other creditor | | - | - | - | 955,444 |
| NET CASH FROM/(FOR) FINANCING ACTIVITIES | | 36,932,815 | (2,886,954) | 29,749,312 | 15,544 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | | 36,371,160 | 5,273,479 | 38,154,556 | 10,426 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR/PERIOD | | 41,524,961 | 36,251,482 | 10,426 | - |
| CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR/PERIOD | 30 | 77,896,121 | 41,524,961 | 38,164,982 | 10,426 |

The annexed notes form an integral part of these financial statements.

# Notes to the Financial Statements

**For the Financial Year Ended 31 May 2014**

## 1. General Information

The Company is a public company limited by shares and is incorporated under the Companies Act 1965 in Malaysia. The domicile of the Company is Malaysia. The registered office and principal place of business are as follows:-

| | | |
|---|---|---|
| Registered office | : | 3-2, 3rd Mile Square<br>No.151, Jalan Kelang Lama<br>Batu 3 1/2<br>58100 Kuala Lumpur |
| Principal place of business | : | No.8B, Jalan 1/137C<br>Bedford Business Park<br>Off Jalan Klang Lama<br>58000 Kuala Lumpur |

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 25 August 2014.

## 2. Principal Activities

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

## 3. Holding Company

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

## 4. Basis Of Preparation

The financial statements of the Group are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

4.1 During the current financial year, the Group has adopted the following new accounting standards and interpretations (including the consequential amendments, if any):-

**MFRSs and IC Interpretations (Including The Consequential Amendments)**
MFRS 10 Consolidated Financial Statements
MFRS 11 Joint Arrangements
MFRS 12 Disclosure of Interests in Other Entities
MFRS 13 Fair Value Measurement
MFRS 119 (2011) Employee Benefits
MFRS 127 (2011) Separate Financial Statements
MFRS 128 (2011) Investments in Associates and Joint Ventures
Amendments to MFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 10, MFRS 11 and MFRS 12: Transition Guidance
Amendments to MFRS 101: Presentation of Items of Other Comprehensive Income
IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine
Annual Improvements to MFRSs 2009 – 2011 Cycle

The adoption of the above accounting standards and interpretations (including the consequential amendments) did not have any material impact on the Group's financial statements.

# Notes to the Financial Statements (cont'd)

**For the Financial Year Ended 31 May 2014**

## 4. Basis Of Preparation (Cont'd)

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

| MFRSs and IC Interpretations (Including The Consequential Amendments) | Effective Date |
|---|---|
| MFRS 9 (2009) Financial Instruments | ) |
| MFRS 9 (2010) Financial Instruments | ) To be |
| MFRS 9 Financial Instruments (Hedge Accounting and Amendments to MFRS 7, MFRS 9 and MFRS 139) | ) announced ) by MASB |
| Amendments to MFRS 9 and MFRS 7: Mandatory Effective Date of MFRS 9 and Transition Disclosures | ) ) |
| MFRS 14 Regulatory Deferral Accounts | 1 January 2016 |
| Amendments to MFRS 10, MFRS 12 and MFRS 127 (2011): Investment Entities | 1 January 2014 |
| Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations | 1 January 2016 |
| Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation | 1 January 2016 |
| Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities | 1 January 2014 |
| Amendments to MFRS 136: Recoverable Amount Disclosures for Non-financial Assets | 1 January 2014 |
| Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting | 1 January 2014 |
| IC Interpretation 21 Levies | 1 January 2014 |
| Amendments to MFRS 119: Defined Benefit Plans – Employee Contributions | 1 July 2014 |
| Annual Improvements to MFRSs 2010 – 2012 Cycle | 1 July 2014 |
| Annual Improvements to MFRSs 2011 – 2013 Cycle | 1 July 2014 |

The above mentioned accounting standards and interpretations (including the consequential amendments) is not expected to have any material impact on the Group's financial statements upon their initial application.

## 5. Significant Accounting Policies

### 5.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated by the directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that affect the application of the Group's accounting policies and disclosures, and have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities, income and expenses are discussed below:-

**(a) Depreciation of Property and Equipment**

The estimates for the residual values, useful lives and related depreciation charges for the property and equipment are based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions.

The Group anticipates that the residual values of its property and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount.

Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

# Notes to the Financial Statements (cont'd)

**For the Financial Year Ended 31 May 2014**

## 5. Significant Accounting Policies (Cont'd)

### 5.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

**(b) Income Taxes**

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the year in which such determination is made.

**(c) Impairment of Non-Financial Assets**

When the recoverable amount of an asset is determined based on the estimate of the value-in-use of the cash-generating unit to which the asset is allocated, the management is required to make an estimate of the expected future cash flows from the cash-generating unit and also to apply a suitable discount rate in order to determine the present value of those cash flows.

**(d) Write-down of Inventories**

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

**(e) Impairment of Trade and Other Receivables**

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. Management specifically reviews its loans and receivables financial assets on a case by case basis as the risk of impairment on these assets is not considered significant in view of the Group's business. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. If the expectation is different from the estimation, such difference will impact the carrying value of receivables.

**(f) Classification of Leasehold Land**

The classification of leasehold land as a finance lease or an operating lease requires the use of judgement in determining the extent to which risks and rewards incidental to its ownership lie. Despite the fact that there will be no transfer of ownership by the end of the lease term and that the lease term does not constitute the major part of the indefinite economic life of the land, management considered that the present value of the minimum lease payments approximated to the fair value of the land at the inception of the lease. Accordingly, management judged that the Group has acquired substantially all the risks and rewards incidental to the ownership of the land through a finance lease.

**(g) Impairment of Goodwill and Trademark**

Goodwill and trademark are tested for impairment annually and at other times when such indicators exist. This requires management to estimate the expected future cash flows of the cash-generating unit to which goodwill and trademark are allocated and to apply a suitable discount rate in order to determine the present value of those cash flows. The future cash flows are most sensitive to revenue growth rates estimated, estimated profit margins and discount rate used. If the expectation is different from the estimation, such difference will impact the carrying values of goodwill and trademark.

# Notes to the Financial Statements (cont'd)

**For the Financial Year Ended 31 May 2014**

## 5. Significant Accounting Policies (Cont'd)

### 5.2 BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of the reporting period.

Subsidiaries are entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intragroup transactions, balances, income and expenses are eliminated on consolidation. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

**(a) Business Combinations**

A business combination involving entities under common control is a business combination in which all the combining entities or business are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory.

An acquisition that resulted in a business combination involving common control entities is outside the scope of MFRS 3 Business Combinations. For such common control combinations, the merger accounting principles are used to include the assets, liabilities, results, equity changes and cash flows of the combining entities in the audited financial statements.

In applying merger accounting, financial statements items of the combining entities or businesses for the reporting period in which common control combination occurs are included in the audited financial statements of the Group as if the combination had occurred from the date when the combining entities or businesses come under the control of the controlling party or parties.

Under merger accounting, the Group recognises the assets, liabilities and equity of the combining entities or businesses at the carrying amount as if such audited financial statements had been prepared by the controlling party including adjustments required for conforming to the Groups' accounting policies and applying those policies to all period presented. There is no recognition of any goodwill or a gain from a bargain purchase at the time of the common control combination. The effect of all transactions and balances between combining entities, whether occurring before or after the combination, are eliminated in preparing the audited financial statements of the Group.

However, in the future, acquisitions of businesses are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Group at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss when incurred.

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

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of fair value of the acquiree's identifiable net assets at the date of the acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

# Notes to the Financial Statements (cont'd)

**For the Financial Year Ended 31 May 2014**

## 5. Significant Accounting Policies (Cont'd)

### 5.2 BASIS OF CONSOLIDATION (CONT'D)

**(b) Non-Controlling Interests**

Non-controlling interests are presented within equity in the consolidated statement of financial position, separately from the equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

At the end of each reporting period, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

**(c) Changes In Ownership Interests In Subsidiaries Without Change of Control**

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

**(d) Loss of Control**

Upon the loss of control of a subsidiary, the Group recognises any gain or loss on disposal in profit or loss which is calculated as the difference between:-

(i) the aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary; and

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

Amounts previously recognised in other comprehensive income in relation to the former subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of (i.e. reclassified to profit or loss or transferred directly to retained profits). The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 139 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

### 5.3 GOODWILL

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

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

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

# Notes to the Financial Statements (cont'd)

**For the Financial Year Ended 31 May 2014**

## 5. Significant Accounting Policies (Cont'd)

### 5.4 FUNCTIONAL AND PRESENTATION CURRENCY

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

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

### 5.5 FINANCIAL INSTRUMENTS

Financial instruments are recognised in the statements of financial position when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially at its fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

Financial instruments recognised in the statements of financial position are disclosed in the individual policy statement associated with each item.

**(a) Financial Assets**

On initial recognition, financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables financial assets, or available-for-sale financial assets, as appropriate.

(i) Financial Assets at Fair Value through Profit or Loss

Financial assets are classified as financial assets at fair value through profit or loss when the financial asset is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Dividend income from this category of financial assets is recognised in profit or loss when the Group's right to receive payment is established.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that are held primarily for trading purposes are presented as current whereas financial assets that are not held primarily for trading purposes are presented as current or non-current based on the settlement date.

As at the end of the reporting period, there were no financial assets classified under this category.

# Notes to the Financial Statements (cont'd)

**For the Financial Year Ended 31 May 2014**

## 5. Significant Accounting Policies (Cont'd)

### 5.5 FINANCIAL INSTRUMENTS (CONT'D)

**(a) Financial Assets (Cont'd)**

(ii) Held-to-maturity Investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the management has the positive intention and ability to hold to maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment loss, with interest income recognised in profit or loss on an effective yield basis.

Held-to-maturity investments are classified as non-current assets, except for those having maturity within 12 months after the reporting date which are classified as current assets.

As at the end of the reporting period, there were no financial assets classified under this category.

(iii) Loans and Receivables Financial Assets

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables financial assets. Loans and receivables financial assets are measured at amortised cost using the effective interest method, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Loans and receivables financial assets are classified as current assets, except for those having settlement dates later than 12 months after the reporting date which are classified as non-current assets.

(iv) Available-for-sale Financial Assets

Available-for-sale financial assets are non-derivative financial assets that are designated in this category or are not classified in any of the other categories.

After initial recognition, available-for-sale financial assets are remeasured to their fair values at the end of each reporting period. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the fair value reserve, with the exception of impairment losses. On derecognition, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity into profit or loss.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less accumulated impairment losses, if any.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

As at the end of the reporting period, there were no financial assets classified under this category.

# Notes to the Financial Statements (cont'd)

**For the Financial Year Ended 31 May 2014**

## 5. Significant Accounting Policies (Cont'd)

### 5.5 FINANCIAL INSTRUMENTS (CONT'D)

**(b) Financial Liabilities**

All financial liabilities are initially measured at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges.

Financial liabilities are classifies as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

**(c) Equity Instruments**

Ordinary shares classified as equity are measured at cost and are not remeasured subsequently.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from proceeds.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

**(d) Derecognition**

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

### 5.6 INVESTMENTS IN SUBSIDIARIES

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

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

# Notes to the Financial Statements (cont'd)

**For the Financial Year Ended 31 May 2014**

## 5. Significant Accounting Policies (Cont'd)

### 5.7 TRADEMARK

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

### 5.8 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

Depreciation is calculated under the straight-line method to write off the cost of the property, plant and equipment over their estimated useful lives. The principal annual rates used for this purpose are as follows:-

| | |
|---|---|
| Leasehold lands | Over the lease period of 70 to 80 years |
| Buildings | 2% |
| Computer equipment | 33.33% |
| Motor vehicles | 20% |
| Office equipment | 20% |
| Furniture and fittings | 20% |
| Renovation | 20% |

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

Depreciation on assets under construction commences when the assets are ready for their intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group is obligated to incur when the asset is acquired, if applicable.

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

### 5.9 IMPAIRMENT

**(a) Impairment of Financial Assets**

All financial assets (other than those categorised at fair value through profit or loss), are assessed at the end of each reporting period whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. For an equity instrument, a significant or prolonged decline in the fair value below its cost is considered to be objective evidence of impairment.

# Notes to the Financial Statements (cont'd)

**For the Financial Year Ended 31 May 2014**

## 5. Significant Accounting Policies (Cont'd)

### 5.9 IMPAIRMENT (CONT'D)

**(a) Impairment of Financial Assets (Cont'd)**

An impairment loss in respect of held-to-maturity investments and loans and receivables financial assets is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the fair value reserve. In addition, the cumulative loss recognised in other comprehensive income and accumulated in equity under fair value reserve, is reclassified from equity to profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. In respect of available-for-sale equity instruments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss made is recognised in other comprehensive income.

**(b) Impairment of Non-Financial Assets**

The carrying values of assets, other than those to which MFRS 136 - Impairment of Assets does not apply, are reviewed at the end of each reporting period for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount of the assets is the higher of the assets' fair value less costs to sell and their value-in-use, which is measured by reference to discounted future cash flow.

An impairment loss is recognised in profit or loss immediately.

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

### 5.10 INVENTORIES

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

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

# Notes to the Financial Statements (cont'd)

**For the Financial Year Ended 31 May 2014**

## 5. Significant Accounting Policies (Cont'd)

### 5.11 INCOME TAXES

Income tax for the year comprises current and deferred tax.

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the reporting period and is measured using the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences other than those that arise from goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of the reporting period.

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transactions either in other comprehensive income or directly in equity and deferred tax arising from a business combination is included in the resulting goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs.

### 5.12 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, bank overdraft and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturity periods of three months or less.

### 5.13 EMPLOYEE BENEFITS

**(a) Short-term Benefits**

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

# Notes to the Financial Statements (cont'd)

**For the Financial Year Ended 31 May 2014**

## 5. Significant Accounting Policies (Cont'd)

### 5.13 EMPLOYEE BENEFITS (CONT'D)

**(b) Defined Contribution Plans**

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

### 5.14 RELATED PARTIES

A party is related to an entity (referred to as the "reporting entity") if:-

(a) A person or a close member of that person's family is related to a reporting entity if that person:-

(i) has control or joint control over the reporting entity;

(ii) has significant influence over the reporting entity; or

(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:-

(i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

(vi) The entity is controlled or jointly controlled by a person identified in (a) above.

(vii) A person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

# Notes to the Financial Statements (cont'd)

**For the Financial Year Ended 31 May 2014**

## 5. Significant Accounting Policies (Cont'd)

### 5.15 CONTINGENT LIABILITIES

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

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

### 5.16 FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement takes into account a market's participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial reporting purposes, the fair value measurements are analysed into level 1 to level 3 as follows:-

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liability that the entity can access at the measurement date;

Level 2: Inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3: Inputs are unobservable inputs for the asset or liability.

The transfer of fair value between levels is determined as of the date of the event or change in circumstances that caused the transfer.

### 5.17 BORROWING COSTS

Borrowing costs, directly attributable to the acquisition, construction or production of a qualifying asset, are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use or sale. Capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted.

All other borrowing costs are recognised in profit or loss as expenses in the period in which they incurred.

Investment income earned on the temporary investment of specific borrowing pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

# Notes to the Financial Statements (cont'd)

**For the Financial Year Ended 31 May 2014**

## 5. Significant Accounting Policies (Cont'd)

### 5.18 REVENUE AND OTHER INCOME

**(a) Sale of Goods**

Revenue is recognised upon delivery of goods and customers' acceptance and where applicable, net of returns and trade discounts.

**(b) Dividend Income**

Dividend income from investment is recognised when the right to receive dividend payment is established.

**(c) Rental income**

Rental income is recognised on an accrual basis.

**(d) Advertising and promotion income**

Advertising and promotion income is recognised on an accrual basis.

**(e) Interest income**

Interest income is recognised on an accrual basis.

### 5.19 OPERATING SEGMENTS

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

## 6. Property, Plant And Equipment

| The Group Net Book Value | At 1.6.2013 RM | Additions RM | Disposal RM | Impairment losses RM | Depreciation Charge RM | At 31.5.2014 RM |
|---|---|---|---|---|---|---|
| Leasehold lands | 4,332,396 | - | - | - | (66,046) | 4,266,350 |
| Buildings | 2,528,831 | - | - | - | (53,737) | 2,475,094 |
| Computer equipment | 530,264 | 2,058,957 | - | (8,652) | (871,147) | 1,709,422 |
| Motor vehicles | 323,881 | 565,044 | - | - | (278,014) | 610,911 |
| Office equipment | 1,246,943 | 700,999 | (4,168) | (84,713) | (595,702) | 1,263,359 |
| Furniture and fittings | 1,998,337 | 1,106,317 | - | (130,430) | (964,530) | 2,009,694 |
| Renovation | 1,309,730 | 1,149,149 | - | (92,017) | (729,469) | 1,637,393 |
| Asset in progress | 14,921,107 | 3,960,000 | - | - | - | 18,881,107 |
| Total | 27,191,489 | 9,540,466 | (4,168) | (315,812) | (3,558,645) | 32,853,330 |

# Notes to the Financial Statements (cont'd)

**For the Financial Year Ended 31 May 2014**

## 6. Property, Plant And Equipment (Cont'd)

| Net Book Value | At 1.6.2012 RM | Additions RM | Disposal RM | Written Off RM | Depreciation Charge RM | At 31.5.2013 RM |
|---|---|---|---|---|---|---|
| Leasehold lands | 2,148,532 | 2,249,910 | - | - | (66,046) | 4,332,396 |
| Buildings | 2,163,982 | 418,588 | - | - | (53,739) | 2,528,831 |
| Computer equipment | 355,566 | 601,559 | (1,538) | - | (425,323) | 530,264 |
| Motor vehicles | 427,149 | 114,105 | - | - | (217,373) | 323,881 |
| Office equipment | 1,092,830 | 663,691 | (1,706) | - | (507,872) | 1,246,943 |
| Furniture and fittings | 2,063,187 | 820,752 | - | (13,720) | (871,882) | 1,998,337 |
| Renovation | 1,243,699 | 668,505 | - | (7,354) | (595,120) | 1,309,730 |
| Asset in progress | 1,980,000 | 12,941,107 | - | - | - | 14,921,107 |
| Total | 11,474,945 | 18,478,217 | (3,244) | (21,074) | (2,737,355) | 27,191,489 |

| At 31.5.2014 | At Cost RM | Accumulated Depreciation RM | Net Book Value RM |
|---|---|---|---|
| Leasehold lands | 4,506,530 | (240,180) | 4,266,350 |
| Buildings | 2,686,912 | (211,818) | 2,475,094 |
| Computer equipment | 4,839,665 | (3,130,243) | 1,709,422 |
| Motor vehicles | 1,646,233 | (1,035,322) | 610,911 |
| Office equipment | 4,311,355 | (3,047,996) | 1,263,359 |
| Furniture and fittings | 7,066,467 | (5,056,773) | 2,009,694 |
| Renovation | 5,434,875 | (3,797,482) | 1,637,393 |
| Asset in progress | 18,881,107 | - | 18,881,107 |
| Total | 49,373,144 | (16,519,814) | 32,853,330 |

| The Group At 31.5.2013 | At Cost RM | Accumulated Depreciation RM | Net Book Value RM |
|---|---|---|---|
| Leasehold lands | 4,506,530 | (174,134) | 4,332,396 |
| Buildings | 2,686,912 | (158,081) | 2,528,831 |
| Computer equipment | 2,854,788 | (2,324,524) | 530,264 |
| Motor vehicle | 1,306,214 | (982,333) | 323,881 |
| Office equipment | 3,821,612 | (2,574,669) | 1,246,943 |
| Furniture and fittings | 6,263,850 | (4,265,513) | 1,998,337 |
| Renovation | 4,495,453 | (3,185,723) | 1,309,730 |
| Asset in progress | 14,921,107 | - | 14,921,107 |
| Total | 40,856,466 | (13,664,977) | 27,191,489 |

# Notes to the Financial Statements (cont'd)

**For the Financial Year Ended 31 May 2014**

## 6. Property, Plant And Equipment (Cont'd)

The net book value of properties pledged as security for bank borrowings are as follows:-

| Net Book Value | The Group | |
|---|---|---|
| | 2014 | 2013 |
| | RM | RM |
| Leasehold lands | 2,900,504 | 3,685,246 |
| Buildings | 1,365,354 | 1,940,847 |
| Asset in progress | 18,881,107 | 14,921,107 |
| | 23,146,965 | 20,547,200 |

## 7. Intangible Assets

| The Group | Goodwill | Trademark | Total |
|---|---|---|---|
| | RM | RM | RM |
| **Cost:-** | | | |
| Balance at 1 June 2013/2012 | 1,071,560 | 1,874,870 | 2,946,430 |
| Addition during the financial year | - | - | - |
| Net carrying amount at 31 May 2014/2013 | 1,071,560 | 1,874,870 | 2,946,430 |

**Key assumption used in value-in-use calculations**

The Group has assessed the recoverable amount of trademark and goodwill allocated and determined that no impairment is required.

The recoverable amount of cash-generating unit is determined based on value-in-use calculation using discounted cash flow projection based on financial budgets approved by management covering a ten-year period. The key assumptions used for value-in-use calculation are based on past experience and the discount rate applied to the cash flow projection is 13.33% per annum which was the weighted average cost of capital of the Group as at 31 May 2014.

## 8. Investment In Subsidiaries

| | The Company | |
|---|---|---|
| | 2014 | 2013 |
| | RM | RM |
| Unquoted shares | | |
| - at cost | 182,706,397 | - |

# Notes to the Financial Statements (cont'd)

**For the Financial Year Ended 31 May 2014**

## 8. Investment In Subsidiaries (Cont'd)

The details of the subsidiaries are as follows:-

| Name of company | Place of incorporation | Ordinary Paid-up Capital RM | Effective Equity Interest 2014 % | Effective Equity Interest 2013 % | Principal activities |
|---|---|---|---|---|---|
| Caring Pharmacy Retail Management Sdn. Bhd. | Malaysia | 2,310,918 | 100 | - | Investment holding and the provision of management services |
| Held by Caring Pharmacy Retail Management Sdn. Bhd.: | | | | | |
| Caring Health Solutions Sdn. Bhd. | Malaysia | 100,000 | 51 | 51 | Operation of community pharmacy including retailing of pharmaceutical, healthcare and personal care products |
| Caring Pharmacy (Kinrara) Sdn. Bhd. | Malaysia | 100,000 | 50 | 50 | As above |
| Viva Caring Sdn. Bhd. | Malaysia | 100,000 | 100 | 100 | As above |
| Caring Belle Sdn. Bhd. | Malaysia | 100,000 | 80 | 80 | As above |
| Be Caring Sdn. Bhd. | Malaysia | 100,000 | 51 | 51 | As above |
| Sterling Pharmacy Sdn. Bhd. | Malaysia | 100,000 | 50 | 50 | As above |
| Stay Caring Sdn. Bhd. | Malaysia | 100,000 | 51 | 51 | As above |
| United Caring Venture Sdn. Bhd. | Malaysia | 100,000 | 100 | 100 | As above |
| MN Pharmacy Sdn. Bhd. | Malaysia | 100,000 | 60 | 60 | As above |
| Caring Pharmacy (KLP) Sdn. Bhd. | Malaysia | 100,000 | 60 | 60 | As above |
| Caring 'N' You Pharmacy Sdn. Bhd. | Malaysia | 100,000 | 60 | 60 | As above |
| Caring Pharmacy Sdn. Bhd. | Malaysia | 1,000,000 | 100 | 100 | As above |
| Tonic Pharma Sdn. Bhd. | Malaysia | 100,000 | 60 | 60 | As above |
| Ace Caring Pharmacy Sdn. Bhd. | Malaysia | 100,000 | 51 | 51 | As above |
| Caring Pharmacy (Ampang) Sdn. Bhd. | Malaysia | 100,000 | 60 | 60 | As above |
| Vertex Pharmacy Sdn. Bhd. | Malaysia | 100,000 | 51 | 51 | As above |

# Notes to the Financial Statements (cont'd)

**For the Financial Year Ended 31 May 2014**

## 8. Investment In Subsidiaries (Cont'd)

The details of the subsidiaries are as follows (cont'd):-

| Name of company | Place of incorporation | Ordinary Paid-up Capital RM | Effective Equity Interest 2014 % | Effective Equity Interest 2013 % | Principal activities |
|---|---|---|---|---|---|
| Preciouslife Pharmacy Sdn. Bhd. | Malaysia | 100,000 | 70 | 70 | Operation of community pharmacy including retailing of pharmaceutical, healthcare and personal care products |
| Caring Pharmacy (Puchong) Sdn. Bhd. | Malaysia | 100,000 | 80 | 80 | As above |
| My Caring Pharmacy Sdn. Bhd. | Malaysia | 100,000 | 60 | 60 | As above |
| Victorie Caring Sdn. Bhd. | Malaysia | 100,000 | 60 | 60 | As above |
| Caring Pharmacy (MSF) Sdn. Bhd. | Malaysia | 100,000 | 100 | 100 | As above |
| Caring Pharmacy (SW) Sdn. Bhd. | Malaysia | 300,000 | 100 | 100 | As above |
| Caring Pharmacy (ABM) Sdn. Bhd. | Malaysia | 100,000 | 75 | 75 | As above |
| Caring Pharmacy (AMC) Sdn. Bhd. | Malaysia | 100,000 | 60 | 60 | As above |
| United RX Care Sdn. Bhd. | Malaysia | 100,000 | 60 | 60 | As above |
| One Caring Pharmacy Sdn. Bhd. | Malaysia | 100,000 | 60 | 60 | As above |
| Caring Pharmacy Always Sdn. Bhd. | Malaysia | 100,000 | 70 | 70 | As above |
| Green Surge Sdn. Bhd. | Malaysia | 100,000 | 70 | 70 | As above |
| Caring Pharmacy (Lifeplus) Sdn. Bhd. | Malaysia | 100,000 | 70 | 70 | As above |
| Caring Pharmacy (IDR) Sdn. Bhd. | Malaysia | 100,000 | 51 | 51 | As above |
| Living Glory Sdn. Bhd. | Malaysia | 100,000 | 70 | 70 | As above |
| Caring Pharmacy Paradise Sdn. Bhd. | Malaysia | 100,000 | 60 | 60 | As above |
| Caring Pharmacy (SK) Sdn. Bhd. | Malaysia | 100,000 | 90 | 90 | As above |
| Caring Pharmacy (Shah Alam) Sdn. Bhd. | Malaysia | 100,000 | 60 | 60 | As above |
| Caring Pharmacy (JB Molek) Sdn. Bhd. | Malaysia | 100,000 | 60 | 60 | As above |
| Caring Trio Sdn. Bhd. | Malaysia | 100,000 | 60 | 60 | As above |

# Notes to the Financial Statements (cont'd)

**For the Financial Year Ended 31 May 2014**

## 8. Investment In Subsidiaries (Cont'd)

The details of the subsidiaries are as follows (cont'd):-

| Name of company | Place of incorporation | Ordinary Paid-up Capital RM | Effective Equity Interest 2014 % | Effective Equity Interest 2013 % | Principal activities |
|---|---|---|---|---|---|
| Mega Caring Sdn. Bhd. | Malaysia | 100,000 | 60 | 60 | Operation of community pharmacy including retailing of pharmaceutical, healthcare and personal care products |
| Cosy Vision Sdn. Bhd. | Malaysia | 100,000 | 60 | 60 | As above |
| Fuji Acre Sdn. Bhd. | Malaysia | 100,000 | 70 | 75 | As above |
| Caring Pharmacy Rising Sdn. Bhd. | Malaysia | 100,000 | 60 | 60 | As above |
| Caring Pharmacy Estore Sdn. Bhd. | Malaysia | 2 | 100 | 100 | Internet and warehouse sales of healthcare and personal care products |
| Caring Trinity Sdn. Bhd. | Malaysia | 100,000 | 60 | 60 | Dormant |
| Miracle Cure Caring Sdn. Bhd. | Malaysia | 2 | 100 | 100 | Dormant |
| Caring Pharmacy Help Sdn. Bhd. | Malaysia | 2 | 100 | - | Dormant |
| Caring Clover Sdn. Bhd. | Malaysia | 100,000 | 60 | - | Dormant |

(a) The non-controlling interests at the end of the reporting period comprise the following:-

| | The Group 2014 RM | The Group 2013 RM |
|---|---|---|
| Non-controlling interest with the following effective equity interest:- | | |
| - 50.00% | 1,368,115 | 1,383,158 |
| - 49.00% | 1,533,159 | 1,442,173 |
| - 40.50% | 89,794 | 50,718 |
| - 40.00% - 10.00% | 179,214 | 793,422 |
| | 3,170,282 | 3,669,471 |

# Notes to the Financial Statements (cont'd)

**For the Financial Year Ended 31 May 2014**

## 8. Investment In Subsidiaries (Cont'd)

(b) The summarised financial information (before intra-group elimination) of a subsidiary that has material non-controlling interests is as follows:-

| | Caring Pharmacy (Kinrara) Sdn. Bhd. | |
|---|---|---|
| | 2014 RM | 2013 RM |
| At 31 May | | |
| Non-current assets | 1,260,413 | 1,281,555 |
| Current assets | 2,437,312 | 2,326,142 |
| Current liabilities | (1,893,218) | (1,981,046) |
| Net assets | 1,804,507 | 1,626,651 |
| Financial year ended 31 May | | |
| Revenue | 11,484,209 | 11,355,871 |
| Profit for the financial year/Total comprehensive income | 517,856 | 477,364 |
| Total comprehensive income attributable to non-controlling interests | 258,928 | 238,682 |
| Net cash flows from operating activities | 241,837 | 679,535 |
| Net cash flows for investing activities | 48,113 | 59,418 |
| Net cash flows for financing activities | (392,872) | (766,969) |

## 9. Deferred Taxation

| | The Group | |
|---|---|---|
| | 2014 RM | 2013 RM |
| ***Deferred tax assets*** | | |
| At 1.6.2013/2012 | (448,300) | (165,100) |
| Recognised in profit or loss (Note 26) | (894,100) | (283,200) |
| At 31.5.2014/2013 | (1,342,400) | (448,300) |
| ***Deferred tax liabilities*** | | |
| At 1.6.2013/2012 | 150,500 | 205,250 |
| Recognised in profit or loss (Note 26) | 127,366 | (54,750) |
| At 31.5.2014/2013 | 277,866 | 150,500 |
| Net deferred tax assets | (1,064,534) | (297,800) |

# Notes to the Financial Statements (cont'd)

**For the Financial Year Ended 31 May 2014**

## 9. Deferred Taxation (Cont'd)

Deferred tax assets and liabilities are attributable to the following items:-

| | The Group | |
|---|---|---|
| | 2014 | 2013 |
| | RM | RM |
| **Deferred tax liabilities** | | |
| An excess of carrying amount over tax base | 424,866 | 241,100 |
| **Deferred tax assets** | | |
| Unabsorbed tax losses | (1,174,000) | (391,900) |
| Unutilised capital allowances | (315,400) | (147,000) |
| | (1,489,400) | (538,900) |
| Net deferred tax assets | (1,064,534) | (297,800) |

No deferred tax assets are recognised in respect of the following items:-

| | The Group | |
|---|---|---|
| | 2014 | 2013 |
| | RM | RM |
| Unabsorbed tax losses | 4,012,400 | 2,129,200 |
| Unutilised capital allowances | 1,658,400 | 1,176,800 |
| | 5,670,800 | 3,306,000 |

## 10. Inventories

| | The Group | |
|---|---|---|
| | 2014 | 2013 |
| | RM | RM |
| At cost | | |
| Trading goods | 79,855,424 | 57,507,217 |

None of the inventories are stated at net realisable value.

## 11. Trade Receivables

The Group's sales are normally conducted on cash basis. The trade receivables represent amount owing from transactions conducted with business associates and credit terms are assessed and approved on case-by-case basis.

# Notes to the Financial Statements (cont'd)

**For the Financial Year Ended 31 May 2014**

## 12. Other Receivables, Deposits And Prepayments

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | RM | RM | RM | RM |
| Other receivables | 475,131 | 1,951,570 | - | - |
| Deposits | 5,284,850 | 5,979,207 | 5,000 | 955,444 |
| Prepayment | 8,484 | - | - | - |
| | 5,768,465 | 7,930,777 | 5,000 | 955,444 |

## 13. Amounts Owing By Related Companies

| | The Company | |
|---|---|---|
| | 2014 | 2013 |
| | RM | RM |
| Subsidiary | | |
| Non-trade balances | 3,013,746 | - |
| Dividend receivable | 4,621,836 | - |
| | 7,635,582 | - |

The non-trade balances represent unsecured, interest-free advances and payments made on behalf. The amounts owing are repayable on demand and to be settled in cash.

## 14. Deposits With Financial Institutions

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | RM | RM | RM | RM |
| Fixed deposits with financial institution | 360,000 | 360,000 | - | - |
| Placements with financial institution | 58,264,884 | 27,995,251 | 37,631,744 | - |
| | 58,624,884 | 28,355,251 | 37,631,744 | - |

The placements with financial institution represent monies deposited into fixed income funds which are not restricted to fixed maturity. The funds invest mainly into fixed deposits with licensed banks, short-term repurchase agreements (REPOs) and short term Malaysian Government Securities and thus have minimum exposure to changes in market value. These deposits can be cashed out on call basis and have cheque facilities.

The weighted average effective interest rates per annum of deposits at the end of the reporting period are as follows:-

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | % | % | % | % |
| Fixed deposits with financial institution | 3.00 – 3.15 | 3.00 – 3.15 | - | - |
| Placements with financial institution | 2.04 – 2.84 | 2.09 – 2.72 | 2.04 – 2.84 | - |

# Notes to the Financial Statements (cont'd)

**For the Financial Year Ended 31 May 2014**

## 14. Deposits With Financial Institutions (Cont'd)

The average maturities of fixed deposits as at the end of the reporting period are as follows:-

| | The Group | |
|---|---|---|
| | 2014 | 2013 |
| | Days | Days |
| Fixed deposits with financial institution | 30 - 365 | 30 - 365 |

## 15. Share Capital

| | The Company | | | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | Number of shares | | RM | RM |
| **Authorised** | | | | |
| *Ordinary shares of RM1.00 each* | | | | |
| At 1 June 2013/At Date of Incorporation | 500,000,000 | 100,000 | 500,000,000 | 100,000 |
| Increase during the financial period | - | 499,900,000 | - | 499,900,000 |
| At 31 May 2014/2013 | 500,000,000 | 500,000,000 | 500,000,000 | 500,000,000 |
| **Issued And Fully Paid-Up** | | | | |
| *Ordinary shares of RM1.00 each* | | | | |
| At 1 June 2013/At date of incorporation | 3 | 3 | 3 | 3 |
| Issuance of shares pursuant to initial public offering:- | | | | |
| - acquisition of subsidiaries* | 182,706,397 | - | 182,706,397 | - |
| - public issue** | 35,000,000 | - | 35,000,000 | - |
| At 31 May 2014/2013 | 217,706,400 | 3 | 217,706,400 | 3 |

Note:-

* This represents share capital issued pursuant to the acquisitions of subsidiaries, which were consolidated using the merger method of accounting as disclosed in Note 36(a) to the financial statements.

** This represents share capital issued pursuant to the public issue of 35,000,000 new ordinary shares of RM1.00 each at an issue price of RM1.25 each as disclosed in Note 36(b) to the financial statements.

The new ordinary shares issued rank *pari passu* in all respects with the existing shares of the Company.

# Notes to the Financial Statements (cont'd)

**For the Financial Year Ended 31 May 2014**

## 16. Share Premium

The movements in the share premium of the Group and the Company are as follows:-

| | The Group and The Company | |
|---|---|---|
| | 2014 | 2013 |
| | RM | RM |
| At 1 June 2013/2012 | - | - |
| Premium from public issue | 8,750,000 | - |
| Listing expenses | (1,348,084) | - |
| At 31 May 2014/2013 | 7,401,916 | - |

Share premium comprises the premium paid on subscription of shares in the Company and above the par value of the shares net of listing expenses. The total listing expenses for the Initial Public Offering exercise amounted to RM3,083,969, of which RM1,348,084 were written off against share premium. The balance of the listing expenses of RM1,735,885 were recognised in the profit or loss as disclosed in Note 25 to the financial statements.

The share premium is not distributable by way of dividends and may be utilised in the manner set out in Section 60(3) of the Companies Act 1965.

## 17. Retained Profits

At the end of the reporting period, the Company will be able to distribute dividends out of its entire retained profits under the single tier tax system.

## 18. Merger Deficit

The merger deficit in the financial year arose from subsidiaries which were consolidated under the merger method of accounting.

The merger deficit arose from the difference between the carrying value of the investment and the nominal value of the shares of the subsidiaries upon consolidation using merger accounting principles.

## 19. Term Loans

| | The Group | |
|---|---|---|
| | 2014 | 2013 |
| | RM | RM |
| Current portion:- | | |
| - repayable within one year | 121,412 | 442,016 |
| Non-current portion:- | | |
| - repayable between one and two years | 1,456,940 | 510,556 |
| - repayable between two and five years | 2,913,880 | 3,692,167 |
| - repayable more than five years | 5,407,768 | 5,399,990 |
| Total non-current portion | 9,778,588 | 9,602,713 |
| | 9,900,000 | 10,044,729 |

# Notes to the Financial Statements (cont'd)

**For the Financial Year Ended 31 May 2014**

## 19. Term Loans (Cont'd)

Term loans are repayable over 180 to 240 (2013 – 180 to 240) monthly instalments from the date of drawdown and secured by the following:-

(i) legal charges over the Group's leasehold lands and buildings as disclosed in Note 6 to the financial statements; and

(ii) joint and several guarantee from certain directors of the Company and its subsidiary.

The weighted average effective interest rates per annum at the end of the reporting period for borrowings were as follow:-

| | The Group | |
|---|---|---|
| | 2014 | 2013 |
| | % | % |
| Term loans | 4.20 | 4.27 |

## 20. Trade Payables

The normal trade credit terms granted to the Group range from 30 days to 120 days (2013 – 30 days to 120 days). Other credit terms are granted to the Group on a case-by-case basis.

## 21. Other Payables And Accruals

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | RM | RM | RM | RM |
| Other payables | 2,157,681 | 2,245,607 | - | 955,444 |
| Accrued expenses | 1,893,236 | 1,064,555 | 20,000 | 2,000 |
| Payroll liabilities | 2,763,371 | 2,409,606 | - | - |
| | 6,814,288 | 5,719,768 | 20,000 | 957,444 |

## 22. Amount Owing To Non-Controlling Shareholders

The amount owing is unsecured, interest bearing advances and repayable on demand. The amount is to be settled in cash. The advances bear an interest ranging from 3.20% to 3.31% (2013 – 3.21% to 3.28%) per annum.

# Notes to the Financial Statements (cont'd)

**For the Financial Year Ended 31 May 2014**

## 23. Amounts Owing To Related Parties

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2014 RM | 2013 RM | 2014 RM | 2013 RM |
| Subsidiary | | | | |
| Non-trade balances | - | - | - | 15,541 |
| Companies in which certain directors have significant financial interests | | | | |
| Trade balances | 56,215 | 40,576 | - | - |
| | 56,215 | 40,576 | - | 15,541 |

(a) The trade balances are subject to the normal trade credit terms of 60 days (2013 – 60 days). The amounts owing are to be settled in cash.

(b) The non-trade balances represent unsecured, interest-free advances and payments made on behalf. The amounts owing are repayable on demand and to be settled in cash.

## 24. Revenue

| | The Group | | The Company | |
|---|---|---|---|---|
| | Year ended 31.5.2014 RM | Year ended 31.5.2013 RM | 1.6.2013 to 31.5.2014 RM | 30.7.2012 to 31.5.2013 RM |
| Sales of goods | 338,227,072 | 301,367,519 | - | - |
| Loyalty fee | 44,935 | - | - | - |
| Rental income | 65,100 | 49,500 | - | - |
| Dividend income | - | - | 8,088,213 | - |
| | 338,337,107 | 301,417,019 | 8,088,213 | - |

# Notes to the Financial Statements (cont'd)

**For the Financial Year Ended 31 May 2014**

## 25. Profit/(Loss) Before Taxation

| | The Group | | The Company | |
|---|---|---|---|---|
| | Year ended 31.5.2014 RM | Year ended 31.5.2013 RM | 1.6.2013 to 31.5.2014 RM | 30.7.2012 to 31.5.2013 RM |
| Profit/(Loss) before taxation is arrived at after charging:- | | | | |
| Audit fee | | | | |
| - for the current financial year | 261,300 | 226,600 | 20,000 | 2,000 |
| - under provision in the previous financial year | 8,200 | - | 500 | - |
| Depreciation of property, plant and equipment | 3,558,645 | 2,737,355 | - | - |
| Directors' fee paid | 1,069,200 | 813,098 | 204,000 | - |
| Directors' non-fee emoluments | 8,952,817 | 8,146,677 | - | - |
| Equipment written off | - | 21,074 | - | - |
| Impairment loss on property, plant and equipment | 315,812 | - | - | - |
| Incorporation expenses | 1,500 | 10,600 | - | 2,990 |
| Interest expenses | 411,133 | 51,312 | - | - |
| Listing expenses | 1,735,885 | - | 1,735,885 | - |
| Rental of premises | 14,903,009 | 12,154,470 | - | - |
| Staff costs | 31,255,957 | 26,434,617 | 4,100 | - |

Included in staff costs is EPF contribution of RM3,255,231 (2013 – RM2,671,319) of the Group.

| | The Group | | The Company | |
|---|---|---|---|---|
| | Year ended 31.5.2014 RM | Year ended 31.5.2013 RM | 1.6.2013 to 31.5.2014 RM | 30.7.2012 to 31.5.2013 RM |
| And crediting:- | | | | |
| Gain on disposal of property, plant and equipment | (184,332) | (84,663) | - | - |
| Interest income | (1,284,483) | (808,717) | (588,584) | - |
| Rental income | (111,800) | (108,600) | - | - |

# Notes to the Financial Statements (cont'd)

**For the Financial Year Ended 31 May 2014**

## 26. Taxation

| | The Group | | The Company | |
|---|---|---|---|---|
| | Year ended 31.5.2014 RM | Year ended 31.5.2013 RM | 1.6.2013 to 31.5.2014 RM | 30.7.2012 to 31.5.2013 RM |
| Current tax expenses:- | | | | |
| Malaysian Income Tax for the current financial year/period | 7,273,330 | 7,806,610 | - | - |
| Under provision in the previous financial year/period | 27,336 | 28,523 | - | - |
| | 7,300,666 | 7,835,133 | - | - |
| Deferred tax expenses (Note 9):- | | | | |
| Relating to origination and reversal of temporary differences | (750,834) | (345,400) | - | - |
| (Over)/Under provision in the previous financial year/period | (15,900) | 7,450 | - | - |
| | (766,734) | (337,950) | - | - |
| | 6,533,932 | 7,497,183 | - | - |

The corporate tax rate on the first RM500,000 of chargeable income in respect of companies with issued and paid-up share capital not exceeding RM2,500,000 is 20% while the rate applicable to the remaining balance of the chargeable income is at 25% (2013 – 25%).

A reconciliation of income tax expense applicable to the profit/(loss) before tax at the statutory tax rate to income tax expense at the effective tax rate of the Group and of the Company are as follows:-

| | The Group | | The Company | |
|---|---|---|---|---|
| | Year ended 31.5.2014 RM | Year ended 31.5.2013 RM | 1.6.2013 to 31.5.2014 RM | 30.7.2012 to 31.5.2013 RM |
| Profit/(loss) before taxation | 22,810,210 | 29,819,333 | 6,656,359 | (7,118) |
| Tax at the applicable corporate tax rate | 5,486,531 | 7,163,060 | 1,664,090 | (1,780) |
| Tax effects of:- | | | | |
| Non-deductible expenses | 875,649 | 265,955 | 505,109 | 1,780 |
| Non-taxable income | (317,679) | (183,105) | (2,169,199) | - |
| Under provision of Malaysian Income Tax in the previous financial year | 27,336 | 28,523 | - | - |
| Deferred tax assets not recognised during the financial year | 477,995 | 215,300 | - | - |
| (Over)/Under provision of deferred tax in the previous financial year | (15,900) | 7,450 | - | - |
| Tax charge for the financial year/period | 6,533,932 | 7,497,183 | - | - |

# Notes to the Financial Statements (cont'd)

**For the Financial Year Ended 31 May 2014**

## 26. Taxation (Cont'd)

Subject to agreement with tax authorities, at the end of the reporting period, the unabsorbed tax losses and unutilised capital allowances of the Group are as follows:-

| | The Group | |
|---|---|---|
| | Year ended 31.5.2014 RM | Year ended 31.5.2013 RM |
| Unabsorbed tax losses | 8,708,300 | 3,728,200 |
| Unutilised capital allowances | 2,956,100 | 2,024,500 |
| | 11,664,400 | 5,752,700 |

## 27. Earning Per Share

| | The Group | |
|---|---|---|
| | 2014 | 2013 |
| Profit attributable to owners of the Company (RM) | 15,078,271 | 20,552,001 |
| Weighted average number of ordinary shares:- | | |
| Issued ordinary shares at 1 June 2013 / At date of incorporation | 182,706,400 | 3 |
| Effect of acquisitions of subsidiaries* | - | 182,706,397 |
| Effect of public issue | 19,273,973 | - |
| Weighted average number of ordinary shares at 31 May 2014/2013 | 201,980,373 | 182,706,400 |
| Basic earnings per share (sen) | 7.47 | 11.25 |

Note:-

* - Ordinary shares arising from the acquisitions are assumed to be issued throughout the beginning of the financial year on 1 June 2013 as the acquisitions of subsidiaries were accounted for under common control using the pooling interest method of consolidation.

The diluted earnings per share were not applicable as there were no dilutive potential ordinary shares outstanding at the end of the reporting period.

# Notes to the Financial Statements (cont'd)

**For the Financial Year Ended 31 May 2014**

## 28. Dividends

| | The Group/The Company | |
|---|---|---|
| | 2014 | 2013 |
| | RM | RM |
| Paid:- | | |
| In respect of the current financial year:- | | |
| Interim tax-exempt dividend of:- | | |
| - 1.5 sen per ordinary share | 3,265,596 | - |

At the forthcoming Annual General Meeting, a final dividend of 1.5 sen per ordinary share in respect of the current financial year will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in the financial year ending 31 May 2015.

## 29. Purchase Of Property, Plant And Equipment

| | The Group | |
|---|---|---|
| | 2014 | 2013 |
| | RM | RM |
| Cost of property, plant and equipment purchased | 9,540,466 | 18,478,217 |
| Deposit paid in the previous financial year | (1,705,288) | - |
| Cash disbursed for purchase of property, plant and equipment | 7,835,178 | 18,478,217 |

## 30. Cash And Cash Equivalents

For the purpose of the statements of cash flows, cash and cash equivalents comprise the following:-

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | RM | RM | RM | RM |
| Deposits with financial institutions | 58,624,884 | 28,355,251 | 37,631,744 | - |
| Cash and bank balances | 19,271,237 | 13,169,710 | 533,238 | 10,426 |
| | 77,896,121 | 41,524,961 | 38,164,982 | 10,426 |

# Notes to the Financial Statements (cont'd)

**For the Financial Year Ended 31 May 2014**

## 31. Directors' Remuneration

(a) The aggregate amounts of remuneration received and receivable by the directors of the Group and of the Company during the financial year are as follows:-

| | The Group | | The Company | |
|---|---|---|---|---|
| | Year ended 31.5.2014 RM | Year ended 31.5.2013 RM | 1.6.2013 to 31.5.2014 RM | 30.7.2012 to 31.5.2013 RM |
| **Directors of the Company** | | | | |
| Executive directors: | | | | |
| - fee | 208,800 | 208,800 | - | - |
| - non-fee emoluments | 1,353,430 | 1,204,698 | - | - |
| | 1,562,230 | 1,413,498 | - | - |
| Non-Executive directors | | | | |
| - fee | 204,000 | - | 204,000 | - |
| **Directors of the subsidiaries** | | | | |
| Executive directors: | | | | |
| - fee | 656,400 | 604,298 | - | - |
| - non-fee emoluments | 7,599,387 | 6,941,979 | - | - |
| | 8,255,787 | 7,546,277 | - | - |
| | 10,022,017 | 8,959,775 | 204,000 | - |

(b) The number of the Company's directors with total remuneration from the Group falling in bands of RM50,000 are as follows:-

| | Year ended 31.5.2014 | Year ended 31.5.2013 |
|---|---|---|
| | Number Of Directors | |
| Executive directors:- | | |
| RM450,001 – RM500,000 | - | 3 |
| RM500,001 – RM550,000 | 3 | - |
| | 3 | 3 |
| Non-Executive directors:- | | |
| RM50,001 – RM100,000 | 3 | - |

# Notes to the Financial Statements (cont'd)

**For the Financial Year Ended 31 May 2014**

## 32. Significant Related Parties Disclosures

(a) Identities of related parties

In addition to the information detailed elsewhere in the financial statements, the Group has related party relationships with its directors, key management personnel and entities within the same group of companies.

(b) Other than those disclosed elsewhere in the financial statements, the Group and the Company also carried out the following significant transactions with the related parties during the financial year:-

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2014 RM | 2013 RM | 2014 RM | 2013 RM |
| ***Key management personnel*** | | | | |
| Disposal of motor vehicle | - | 86,000 | - | - |
| ***Subsidiaries*** | | | | |
| Dividend income received/receivable | - | - | 8,088,213 | - |
| Interest income received/receivable | - | - | 31,264 | - |
| ***Holding company **** | | | | |
| Rental expenses paid/payable | - | 112,500 | - | - |
| Dividends paid/payable | - | 1,825,049 | - | - |
| ***A company in which certain directors have significant financial interests **** | | | | |
| Rental expenses paid/payable | 294,000 | 162,700 | - | - |
| ***A company in which a substantial shareholder have significant financial interests*** | | | | |
| Rental expenses paid/payable | 357,263 | 163,035 | - | - |
| **Companies in which a director and a substantial shareholder have significant financial interests** | | | | |
| Purchase of goods | 208,969 | 221,954 | - | - |

Information regarding outstanding balances arising from related party transactions as at the end of the reporting period is disclosed in Notes 13 and 23 to the financial statements.

* Pursuant to a corporate restructuring exercise, Caring Pharmacy Holding Sdn. Bhd. ceased to be the holding company of Caring Pharmacy Group Berhad's subsidiaries on 22 October 2012 and has been re-designated to "*a company in which certain directors have significant financial interests*".

# Notes to the Financial Statements (cont'd)

**For the Financial Year Ended 31 May 2014**

## 32. Significant Related Parties Disclosures (Cont'd)

(c) Key management personnel compensation:-

| | The Group | |
|---|---|---|
| | 2014 | 2013 |
| | RM | RM |
| Short-term employee benefits | 2,924,259 | 2,897,427 |
| Post-employment benefits | 450,702 | 434,900 |
| | 3,374,961 | 3,332,327 |

## 33. Operating Segments

The Group is principally engaged in operation of community pharmacy including retailing of pharmaceutical, healthcare and personal care products. Therefore, segmental information has not been prepared as the Group's revenue, operating profit, assets employed, liabilities, capital expenditure, depreciation and non-cash expenses are confined to one business segment and located in Malaysia.

## 34. Capital Commitments

| | The Group/The Company | |
|---|---|---|
| | 2014 | 2013 |
| | RM | RM |
| **Capital expenditure commitments** | | |
| Authorised and contracted for | | |
| - property, plant and equipment | 1,634,442 | 4,950,000 |

## 35. Financial Instruments

**(a) Financial Risk Management Policies**

The Group's activities are exposed to a variety of market risk (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The Group's policies in respect of the major areas of treasury activity are as follows:-

**(i) Market Risk**

*(i) Foreign Currency Risk*

The Group does not have material transactions or balances denominated in foreign currency and hence does not have significant exposure to foreign currency risks.

# Notes to the Financial Statements (cont'd)

**For the Financial Year Ended 31 May 2014**

## 35. Financial Instruments (Cont'd)

### (a) Financial Risk Management Policies (Cont'd)

#### (i) Market Risk (Cont'd)

*(ii) Interest Rate Risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises from interest-bearing financial assets and liabilities. The Group's policy is to obtain the most favourable interest rates available. As the Group's exposure to interest rate risk is immaterial, sensitivity analysis is not disclosed.

*(iii) Equity Price Risk*

The Group does not have any quoted investment and hence is not exposed to equity price risks.

#### (ii) Credit Risk

The Group's business model does not result in significant exposure to credit risks from receivables. For other financial assets (including cash and bank balances and deposits with financial institutions), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

Credit risk concentration profile

The Group does not have any major concentration of credit risk related to any individual customer or counterparty.

Exposure to credit risk

As the Group does not hold any collateral, the maximum exposure to credit risk is represented by the carrying amount of the financial assets as at the end of the reporting period.

Ageing analysis

The ageing analysis of the Group's trade receivables at the end of the reporting period is as follows:-

| | The Group | |
|---|---|---|
| | 2014 | 2013 |
| | RM | RM |
| Gross amount/carrying value | | |
| Not past due | 336,422 | 169,818 |
| Past due:- | | |
| - less than 3 months | - | 5,767 |
| | 336,422 | 175,585 |

## 35. Financial Instruments (Cont'd)

### (a) Financial Risk Management Policies (Cont'd)

#### (iii) Liquidity Risk

Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):-

| The Group | Weighted Average Effective Rate % | Carrying Amount RM | Contractual Undiscounted Cash Flows RM | Within 1 Year RM | 1 – 5 Years RM | Over 5 Years RM |
|---|---|---|---|---|---|---|
| 2014 | | | | | | |
| Trade payables | - | 62,905,995 | 62,905,995 | 62,905,995 | - | - |
| Other payables and accruals | - | 6,814,288 | 6,814,288 | 6,814,288 | - | - |
| Amount owing to non-controlling shareholders | 3.20 - 3.31 | 3,531,900 | 3,531,900 | 3,531,900 | - | - |
| Amounts owing to related parties | - | 56,215 | 56,215 | 56,215 | - | - |
| Term loans | 4.20 | 9,900,000 | 12,141,167 | 121,412 | 4,370,820 | 7,648,935 |
| | | 83,208,398 | 85,449,565 | 73,429,810 | 4,370,820 | 7,648,935 |

| The Group | Weighted Average Effective Rate % | Carrying Amount RM | Contractual Undiscounted Cash Flows RM | Within 1 Year RM | 1 – 5 Years RM | Over 5 Years RM |
|---|---|---|---|---|---|---|
| 2013 | | | | | | |
| Trade payables | - | 54,223,303 | 54,223,303 | 54,223,303 | - | - |
| Other payables and accruals | - | 5,719,768 | 5,719,768 | 5,719,768 | - | - |
| Amount owing to non-controlling shareholders | 3.21 – 3.28 | 3,120,135 | 3,120,135 | 3,120,135 | - | - |
| Amounts owing to related parties | - | 40,576 | 40,576 | 40,576 | - | - |
| Term loans | 4.27 | 10,044,729 | 13,088,339 | 445,718 | 4,202,723 | 8,439,898 |
| | | 73,148,511 | 76,192,121 | 63,549,500 | 4,202,723 | 8,439,898 |

# Notes to the Financial Statements (cont'd)

**For the Financial Year Ended 31 May 2014**

## 35. Financial Instruments (Cont'd)

### (a) Financial Risk Management Policies (Cont'd)

#### (iii) Liquidity Risk (Cont'd)

| The Company | Weighted Average Effective Rate % | Carrying Amount RM | Contractual Undiscounted Cash Flows RM | Within 1 Year RM |
|---|---|---|---|---|
| 2014 | | | | |
| Other payables and accruals | - | 20,000 | 20,000 | 20,000 |

| The Company | Weighted Average Effective Rate % | Carrying Amount RM | Contractual Undiscounted Cash Flows RM | Within 1 Year RM |
|---|---|---|---|---|
| 2013 | | | | |
| Other payables and accruals | - | 957,444 | 957,444 | 957,444 |
| Amounts owing to related parties | - | 15,541 | 15,541 | 15,541 |
| | | 972,985 | 972,985 | 972,985 |

### (b) Capital Risk Management

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support their businesses and maximise shareholder(s) value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio. The debt-to-equity ratio is calculated as net debt divided by total equity. Net debt is calculated as borrowings plus trade and other payables less cash and cash equivalents.

There was no change in the Group's approach to capital management during the financial year.

# Notes to the Financial Statements (cont'd)

**For the Financial Year Ended 31 May 2014**

## 35. Financial Instruments (Cont'd)

### (b) Capital Risk Management (Cont'd)

The debt-to-equity ratio of the Group at the end of the reporting period was as follows:-

| | The Group | |
|---|---|---|
| | 2014 | 2013 |
| | RM | RM |
| Trade payables | 62,905,995 | 54,223,303 |
| Other payables and accruals | 6,814,288 | 5,719,768 |
| Amount owing to non-controlling shareholders | 3,531,900 | 3,120,135 |
| Amounts owing to related parties | 56,215 | 40,576 |
| Term loans | 9,900,000 | 10,044,729 |
| | 83,208,398 | 73,148,511 |
| Less: Deposits with financial institutions | (58,624,884) | (28,355,251) |
| Less: Cash and bank balances | (19,271,237) | (13,169,710) |
| Net debt | 5,312,277 | 31,623,550 |
| Total equity | 117,298,004 | 63,575,506 |
| Debt-to-equity ratio | 0.05 | 0.50 |

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity (total equity attributable to owners of the Company) equal to or not less than the 25% of the issued and paid-up share capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

# Notes to the Financial Statements (cont'd)

**For the Financial Year Ended 31 May 2014**

## 35. Financial Instruments (Cont'd)

### (c) Classification Of Financial Instruments

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | RM | RM | RM | RM |
| **Financial assets** | | | | |
| Loans and receivables financial assets | | | | |
| Trade receivables | 336,422 | 175,585 | - | - |
| Other receivables and deposits | 5,759,981 | 7,930,777 | 5,000 | 955,444 |
| Amounts owing by related companies | - | - | 7,635,582 | - |
| Deposits with financial institutions | 58,624,884 | 28,355,251 | 37,631,744 | - |
| Cash and bank balances | 19,271,237 | 13,169,710 | 533,238 | 10,426 |
| | 83,992,524 | 49,631,323 | 45,805,564 | 965,870 |
| **Financial liabilities** | | | | |
| Other financial liabilities | | | | |
| Trade payables | 62,905,995 | 54,223,303 | - | - |
| Other payables and accruals | 6,814,288 | 5,719,768 | 20,000 | 957,444 |
| Amount owing to non-controlling shareholders | 3,531,900 | 3,120,135 | - | - |
| Amounts owing to related parties | 56,215 | 40,576 | - | 15,541 |
| Term loans | 9,900,000 | 10,044,729 | - | - |
| | 83,208,398 | 73,148,511 | 20,000 | 972,985 |

### (d) Fair Value Information

At the end of the reporting period, there were no financial instruments carried at fair values.

The carrying amounts of the financial assets and financial liabilities reported in the financial statements approximated their fair values due to the relatively short-term maturity of the financial instruments.

## 36. Significant Events During The Financial Year

The approval from the Securities Commission Malaysia for the listing on the Main Market of Bursa Malaysia Securities Berhad of its entire issued and paid-up capital was obtained on 9 July 2013 which involved the following events:-

### a) Acquisitions

On 4 September 2013, the Company acquired the entire issued and paid-up capital share capital of Caring Pharmacy Retail Management Sdn. Bhd. comprising of 2,310,918 ordinary share of RM1.00 each for a purchase consideration of RM182,706,397 satisfied wholly by the issuance of 182,706,397 new shares in the Company at an issue price of RM1.00 per share.

# Notes to the Financial Statements (cont'd)

**For the Financial Year Ended 31 May 2014**

## 36. Significant Events During The Financial Year (Cont'd)

**b) Public Issue**

On 11 November 2013, the Company has undertaken a public issue of 35,000,000 new ordinary shares of RM1.25 each, representing 16.08% of the Company's enlarged issued and paid-up capital which was allocated in the following manner:-

i) 10,886,000 new shares available for application by the public;

ii) 5,716,000 new shares available for application by our eligible directors, employees and persons who have contributed to the success of the Group;

iii) 4,200,000 new shares available for application by Bumiputera investors approved by the Ministry of International Trade and Industry; and

iv) 14,198,000 new shares by way of placement to selected investors.

**c) Listing**

On 13 November 2013, the Company's entire enlarged issued and paid-up capital of RM217,706,400 comprising 217,706,400 ordinary shares of RM1.00 each was listed on the Main Market of Bursa Securities Malaysia Berhad.

## 37. Comparative Figures

The comparative figures of the Group were presented based on the financial statements of subsidiaries accounted for by using the merger method of accounting as these subsidiaries were under common control by the same parties both before and after the acquisitions by the Company, and that control is not transitory.

## 38. Supplementary Information – Disclosure Of Realised And Unrealised Profit/Losses

The breakdown of the retained profits/(accumulated losses) of the Group and of the Company as at the end of the reporting period into realised and unrealised profits/(losses) are presented in accordance with the directive issued by Bursa Malaysia Securities Berhad and prepared in accordance with Guidance of Special Matter No. 1 "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements", as issued by the Malaysian Institute of Accountants as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | RM | RM | RM | RM |
| Total retained profits/(accumulated loss) of the Company and its subsidiaries:- | | | | |
| - realised | 68,553,661 | 58,419,852 | 3,383,645 | (7,118) |
| - unrealised | 1,064,534 | 297,800 | - | - |
| | 69,618,195 | 58,717,652 | 3,383,645 | (7,118) |
| Add: Consolidation adjustments | 1,385,606 | 466,378 | - | - |
| At 31 May | 71,003,801 | 59,184,030 | 3,383,645 | (7,118) |

# List of Properties

| No. | Registered Owner/ Beneficial Owner | Postal Address/ Title Identification | Description of Property/ Existing Use | Approximate Land Area (sq ft)/ Approximate Built-up Area (sq ft) | Approximate Age of Building/ Tenure/ Category of Land Use | Date of Acquisition | Audited Net Book Value as at 31.5.2014 (RM'000) |
|---|---|---|---|---|---|---|---|
| 1. | Caring Pharmacy Retail Management Sdn. Bhd. | • No. 18, Jalan Sembilang, Taman Tenaga, Off Jalan Cheras, 56000 Kuala Lumpur, Wilayah Persekutuan<br>• Pajakan Negeri (WP) 14748, Lot 33765, Mukim Kuala Lumpur, Daerah Kuala Lumpur, Negeri Wilayah Persekutuan Persekutuan | **Description of Property:** Four (4) Storey Intermediate Shop Office<br>**Existing Use:** Ground floor – CARiNG outlet<br>Other floors – for rental purposes | **Land area:** 1,615<br>**Built up area:** 6,967 | **Approximate age of building:** 31 years<br>**Tenure:** 99 years - Till 18 April 2076<br>**Category of land use:** Building | 2 March 2012 | 1,221,080 |
| 2. | Caring Pharmacy Retail Management Sdn. Bhd. | • No 22-1, 22-2, 22-3, Jalan Radin Anum 1, Taman Sri Petaling, 57000 Kuala Lumpur, Wilayah Persekutuan<br>• Pajakan Mukim No. 2286, Lot 21207, Mukim Petaling, Daerah Kuala Lumpur, Negeri Wilayah Persekutuan Persekutuan KL | **Description of Property:** Three (3) Storey Shop Office End Lot<br>**Existing Use:** Ground floor – CARiNG outlet<br>Other floors – for rental purposes | **Land area:** 2,476<br>**Built up area:** 7,225 | **Approximate age of building:** 31 years<br>**Tenure:** 99 years - Till 5 April 2078<br>**Category of land use:** Building | 26 August 2008 | 1,683,333 |
| 3. | Caring Pharmacy (Kinrara) Sdn Bhd | • No. 19, Jalan TK 1/11B, No. 19A, 19B & 19C, Jalan TK 1/11A, Taman Kinrara Seksyen 1, Batu 7 ½, Jalan Puchong, 58200 Kuala Lumpur<br>• Master Title H.S. (D) 104492, PT 2068, Mukim Petaling, District of Petaling, State of Selangor Darul Ehsan | **Description of Property:** Four (4) Storey Intermediate Shop Office<br>**Existing Use:** Ground floor – CARiNG outlet<br>Other floors – for rental purposes | **Land area:** 1,650<br>**Built up area:** 5,916 | **Approximate age of building:** 17 years<br>**Tenure:** 99 years - Till 27 August 2088<br>**Category of land use:** Building | 26 November 2007 | 1,254,506 |
| 4. | Caring Pharmacy Retail Management Sdn. Bhd. | • No.1, Jalan 51/203A, Kawasan Perindustrian Tiong Nam, Seksyen 51, 46050 Petaling Jaya, Selangor<br>• Pajakan Negeri 10310, Lot 73, Seksyen 20, Bandar Petaling Jaya, Daerah Petaling, Negeri Selangor Darul Ehsan | **Description of Property:** Headquarter and Warehouse<br>**Existing Use:** Under construction | **Land area:** 33,778<br>**Estimated Built up area:** 68,000 | N/A | Under Construction | 18,881,107 |
| 5 | Caring Pharmacy Retail Management Sdn. Bhd. | • No.22, Jalan Manis 4, Taman Segar,56100 Kuala Lumpur<br>• PN 10493, Lot No.39187, Mukim Kuala Lumpur, Daerah & Negeri Wilayah Persekutuan | **Description of Property:** Three Storey Intermediate Shophouse<br>**Existing Use:** Ground floor – CARiNG outlet<br>Other floors – for rental purposes | **Land area:** 1,679<br>**Built up area:** 4,002 | **Approximate age of building:** 31 years<br>**Tenure:** 99 years - Till 10 December 2077<br>**Category of land use:** Building | 18 Febuary 2013 | 2,582,525 |

# Additional Compliance Information Disclosures

## 1. UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSALS

There were no proceeds raised from corporate proposals during the financial year.

## 2. SHARE BUY-BACK

There was no share buy-back by the Company during the financial year.

## 3. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

The Company did not issue any options, warrants or convertible securities during the financial year.

## 4. AMERICAN DEPOSITORY RECEIPT (''ADR")/GLOBAL DEPOSITORY RECEIPT ("GDR")

The Company did not sponsor any ADR/GDR Programme during the financial year.

## 5. SANCTIONS AND/OR PENALTY

There were no sanctions and/or penalty imposed on the Company, its subsidiaries, Directors or Management by the relevant regulatory bodies for the financial year.

## 6. VARIATION IN RESULTS

There was no variation between the financial results in the annual audited financial statements for the financial year ended 31 May ("FY") 2014 and the audited financial results for the period ended 31 May 2014 announced by the Company on 31 July 2014.

## 7. PROFIT GUARANTEE

There was no profit guarantee for the financial year.

## 8. MATERIAL CONTRACTS

There was no material contract entered into by the Group involving the interest of Directors and major shareholders, either still subsisting at the end of FY 2014 or entered into since the end of the previous financial period ended 31 May 2013.

# Analysis of Shareholdings

**As at 10 October 2014**

| | | |
|---|---|---|
| Authorised Share Capital | : | RM500,000,000.00 |
| Issue and fully paid-up share capital | : | RM217,706,400.00 |
| Class of Shares | : | Ordinary shares of RM1.00 each |

## ANALYSIS OF SHAREHOLDINGS

| Size of shareholdings | No. of Shareholders | % | No. of Shares | % |
|---|---|---|---|---|
| Less than 100 | 23 | 1.11 | 262 | 0.00 |
| 100-1,000 | 415 | 20.12 | 304,000 | 0.14 |
| 1,001-10,000 | 1,289 | 62.48 | 5,740,100 | 2.64 |
| 10,001-100,000 | 278 | 13.48 | 8,572,400 | 3.94 |
| 100,001-10,885,319 | 56 | 2.71 | 66,277,503 | 30.44 |
| 10,885,320 and above | 2 | 0.10 | 136,812,135 | 62.84 |
| Total | 2,063 | 100.00 | 217,706,400 | 100.00 |

## SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS

| | Direct Interest | | Indirect Interest | |
|---|---|---|---|---|
| Name | No. of Shares | % | No. of Shares | % |
| Motivasi Optima Sdn Bhd | 109,623,857 | 50.35 | - | - |
| Jitumaju Sdn Bhd | 39,292,780 | 18.05 | 109,623,857* | 50.35 |
| Chong Yeow Siang | 127,401 | 0.06 | 109,623,857* | 50.35 |
| Soo Chan Chiew | 127,301 | 0.06 | 109,623,857* | 50.35 |
| Tan Lean Boon | 127,301 | 0.06 | 109,623,857* | 50.35 |
| Ang Khoon Lim | 127,301 | 0.06 | 109,623,857* | 50.35 |
| Tan Lye Suan | - | - | 109,623,857* | 50.35 |
| Tan Sri Dato' Seri Vincent Tan Chee Yioun | - | - | 29,292,780^ | 18.05 |
| Nerine Tan Sheik Ping | - | - | 29,292,780^ | 18.05 |
| Chryseis Tan Sheik Ling | - | - | 29,292,780^ | 18.05 |

* Deemed interested by virtue of their direct interests in Motivasi Optima Sdn Bhd
^ Deemed interested by virtue of their direct interests in Jitumaju Sdn Bhd

## DIRECTORS' SHAREHOLDINGS

| | Direct Interest | | Indirect Interest | |
|---|---|---|---|---|
| Name | No. of Shares | % | No. of Shares | % |
| Datin Sunita Mei-Lin Rajakumar | 200,000 | 0.09 | - | - |
| Chong Yeow Siang | 127,401 | 0.06 | 109,623,857* | 50.35 |
| Soo Chan Chiew | 127,301 | 0.06 | 109,623,857* | 50.35 |
| Tan Lean Boon | 127,301 | 0.06 | 109,623,857* | 50.35 |
| Ang Khoon Lim | 127,301 | 0.06 | 109,623,857* | 50.35 |
| Tan Sri Dato' Haji Mohd Ariffin Bin Mohd Yusuf | 300,000 | 0.14 | - | - |

* Deemed interested by virtue of their direct interests in Motivasi Optima Sdn Bhd

# Analysis of Shareholdings (cont'd)

**As at 10 October 2014**

## LIST OF THIRTY (30) LARGEST SHAREHOLDERS

| | Name of Shareholders | No. of Shares | (%) |
|---|---|---|---|
| 1 | **Motivasi Optima Sdn Bhd** | 109,623,857 | 50.35 |
| 2 | **Kenanga Nominees (Tempatan) Sdn Bhd**<br>Pledged Securities Account For Jitumaju Sdn Bhd | 27,188,278 | 12.49 |
| 3 | **Kenanga Nominees (Tempatan) Sdn Bhd**<br>Pledged Securities Account For Jitumaju Sdn Bhd (001) | 9,400,000 | 4.32 |
| 4 | **MIDF Amanah Investment Nominees (Tempatan) Sdn Bhd**<br>Pledged Securities Account For Arsam Bin Damis (MGN-ARD0003M) | 9,092,160 | 4.18 |
| 5 | **MIDF Amanah Investment Nominees (Tempatan) Sdn Bhd**<br>Pledged Securities Account For Lye Ek Seang (MGN-LES0002M) | 8,934,035 | 4.10 |
| 6 | **MIDF Amanah Investment Nominees (Tempatan) Sdn Bhd**<br>Pledged Securities Account For Ismail Bin Osman (MGN-IBO0001M) | 8,934,035 | 4.10 |
| 7 | **MIDF Amanah Investment Nominees (Tempatan) Sdn Bhd**<br>Pledged Securities Account For Syed Ali Bin Abbas Alhabshee (MGN-WSA0001M) | 8,934,035 | 4.10 |
| 8 | **Jitumaju Sdn Bhd** | 2,704,502 | 1.24 |
| 9 | **HSBC Nominees (Tempatan) Sdn Bhd**<br>HSBC (M) Trustee Bhd For Manulife Investment Progress Fund (4082) | 1,999,400 | 0.92 |
| 10 | **Amanahraya Trustees Berhad**<br>Public Strategic Smallcap Fund | 1,470,200 | 0.68 |
| 11 | **HSBC Nominees (Tempatan) Sdn Bhd**<br>HSBC (M) Trustee Bhd For RHB-OSK Growth And Income Focus Trust (4892) | 1,384,000 | 0.64 |
| 12 | **CIMB Group Nominees (Tempatan) Sdn Bhd**<br>AMtrustee Berhad For Cimb Islamic Dali Equity Theme Fund | 826,300 | 0.38 |
| 13 | **UOBM Nominees (Tempatan) Sdn Bhd**<br>UOB Asset Management (Malaysia) Berhad For Gibraltar BSN Aggressive Fund | 819,000 | 0.38 |
| 14 | **HSBC Nominees (Tempatan) Sdn Bhd**<br>HSBC (M) Trustee Bhd For RHB-OSK Small Cap Opportunity Unit Trust (3548) | 800,000 | 0.37 |
| 15 | **CIMB Group Nominees (Tempatan) Sdn Bhd**<br>CIMB Commerce Trustee Berhad - Kenanga Premier Fund | 754,400 | 0.35 |
| 16 | **Lembaga Tabung Angkatan Tentera** | 722,100 | 0.33 |
| 17 | **Chong Shean Min** | 500,000 | 0.23 |
| 18 | **HSBC Nominees (Tempatan) Sdn Bhd**<br>HSBC (M) Trustee Bhd For RHB-OSK Emerging Opportunity Unit Trust (4611) | 490,000 | 0.23 |
| 19 | **Citigroup Nominees (Tempatan) Sdn Bhd**<br>Kenanga Investors Bhd For Lembaga Tabung Angkatan Tentera | 431,500 | 0.20 |
| 20 | **Citigroup Nominees (Asing) Sdn Bhd**<br>Exempt An For Morgan Stanley Smith Barney LLC (CLNT FUL PD SEG) | 384,516 | 0.18 |
| 21 | **Maybank Nominees (Tempatan) Sdn Bhd**<br>Maybank Trustees Berhad For Areca Equitytrust Fund (211882) | 377,700 | 0.17 |
| 22 | **Malacca Equity Nominees (Tempatan) Sdn Bhd**<br>Exempt An For Phillip Capital Management Sdn Bhd (EPF) | 368,400 | 0.17 |
| 23 | **Koh Cheng Keong** | 350,000 | 0.16 |
| 24 | **Ong Seng Khek** | 300,000 | 0.14 |
| 25 | **Jason Chan Chuak Ming** | 290,000 | 0.13 |
| 26 | **CMB Group Nominees (Tempatan) Sdn Bhd**<br>Exempt An For Kenanga Investors Berhad (KUTN (T) S/B) | 288,500 | 0.13 |
| 27 | **Malacca Equity Nominees (Tempatan) Sdn Bhd**<br>Exempt An For Phillip Capital Management Sdn Bhd | 278,500 | 0.13 |
| 28 | **UOBM Nominees (Tempatan) Sdn Bhd**<br>UOB Asset Management (Malaysia) Berhad For Gibraltar BSN Strategic Fund | 249,500 | 0.11 |
| 29 | **Ch'ng Haw Chong** | 247,860 | 0.11 |
| 30 | **Goh Kee Leong** | 230,000 | 0.11 |
| | | **198,372,778** | **91.13** |

# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the Second Annual General Meeting of CARING PHARMACY GROUP BERHAD ("Caring" or "the Company") will be held at Room Perdana 3, Bukit Jalil Golf and Country Resort, Jalan Jalil Perkasa 3, Bukit Jalil, 57000 Kuala Lumpur on Thursday, 27 November 2014 at 11:00 a.m. for the following purposes:

## AGENDA

### As Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 May 2014 together with the Reports of Directors and Auditors thereon (Please refer to Note A).

2 To approve the payment of Directors' fees for the financial year ended 31 May 2014. **(Ordinary Resolution 1)**

3. To declare a final tax-exempt single-tier dividend of 1.50 sen per ordinary share in respect of the financial year ended 31 May 2014. **(Ordinary Resolution 2)**

4. To re-elect the following Directors who retire in accordance with Article 95 of the Company's Articles of Association:-

   (1) Mr Soo Chan Chiew **(Ordinary Resolution 3)**

   (2) Tan Sri Dato' Haji Mohd Ariffin Bin Mohd Yusuf **(Ordinary Resolution 4)**

5. To approve the re-appointment of retiring Auditors, Messrs Crowe Horwath as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Ordinary Resolution 5)**

### As Special Business

To consider and if thought fit, to pass the following resolutions:-

6. **Authority to Directors to allot and issue shares pursuant to Section 132D of the Companies Act, 1965** **(Ordinary Resolution 6)**

   "THAT, subject always to the Companies Act, 1965 ("the Act"), the Articles of Association of the Company and approval and requirements of the relevant governmental and/or regulatory authorities (where applicable), the Directors be and are hereby empowered pursuant to Section 132D of the Act to allot and issue new ordinary shares of RM1.00 each in the Company, from time to time and upon such terms and conditions and for such purposes and to such persons whomsoever the Directors may, in their absolute discretion deem fit and expedient in the interest of the Company, provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed ten percent (10%) of the issued and paid-up share capital for the time being of the Company AND THAT such authority shall continue to be in force until the conclusion of the next annual general meeting of the Company."

7. To transact any other ordinary business of which due notice shall have been given.

# Notice of Annual General Meeting (cont'd)

## NOTICE OF ENTITLEMENT DATE AND DIVIDEND PAYMENT

NOTICE IS ALSO HEREBY GIVEN THAT the proposed final tax-exempt single-tier dividend of 1.50 sen per ordinary share in respect of the financial year ended 31 May 2014, if approved, will be paid on 17 December 2014 to depositors registered in the Record of Depositors of the Company at the close of business on 20 November 2014.

A depositor shall qualify for entitlement only in respect of:

(a) Shares transferred into the Depositor's Securities Account on or before 4.00 p.m. on 20 November 2014 in respect of ordinary transfers; and

(b) Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

**By order of the Board**
**PANG KAH MAN** (MIA 18831)
Company Secretary

Kuala Lumpur
05 November 2014

NOTES:-

(A) This Agenda item is meant for discussion only as the provision of Section 169(1) of the Companies Act, 1965 does not require a formal approval of the shareholders and hence, is not put forward for voting.

1. Only depositors whose names appear in the Record of Depositors as at 19 November 2014 shall be regarded as members and be entitled to attend, speak and vote at the Meeting.

2. A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same meeting on a show of hands or on a poll in his stead provided that the provisions of Section 149(1)(c) of the Companies Act, 1965 are complied with. There shall be no restriction as to the qualification of the proxy.

3. Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds.

4. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.

5. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing. If the appointer is a corporation, the instrument must be executed under its Common Seal or under the hand of an attorney so authorised.

6. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney, must be deposited at the Registered Office of the Company at 3-2, 3rd Mile Square, No. 151 Jalan Kelang Lama, Batu 3½, 58100 Kuala Lumpur not less than forty eight (48) hours before the time appointed for holding this meeting or any adjournment thereof.

# Notice of Annual General Meeting (cont'd)

## EXPLANATORY NOTE ON SPECIAL BUSINESS

**7. Ordinary Resolution no. 6**
**Authority to Allot and Issue Shares pursuant to Section 132D of the Companies Act, 1965**

The proposed Ordinary Resolution no. 6 under Item 6, if passed, will grant general mandate ("General Mandate") and empower the Directors of the Company, from the date of the Second Annual General Meeting of the Company to allot and issue shares in the Company up to an amount not exceeding in total ten percent (10%) of the issued and paid-up capital of the Company for the time being for such purposes as they may think fit and in the interest of the Company. This authority, unless revoked or varied at a general meeting, shall continue to be in full force until the conclusion of the next Annual General Meeting of the Company.

The General Mandate, if granted will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment project(s), working capital and/or acquisition.

# Statement Accompanying Notice of Annual General Meeting

**(Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)**

## DETAILS OF INDIVIDUAL WHO IS STANDING FOR ELECTION AS DIRECTOR

No individual is seeking election as a Director at the Second Annual General Meeting of the Company.

# CARING PHARMACY GROUP BERHAD

(Company No. 1011859-D)
(Incorporated in Malaysia under the Companies Act, 1965)

**PROXY FORM**

I/We,……..……..

of …….....

(FULL ADDRESS)

being (a) member(s) of Caring Pharmacy Group Berhad hereby appoint(s)

…….....….

of …….....

or failing him / her,…….....……

of …….....……

as my/our proxy to vote for me/us and on my/our behalf at the Second Annual General Meeting of the Company to be held at Room Perdana 3, Bukit Jalil Golf and Country Resort, Jalan Jalil Perkasa 3, Bukit Jalil, 57000 Kuala Lumpur on Thursday, 27 November 2014 at 11:00 a.m. and at any adjournment thereof.

| No. | Ordinary Resolutions | For | Against |
|---|---|---|---|
| 1 | Approval of Directors' fees for the financial year ended 31 May 2014 | | |
| 2 | Declaration of a final tax-exempt single-tier dividend of 1.50 sen per ordinary share in respect of the financial year ended 31 May 2014 | | |
| 3 | Re-election of Mr Soo Chan Chiew as Director | | |
| 4 | Re-election of Tan Sri Dato' Haji Mohd Ariffin Bin Mohd Yusuf as Director | | |
| 5 | Re-appointment of Messrs Crowe Horwath as Auditors and to authorise the Directors to fix their remuneration | | |
| 6 | Renewal of authority for Directors to issue shares pursuant to Section 132D of the Companies Act, 1965 | | |

Please indicate with an "X" in the appropriate box against each Resolution how you wish your proxy to vote. If no instruction is given, this form will be taken to authorise the proxy to vote at his/ her discretion.

For appointment of two proxies, percentage of shareholdings to be represented by the proxies:

| | No. of Shares | Percentage |
|---|---|---|
| Proxy 1 | | |
| Proxy 2 | | |
| Total | | 100% |

| Number of Shares Held | |
|---|---|

Dated this …….. day of ……. 2014

……
Signature of Shareholder(s) or Common Seal

**Notes:**

1. *Only depositors whose names appear in the Record of Depositors as at 19 November 2014 shall be regarded as members and be entitled to attend, speak and vote at the Meeting.*
2. *A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same meeting on a show of hands or on a poll in his stead provided that the provisions of Section 149(1)(c) of the Companies Act, 1965 are complied with. There shall be no restriction as to the qualification of the proxy.*
3. *Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds.*
4. *Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.*
5. *The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing. If the appointer is a corporation, the instrument must be executed under its Common Seal or under the hand of an attorney so authorised.*
6. *The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney, must be deposited at the Registered Office of the Company at 3-2, 3rd Mile Square, No. 151 Jalan Kelang Lama, Batu 3½, 58100 Kuala Lumpur not less than forty eight (48) hours before the time appointed for holding this meeting or any adjournment thereof.*

Fold here

AFFIX
STAMP

The Company Secretary
**LSCA Management Consultants Sdn Bhd**
(Company No. 151489-K)

Kuala Lumpur Office, 3-2, 3rd Mile Square
No.151, Jalan Kelang Lama, Batu 3½, 58100 Kuala Lumpur,
Malaysia

Fold here

**CARiNG PHARMACY GROUP BERHAD**
(Company No. 1011859-D )
No. 8B, Jalan 1/137C, Bedford Business Park
Off Jalan Klang Lama, 58000 Kuala Lumpur

Tel : +603-7782 1988 Fax : +603-7785 1928
Website : www.caring2u.com.my