



CAREPLUS GROUP BERHAD

[Registration No. 201001011474 (896134-D)]

(Incorporated in Malaysia)

Unaudited Quarterly Financial Report for the 2nd Quarter Ended 30 June 2020

Unaudited Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Period Quarter 30-Jun-2020 RM'000	Preceding Period Corresponding Quarter 30-Jun-2019 RM'000	Current Period To Date 30-Jun-2020 RM'000	Preceding Period Corresponding To Date 30-Jun-2019 RM'000
Revenue	118,898	86,898	223,594	172,047
Cost of sales	(91,610)	(85,135)	(191,045)	(165,435)
Gross profit	27,288	1,763	32,549	6,612
Other operating income/(expense)	15,059	(82)	14,461	(385)
Administration expenses	(3,821)	(2,550)	(6,022)	(4,901)
Finance costs	(1,293)	(1,292)	(2,549)	(2,692)
Shares of profit in joint venture	886	-	886	-
Profit/(loss) before taxation	38,119	(2,161)	39,325	(1,366)
Taxation	(1,907)	107	(1,972)	(170)
Profit/(loss) after taxation	36,212	(2,054)	37,353	(1,536)
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income/(loss) for the financial period	36,212	(2,054)	37,353	(1,536)
Profit/(Loss) after taxation:				
Owners of the Company	36,212	(1,961)	37,353	(1,598)
Non-controlling interest	-	(93)	-	62
	36,212	(2,054)	37,353	(1,536)



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Unaudited Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income (Cont'd)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Period Quarter 30-Jun-2020 RM'000	Preceding Period Corresponding Quarter 30-Jun-2019 RM'000	Current Period To Date 30-Jun-2020 RM'000	Preceding Period Corresponding To Date 30-Jun-2019 RM'000
Total comprehensive Income/(loss) for the financial period attributable to:				
Owners of the Company	36,212	(1,961)	37,353	(1,598)
Non-controlling interest	-	(93)	-	62
	<u>36,212</u>	<u>(2,054)</u>	<u>37,353</u>	<u>(1,536)</u>
Profit/(loss) per share attributable to owners of the Company:				
Basic (sen)	6.70	(0.37)	6.91	(0.30)

Notes :

The Unaudited Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income should be read in conjunction with the audited consolidated financial statements of Careplus Group Berhad ("Company") for the financial year ended 31 December 2019 and the accompanying explanatory notes in this interim financial report.



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Unaudited Condensed Consolidated Statements of Financial Position

	UNAUDITED As at 30-Jun-2020 RM'000	AUDITED As at 31-Dec-2019 RM'000
ASSETS		
Non-current assets		
Investment in joint venture	38,145	-
Amount owing by related party	5,193	-
Property, plant and equipment	87,953	144,608
Prepaid expenses	347	347
Goodwill on consolidation	205	205
	<u>131,843</u>	<u>145,160</u>
Current assets		
Inventories	28,280	45,439
Trade receivables	39,988	38,656
Other receivables, deposits and prepaid expenses	13,672	4,655
Amount owing by a related party	4,688	26,506
Current tax assets	-	678
Derivative assets	177	207
Fixed deposits with licensed banks	11,708	5,155
Cash and bank balances	17,185	5,697
	<u>115,698</u>	<u>126,993</u>
TOTAL ASSETS	<u>247,541</u>	<u>272,153</u>
EQUITY AND LIABILITIES		
Equity		
Share capital	101,905	90,475
Merger deficit	(11,521)	(11,521)
Retained profits	52,327	17,676
Total equity	<u>142,711</u>	<u>96,630</u>



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Unaudited Condensed Consolidated Statements of Financial Position (Cont'd)

	UNAUDITED As at 30-Jun-2020 RM'000	AUDITED As at 31-Dec-2019 RM'000
Non-current liability		
Amount owing to a related party	10,733	10,351
Long-term borrowings	8,266	18,430
Deferred tax liabilities	921	921
	<u>19,920</u>	<u>29,702</u>
Current liabilities		
Trade payables	18,228	44,847
Other payables and accrued expenses	19,135	20,656
Amount owing to a related party	2,062	11,602
Short-term borrowings	44,336	68,131
Tax payable	1,107	-
Bank overdrafts	42	585
	<u>84,910</u>	<u>145,821</u>
Total liabilities	<u>104,830</u>	<u>175,523</u>
TOTAL EQUITY AND LIABILITIES	<u>247,541</u>	<u>272,153</u>
Net assets per share attributable to owners of the Company (sen)	<u>26.41</u>	<u>18.19</u>

Notes:

The Unaudited Condensed Consolidated Statements of Financial Position should be read in conjunction with the audited consolidated financial statements of the Company for the financial year ended 31 December 2019 and the accompanying explanatory notes in this interim financial period.



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Unaudited Quarterly Financial Report for the 2nd Quarter Ended 30 June 2020

Unaudited Condensed Consolidated Statements of Cash Flows

	Current Year To Date 30-Jun-2020 RM'000	Preceding Year Corresponding To Date 31-Dec-2019 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		
Profit/(Loss) before tax	39,325	(7,932)
Adjustments for :		
Allowance for doubtful debts on trade receivables	202	61
Allowance for doubtful debts on amount owing by a related party	-	153
Gain on disposal of subsidiary	(15,445)	-
Property, plant and equipment written off	-	128
Depreciation of property, plant and equipment	9,172	20,477
Fair value (gain)/loss on derivatives	(14)	66
Loss on disposal of equipment	17	74
Inventories written down	-	4,535
Interest expenses	2,549	5,190
Interest income	(60)	(312)
Share of profit in joint venture	(886)	-
Unrealised loss/(gain) on foreign exchange	677	(434)
Operating profit before working capital changes	35,537	22,005
Increase in inventories	(1,960)	(8,072)
Increase in trade and other receivables	(32,623)	(12,381)
(Decrease)/ Increase in trade and other payables	(4,578)	11,122
Decrease in amount owing by a related party	27,717	35,418
Cash generated from operations	24,093	48,092
Income tax paid	(246)	(896)
Income tax refund	-	599
Net cash from operating activities	23,847	47,795
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		
Interest received	60	312
Purchase of property, plant and equipment	(20,275)	(14,633)
Proceeds from disposal of equipment	111	83
Acquisition of non-controlling interests	(5,750)	(5,750)
Disposal of subsidiary	12,676	-
Net cash used in investing activities	(13,178)	(19,988)
Balance carried forward	10,669	27,807



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Unaudited Condensed Consolidated Statements of Cash Flows (Cont'd)

	Current Year To Date 30-Jun-2020 RM'000	Preceding Year Corresponding To Date 31-Dec-2019 RM'000
Balance brought forward	10,669	27,807
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		
Withdrawal in pledged fixed deposits	1,964	1,157
Net drawdown/(repayment) of bills payable	607	(8,788)
Dividend paid to non-controlling interest	-	(6,410)
Drawdown of term loan	1,078	4,430
Net drawdown/(repayment) of hire purchase obligations	4,165	(9,227)
Repayment of term loans	(220)	(7,721)
Proceeds from issuance from shares of private placement	11,430	-
Dividend paid to non-controlling interest	(5,852)	-
Interest paid	(2,168)	(5,190)
Net cash from/(used in) financing activities	<u>11,004</u>	<u>(31,749)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	21,673	(3,942)
EFFECTS OF FOREIGN EXCHANGE TRANSLATION	(1,126)	796
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	<u>6,118</u>	<u>9,264</u>
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	<u><u>26,665</u></u>	<u><u>6,118</u></u>
CASH AND CASH EQUIVALENTS COMPRISE		
Fixed deposits	17,184	5,155
Cash and bank balances	11,707	5,697
Bank overdrafts	(42)	(585)
Less: Fixed deposits pledged to licensed banks	(2,184)	(4,149)
	<u><u>26,665</u></u>	<u><u>6,118</u></u>

Notes :

The Unaudited Condensed Consolidated Statements of Cash Flow should be read in conjunction with the audited consolidated financial statements of the Company for the financial year ended 31 December 2018 and the accompanying explanatory notes in this interim financial report



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Unaudited Quarterly Financial Report for the 2nd Quarter Ended 30 June 2020

Unaudited Condensed Consolidated Statements of Changes in Equity

	← Non-distributable →		Merger Deficit	Distributable Retained Profits	Attributable To Owners of The Company	Total Equity
	Share Capital	Share Premium				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance at 1.1.2020	90,475	-	(11,521)	17,676	96,630	96,630
Contributions by / distributions to owners of the Company :-						
Shares issued pursuant to private placement	11,430	-	-	-	11,430	11,430
Dividend declared on ordinary shares				(2,702)	(2,702)	(2,702)
Total transactions with the owners of the Company	11,430	-	-	(2,702)	8,728	8,728
Profit after taxation / Total comprehensive income for the financial period	-	-	-	37,353	37,353	37,353
Balance at 30.6.2020	101,905	-	(11,521)	52,327	142,711	142,711



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Unaudited Condensed Consolidated Statements of Changes in Equity (Cont'd)

	← Non-distributable →			Distributable Retained Profits RM'000	Attributable To Owners of The Company RM'000	Non- Controlling Interest RM'000	Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Merger Deficit RM'000				
	Balance at 1.1.2019	90,475	-				
Contributions by / distributions to owners of the Company :-							
Shares purchased from non-controlling interest	-	-	-	454	454	(22,305)	(21,851)
Dividend paid to non- controlling interest	-	-	-	-	-	(12,262)	(12,262)
Total transactions with the owners of the Company	-	-	-	454	454	(34,567)	(34,113)
Loss after taxation / Total comprehensive loss for the financial period	-	-	-	(5,751)	(5,751)	(2,067)	(7,818)
Balance at 31.12.2019	90,475	-	(11,521)	17,676	96,630	-	96,630

Notes :

The Unaudited Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the audited consolidated financial statements of the Company for the financial year ended 31 December 2019 and the accompanying explanatory notes in this interim financial report.



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A. EXPLANATORY NOTES PURSUANT TO THE MALAYSIAN FINANCIAL REPORTING STANDARD (“MFRS”) 134: INTERIM FINANCIAL REPORTING

1. Basis of Preparation

This interim financial report is unaudited and has been prepared in accordance with MFRS 134: Interim Financial Reporting and Appendix 9B of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) (“Listing Requirements”).

The interim financial report should be read in conjunction with the audited consolidated financial statements of the Company for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to this interim financial report.

The significant accounting policies and presentation adopted by the Group for the interim financial statements are consistent with those of the Group’s consolidated audited financial statements for the financial year ended 31 December 2019 except for the adoption of the following new MFRS/amendments with effect from 1 January 2020:

MFRSs	Amendments to References to the Conceptual Framework MFRS Standards
Amendments to MFRS 3	Definition of Business
Amendments to MFRS 9, MFRS 139 and MFRS 7	Interest Rate Benchmark Reform
Amendments to MFRS 101 and MFRS 108	Definition of Material

The adoption of the abovementioned standards did not have material impact on the financial statements of the Group.



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2. Auditors' Report on Preceding Annual Financial Statements

The auditors' reports for the Company and its subsidiaries for the financial year ended 31 December 2019 were not subject to any qualification.

3. Seasonal or Cyclical Factors

The Group's business operations were not significantly affected by any major seasonal or cyclical factors.

4. Significant Unusual Items

There were no significant unusual items affecting assets, liabilities, equity, net income or cash flows for the current quarter under review.

5. Material Changes in Estimates

There were no material changes in estimates of amounts reported that have a material effect on the current quarter under review.

6. Details of Changes in Debts and Equity Securities

There was no issuance, cancellation, repurchase, resale or repayment of debt and/or equity securities during the current financial quarter under.

7. Dividend Paid

Special dividend of 0.5 sen per ordinary shares amounting to RM2,701,798.90 in respect of financial year ending 31 December 2020, declared on 5 June 2020 and paid on 23 July 2020.

8. Segmental Reporting

The Group's business comprises mainly of manufacturing and sales of latex and nitrile gloves. The Group's manufacturing activities are operated solely in Malaysia. On this basis, no reportable operating segment is presented as all information required are disclosed in this report.

9. Valuation of Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation. The carrying amounts of property, plant and equipment are reviewed at each reporting period to determine whether there is any indication of impairment.

10. Changes in the Composition of the Group

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



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11. Valuation of inventories

Reviews are made monthly by management on expected selling price and economic trends when assessing the net realisable value of inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories. There were no provision inventories written down for this quarter.

12. Contingent Liabilities and Contingent Assets

The Group has no outstanding contingent liabilities and contingent assets as at 24 July 2020 which might materially and adversely affect the position or business of the Group.

13. Capital Commitments

Authorized capital expenditure not provided for in the interim financial report as at the end of the current quarter were as follows:

	As at 30-Jun-2020 (UNAUDITED) RM'000
<u>Authorised and contracted but not provided for:-</u>	
Construction of building	9,646
Construction of plant and machineries	71,007
	<u>80,653</u>
 <u>Authorised but not contracted and not provided for:-</u>	
Land and building	4,920
Construction of plant and machineries	115,080
	<u>120,000</u>

14. Events Subsequent to the End of the Interim Reporting Period

There were no other events subsequent to the current financial quarter ended 30 June 2020 up to the date of this interim financial report that have not been reflected in this interim financial report, which may substantially affect the results of the operations of the Group.



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15. Related Party Disclosures

(a) Identities of related parties

The Company has controlling related party relationships with:-

- (i) Its subsidiaries
- (ii) Entities controlled by certain key management personnel, directors and/or substantial shareholders; and
- (iii) The directors who are the key management personnel.

(b) In addition to balances detailed elsewhere in the financial statements, the Group carried out the following transactions with its related parties during the period under review:

	6 Months Ended 30-Jun-2020 (UNAUDITED) RM'000
Transactions with a close member of the family of a director:	
Insurance and renewal of road tax services expenses	156
Rental paid	143
Transactions with directors:	
Rental paid	99

(c) Key management personnel

	6 Months Ended 30-Jun-2020 (UNAUDITED) RM'000
Short-term employee benefits	2,229



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B. ADDITIONAL INFORMATION REQUIRED PURSUANT TO THE LISTING REQUIREMENTS

1. Financial review for current quarter and financial year to date

	INDIVIDUAL PERIOD			
	Current Year Quarter 30/6/2020 (UNAUDITED)	Preceding Year Corresponding Quarter 30/6/2019 (UNAUDITED)	Changes	
			RM'000	%
Revenue	118,898	86,898	32,000	37
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	27,075	3,758	23,317	620
Profit/(Loss) before interest and tax ("PBIT/(LBIT)")	39,412	(869)	40,281	4,635
Profit/(Loss) before taxation ("PBT/(LBT)")	38,119	(2,161)	40,280	1,864
Profit/(Loss) after taxation ("PAT/(LAT)")	36,212	(2,054)	38,266	1,863
Profit/(Loss) attributable to owners of the Company	36,212	(1,961)	38,173	1,947

Performance Review (current quarter vs preceding year's corresponding quarter)

The Group recorded a revenue of approximately RM118.9 million for the quarter ended 30 June 2020, which is 37% higher than the revenue in the corresponding quarter last year. The Group's revenue has increased on the back of higher selling price and better capacity output.

The Group's PBT and profits attributable to owners of the Company has improved significantly by 1,864% and 1,947% respectively which were contributed by:

1. Higher glove sales, higher utilisation rate and higher selling prices as a result of surge in demand due to the COVID-19 pandemic.
2. One-off adjustment to recognise the gain from the disposal of 50% equity interest in Careplus M shares for the Joint Venture with Ansell amounting to RM15.4 million. This Joint Venture was completed on 14th May 2020 in Quarter 2.
3. Profit attributable to owners included Careplus M revenue of RM63 million and profit of RM2.1 million which was achieved during the pre-joint venture period from 1st January 2020 until 14th May 2020.

The revenue and profits from Careplus M from 15th May 2020 until 30th June 2020 were RM25.9 million and RM886,000 respectively. Subsequent to this quarter, Careplus M accounts will be de-consolidated from the Group to comply with relevant accounting standards. The Group will only be sharing 50% of profits from this joint venture entity (refer note 9, in page 20 and 21).



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1. Financial review for current quarter and financial year to date (cont'd)

	CUMULATIVE PERIOD			
	Current Year Quarter 30/6/2020 (UNAUDITED)	Preceding Year Corresponding Quarter 30/6/2019 (UNAUDITED)	Changes	
	RM'000	RM'000	RM'000	%
Revenue	223,594	172,047	51,547	30
EBITDA	34,724	10,835	23,889	220
PBIT	41,874	1,326	40,548	3,058
PBT/(LBT)	39,325	(1,366)	40,691	2,979
PAT/(LAT)	37,353	(1,536)	38,889	2,532
Profit/(Loss) attributable to owners of the Company	37,353	(1,598)	38,951	2,437

Performance Review (cumulative period vs preceding year's corresponding period)

The Group recorded a revenue increase of approximately RM51.5 million during the quarter ended 30 June 2020, an increase of 30% against the revenue in the corresponding quarter last year. This is mainly due to sudden surge on selling prices arising from the surge in demands due to the Covid-19 pandemic.

The profits have increased significantly as a result of higher sales volume, average selling price and better production efficiency. It included a one-off gain of RM15.4 million from the disposal of 50% equity interest in Careplus M shares for the Joint Venture with Ansell.



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2. Financial review for current quarter compared with immediate preceding quarter

	Current Quarter 30/6/2020 (UNAUDITED)	Immediate Preceding Quarter 31/3/2020 (UNAUDITED)	Changes	
	RM'000	RM'000	RM'000	%
Revenue	118,898	104,696	14,202	14
EBITDA	27,075	7,649	19,426	254
PBIT	39,412	2,462	36,950	1,501
PBT	38,119	1,206	36,913	3,061
PAT	36,212	1,141	35,071	3,074
Profit attributable to owners of the Company	36,212	1,141	35,071	3,074

The Group recorded an increase in revenue of RM14.2 million or 14% from the preceding quarter due mainly to the 5% increase in sales volume for the current quarter.

The Group's PBT and profits attributable to the owners of the Company has increased significantly by 3,061% and 3,074% respectively which were due to better capacity utilization, higher selling price, efficiency as well as a one-off gain of RM15.4 million from the disposal of 50% equity interest in Careplus M shares for the Joint Venture with Ansell.

The de-consolidation of Careplus M accounts from the Group has no significant impact on the Group's revenue and profits in the current quarter.

3. Prospects

The global pandemic caused by the Covid-19 virus have created an exponential increase in demand for medical gloves which have benefited many manufacturers including Careplus. The average selling prices have surged during the pandemic period which is expected to continue until vaccines have been developed and administered globally. The Group therefore expects strong positive results in this pandemic period and beyond. The overall business prospects continue to remain good.

Careglove sales outside of Brazil have increased significantly while the Brazilian sales have also turned around significantly with better margins. While spot average selling price (ASP) remain high, the ASP for regular buyers is expected to increase in the coming quarter barring any significant change to current shortage of supply. The COVID-19 pandemic has accelerated our plan to increase the production capacity for the Group subsidiaries.

By end of this year, ten (10) new production lines will be installed and commissioned. Another thirteen (13) new production lines will be installed and commissioned during 2021. This will nearly double the total production capacity from 4.1 billion pcs to about 8.8 billion pcs by end of 2021 barring any interruption. The Group will have a total of 50 production lines by end of 2021.



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3. Prospects (cont'd)

The following are exciting developments to strengthen the future and prospects of our business.

- a. Conversion of our existing dormant warehouse building in Factory 2 to become a production plant. This will add another six (6) new production lines with an annual capacity of 1.08 billion pcs gloves per annum. Total estimated capex cost is RM31.5 million. This project will be operated and owned by Rubbercare, a wholly owned subsidiary. The development costs will be financed via internally generated fund and/or bank borrowings.
- b. Purchase of Centro Heights Sdn Bhd ("Centro"), which owns a budget hotel and an adjoining shoplot in Senawang to become a worker's hostel. Centro will be 90% owned by the Group and 10% owned by Mr Tang Kin San who will manage the hostel and provide other ancillary services required by the Group. Mr Tang will have the option to buy over another 20% shareholding from the Group within 5 years period. The Group plans to centralize the management of all workers accommodation, welfare and regulatory compliance under Centro.

4. Profit Forecast and Profit Guarantee

The Group has not provided any profit forecast or profit guarantee in any public document.

5. Taxation

The Group's taxation figures were as follows:

	3 Months Ended 30-Jun-2020 (UNAUDITED) RM'000	6 Months Ended 30-Jun-2020 (UNAUDITED) RM'000
Income tax - Current period	<u>1,907</u>	<u>1,972</u>

The Group's effective tax rate is lower than the statutory tax rate due to claimable capital allowances, reinvestment allowance and unabsorbed export allowance brought forward from previous year by subsidiaries.



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6. Realised and Unrealised Retained Profits of the Group

	As at 30-June-2020 (UNAUDITED) RM'000	As at 30-June-2019 (UNAUDITED) RM'000
Total retained profits, net of consolidation adjustments:		
Realised	53,669	48,847
Unrealised	(1,416)	(856)
	52,253	47,991
Less: Consolidation adjustments	74	(26,616)
As at 30.6.2020 / 30.6.2019	52,327	21,375

7. Profit/(Loss) Before Tax

Profit/(Loss) before tax was arrived at after charging / (crediting): -

	3 Months Ended 30-Jun-2020 (UNAUDITED) RM'000	3 Months Ended 30-Jun-2019 (UNAUDITED) RM'000	6 Months Ended 30-June-2020 (UNAUDITED) RM'000	6 Months Ended 30-June-2019 (UNAUDITED) RM'000
Depreciation of property, plant and equipment	4,042	5,079	9,172	10,188
Fair value (gain)/ loss on derivatives	(303)	(155)	(14)	185
Loss on disposal of equipment	7	41	17	43
Interest expenses	1,293	1,292	2,549	2,692
Interest income	(45)	(26)	(60)	(76)
Rental expenses	(98)	128	107	246
Realised (gain)/loss on foreign exchange	(994)	279	(749)	183
Rental income	(20)	(11)	(31)	(21)
Unrealised loss/(gain) on foreign exchange	1,171	(470)	677	(818)

There were no gain or loss on disposal of unquoted investment or properties, write off of receivables, provision for and write off of inventories, impairment of assets and exceptional items during the current quarter under review.



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8. Status of Corporate Proposal

Save as disclosed below, there were no other corporate proposals announced but not completed at the latest practicable date which is not earlier than seven (7) days from the date of issue of this interim financial report:-

- (a) On 5 February 2020, UOBKH had, on behalf of our Board of Director of the Company (“Board”), announced that Careplus had, on February 2020 entered into a joint venture arrangement with Ansell Services (Asia) Sdn Bhd (“Ansell”) (“Joint Venture”) comprising the following:-
 - (i) the disposal by Careplus of 50% equity interest in Careplus (M) Sdn Bhd (“Careplus M”), consisting of 14,550,000 ordinary shares in Careplus M (“Careplus M Share(s)”) for a disposal consideration of approximately RM26.81 million, subject to adjustments, to be satisfied entirely by cash (“Disposal Consideration”) (“Disposal”), via a conditional share purchase agreement (“SPA”) entered into between Careplus and Ansell on even date;
 - (ii) a Shareholders’ Agreement to be entered into between Careplus, Ansell and Careplus M to given the rights, duties, liabilities and obligations to each other as shareholders in relation to the operation of Careplus M as a joint venture between Careplus and Ansell upon completion of the Disposal, which includes, amongst others, a further subscription of new Careplus M Shares by Careplus and Ansell in equal proportions (“Careplus M Subscription”) (“Shareholders’ Agreement”); and
 - (iii) in conjunction with the SPA, an Options Agreement was entered into between Careplus and Ansell, whereby Careplus agrees to grant the Call Option and Put Option to Ansell in respect of the Careplus M Shares held by Careplus and Ansell after the completion of the Disposal.

The Disposal had become unconditional and was completed on 14 May 2020, following which, Careplus M ceased to be a wholly owned subsidiary of Careplus and became a 50% of joint venture of Careplus. Further, in line with the completion, Careplus and Careplus M entered into the Shareholders’ Agreement with Ansell on 14 May 2020.



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8. Status of Corporate Proposal (cont'd)

The status of utilisation of the Disposal Consideration are set out as follows:-

Details of Utilisation	Timeframe for utilisation	Initial Consideration RM'000	Retained Consideration RM'000	Total Disposal Consideration RM'000	Amount Utilised RM'000	Amount Unutilised RM'000
Careplus M Subscription	Upon Completion	10,500	-	10,500	10,500	-
Capital expenditure	Within 6 months upon receipt of the proceeds	10,000	-	10,000	-	10,000
Working capital	Within 30 months upon receipt of the proceeds	815	5,394	6,209	815	5,394
Estimated expenses for the Joint Venture	Upon Completion	260	-	260	260	-
Total		21,575	5,394	26,969	11,575	15,394

- (b) On 12 June 2020, AmlInvestment Bank Berhad (“AmlInvestment Bank”) had, on behalf of the Board of Directors of Careplus Group Berhad (“Careplus” or the “Company”) (“Board”), announced that the Company proposed to undertake a private placement of up to 53,135,900 new ordinary shares in Careplus (“Careplus Shares”) (“Placement Shares”), representing up to 10% of the total number of issued shares in Careplus of 531,359,799 Careplus Shares as at 11 June 2020.

On 23 June 2020, AmlInvestment Bank had, on behalf of the Board, announced that Bursa Malaysia Securities Berhad (“Bursa Securities”) had, vide its letter dated 23 June 2020, approved the listing and quotation of up to 53,135,900 Placement Shares on the ACE Market of Bursa Securities.

On 1 July 2020, the Company had completed the first tranche of the Private Placement, comprising the listing and quotation of 9,000,000 Placement Shares on the ACE Market of Bursa Securities at an issue price of RM1.27 per Placement Share.

- (c) On 22 July 2020, the Board of Directors of Careplus (“Board”) had announced that the Company and Tang Kin San (“TKS”) (collectively, “the Purchasers”) entered into a conditional Share Acquisition Agreement (“SAA”) with Chang Keng Chiang, Chang Sze Wei and Chang Kai Ping (collectively, “the Vendors”) to collectively acquire the entire enlarged issued share capital of Centro Heights Sdn. Bhd. (“Centro”), which will comprise 3,800,000 ordinary shares in Centro (“Sale Shares”) for a total purchase price of RM3.8 million, payable in the following proportions by the Purchasers: Careplus (90%) and TKS (10%) (“Proposed Acquisition”). Upon completion of the Proposed Acquisition, Careplus will own 90% equity interest in Centro, while the remaining 10% equity interest will be held by TKS. The intended business for Centro is to manage its properties (comprising a hotel in Seremban) as workers’ hostels for Careplus’ workers and would enable Careplus to consolidate its workers’ hostels in a central location to enable efficient management and ease of administrative purposes.



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8. Status of Corporate Proposal (cont'd)

- (c) Separately, the Company had also on 22 July 2020 entered into a Commitment and Option Agreement (“Option Agreement”) with TKS. Both the parties agreed that upon successful completion of the Proposed Acquisition, TKS will be appointed to spearhead the management of Centro. Additionally, Careplus has agreed to grant an option for TKS to purchase from Careplus an aggregate of up to 760,000 ordinary shares in Centro, representing up to 20% equity interest in Centro at the time of completion of the Proposed Acquisition in a single or multiple tranches within 5 years (“Option Shares”), at a call option exercise price of RM1.00 per Option Share, upon the terms and conditions as set out in the Option Agreement (“Call Option”).

For information, TKS is brother in-law of Mr. Loo Teck Looi, a Non-Independent Executive Director of Careplus. Accordingly, Mr. Loo Teck Looi, being the interested director in the Call Option, has abstained from all Board deliberations and voting on the Call Option.

- (d) On 5 June 2020, UOBKH had, on behalf of our Board, announced that Careplus proposes to undertake the establishment of a share grant plan (“SGP”) of up to 10% of the total number of issued shares in Careplus (excluding treasury shares, if any) at any point in time during the duration of the SGP for the eligible Executive Directors and employees of Careplus Group. The SGP was approved by the shareholders of Careplus at the Extraordinary General Meeting held on 8 July 2020 and is pending implementation by the Board.

The SGP, when implemented, shall be in force for an initial period of 5 years, and may be extended for an aggregate duration of up to 10 years.

9. Investment in joint venture

	As at 30-June-2020 (UNAUDITED) RM'000	As at 30-June-2019 (UNAUDITED) RM'000
Reconciliation to carrying amount		
Beginning of investment	26,759	-
Additional subscription of shares	10,500	-
Share of profits in joint venture	886	-
Net assets at 30 June 2020	38,145	-

The details of the joint venture are as follows:

Name of company	Principal activities	Country of incorporation	Group's effective interest	
			30 June 2020 %	30 June 2019 %
Careplus (M) Sdn Bhd	Manufacturing gloves and provision for quality control services for outsourced gloves	Malaysia	50	-



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9. Investment in joint venture (cont'd)

The following table summarises the financial information of the Group's material joint venture:

	As at 30 June 2020 (UNAUDITED) RM'000
<u>At 30 June 2020</u>	
Non-current assets	67,550
Current assets	50,209
Non-current liabilities	(13,004)
Current liabilities	(43,909)
Equity attributable to owners of the Company	(60,846)
<u>Period ended 30 June 2020</u>	
Revenue	25,596
Expenses	(23,824)
Profit for the year	1,772
Shares of profit in joint venture	886

The shares of profit in the joint venture of RM886,000 was derived from the profit for the period from 15 May 2020 until 30 June 2020.



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10. Group Borrowings and Debt Securities

(a) The Group's borrowings as at 30 June 2020 and 30 June 2019 were as follows:

	<u>As at 30 June 2020</u>		Total RM'000
	Long term RM'000	Short term RM'000	
Secured:			
Bank overdrafts	-	42	42
Hire purchase	5,174	3,750	8,924
Term loans	3,092	1,546	4,638
Bills payable	-	39,040	39,040
	<u>8,266</u>	<u>44,378</u>	<u>52,644</u>
	<u>As at 30 June 2019</u>		Total RM'000
	Long term RM'000	Short term RM'000	
Secured:			
Bank overdrafts	-	481	481
Hire purchase	7,277	8,276	15,553
Term loans	11,436	2,620	14,056
Bills payable	-	71,701	71,701
	<u>18,713</u>	<u>83,078</u>	<u>101,791</u>

(b) There were no unsecured debts during the current quarter under review.

(c) Included in bill payables, there is a total amount of RM28.6 million (30.6.2019: RM51.0 million) denominated in USD.

11. Derivatives Financial Instruments

As at 30 June 2020, the Group's outstanding derivatives were as follows:

Type of Derivatives	Contract/Notional Value RM'000	Assets/(Liabilities) RM'000
Currency forwards		
- Less than 1 year	44,936	177

The Group entered currency forwards to hedge highly probable forecast transactions denominated in foreign currencies, which are expected to occur in the future. The currency forwards have maturity dates that match the expected occurrence of these transactions.

All derivative financial instruments are executed with creditworthy counter parties with a view to limit the credit risk exposure of the Group.



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12. Material Litigation

There were no material litigations involving the Group as at the date of this report.

13. Dividends Declared / Proposed

There were no dividends declared during the current financial period.

14. Earnings Per Share

The computation of basic and diluted earnings per share for the financial period ended 30 June 2020 and 30 June 2019 was as follows:-

(a) Basic

	3 Months Ended 30-Jun-2020 (UNAUDITED)	3 Months Ended 30-Jun-2019 (UNAUDITED)	6 Months Ended 30-Jun-2020 (UNAUDITED)	6 Months Ended 30-Jun-2019 (UNAUDITED)
Profit/(Loss) attributable to owners of the Company (RM'000)	36,212	(1,961)	37,353	(1,598)
Weighted average number of ordinary shares as at 1 January/30 June ('000)	<u>540,360</u>	<u>531,360</u>	<u>540,360</u>	<u>531,360</u>
Basic earnings/(loss) per share (sen)	<u>6.70</u>	<u>(0.37)</u>	<u>6.91</u>	<u>(0.30)</u>

(b) Diluted

Diluted earnings per share is not applicable for the financial period ended 30 June 2020 and 30 June 2019 as there were no potential ordinary shares in issue for the current quarter and cumulative quarter.