hovid

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HOVID BERHAD (58476-A)

Annual Report 2013

hovid

Sustaining Momentum

2013
ANNUAL REPORT


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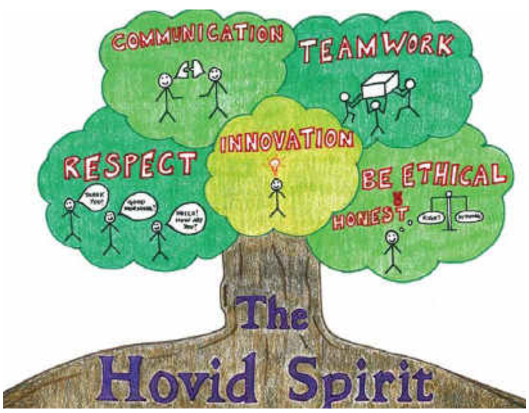


COMMUNICATION
TEAMWORK
RESPECT
INNOVATION
BE ETHICAL
HONEST
The Hovid Spirit

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirty-third (33rd) Annual General Meeting ("AGM") of Hovid Berhad ("Hovid" or "the Company") will be held at Gopeng Hall, Level 3, Kinta Riverfront Hotel & Suites Sdn Bhd, Jalan Lim Bo Seng, 30000 Ipoh, Perak Darul Ridzuan on Monday, 2 December 2013 at 10.30 a.m. for the following purposes:

AGENDA

As Ordinary Business:

1. To receive the Audited Financial Statements for the financial year ended 30 June 2013 together with the Reports of the Directors and Independent Auditors thereon. (Please refer to Explanatory Note 1)

2. To approve the payment of Directors' fees of RM210,000 for the financial year ended 30 June 2013. Resolution 1

3. To re-elect the following directors who retire pursuant to Article 83 of the Company's Articles of Association:-
   - (a) YM Raja Shamsul Kamal Bin Raja Shahruzzaman Resolution 2
   - (b) Mr Ho Sue San @ David Ho Sue San Resolution 3

4. To re-appoint Messrs SJ Grant Thornton as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. Resolution 4

As Special Business:

To consider and if thought fit, to pass the following Ordinary Resolutions:

5. **CONTINUING IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTORS**
   - (a) "**THAT** approval be and is hereby given for Mr Leong Kwok Yee who has served as an Independent Non-Executive Director of the Company since 22 December 2004 and will reach the nine (9) year term limit on 21 December 2013, to continue to act as an Independent Non-Executive Director of the Company." Resolution 5
   - (b) "**THAT** approval be and is hereby given for Mr Chuah Chaw Teo who has served as an Independent Non- Executive Director of the Company since 22 December 2004 and will reach the nine (9) year term limit on 21 December 2013, to continue to act as an Independent Non-Executive Director of the Company." Resolution 6
   - (c) "**THAT** approval be and is hereby given for YM Raja Shamsul Kamal Bin Raja Shahruzzaman who has served as an Independent Non-Executive Director of the Company since 22 December 2004 and will reach the nine (9) year term limit on 21 December 2013, to continue to act as an Independent Non-Executive Director of the Company." Resolution 7

6. **AUTHORITY TO ALLOT AND ISSUE SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965**

   "**THAT** pursuant to Section 132D of the Companies Act, 1965 ("Act"), the Directors be and are hereby empowered to allot and issue shares in the capital of the Company from time to time at such price, upon such terms and conditions, for such purposes and to such person or persons whomsoever as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares to be issued pursuant to this Resolution does not exceed ten per centum (10%) of the total issued share capital of the Company for the time being, **AND THAT** subject to the Act and the Articles of Association of the Company, the Directors be and are hereby also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad ("Bursa Securities") and other relevant authorities where such approval is necessary **AND THAT** such authority shall continue in force until the conclusion of the next AGM of the Company." Resolution 8

7. **PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE WITH CAROTECH BERHAD GROUP ("CAROTECH GROUP") ("PROPOSED RENEWAL OF RRPT MANDATE WITH CAROTECH GROUP")**

   "**THAT** subject to Paragraph 10.09 Part E of the Main Market Listing Requirements of Bursa Securities, approval be and is hereby given to the Company and/or its subsidiaries to enter into recurrent related party transactions ("RRPT") of a revenue or trading nature with Carotech Group as set out in Section 2.1 of the Circular to Shareholders dated 8 November 2013, subject to the following: Resolution 9

   (i) the RRPT are:
   - (a) necessary for the day-to-day operations;
   - (b) undertaken in the ordinary course of business and at arm's length basis and are on terms not more favourable to the related parties than those generally available to the public; and
   - (c) are not detrimental to the shareholders of the Company; and

   (ii) the disclosure is made in the Annual Report of the Company of the aggregate value of the RRPT based on the type of transactions, the names of the Related Parties and their relationships with the Company pursuant to the Proposed Renewal of RRPT Mandate with Carotech Group during the financial year and in the Annual Report of the Company in the subsequent years during which the Proposed Renewal of RRPT Mandate with Carotech Group is in force; and

   (iii) the Proposed Renewal of RRPT Mandate with Carotech Group is subject to annual renewal and will continue to be in full force until:

(a) the conclusion of the next AGM of the Company following this AGM, at which such Proposed Renewal of RRPT Mandate with Carotech Group was passed, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;

(b) the expiration of the period within which the next AGM after that date is required to be held pursuant to Section 143(1) of the Act (but must not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or

(c) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is earlier.

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary (including executing such documents as may be required) to give effect to the RRPT contemplated and/or authorised by this Resolution."

8. **PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE WITH FUTURE EXPRESS SDN. BHD. ("FUTURE EXPRESS") ("PROPOSED RENEWAL OF RRPT MANDATE WITH FUTURE EXPRESS")**

"**THAT** subject to Paragraph 10.09 Part E of the Main Market Listing Requirements of Bursa Securities, approval be and is hereby given to the Company and/or its subsidiaries to enter into recurrent related party transactions ("RRPT") of a revenue or trading nature with Future Express as set out in Section 2.1 of the Circular to Shareholders dated 8 November 2013, subject to the following: Resolution 10

(i) the RRPT are:

(a) necessary for the day-to-day operations;

(b) undertaken in the ordinary course of business and at arm's length basis and are on terms not more favourable to the related parties than those generally available to the public; and

(c) are not detrimental to the shareholders of the Company; and

(ii) the disclosure is made in the Annual Report of the Company of the aggregate value of the RRPT based on the type of transactions, the names of the Related Parties and their relationships with the Company pursuant to the Proposed Renewal of RRPT Mandate with Future Express during the financial year and in the Annual Report of the Company in the subsequent years during which the Proposed Renewal of RRPT Mandate with Future Express is in force; and

(iii) the Proposed Renewal of RRPT Mandate with Future Express is subject to annual renewal and will continue to be in full force until:

(a) the conclusion of the next AGM of the Company following this AGM, at which such Proposed Renewal of RRPT Mandate with Future Express was passed, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;

(b) the expiration of the period within which the next AGM after that date is required to be held pursuant to Section 143(1) of the Act (but must not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or

(c) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is earlier.

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary (including executing such documents as may be required) to give effect to the RRPT contemplated and/or authorised by this Resolution."

9. **PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR THE AUTHORITY TO THE COMPANY TO PURCHASE ITS OWN SHARES OF UP TO TEN PER CENTUM (10%) OF THE ISSUED AND PAID-UP SHARE CAPITAL ("PROPOSED RENEWAL OF SBB MANDATE")**

"**THAT** subject to the Act, the Articles of Association of the Company, the Main Market Listing Requirements of Bursa Securities and all other applicable laws, regulations and guidelines, the Company be and is hereby authorised to purchase such number of ordinary shares of RM0.10 each in Hovid ("Hovid Shares") as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company, provided that: Resolution 11

(i) the aggregate number of ordinary shares purchased and/or held by the Company as treasury shares shall not exceed ten per centum (10%) of the issued and paid-up ordinary share capital of the Company at any point in time;

(ii) the funds allocated by the Company for the purpose of purchasing its shares shall not exceed the total retained profits and share premium account of the Company;

THAT upon completion of the purchase by the Company of its own shares, the Directors of the Company be authorised to deal with the shares purchased in their absolute discretion in the following manner:-

(i) cancel all the shares so purchased; and/or

(ii) retain the shares so purchased in treasury for distribution as dividend to the shareholders and/or resell on the market of Bursa Securities; and/or

(iii) retain part thereof as treasury shares and cancel the remainder.

THAT such authority conferred by this resolution shall commence upon the passing of this resolution and shall continue to be in force until:

(i) the conclusion of the next AGM of the Company following this AGM at which such resolution was passed, at which time it will lapse, unless by an ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions;

(ii) the expiration of the period within which the next AGM is required by law to be held; or

(iii) revoked or varied by an ordinary resolution passed by the shareholders of the Company in general meeting,

whichever occurs first.

AND THAT the Directors of the Company be authorised to give effect to the Proposed Renewal of SBB Mandate with full power to assent to any modifications and/or amendments as may be required by the relevant authorities."

10. To consider any other business of which due notice shall have been given in accordance with the Act.

By Order of the Board

Goh Tian Hock (MIA 8222)
Ng Yuet Seam (MAICSA 7005639)
Secretaries

Ipoh, Perak Darul Ridzuan
8 November 2013

NOTES:

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint more than two (2) proxies to attend and vote in his/her stead at the same meeting. A proxy may but need not be a member of the Company and Section 149(1)(a) and (b) of the Act shall not apply to the Company.

2. Where a member appoints two (2) or more proxies, the appointment shall be invalid unless the member specifies the proportion of his shareholdings to be represented by each proxy. Each proxy appointed, shall represent a minimum of 100 shares held by the member.

3. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA"), it may appoint at least one (1) proxy in respect of each securities account in holds with ordinary shares of the Company standing to the credit of the said securities account.

4. 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. An exempt authorised nominee refers to an authorised nominee defined under the SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.

5. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or if the appointor is a corporation, either under its common seal or under the hand of its attorney duly authorised.

6. The instrument appointing a proxy shall be deposited at the Registered Office of the Company at No. 121, Jalan Tunku Abdul Rahman, 30010 Ipoh, Perak Darul Ridzuan not less than forty-eight (48) hours before the time appointed for holding the meeting or at any adjournment thereof.

7. For the purpose of determining a member who shall be entitled to attend the meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd., in accordance with Article 60(c) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositors as at 22 November 2013. Only a depositor whose name appears on the General Meeting Record of Depositors as at 22 November 2013 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote in his/her stead.

EXPLANATORY NOTES ON SPECIAL BUSINESS:

1. **Item 1 of the Agenda - The Audited Financial Statements for the financial year ended 30 June 2013 and the Reports of the Directors and Independent Auditors thereon**

   This agenda item is meant for discussion only, as the provision of Section 169(1) of the Act does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this Agenda item is not put forward for voting.

2. **Resolutions 5, 6 and 7 – Continuing in Office as Independent Non-Executive Directors**

   Pursuant to the Malaysian Code on Corporate Governance 2012 ("MCCG 2012"), it is recommended that approval of shareholders be sought in the event the Company intends to retain an Independent Director who has served that capacity for more than nine (9) years.

   The Board of Directors has assessed the independence of Mr Leong Kwok Yee, Mr Chuah Chaw Teo and YM Raja Shamsul Kamal Bin Raja Shahruzzaman, who served as Independent Non-Executive Directors of the Company since 22 December 2004 and will reach the nine (9) year term limit on 21 December 2013 and has recommended them to continue to act as Independent Non-Executive Directors of the Company until the conclusion of the next AGM in accordance with the MCCG 2012, based on the following jurisdictions:-

   (i) They fulfilled the criteria under the definition of an Independent Director as set out in the Main Market Listing Requirements of Bursa Securities, and therefore, are able to function as a check and balance, provide a broader view and bring independent and objective judgment to the Board;

   (ii) Their vast experience in their respective fields enable them to provide the Board with a diverse set of experiences, expertise and independent judgments;

   (iii) They have performed their duties diligently and in the best interest of the Company and provided independent views in participating in deliberations and decision making process of the Board and Board Committees;

   (iv) Their length of service on the Board does not in any way interfere their exercise of independent judgment and ability to act in the best interests of the Group.

3. **Resolution 8 – Authority to Allot and Issue Shares pursuant to Section 132D of the Companies Act, 1965**

   The proposed Resolution, if passed, will empower the Directors of the Company, from the date of the above AGM, to allot and issue new shares of the Company up to an amount not exceeding in total ten per centum (10%) of the issued share capital of the Company for the time being for such purposes as the Directors consider would be in the best interest of the Company. This authority, unless earlier revoked or varied by the Company at a general meeting, will expire at the next AGM of the Company. The general mandate for issue of shares is a renewal. The Directors did not allot nor issue any shares under the same mandate granted last year. Nevertheless a renewal for the said mandate is sought to avoid incurring any costs or delay in convening a general meeting. The Directors would utilize the proceeds raised from this mandate for working capital or such other applications they may in their absolute discretion deem fit.

4. **Resolutions 9 and 10 – Proposed Renewal of RRPT Mandates with Carotech Group and Future Express**

   The proposed Resolutions, if passed, will provide the Company and its Group a mandate to enter into RRPT of a revenue or trading nature in compliance with the Main Market Listing Requirements of Bursa Securities. The mandate, unless revoked or varied by the Company at a general meeting, will expire at the next AGM of the Company.

   Details of the proposed Resolutions are contained in the Circular to Shareholders dated 8 November 2013 accompanying the Company's Annual Report 2013.

5. **Resolution 11 – Proposed Renewal of SBB Mandate**

   The proposed Resolution, if passed, will give the Directors of the Company the authority to purchase the Company's own shares up to an amount not exceeding in total ten per centum (10%) of its issued share capital at any point in time upon such terms and conditions as the Directors may deem fit in the interest of the Company. This authority, unless revoked or varied by the Company at a general meeting, will expire at the next AGM of the Company.

   Details of proposed Resolution are contained in the Share Buy-Back Statement on Pages 105 to 111 of this Annual Report.

CORPORATE INFORMATION

Board Of Directors

Ho Sue San @ David Ho Sue San
Chairman & Managing Director

Leong Kwok Yee
Independent Non-Executive Director

YM Raja Shamsul Kamal Bin
Raja Shahruzzaman
Independent Non-Executive Director

Chuah Chaw Teo
Independent Non-Executive Director

Dato'Che Mohd. Zin Bin Che Awang
Independent Non-Executive Director

Liong Kam Hon
Executive Director

Company Secretaries

Goh Tian Hock (MIA 8222)
Ng Yuet Seam (MAICSA 7005639)

Registered Office / Principal Place of Business

No. 121, Jalan Tunku Abdul Rahman
30010 Ipoh
Perak Darul Ridzuan

Telephone : +6 05 506 0690
Facsimile : +6 05 506 1215
Website : www.hovid.com
E-mail : info@hovid.com

Share Registrar

Tricor Investor Services Sdn Bhd
Level 17, The Gardens North Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur

Telephone : +6 03 2264 3883
Facsimile : +6 03 2282 1886

Stock Exchange Listing

Main Market of Bursa Malaysia Securities Berhad

Principal Bankers

United Overseas Bank
(Malaysia) Bhd
No. 2, Jalan Dato' Seri Ahmad Said
30450 Ipoh
Perak Darul Ridzuan

Bank Muamalat Malaysia Berhad
Ground & Mezzanine Floor
Wisma Maju UMNO
Jalan Sultan Idris Shah
30000 Ipoh
Perak Darul Ridzuan

Hong Leong Bank Berhad
No. 1, Persiaran Greentown 2
Greentown Business Centre
30450 Ipoh
Perak Darul Ridzuan

Public Bank Berhad
No. 7-13, Jalan Dato' Maharajalela
30000 Ipoh
Perak Darul Ridzuan

Auditors

SJ Grant Thornton
(*Member of Grant Thornton International Ltd*)
Chartered Accountants
Level 11, Sheraton Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur.

Telephone : +6 03 2692 4022
Facsimile : +6 03 2732 5119

CORPORATE STRUCTURE
As At 10 October 2013

HOVID BERHAD
(58476-A)

- 100% Hovid Inc.
- 100% Hovid Pharmacy Sdn. Bhd.
- 100% Hovid Marketing Sdn. Bhd.
- 100% Javid Sdn. Bhd.
- 100% Hovid International Limited
  - 93% Agrovid S.A.S
  - 60% Hovid Limited
  - 100% Hovid Life Science Pte. Ltd.
- 100% Hovid Nurtriworld Sdn. Bhd.
- 100% Best Practice International Sdn. Bhd.
- 51% Biodeal Pharmaceuticals Private Limited
- 100% Hovid Research Sdn. Bhd.
- 100% Hovid (Hong Kong) Limited

DIRECTORS' PROFILE

Ho Sue San @ David Ho Sue San

A Malaysian aged 64, is the Managing Director of the Company and was redesignated to Chairman & Managing Director on 31 January 2008. He was appointed to the Board, being the first Director since incorporation of the Company on 20 May 1980. He obtained a Bachelor of Pharmacy degree from the University of Otago in 1974. He later obtained a Master of Pharmacy degree from the University of Otago in 1976. He was registered as a pharmacist with the Pharmaceutical Society of New Zealand in 1974 and as a pharmaceutical chemist by the Pharmaceutical Society of Great Britain in 1977. He was registered as a pharmacist with the Malaysian Pharmacist Board in 1980. He has also completed the Applied International Management Programme organised by the Swedish Institute of Management in 1990 and the International Top Management Seminar in the field of Quality Leadership organised by ISO Swedish Management Group in 1996. From 1978 to 1979, he was a research pharmacist with Wyeth Laboratories Ltd. Thereafter, he formed and incorporated Hovid Berhad in 1980. He was on the Board of Malaysian Biotechnology Corporation Sdn. Bhd., a subsidiary of MOF Inc in Malaysia from 2006 to 2009.

Ho Sue San @ David Ho Sue San has attended all the five (5) Board meetings held during the financial year ended 30 June 2013. He neither has any family relationship with any Director and/or major shareholder of the Company, nor has he any conflict of interest with the Company. He has had no conviction for any offences within the past ten (10) years. Additionally, he is a major shareholder of the Company as at 30 June 2013.

Liong Kam Hon

A Malaysian aged 67, is the Executive Director of the Company and was appointed to the Board of the Company on 11 February 1999. He joined Hovid Pharmacy Sdn. Bhd. as a Manager on 16 June 1981. Prior to that, he served as a manager with Public Medical Supplies from 1978 to 1980. Between 1967 and 1977, he was the chief dispenser with Georgetown Dispensary Ltd.

Liong Kam Hon has attended all the five (5) Board meetings held during the financial year ended 30 June 2013. He neither has any family relationship with any Director and/or major shareholder of the Company, nor has he any conflict of interest with the Company. He has had no conviction for any offences within the past ten (10) years.

Chuah Chaw Teo

A Malaysian aged 62, is a chemist by profession. He was appointed to the Board of the Company on 22 December 2004 as an Independent Non-Executive Director. He obtained a Bachelor of Science degree with Honours in 1975 from the University of Otago, where he was also given the University of Otago Science Award for ranking first in the class. Thereafter, he obtained a Doctorate degree in Applied Organic Chemistry in 1979, also from the University of Otago. He has a Diploma in Management from the Malaysian Institute of Management, which he obtained with Merit in 1987. After he obtained his Doctorate degree in 1979, Dr. Chuah worked as a post-doctoral research associate with the College of Environmental Science and Forestry of the State University of New York, a position which he held for the next two (2) years. From 1982 to 1983, he served as a lecturer in the University of Malaya, Malaysia. After he left the University of Malaya, he was attached to Yee Lee Edible Oils Sdn. Bhd. as General Manager for Research and Development. He held this position for ten (10) years, from 1983 to 1993. Presently, he is an Executive Director of Spritzer Berhad, a position that he has held since 1994.

Chuah Chaw Teo is a member of the Nomination and Remuneration Committee as well as the Audit Committee of the Company. He has attended all the five (5) Board meetings held during the financial year ended 30 June 2013. He neither has any family relationship with any Director and/or major shareholder of the Company, nor has he any conflict of interest with the Company. He has had no conviction for any offences within the past ten (10) years.

Leong Kwok Yee

An Australian aged 63, is an accountant by profession. He was appointed to the Board of the Company on 22 December 2004 as an Independent Non-Executive Director. He obtained a Bachelor of Commerce degree in 1974 from the University of Otago and a Master in Business Administration from University of Macquarie in 1989. He is a Fellow Member of both the New Zealand Institute of Chartered Accountants and Australian Institute of Chartered Accountants, having trained at Ernst & Young in Wellington, New Zealand and Sydney, Australia. He left Ernst & Young in 1981 to join Encyclopaedia Britannica (Sydney) as their Financial Controller before joining Hunter Douglas Ltd. (Sydney) in 1988 as their Treasurer/Management Accountant. He subsequently joined Dodwell, Inchcape Buying Services (Hong Kong) as their Financial Controller in 1990 and became the Finance Director in 1993. He left in 1995 to be the Chief Financial Officer of Li & Fung, Ltd. (Hong Kong) and retired on 1 September 2004. From 1 May 2006 to 31 August 2007, he was appointed as Head of Middle Office of Li & Fung (Trading) Ltd., Hong Kong. He was the Chief Financial Officer and on the Board of LiFung Trinity Ltd. (Hong Kong) from 1 September 2007 to 31 January 2009 and to 16 August 2009 respectively. He was appointed as an advisor of Li & Fung (Trading) Ltd. from February 2009 to 30 June 2010. Since 1 July 2010, he is working as a Consultant of Fung (1937) Management Ltd.

Leong Kwok Yee is the Chairman of Audit Committee and a member of the Nomination and Remuneration Committee of the Company. He has attended all the five (5) Board meetings held during the financial year ended 30 June 2013. He neither has any family relationship with any Director and/or major shareholder of the Company, nor has he any conflict of interest with the Company. He has had no conviction for any offences within the past ten (10) years.

YM Raja Shamsul Kamal Bin Raja Shahruzzaman

A Malaysian aged 52, was appointed to the Board of the Company on 22 December 2004 as the Non-Executive Director and redesignated to Independent Non-Executive Director on 13 August 2007. He obtained a Bachelor of Science degree with Honours in Civil Engineering from the University of Newcastle upon Tyne, England. He joined Shah Alam Properties Sdn. Bhd. as a project engineer from 1984 to 1987. He left in 1987 to join Bank of Commerce Bhd. before leaving as Vice President & Group Head of Corporate Banking Department in 1991 to join Bumiputra-Commerce Holdings Berhad. Since joining Bumiputra-Commerce Holdings Berhad, he has been in numerous positions including the General Manager & Chief Executive Officer of Commerce Asset Leasing Sdn. Bhd. (1991 to 1996),

DIRECTORS' PROFILE (continued)

General Manager of Commerce Asset Fund Managers Sdn. Bhd. (1996 to 1997) and Executive Director and Chief Executive Officer of Commerce Asset Ventures Sdn. Bhd. before leaving in July 2007. He is currently the Senior Partner of a private equity management firm of Vida Partners Sdn. Bhd. based in Kuala Lumpur.

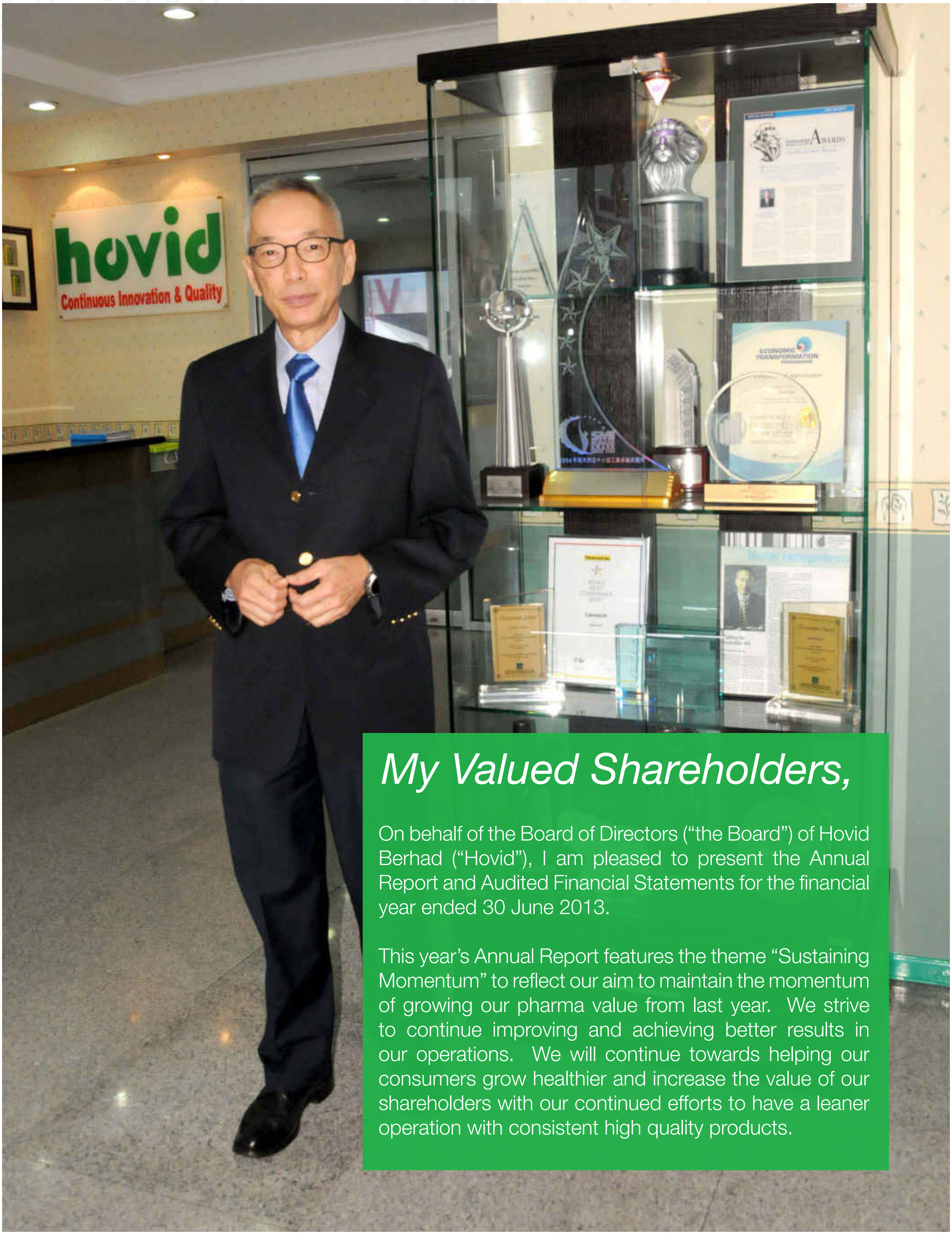
YM Raja Shamsul Kamal Bin Raja Shahruzzaman is the Chairman of the Nomination and Remuneration Committee and a member of the Audit Committee of the Company. He has attended four (4) out of the five (5) Board meetings held during the financial year ended 30 June 2013. He neither has any family relationship with any Director and/or major shareholder of the Company, nor has he any conflict of interest with the Company. He has had no conviction for any offences within the past ten (10) years.

Dato' Che Mohd. Zin Bin Che Awang

A Malaysian aged 64, is a Fellow member of Malaysian Pharmaceutical Society. He was appointed to the Board on 1 March 2012 as an Independent Non-Executive Director. Dato' Zin obtained a Bachelor of Pharmacy degree from University of Baghdad, Iraq, in 1972. In 1978 and 1984, he obtained a Master of Science degree in Radiopharmacy from University of Southern California, USA and a Master of Science degree in Pharmaceutical Sciences from University of Wales, United Kingdom, respectively. He started his career in 1974 as a Pharmacist of Perak Medical Store under the Ministry of Health of Malaysia (MOH). In 1977, he joined Tun Ismail Atomic Research Centre of Ministry of Science, Malaysia, as a Research Officer. From 1980 to 1984, he was a Production Pharmacist with the Government Medical Lab & Stores of MOH; before his appointment as the Head of Good Manufacturing Practice (GMP) Division in National Pharmaceutical Control Bureau (NPCB) of Ministry of Health, Malaysia in 1985. He took up the role as Chief Pharmacist of Regional Medical Stores in Penang in 1991 and Kelantan State Pharmacist in 1993. From 1998 to 2000, he was appointed as Deputy Director of NPCB as well as the Secretary of Drug Control Authority. He was promoted to the position of Director of NPCB in 2000 and subsequently as Senior Director of Pharmaceutical Services in Ministry of Health of Malaysia in 2001. Before his retirement in 2008, he was the Chairman of Asean Consultative Committee on Standards and Quality, Pharmaceutical Products Working Group (ACCSQ – PPWG) from 2002 to 2008.

Dato' Zin is a member of the Nomination and Remuneration Committee as well as the Audit Committee of the Company. He has attended all the five (5) Board meetings held during the financial year ended 30 June 2013. He neither has any family relationship with any Director and/or major shareholder of the Company, nor has he any conflict of interest with the Company. He has had no conviction for any offences within the past ten (10) years.

CHAIRMAN'S STATEMENT



My Valued Shareholders,

On behalf of the Board of Directors ("the Board") of Hovid Berhad ("Hovid"), I am pleased to present the Annual Report and Audited Financial Statements for the financial year ended 30 June 2013.

This year's Annual Report features the theme "Sustaining Momentum" to reflect our aim to maintain the momentum of growing our pharma value from last year. We strive to continue improving and achieving better results in our operations. We will continue towards helping our consumers grow healthier and increase the value of our shareholders with our continued efforts to have a leaner operation with consistent high quality products.

Macau Newologist Society Annual Dinner Symposium

Financial Performance

For the financial year ended 30 June 2013, Hovid's Group revenue, comprising the pharmaceutical business, grew by 4.7% to RM172.5 million from RM164.8 million in last financial year. The higher revenue was mainly from increased demands for our pharmaceutical products. Hovid's profit for the year increased by 29.9% to RM20.5 million compared to RM15.8 million in the last financial year. The increase in profit was largely due to non-recurring items of RM3.8 million and share of an associate company's loss of RM9.1 million in the last financial year.

Net non-recurring gains totalling RM3.8 million for last year, comprised of impairment of goodwill in a subsidiary and gain on distribution of dividend-in-specie. Included in the profit of the Group for the previous year was the share of loss in a previous associate company, to 22 December 2011, of RM9.1 million.

Excluding the non-recurring items above, the Pharma segment pre-tax profit decreased by 6.5% to RM25.8 million from RM27.6 million. This was mainly due to the increase in staff costs arising from the implementation of minimum wages in January 2013, operational expenses and promotional discounts given.

Corporate Development

Dilution of Indirect Equity Interest in Agrovid S.A.S

On 27 December 2012, the Board of Director announced that Hovid International Limited, a wholly-owned subsidiary incorporated in British Virgin Islands, had diluted its equity interest in Agrovid S.A.S. ("Agrovid"), a company incorporated in Republic of Colombia, from 100% to 92.83% arising from the allotment of 1,247 and 483 new ordinary shares of Col Peso$100,000 each of Agrovid to Mr Benjamin Lai Hong Wai and Mr Tan Cheng Chua respectively.

Agrovid is principally engaged in agro-industrial exploitation of productive species and cultivation crops and livestock. The dilution did not have any material effect on the net assets per share and earning per share for the financial year ended 30 June 2013. The dilution had no effect on the share capital of Hovid, and Agrovid is still a subsidiary in the Hovid Group.

Issuance of Warrant

On 10 June 2013, the Company issued 381,040,000 warrants through a renounceable rights issue at an issue price of RM0.02 for each warrant on the basis of one (1) Warrant for every two (2) existing ordinary shares of RM0.10 each held in Hovid. Consequently, an amount of RM7.6 million was raised for our working capital.

Outlook and Prospects

Hovid's prospects is predicated on new product launches, rising demand for pharmaceutical products and the increased registrations of our products in our export markets potentially reaching more than 1.0 billion people.

The world pharmaceutical market is growing, underlying demographic trends and age coupled with a rise in chronic diseases remain favourable to long-term industry growth. Malaysia is also expected to post a Compounded Annual Growth Rate ("CAGR") of 9.4%, driven primarily by the expansion and modernisation of healthcare facilities. Despite the industry remaining highly competitive, revenue in the Pharmaceutical segment of Hovid Group completed another record number to a historical high of RM172.5 million in the recent financial year ended 2013 compared to RM164.8 million a year ago.

The next five years will be an exciting period for generic drug makers as patented drugs worth US$133 billion in annual sales currently will expire, commonly referred to as the "patent cliff". This allows Hovid to launch the generic versions of these drugs and expand our sales. Additionally, growing healthcare spending in our key markets – Malaysia and other lower-middle income economies – would also provide further growth prospects as healthcare bills in these countries are low by international standards and the rising affluence and improved access to healthcare services will fuel greater demand for drugs.

Arising from the weakening USD over the last few years, our export sales constituted only 52.5% of our revenue in the financial year

CHAIRMAN'S STATEMENT (continued)

POTS event in Myamar

PINC KL event

ended 30 June 2013. Nevertheless, we pride ourselves on being the first local pharmaceutical company and largest exporter of generic drugs from Malaysia. Over the last two decades, we have expanded our export destinations to 50 countries with a total population of more than 1.0 billion. Our key export markets include numerous developing countries such as Nigeria, Cambodia, the Philippines, Ghana and Myanmar where competition between pharmaceutical companies is less intense and the availability of medicine is inferior to those available in Malaysia. Moreover, with greater political stability and economic development in these countries, the rising affluence and improved access to healthcare services will drive greater demand for drugs in these countries. For instance, healthcare expenditure in markets, such as Nigeria, Cambodia and the Philippines, increased at a CAGR of 11-24% over 2001-2011. We expect such growth rates to persist given these countries' rising affluence, lower per capita healthcare spending relative to the global average and strong economic growth outlook. Additionally, we can extend the life-cycle of our products as drugs that are no longer popular in Malaysia are still selling well in these export markets.

The implementation of Entry Point Project 3 ("EPP3"): "Malaysian Pharmaceuticals – Increasing Local Generic Manufacturing for Exports" under the Healthcare National Key Economic Area ("NKEA") of the Economic Transformation Programme seeks to capitalize on the impending patent cliff and provides various incentives to help further develop the pharmaceutical industry in Malaysia. This is coherent with the Government's goal of leading Malaysia into a "high knowledge" economy as much expertise and knowledge are required to develop pharmaceutical products. Some of the initiatives include the introduction of an off-take procurement system for new locally manufactured pharmaceuticals for a period of 3 years and extended for another 2 years upon sales of such product overseas.

Patents protect pharmaceutical products for a finite period and the expiry of patents leads to the availability of generics. Generic versions of drugs are very competitive with significantly lower pricing than the innovator equivalents because of lower investment in R&D and market development. As more countries are trimming their healthcare spending, health authorities are switching from the expensive patented medicines to the cheaper generic equivalents. Hovid, being the largest exporter of independent branded generic drugs from Malaysia, has developed approximately four hundred generic products and has obtained numerous patents globally thus far and hence, is equipped with the talent and knowledge to take advantage of these opportunities.

Efficiency enhancements and essential rationalisation measures remain the focal point in order to ensure that Hovid is competitive in an environment made increasingly tough by growing cost pressure in the healthcare systems. The implementation of minimum wage policy, which took effect in January 2013, required us to pay a minimum monthly wage of RM900 to our employees. This has post a further challenge for us to manage the higher wage bill. Hovid is not embarking on slashing its headcount to manage the cost but is relying on our lean manufacturing culture to improve the efficiency and increase the output. Although achieving cost savings is always our key objective, adding value through improved process is our bigger goal. Hovid continue to make changes to simplify and lean our operation. Our lean manufacturing culture embraces a series of activities to eliminate complexity, which will improve our efficiencies, thus allowing us to reallocate resources to support identified growth opportunities and transform our long-term cost competitiveness into lower production costs. Our lean manufacturing culture has resulted in shorten manufacturing cycle times, lower inventory levels, lesser wastage leading to increased capacity and higher operating margins.

Our plan to commence construction of a new facility to expand our tablet and capsule production capacity by 30% has been delayed to early 2014. This plan was delayed as we decided to design the plant to meet the pharmaceutical production standards of Europe and the U.S. FDA (Food and Drug Administration), in addition to the Australian TGA (Therapeutic Goods Administration). This would further enhance the credibility and quality of Hovid's products to our existing customers. Hovid will also be able to widen its export network to reach potential customers in Australia, Europe, USA and other developed countries. In support of our initiatives to further enhance the quality and standards of pharmaceutical products from Malaysia, our Malaysian Investment Development Authority ("MIDA") has approved a grant of RM2.5 million to help us finance this new tablet and capsule facility in September 2013.

Research and Development ("R&D") of new products and technologies have been one of the main pillars behind the sustainable growth of Hovid. Our R&D activities are not only focused on developing off-patent drugs for a wide array of therapeutic groups to broaden our product lines, but much efforts have also been dedicated in the

development of drug delivery technologies including modified-release dosage forms and oral systems for enhancing the bioavailability of drugs, nutraceutical and dietary supplements. In this aspect, Hovid holds a few patents of such technologies.

In the past one year, our product development ("PD") efforts have resulted in the addition of 19 new products to our product pipeline. Among these were 8 ethical products, 4 dietary supplements, 6 herbal products and 1 non-poison healthcare product. 18 new products were successfully registered in Malaysia. Additionally, Hovid has obtained 75 marketing authorizations in overseas countries including the Philippines, Cambodia, Singapore, Myanmar, Kenya, Ethiopia, Uganda, Sri Lanka, Haiti and the Maldives.

Currently, there are 119 products under Hovid's PD pipeline of various categories including ethical, dietary supplement, food product, cosmetic, over-the-counter ("OTC") product, traditional product and disinfectant. Our research and development team continues to extend our pipeline of new innovative and improved products which has been underpinned with a focus on improving the rates of return in R&D.

Hovid has one of the largest and most established R&D team in Malaysia and the Company plans to further expand its R&D facility in Penang in the coming year. This will further equip us with our own in-house facility to undertake more bioequivalent ("BE") trials. Hovid has thus far completed more than 20 BE trials and numerous researches with human subjects in collaboration with various higher learning institutions, including University Science of Malaysia ("USM") and Ohio State University in Ohio, USA.

Hovid is dedicated to constant innovation and astute marketing strategies. With more than 100 products in our pipeline, Hovid will continue to grow sales volumes of its currently marketed product, harvest the fruits of our investment in R&D, and maintain its competitive edge in the emerging pharmaceutical markets. This will allow Hovid to fund its innovation for a robust pipeline of products to power our long-term growth.

Hovid has established itself as a global brand with consistent quality, reliability and creativity. We will continue to strengthen the three key pillars required for a branded generic pharmaceutical producer to have a sustainable business model, namely proven capability in product R&D, a strong distribution network and consistent quality with reasonable pricing. These pillars will continue to support our transformation and allow our business to grow sustainably.

Corporate Social Responsibility

Corporate Social Responsibility ("CSR") is an integral part of the Hovid's culture. In all our activities, we safeguard our employees, facilities, consumers, communities, the environment, stakeholders and all other members of the public sphere from negative influences, conserve natural resources and promote environmental awareness. It is important to deliver sustainable growth in the value of stakeholders and for long-term sustainable corporate success. Hovid has adopted the guidelines under the Securities Commission CSR Framework 2006 to achieve its sustainability objectives and undertaken various CSR activities focused on the four pillars of Community, Marketplace, Workplace and Environment.

Hovid supports both local and oversea programs that contribute significantly to promote health and the well-being of communities. Our contributions cover medical and health supplement donations, fund raising charities, health walks and blood donation campaigns,

and varieties of sponsorship on educational programs.

Hovid welcomes university students for educational visits to experience the pharmaceutical manufacturing processes and operation. In October 2013, Hovid participated in the Sector Focused Career Fair ("SFCF") organized by Talent Corporation Malaysia Berhad ("TalentCorp") in collaboration with University of Science, Malaysia in Penang. SFCF offered students a platform on real life work environment and assistance on choosing their career path and for company to scout for potential talent from universities in the country.

Hovid is committed to motivate our employees to continuous learning for both professional and personal advancement by supporting employees to perform their best via appropriate programs and trainings to deliver overall performances. Some of the key development programs include safety and health requirements, Good Manufacturing Practice ("GMP"), Good Distribution Practices, contamination control in manufacturing, briefing on facility and microbiology, ISO awareness, etc. These performance and advancement planning have business-aligned objectives and behavioral goals. Performance-based pay and bonuses align employee's interests with business targets. Hovid is also committed to employment policies which are free from discrimination and harassment. Furthermore, we also promote work-life balance for our employees through the activities organized by our Sports Club or Human Resource Department, e.g. Hovid Spirit Teambuilding, Yoga Classes, Futsal Tournaments and Badminton Sessions.

Binding standards for environmental protection, health and occupational safety have been implemented throughout our facilities. Hovid is committed to improve the quality of our work environment by adopting strict health and safety measures and relentlessly pursuing an injury-free workplace. Safety values are being infused in our employees as part of their work ethics.

As an environmentally and socially responsible corporate citizen, Hovid comply with environmental laws and follow the principles of sustainability to preserve the surrounding environment. We work to cut our waste emissions, reduce energy consumption, reuse and recycle our materials.

Going forward, Hovid will continue with its Corporate Social Responsibility initiatives and play its best role in all aspects.

Appreciation

I want to acknowledge the accomplishments of the Hovid team who did so much in 2013 for the long-term success of the Group. I also would like to thank our shareholders, customers and business associates for their confidence and unwavering support all these years. To our financiers, government authorities and investors, I express my gratitude to them for their co-operation and guidance. Last but not least, my sincere appreciation also goes to my fellow Board of Directors for their wise counsel and invaluable insights.

I look forward to your continuous support for the coming year.

Ho Sue San @ David Ho Sue San

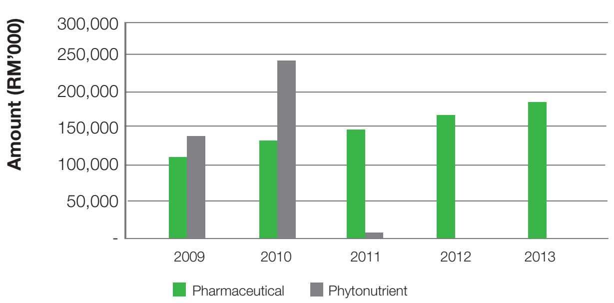
Chairman & Managing Director

Financial Highlights

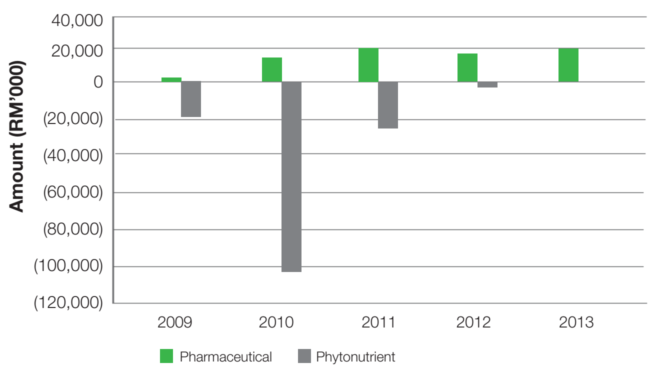
For the year ended 30 June	2009 RM'000	2010 RM'000	2011* RM'000	2012 RM'000	2013 RM'000
Statements of Profit or Loss and Other Comprehensive Income					
Pharmaceutical					
Revenue	112,544	123,255	145,189	164,808	172,510
EBITDA (excluding non-recurring items)	22,305	23,547	31,403	34,790	34,006
Profit after tax	11,678	12,353	19,490	17,804	20,473
Phytonutrient					
Revenue	136,063	241,911	8,267	-	-
EBITDA (excluding non-recurring items)	11,561	47,787	(3,214)	(9,106)	-
Loss after tax	(18,504)	(104,951)	(25,607)	(2,046)	-
Statements of Financial Position					
Pharmaceutical					
Total Assets	165,569	180,611	200,998	210,176	223,680
Total Liabilities	92,207	120,991	95,498	98,905	63,671
Phytonutrient					
Total Assets	515,845	376,262	-	-	-
Total Liabilities	393,983	309,247	-	-	-
Key Financial Ratios					
Basic earnings/(loss) per share	0.05	(6.94)	(0.79)	2.06	2.67
Diluted earnings/(loss) per share	0.04	(4.63)	(0.53)	1.37	1.78
Net tangible assets per share (sen)	21.2	14.2	10.7	12.0	17.9

**** Note:***
Arising from the disposal of 8.8% interest in Carotech in August 2010, Carotech was no longer a subsidiary since the end of August 2010, as the effective shareholding was 49.4%. Subsequent to August 2010, the result of Carotech was accounted for under equity accounting as an associate company.

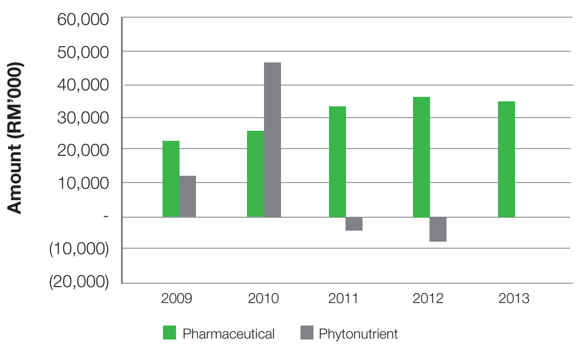
REVENUE



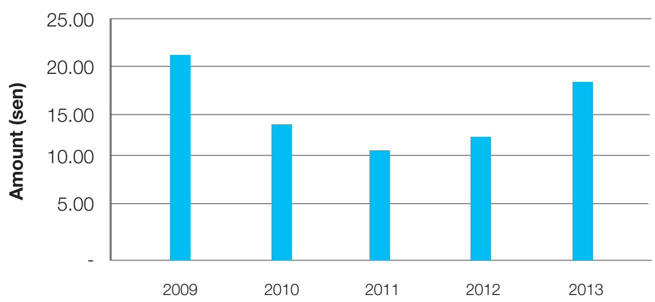
PROFIT/(LOSS) AFTER TAX



EBITDA (EXCLUDING NON-RECURRING ITEMS)



NET TANGIBLE ASSETS PER SHARE



STATEMENT ON CORPORATE GOVERNANCE

The Code

The Malaysian Code on Corporate Governance 2012 ("MCCG 2012") sets out the broad principles and specific recommendations on structures and processes used to direct and manage the business and affairs of the company towards enhancing business prosperity and corporate accountability with the ultimate objective of realising long-term shareholder value, whilst taking into account the interests of other stakeholders.

The Board appreciates the importance of good corporate governance within the Group as a fundamental part of discharging its stewardship responsibilities to protect and act in the best interest of the Group and is committed to ensure good corporate governance practices are applied throughout the Group.

This statement set out the Group's application of the principles of MCCG 2012 and extent of compliance with the best practices throughout the financial year ended 30 June 2013.

The Board Of Directors

The Board retains full and effective control of the Group. The Board recognises their overall responsibility for the strategic direction of the Group and to review corporate strategies, operations and performance of business units within the Group.

To ensure its effectiveness in the periodic monitoring, deliberating and safeguarding of long term shareholder value and provide a robust platform to realise the Group's strategy, the Board has established clear functions reserved for the Board and those delegated to Board Committees. These Committees comprising members from the main Board itself and are empowered to deliberate and examine issues delegated to them and report back to the Board with their recommendations and comments. The ultimate responsibility for the final decision on all significant matters proposed by the Board Committees lies with the Board as a whole.

The Board has established clear roles and responsibilities in discharging its fiduciary and leadership functions. The responsibilities assumed, amongst others, included reviewing and adopting strategic plan for the Company, overseeing the performance and management of the Company's business, identifying principal risks and ensuring there are system in place which effectively monitor and manage these risks, overseeing the effectiveness of communication with its shareholders and other stakeholders, and reviewing the adequacy and the integrity of the internal control system of the Company.

The Board is aware that a formalized Code of Conduct reinforces the Group's core value on integrity by providing guidance on moral and ethical behaviour. Even though the Board has not formalized a Code of Conduct, the Directors have always conducted themselves in an ethical manner while executing their duties and function.

The Board regularly review the strategic directions of the Group and the progress of the Group's operations, taking into changes in the business and political environment and risk factors.

The Board is currently assisted by qualified and competent Company Secretaries. The Company Secretaries play an important role in supporting the Board by ensuring the Board procedures are followed and the applicable rules and regulations are complied with.

Board Balance and Independence

The Board consists of six (6) members comprising four (4) Independent Non-Executive Directors, one (1) Executive Director and one (1) Chairman & Managing Director. This complies with Paragraph 15.02 of the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities") which required at least two (2) or one third (1/3) of the Board whichever is higher, to be Independent Directors. The Board is of the opinion that the current size and composition of the Board is well-balanced taking into account the Board's wide range of experience and expertise in various industries as well as their diverse background and skills, thereby ensuring a broader perspective and depth in the Board's decision making process. The profile of each Director is presented in the Directors' Profile of this Annual Report on Page 8 and 9.

The Board is assisted by two (2) Board Committees, namely the Audit Committee and the Nomination and Remuneration Committee, each entrusted with specific tasks. The Audit Committee is assisted by the Risk Management Committee which forms the second layer of assistance to the Board.

The role of Chairman and Managing Director is designated by the Executive Director as the Board is of the opinion that such role could be carried out without significantly affecting the practice of the Group's corporate governance. In addition, the Independent Non-Executive Directors play a vital role in providing independent views on various issues and ensure a balanced and fair deliberation process to safeguard the interests of the Company's stakeholder.

The Board is aware that the tenure of an Independent Director should not exceed a cumulative term of nine (9) years as recommended in the principle of Reinforce Independence of MCCG 2012. Upon completion of the nine (9) years, an Independent Director may continue to serve the Board subject to the Director's re-designation as a Non-Independent Director. In the event the Board wishes to retain such Director as an Independent Director, the Board will need to justify and seek shareholders' approval.

The following three (3) Independent Non-Executive Directors had served the Board since 22 December 2004 and will reach the nine (9) year term limit on 21 December 2013:-

a) Mr Leong Kwok Yee
b) Mr Chuah Chaw Teo
c) YM Raja Shamsul Kamal Bin Raja Shahruzzaman

Following an evaluation of the level of independence of the Company's Independent Non-Executive Directors conducted by the Board, the Board intends to retain Mr Leong Kwok Yee, Mr Chuah Chaw Teo and YM Raja Shamsul Kamal Bin Raja Shahruzzaman as Independent Non-Executive Directors for the coming year and would like to seek the shareholders' approval to retain them at the forthcoming 33rd AGM of the Company based on the following:-

a) They fulfilled the criteria under the definition of an Independent Director as stated in the Listing Requirements of Bursa Securities, and thus, they are able to function as a check and balance, provide a broader view and bring independent and objective judgment to the Board;

STATEMENT ON CORPORATE GOVERNANCE (continued)

b) Their vast experience in their respective fields enable them to provide the Board with a diverse set of experiences, expertise and independent judgments;

c) They have performed their duties diligently and in the best interest of the Company and provided independent views in participating in deliberations and decision making process of the Board and Board Committees;

d) Their length of service on the Board does not in any way interfere their exercise of independent judgment and ability to act in the best interests of the Group.

Board Meetings

Board meetings are scheduled towards the availability of the Board members to attend. This is to ensure that each Board member is able to discharge their responsibilities. The Board met five (5) times during the financial year ended 30 June 2013. The members of the Board and their attendance are as follows:-

Directors	Position	Attendance/ No. of Meetings Held
Ho Sue San @ David Ho Sue San	Chairman & Managing Director	5/5
Leong Kwok Yee	Independent Non-Executive Director	5/5
YM Raja Shamsul Kamal Bin Raja Shahruzzaman	Independent Non-Executive Director	4/5
Chuah Chaw Teo	Independent Non-Executive Director	5/5
Dato' Che Mohd. Zin Bin Che Awang	Independent Non-Executive Director	5/5
Liong Kam Hon	Executive Director	5/5

All the Directors have complied with the minimum of 50% attendance requirement of Board meetings as stipulated by the Listing Requirements.

The Company Secretaries attended all the Board meetings to ensure accurate and proper records of the proceedings of such meetings are kept.

Supply of Information

The Board deliberated and considered a variety of matters including the Group's financial results, strategic and business plan in the meetings held. In arriving at any decisions on recommendations by the Management, thorough discussion and consideration by the Board is pre-requisite. All proceedings of the Board Meeting were minuted and signed in accordance with the provision of Section 156 of the Act.

Board meetings are conducted in accordance to a structured agenda. The Board Members are given board papers containing information relevant to the business in a timely manner prior to each Board meeting to enable the Directors to participate actively in the overall management of the Company and to discharge their duties and responsibilities. The Board is also kept up-to-date on legal, regulatory and governance matters through the Company Secretaries and presentations by internal and external advisers. Information provided to the Board is comprehensive and encompass both quantitative and qualitative factors of the matters on hand so that informed decisions could be made.

Board members may obtain independent professional advice, if necessary, in furtherance of their duties at the Company's expense. They also have full access to the advice and services of the Company Secretaries, who are responsible for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.

The Directors have the consent of the Board, whether acting as a full Board or in their individual capacity to have full access to all information pertaining to the Group's business and affairs in furtherance of their duties.

Appointment to the Board

The Nomination and Remuneration Committee currently comprises the following members:

Name	Position
YM Raja Shamsul Kamal Bin Raja Shahruzzaman	Chairman (Independent Non-Executive Director)
Leong Kwok Yee	Member (Independent Non-Executive Director)
Chuah Chaw Teo	Member (Independent Non-Executive Director)
Dato' Che Mohd. Zin Bin Che Awang (Appointed w.e.f 28 October 2013)	Member (Independent Non-Executive Director)

During the financial year ended 30 June 2013, one (1) Nomination and Remuneration Committee Meeting was held. The meeting was attended by all members during their tenure except for Dato Che Mohd. Zin Bin Che Awang who was appointed as a member of Nomination and Remuneration Committee on 28 October 2013. The Nomination and Remuneration Committee comprises four (4) Independent Non-Executive Directors. The objectives of the Nomination and Remuneration Committee are to recommend to the Board, candidates for directorships to be filled and directors to fill the seats on Board Committees. In addition, the Nomination and Remuneration Committee had assisted the Board in carrying out an annual review on the balance and size of Non-Executive participation in the Board. This required a review of the required mix of skills and experience and other qualities including core competencies which the Non-Executive Directors should bring to the Board.

Furthermore, the Nomination and Remuneration Committee establishes procedures and processes for the annual assessment of the effectiveness of the Board as a whole, the Committees of the Board and the contributions of each individual Director.

The Board acknowledges the need for gender diversity for good governance practices and to enhance the efficient functioning of the Board. The Board believes the appointment of new member is guided by the skills, experience, competency and knowledge of the individual candidate and it shall review any potential candidate wherever reasonably possible.

In the opinion of the Board, the appointment of a Senior Independent Non-Executive Director to whom concerns may be conveyed is not necessary as the Board will shoulder this responsibility collectively.

Directors' Training

All Directors have successfully completed the Mandatory Accreditation Programme prescribed by Bursa Securities.

The Board acknowledges that continuous education is vital in keeping them abreast with changes in law and regulations, business environment and corporate governance developments, besides enhancing professionalism and knowledge in enabling them to discharge their duties more effectively. Accordingly, the Company is committed to continuously provide pertinent educational programme to the Board of Directors through both internal and external means. All Directors receive updates from time to time on relevant new laws and regulations to enhance their business acumen and skills to meet changing commercial risks and challenges. The Board would evaluate and determine the training needs of its Directors on a continuous basis.

Details of seminars and training programmes attended by the Board members during the financial year ended 30 June 2013 are as follows:

Name	Seminar/ Training Programme
Ho Sue San @ David Ho Sue San	• Listing Requirements -Take-Over Code • Listing Requirements -Directors, Audit Committee, Continuing Listing Obligations and Disclosure, and Announcement of Transactions.
Leong Kwok Yee	• Listing Requirements -Take-Over Code • Listing Requirements -Directors, Audit Committee, Continuing Listing Obligations and Disclosure, and Announcement of Transactions.
YM Raja Shamsul Kamal Bin Raja Shahruzzaman	• Listing Requirements -Take-Over Code • Listing Requirements -Directors, Audit Committee, Continuing Listing Obligations and Disclosure, and Announcement of Transactions.
Chuah Chaw Teo	• Listing Requirements -Take-Over Code • Listing Requirements -Directors, Audit Committee, Continuing Listing Obligations and Disclosure, and Announcement of Transactions.
Dato' Che Mohd. Zin Bin Che Awang	• Listing Requirements -Take-Over Code • Listing Requirements -Directors, Audit Committee, Continuing Listing Obligations and Disclosure, and Announcement of Transactions.
Liong Kam Hon	• Listing Requirements -Take-Over Code • Listing Requirements -Directors, Audit Committee, Continuing Listing Obligations and Disclosure, and Announcement of Transactions.

Re-election of Directors

The Articles of Association ("Articles") of the Company provides that one third (1/3) of the Directors are subject to retirement by rotation at Annual General Meeting ("AGM") at least once in every three (3) years and all retiring Directors shall be eligible for re-election. The Articles of the Company further provides that all Directors who are appointed during the financial year are subject to retirement and re-election by the shareholders at the AGM following their appointments.

Directors who are over seventy (70) years of age are required to submit themselves for annual re-appointment in accordance with Section 129(6) of the Act.

Directors' Remuneration

The aggregate remuneration of Directors of the Company for the financial year ended 30 June 2013 are categorised into the following components:-

	Fees (RM)	Salaries & Other Emoluments (RM)	Benefit-in-kind (RM)	Total (RM)
Executive Directors	60,000	1,269,000	32,300	1,352,300
Non-Executive Directors	150,000	-	-	150,000

Number of Directors whose remuneration falls in bands of RM50,000 is tabulated below:

Remuneration Band	Executive Directors	Non-Executive Directors
Below RM50,000	-	4
RM50,001 - RM100,000	1	-
RM1,200,001 - RM1,250,000	1	-

The Board as a whole determines the remuneration of Non-Executive Directors, and each individual Director abstains from the Board decision on his own remuneration. The Company has adopted the principles recommended by the MCCG 2012 whereby the level of remuneration is sufficient to attract and retain the Directors needed to run the Group successfully. The component parts of remuneration are structured so as to link rewards to corporate and individual performance, in the case of the executive Directors. In the case of Non-Executive Directors the level of remuneration reflects the level of responsibilities undertaken by the particular non-executive concerned. In addition, the Nomination and Remuneration Committee established a remuneration framework for Directors and made recommendations to the Board on all elements of remuneration, terms of employment, reward structure and fringe benefits for Directors.

The Board is of the opinion that the non disclosure of the individual remuneration of each Director will not significantly affect the understanding and evaluation of the Group's governance.

Dialogue between the Company and Investors

The Board recognises the importance of maintaining effective communications by ensuring timely and accurate disclosure of information to the shareholders and investors of the Group. Such information is disseminated via the Company's Annual Report, circular to shareholders, quarterly financial results, press releases and various announcements made from time to time. This information ensures shareholders and investors are up-to-date on the overview of the Group's performance and operations.

The Company maintains a website at http://www.hovid.com which can be accessed by the shareholders to keep updated with the development of the Company.

The Company encourages all shareholders to attend the Company's AGM as AGM provides a forum for dialogue with shareholders where they may seek clarification on the major business developments and financial performance of the Company and the Group. Notice of the AGM and related papers are distributed to shareholders within a reasonable and sufficient time frame. Shareholders who are unable to attend are allowed to appoint proxies to attend and vote on their behalf. In addition to the normal agenda for the AGM, shareholders have the opportunities to enquire on the Company's performance and operations and are invited to ask questions during the question and answer session.

All members of the Board, as well as the Group's external auditors, are available to respond to shareholders' queries raised at the AGM.

At the AGM, shareholders have the right to demand poll vote for resolutions and the detailed results showing the number of votes cast for and against each resolution will be announced through Bursa Securities. All resolutions put for the shareholders' approval at the 32nd AGM held last year were voted by show of hands.

Briefing for fund managers, institution investors and investment analysts are held continuously to provide up-to-date information on the Group's performance extending to the current and future development of the Group.

Accountability and Audit

Financial Reporting

The Directors have responsibilities to ensure the Company and the Group keeps proper accounting records where at any time the financial position of the Company and the Group is disclosed with reasonable accuracy and the financial statements comply with the Act and Financial Reporting Standards issued by the Malaysian Accounting Standards Board.

The Board aims to present a balanced and meaningful assessment of the Group's financial performance and prospects through timely release of quarterly reports to Bursa Securities and Annual Report to shareholders. The Audit Committee assists the Board in examining and reviewing information for disclosure to ensure accuracy, completeness and quality of reporting prior to official release to regulatory authorities and shareholders.

Statement of Directors' Responsibilities for Preparing the Financial Statements

The Directors are required, pursuant to Section 169 of the Act, to draw up the financial statements for each financial year which gives a true and fair view of the state of affairs of the Company and the Group and of their financial performance and cash flows for that year.

In preparing the financial statements, the Directors have:

- selected appropriate accounting policies and applied them consistently;
- made judgments and estimates that are reasonable and prudent;
- ensured the compliance with all applicable Approved Accounting Standards in Malaysia, the requirements of the Act, Bursa Securities and other regulatory bodies; and
- prepared financial statements on the going concern basis as the Directors have a reasonable expectation, having made enquiries, that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future.

The Statement of Directors pursuant to the Act is set out in Page 95 in this Annual Report.

Risk Management and Internal Control

The Board is fully aware of the responsibilities to present a balanced and understandable assessment of the Group's position and prospect. The Board has accountability for reviewing and approving the adequacy and effectiveness of internal control operated by the Group, including financial, operational and compliance controls and risk management, to safeguard shareholders' investment and the Group's assets.

The Internal Audit Function of the Group is outsourced to a professional internal audit service provider which reports directly to the Audit Committee of the Company.

The Statement on Risk Management and Internal Control is presented in this Annual Report on Page 21 to provide an overview of the state of risk management and internal controls within the Group.

STATEMENT ON CORPORATE GOVERNANCE (continued)

Relationship with the Enternal Auditors
The Company has established and maintained a professional and transparent relationship with the Company's external auditors through the Audit Committee.

The Group's external Auditors are invited to attend the Audit Committee meetings when deemed necessary. The Audit Committee meets the external auditors to review the scope and adequacy of the audit process, the financial statements and their audit findings.

During the financial year ended 30 June 2013, the Audit Committee met three (3) times with the external auditors without the presence of the management.

Promoting Sustainability
The Board views the commitment to sustainability and environmental, social and governance performance as part of its broader responsibility to shareholders and the community. Disclosures on corporate social responsibilities are revealed in the Chairman Statement of this Annual Report.

Board Charter
The Board has adopted a Board Charter to promote the standards of corporate governance and to clarify the roles and responsibilities of the Board. The Board Charter is subject to review by the Board from time to time to ensure that it remains consistent with the Board's objectives and responsibilities. The Board Charter is also available on the Company's website at http://www.hovid.com.

Additional Compliance Information

- **Share Buy-Back**
  There was no share buy-back during the financial year ended 30 June 2013.

- **Issue of Shares**
  The Company did not issue any new shares.

- **Warrants or Convertible Securities**
  On 31 January 2008, Renounceable Rights Issue of 381,040,000 new warrants ("Warrants 2008/2013") were listed and quoted on Bursa Securities with an issue price of RM0.02 per warrant, on the basis of one (1) warrant for every two (2) existing ordinary shares of RM0.10 in the Company. The Warrants 2008/2013 expired on 25 January 2013 and de-listed on 29 January 2013. None of the warrant holders converted their warrants into ordinary shares.

  On 10 June 2013, Renounceable Rights Issue of 381,040,000 five (5) year new warrants were listed and quoted on Bursa Securities with an issue price of RM0.02 per warrant, on the basis of one (1) warrant for every two (2) existing ordinary shares of RM0.10 in the Company. During the financial year ended 30 June 2013, none of the warrant holders converted their warrants into ordinary shares.

- **American Depository Receipt ("ADR") or Global Depository Receipt ("GDR") programme**
  The Company does not have ADR and GDR programme in place.

- **Sanctions and/or Penalties**
  There were no sanctions and/or penalties imposed on the Group, Directors or management by the relevant regulatory bodies during the financial year under review except for the following:-

  (a) a compound imposed by the Suruhanjaya Syarikat Malaysia on the Company for late lodgement of document.

  (b) On 5 March 2013, Bursa Securities imposed a public reprimand on the Company ("Hovid") for breach of Paragraph 9.16(1)(a) of the Listing Requirements for failing to ensure its announcement dated 30 August 2010 on the fourth quarterly report for the financial year ended 30 June 2010 took into account the adjustments as stated in the announcement dated 29 October 2010 resulting in a significant deviation between Hovid's unaudited results and a total fines of RM150,000 on its five (5) Directors namely Mr Ho Sue San @ David Ho Sue San, Mr Leong Kwok Yee, Mr Chuah Chaw Teo, YM Raja Shamsul Kamal Bin Raja Shahruzzaman and Mr Liong Kam Hon for breach of Paragraph 16.13(b) of the Listing Requirements for permitting knowingly, or where they had reasonably means of obtaining such knowledge, Hovid to commit the above breach.

- **Non-Audit Fees**
  The amount of non-audit fees paid to external auditors by the Company and its subsidiary companies for the financial year ended 30 June 2013 was RM93,000.

- **Profit Forecast and Profit Guarantee**
  There were no profit forecast and profit guarantee given by the Company during the financial year.

- **Material Contracts**
  There were no material contracts of the Company and subsidiaries involving Directors' and major shareholders' interests, either still subsisting at the end of the financial year ended 30 June 2013 or entered into since the end of the previous financial year.

- **Related Party Transactions**
  The details of the recurrent related party transactions of a revenue and trading nature conducted pursuant to the Shareholders' Mandate during the financial year ended 30 June 2013 between the Company and its subsidiary companies are disclosed in Note 32 of the Financial Statements.

- **Revaluation Policy**
  The Group's revaluation policy is stated in the summary of significant Accounting Policies in the Financial Statements.

This statement is made in accordance with a resolution of the Board dated 28 October 2013.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Introduction

The Principles and Best Practices in the Malaysian Code on Corporate Governance require the Board to maintain a sound system of internal control to safeguard shareholders' investment and the Group's assets. The Board is committed to maintain a sound system of internal controls, risk management practices and good corporate governance in the Group and is pleased to present the following Statement on Risk Management and Internal Control ("Statement") pursuant to paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

Board Responsibilities

The Board acknowledges its responsibilities in reviewing the adequacy and the integrity of the Group's system of risk management and internal control. It should be appreciated that such a system is designed to manage the principle business risks that may impede the Group from achieving its corporate objectives and sustain success. The system covers not only financial controls, but also organisational, operational and compliance controls to safeguard shareholders' investment and the Group's assets. The system, by its nature, can only provide reasonable but not absolute assurance against any material misstatement or loss.

Risk Management Framework

The Board understands that risk management plays an important role in identifying and managing risk areas which impede the achievement of the Group's corporate objectives. This process involves the establishment of an appropriate risk management framework and functions to embed risk management in the activities of the Group. This includes identifying, both quantitative and qualitative aspects, the principal business risks inherent in critical business operations, assessing the likelihood and impact of material exposures and managing significant risks faced by the Group to achieve competitive advantage from its risk management competency.

The risk assessment report is reviewed by the Board on a quarterly basis to ensure that significant risks are continuously identified and that instituted controls are appropriate and effectively applied.

Other Components of Internal Control System

Apart from risk management activities, the Board has established other processes for identifying, evaluating and managing significant risks faced by the Group. The key components are described below:

Board and management meetings

The Group's management team carries out weekly meetings with specific agendas on matters for discussions and communicates weekly to monitor operational and financial performance as well as formulate action plans to address any areas of concern. The Board is kept up-to-date on significant changes in the business and the external environment in which the Group operates, on a quarterly basis.

Audit Committee

The Audit Committee reports to the Board the activities of the internal audit function, significant changes on the Group's risk profile and the necessary recommendations in relations to adequacy and effectiveness of the internal controls and procedures. The Audit Committee also ensures there are continuous efforts by management to address and resolve areas with control weaknesses. Further details on the Audit Committee are elaborated in the Audit Committee Report.

Organisation structure

The Group maintains a well-defined organisation structure that is aligned to business requirements with clearly defined lines of responsibilities and delegation of authorities which promotes accountability for risk management and control procedures.

Performance management framework

Management reports are generated on a quarterly basis to facilitate the Board and the Group's management to perform review on a range of operating units. The reviews encompass financial and non-financial areas which includes compliance matters.

Operational policies and procedures

The Group's policies and procedures form an integral part of the internal control system to safeguard the Group's assets against material losses. These include standard operating practice, memorandum, manuals and handbooks that are updated when the need arises to meet the changing environment, operational and statutory reporting requirements. These policies and procedures are periodically reviewed to reflect changes in business structure and processes.

Internal Audit Functions

An external independent internal auditor is engaged to assist the Audit Committee, and by extension, the Board, by providing independent assurance on the Group's system of internal control. The scope of the external independent internal auditor function covers the audit of business units and operations as approved by the Audit Committee. It advises executive and operational management on areas for control improvement and subsequently reviews the extent to which its recommendations have been implemented.

Issues highlighted by the external independent internal auditor are reviewed and discussed at the Audit Committee meeting. Reports to the Audit Committee are formatted such that all corrective actions taken on issues highlighted are checked according to the progress of completion. This process closely monitors compliance with policies and procedures, and provide reasonable assurance on the effectiveness of the control environment of the Group and also in safeguarding the Group's interest.

The cost incurred for the external independent internal audit services in respect of the financial year 2013 was RM30,000.

Review of the Statement by External Auditors

Pursuant to the requirements of Paragraph 15.23 of the Main Market Listing Requirements of Bursa Securities, the External Auditors, Messrs SJ Grant Thornton has reviewed this Statement for inclusion in the Annual Report for the financial year ended 30 June 2013 and the External Auditors have reported to the Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of risk management and internal control.

The Board's Statement

The Board has received assurance from the Managing Director and Chief Financial Officer stating that the Company's risk management and internal control system are operating adequately and effectively, in all material aspects, based on the risk management model adopted by the Group. There is an on-going process in identifying, evaluating and managing the significant risks faced by the Group and there were no material losses during the financial year ended 30 June 2013 that resulted from the weaknesses in the internal control system that would require separate disclosure in this Annual Report.

The Board remains committed towards improving the system of risk management and internal control to meet its corporate objectives and to support the businesses and operations within the Group.

This statement is made in accordance with the resolution of the Board dated 28 October 2013.

AUDIT COMMITTEE REPORT

The Audit Committee ("Committee") assists the Board in carrying out their responsibilities and meeting the Corporate Governance requirement by reviewing and monitoring the integrity of the Group's financial reporting process, internal controls, Group's audit process, compliance with legal and regulatory requirements, code of business and any other matters that are specially delegated by the Board.

Members of the Audit Committee

The Committee comprises the following members:

Name	Position	Directorship
Leong Kwok Yee	Chairman	Independent Non-Executive Director
YM Raja Shamsul Kamal Bin Raja Shahruzzaman	Member	Independent Non-Executive Director
Chuah Chaw Teo	Member	Independent Non-Executive Director
Dato' Che Mohd. Zin Bin Che Awang	Member	Independent Non-Executive Director

Meetings and Attendance

During the financial year ended 30 June 2013, the Committee convened five (5) meetings. The records of attendance of the Committee members are as follows:

Name	Attendance/No. of Meetings Held
Leong Kwok Yee	5/5
YM Raja Shamsul Kamal Bin Raja Shahruzzaman	4/5
Chuah Chaw Teo	5/5
Dato' Che Mohd. Zin Bin Che Awang	5/5

The meetings were appropriately structured through the use of agendas, which were distributed to the members with sufficient notification.

Terms of Reference

Authority

The Audit Committee wherever necessary and reasonable for the performance of its duties, shall in accordance with the procedures determined by the Board and at the cost of the Company:

(a) have authority to consider and investigate any matter within its terms of reference;

(b) have the resources which are required to perform its duties;

(c) have full and unrestricted access to any information of the Group;

(d) be able to obtain external or independent professional advice and may invite outsiders with relevant experience to attend their meetings, if necessary;

(e) have direct communication channels with the external auditors and internal auditors.

(f) be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary.

Composition

1. The Committee shall be appointed by the Board from amongst the Non-Executive Directors and shall consist of no fewer than three (3) members, with a majority of them being Independent Directors. No member of the Committee shall be:

   (a) a person having a relationship which, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the duties of the Committee.

   (b) an alternate Director.

2. The members of the Committee shall elect a Chairman from among their numbers who shall be an Independent Non-Executive Director.

3. At least one (1) member of the Committee:

   (a) must be a member of the Malaysian Institute of Accountants; or

   (b) if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years' working experience and:

      (i) he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or

      (ii) he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or

   (c) fulfills such other requirements as prescribed or approved by Bursa Securities; or

   (d) has been granted a waiver or approval by the Bursa Securities from otherwise having to comply with any of its prescribed qualification under 3(a)-(c) above.

4. If a member of the Committee resigns, dies or for any reason ceases to be a member, with the result that the number of members is reduced below three (3), the Board shall, within three (3) months of that event, appoint such new members as may be required to make up the minimum number of three (3) members.

5. The term of office and performance of the Committee and each of its members will be reviewed by the Board at least once every three (3) years. However, the Committee member will cease to become a member when he ceases to be a Director.

Meetings

1. A quorum shall consist of a minimum of two (2) members; the majority of members present at the meeting must be Independent Non-Executive Director. In the absence of the Chairman, the members present shall elect a Chairman for the meeting from amongst the members present.

2. Minutes of each meeting shall be kept and distributed to each member of the Committee and of the Board. The Chairman of the Committee shall report on each meeting to the Board.

3. The Committee shall meet not less than four (4) times in a year. In addition, the Chairman may call a meeting of the Committee if a request is made by any committee members, the Chairman/ Managing Director or the internal or external auditors if they consider it necessary. Notice of meetings shall be circulated to the members one (1) week in advance or at a shorter notice as may be agreed by all the members of the Committee.

   Notwithstanding the above, upon the request of the external auditors, the Group internal auditor or the Executive Directors, the Chairman of the Committee shall convene a meeting of the Committee to consider the matters brought to its attention.

4. Questions arising at any meeting shall be decided by a majority vote, each member having one (1) vote and in the event of a tie; the Chairman shall have a second or casting vote. However, at meetings where two (2) members form a quorum, or when only two (2) members are competent to vote on an issue, the Chairman will not have a casting vote.

5. The Secretary to the Committee is, but need not be, the Company Secretary.

6. The Group Financial Controller or equivalent, the Group internal auditor or equivalent and a representative of the external auditors shall normally attend meetings. Other Board members may attend meetings upon the invitation of the Committee. However, the Committee shall meet with the External Auditors without the presence of Executive Board members at least twice a year and whenever necessary.

Responsibility

External Audit

1. To consider and recommend the appointment of the external auditors, the audit fee and any questions of resignation, dismissal or reappointment.

2. To discuss with the external auditors before the audit commences, the nature and scope of the audit plan, and ensure co-ordination when more than one (1) audit firm is involved.

3. To review and discuss with the external auditors the followings:

   (a) his evaluation of the system of internal controls;

   (b) his audit report and audit plan;

   (c) the assistance given by the employees to him;

   (d) problems and reservations arising from the interim and final audits, and any matter he may wish to discuss (in the absence of management where necessary); and

   (e) his management letter and management's response.

Internal Audit

Where the internal audit function is concerned:

(a) review the adequacy of the scope, functions, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work;

(b) review the internal audit programme, processes and the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;

(c) review any appraisal or assessment of the performance of the internal auditor; and

(d) approve any appointment or termination of the internal auditor.

Financial Reporting

To review the quarterly results and year-end financial statements of the Company and the Group, and to recommend the same to the Board for approval, focusing particularly on:

(a) any changes in or implementation of major accounting policies changes;

(b) compliance with accounting standards and other legal requirements;

(c) significant and unusual events; and

(d) the going concern assumption.

Risk Management

To review the risk management process to ensure it fulfills the Group's strategic objectives, and assist in enhancing the corporate governance practices in the organisation.

Related Party Transactions

To review any related party transactions and conflict of interest situation that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of management integrity.

Others

To consider the major findings of internal investigations and management's response and to perform any other functions as the Committee considers appropriate or as authorised by the Board.

AUDIT COMMITTEE REPORT (continued)

Summary of Activities

The Committee carried out its duties in accordance with its terms of reference and the activities undertaken during the financial year ended 30 June 2013 up to 28 October 2013 were as follows:

1. discussed and reviewed the external auditors' scope of work and audit plan for the year before the audit commenced;
2. reviewed the results of the audit, audit report and the report containing internal control recommendations including the responses with the external auditors;
3. considered the appointment of the External Auditors, the Terms of Reference of their appointment and reviewed the External Auditors' independence and their audit fee;
4. reviewed the annual audit plan proposed by the Internal Auditors to ensure the adequacy of the scope and coverage of work;
5. reviewed the audit reports presented by the Internal Auditors on their findings and recommendations with respect to internal control system's weaknesses;
6. reviewed the Group's unaudited quarterly financial results and audited financial statements for the financial year before recommending to the Board for approval;
7. reviewed the Annual Report of the Company before submission to the Board for their consideration and approval;
8. reviewed the recurrent related party transactions entered into by the Group;
9. reviewed the Risk Management Committee's reports and assessments;
10. reviewed and updated the terms of reference of the audit committee and recommend any amendments, where necessary to the Board for approval; and
11. monitored the compliance requirements in line with the new updates of Bursa Securities, Securities Commission, Malaysian Accounting Standards Board and other legal and regulatory bodies.

Internal Audit Functions

The Company has engaged an external independent internal audit service provider to carry out the internal audit function to assist the Committee. The internal audit functions are set out in the Statement on Risk Management and Internal Control in Page 21.

During the financial year ended 30 June 2013, the internal auditors undertook the following activities:

1. reported to the Audit Committee and attended two (2) out of the five (5) Audit Committee meetings held during the financial year 2013;
2. prepared and presented an internal audit plan, audit strategy and audit scope of work for the Group;
3. reported on reviews carried out in previous and current cycles of the financial year;
4. reviewed and reported on the internal audit observations for the three key performance indicators of the corporate strategic goals, i.e. revenue growth, leader in GMP and business driven through LEAN; and
5. reported on the follow-up of management's implementation status of the prior internal audit recommendations.

Financial Statements

DIRECTORS' REPORT

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the year ended 30 June 2013.

PRINCIPAL ACTIVITIES

The principal activity of the Company is manufacturing of pharmaceutical and herbal products. The principal activities of the subsidiaries are shown in Note 7. There have been no significant changes in the nature of these activities during the financial year.

FINANCIAL RESULTS

	GROUP RM'000	COMPANY RM'000
Profit for the year attributable to:		
Owners of the Company	20,327	17,896
Non-controlling interests	146	-
	20,473	17,896

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.

DIVIDEND

On 13 September 2013, the Directors declared an interim dividend of 1.3 sen per ordinary share less 25% tax in respect of the financial year ended 30 June 2013, which is payable on 20 November 2013.

The financial statements for current year do not reflect this dividend. Such dividend will be accounted for in equity as an appropriation of retained earnings in the financial year ending 30 June 2014.

The Directors do not recommend any final dividend for the financial year.

DIRECTORS

Directors who served since the date of the last report are:

Ho Sue San @ David Ho Sue San
Leong Kwok Yee
YM Raja Shamsul Kamal Bin Raja Shahruzzaman
Chuah Chaw Teo
Dato' Che Mohd Zin Bin Che Awang
Liong Kam Hon

DIRECTORS' INTERESTS

The interests and deemed interests in the shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at year end (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares of RM0.10 each			
	Balance at 1.7.2012	Bought	Sold	Balance at 30.6.2013
Shareholdings in the Company				
Direct interests:				
Ho Sue San @ David Ho Sue San	336,439,880	-	23,398,480	313,041,400
Liong Kam Hon	7,895,360	-	-	7,895,360
Leong Kwok Yee	290,400	-	-	290,400

DIRECTORS' INTERESTS (continued)

	*Number of warrants 2008/2013 over ordinary shares of RM0.10 each			
Warrant 2008/2013 holdings in the Company	Balance at 1.7.2012	Bought	Expired	Balance at 30.6.2013
Direct interests:				
Ho Sue San @ David Ho Sue San	198,925,400	-	198,925,400	-
Liong Kam Hon	3,947,680	-	3,947,680	-
Leong Kwok Yee	145,200	-	145,200	-

	*Number of warrants 20013/2018 over ordinary shares of RM0.10 each			
Warrant 2013/2018 holdings in the Company	Balance at 1.7.2012	Allotment	Sold	Balance at 30.6.2013
Direct interests:				
Ho Sue San @ David Ho Sue San	-	169,597,720	-	169,597,720
Liong Kam Hon	-	3,947,680	3,947,680	-
Leong Kwok Yee	-	145,200	-	145,200

* Each warrant carries the entitlement, at any time during the exercise period to subscribe for one new ordinary share at the exercise price, unless otherwise adjusted pursuant to the provisions of the Deed Poll.

None of the other Directors in office as at the end of the financial year had any interest in the shares of the Company or its related companies during and as at the end of the financial year.

By virtue of Ho Sue San @ David Ho Sue San's interest in the shares of the Company, he is also deemed interested in the shares of the subsidiaries during the financial year to the extent that the Company has an interest.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor 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) 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, other than certain Directors who have significant financial interests in companies which traded with certain companies in the Group in the ordinary course of business as disclosed in Note 32.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

ISSUE OF SHARES AND DEBENTURES

There were no shares or debentures issued by the Company during the financial year.

WARRANTS

On 29 January 2008, the Company issued renounceable rights issue of 381,040,000 Warrants 2008/2013 on the basis of one warrant for every two existing ordinary shares of RM0.10 each held in the Company at an issue price of RM0.02 per warrant, for cash of RM7,004,000, net of warrant issue expenses.

The Warrants 2008/2013 are constituted by a Deed Poll, which was executed on 17 December 2007 ("Deed Poll").

WARRANTS (continued)

The salient terms of the Warrants 2008/2013 are as follows:

(a) The issue date of the Warrants 2008/2013 is 29 January 2008. Any Warrants 2008/2013 not exercised during the exercise period will lapse and cease to be valid for any purpose;

(b) Each Warrant 2008/2013 shall entitle the registered holder during the exercise period to subscribe for one new ordinary share of RM0.10 each in the Company at an exercise price of RM0.37 per warrant unless otherwise adjusted pursuant to the provisions of the Deed Poll; and

(c) The new ordinary shares of RM0.10 each to be issued pursuant to the exercise of the Warrants 2008/2013 shall upon allotment and issue, rank pari passu in all respects with the existing ordinary shares of RM0.10 each save and except that they will not be entitled to any rights, allotments, dividends and/or other distributions declared, where the entitlement date precedes the relevant dates of allotment of such ordinary shares of RM0.10 each.

No shares have been issued during the financial year by virtue of the exercise of Warrants 2008/2013 to take up unissued shares of the Company. The Warrants 2008/2013 expired on 25 January 2013.

On 6 June 2013, the Company issued renounceable rights issue of 381,040,000 Warrants 2013/2018 on the basis of one warrant for every two existing ordinary shares of RM0.10 each held in the Company at an issue price of RM0.02 per warrant, for cash of RM7,067,000, net of warrant issue expenses.

The salient terms of the Warrants 2013/2018 are the same as Warrants 2008/2013 except the expiry date is 5 June 2018 and at an exercise price of RM0.18 per warrant.

No shares have been issued during the financial year by virtue of the exercise of Warrants 2013/2018 to take up unissued shares of the Company. As at the end of the financial year, 381,040,000 warrants remained unexercised.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year.

OTHER STATUTORY INFORMATION

Before the Statements of Profit or Loss and Other Comprehensive Income and Statements of Financial Position of the Group and of the Company were made out, the Directors took reasonable steps:

(i) to ascertain that action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

(ii) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values 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:

(i) which would render the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent, or

(ii) which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading, or

(iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or

(iv) not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

OTHER STATUTORY INFORMATION (continued)

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

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

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

In the opinion of the Directors:

(i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due;

(ii) the results of operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

(iii) 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 to affect substantially the results of operations of the Group and of the Company for the current financial year in which this report is made.

SIGNIFICANT EVENTS

Details of such events are disclosed in Note 33.

EVENT AFTER THE REPORTING PERIOD

Detail of such event is disclosed in Note 34.

AUDITORS

The auditors, Messrs SJ Grant Thornton, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with a resolution by the Board of Directors.

....	)	
HO SUE SAN @ DAVID HO SUE SAN	)	
	)	
	)	
	)	DIRECTORS
	)	
	)	
....	)	
LIONG KAM HON	)	

Ipoh
28 October 2013

STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2013

		GROUP			COMPANY		
	Note	30.06.2013 RM'000	30.06.2012 RM'000	01.07.2011 RM'000	30.06.2013 RM'000	30.06.2012 RM'000	01.07.2011 RM'000
Assets							
Non-current assets							
Property, plant and equipment	4	111,555	91,054	91,618	66,723	58,317	55,690
Intangible assets	5	18,860	19,663	24,160	19,395	20,152	20,206
Investment properties	6	2,000	1,680	850	-	-	-
Investment in subsidiaries	7	-	-	-	16,279	15,885	21,139
Investment in an associate	8	-	-	14,033	-	-	14,033
Other investment	9	-	-	-	-	-	-
Deferred tax assets	10	451	186	125	-	-	-
Total non-current assets		132,866	112,583	130,786	102,397	94,354	111,068
Current assets							
Inventories	11	26,337	29,543	23,688	13,519	17,272	13,079
Receivables, deposits and prepayments	12	37,672	44,843	37,755	51,877	57,920	47,085
Cash and deposits	13	26,805	23,207	8,769	18,043	16,354	3,530
Total current assets		90,814	97,593	70,212	83,439	91,546	63,694
Total assets		223,680	210,176	200,998	185,836	185,900	174,762
Equity and liabilities							
Equity							
Share capital	14	76,208	76,208	76,208	76,208	76,208	76,208
Share premium	14	90	90	90	90	90	90
Reserves	14	31,995	11,029	11,672	19,428	11,346	11,346
Retained earnings	14	47,036	19,459	12,350	41,883	16,983	12,510
Total equity attributable to owners of the Company		155,329	106,786	100,320	137,609	104,627	100,154
Non-controlling interests		4,680	4,485	5,180	-	-	-
Total equity		160,009	111,271	105,500	137,609	104,627	100,154
Liabilities							
Non-current liabilities							
Deferred tax liabilities	10	13,998	11,514	11,346	12,729	10,553	9,832
Provision for retirement benefits	15	1,584	1,385	1,199	1,584	1,385	1,199
Loans and borrowings	16	4,215	6,231	10,576	2,321	3,732	6,230
Long-term advances	17	6,067	6,041	6,348	-	-	-
Total non-current liabilities		25,864	25,171	29,469	16,634	15,670	17,261
Current liabilities							
Loans and borrowings	16	7,978	36,944	39,027	5,659	34,000	35,048
Payables and accruals	18	27,405	34,027	25,262	23,291	28,806	20,344
Tax payable		2,424	2,763	1,740	2,643	2,797	1,955
Total current liabilities		37,807	73,734	66,029	31,593	65,603	57,347
Total liabilities		63,671	98,905	95,498	48,227	81,273	74,608
Total equity and liabilities		223,680	210,176	200,998	185,836	185,900	174,762

The notes on pages 37 to 93 are an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2013

	Note	GROUP 2013 RM'000	GROUP 2012 RM'000	COMPANY 2013 RM'000	COMPANY 2012 RM'000
Revenue	19	172,510	164,808	128,942	126,606
Advertisement and promotions		(4,197)	(4,481)	(3,014)	(3,149)
Amortisation of intangible assets		(550)	(494)	(550)	(494)
Changes in inventories of work-in-progress and finished goods		(702)	2,036	(950)	622
Depreciation of property, plant and equipment		(5,320)	(5,188)	(3,737)	(3,592)
Finance costs	20	(2,369)	(3,193)	(1,315)	(2,213)
Finance income	21	3	1,647	2,084	3,330
Gain on deemed disposal of an associate		-	7,684	-	-
Gain on distribution of dividend-in-specie		-	952	-	952
Impairment loss on investment in a subsidiary		-	-	-	(5,604)
Impairment loss on available-for-sale investment		-	(6,412)	-	(6,412)
Impairment loss on receivables		(339)	(306)	-	-
Impairment of goodwill		-	(4,212)	-	-
Inventories written back		12	-	12	-
Inventories written down		(307)	(183)	(24)	(94)
Inventories written off		(428)	(763)	(319)	(471)
Other expenses		(13,157)	(9,754)	(13,511)	(12,296)
Other income		2,225	2,921	6,720	7,709
Purchase of trading goods		(3,533)	(5,847)	-	-
Raw materials and packing materials used		(58,357)	(57,794)	(54,843)	(56,483)
Reversal of impairment loss on receivables		718	4,397	726	4,498
Reversal of impairment loss on investment in an associate		-	1,422	-	-
Sales commission		(1,604)	(1,718)	-	-
Staff costs		(43,396)	(39,072)	(25,665)	(22,818)
Transportation and freight charges		(3,328)	(3,238)	(1,686)	(1,520)
Upkeep, repair and maintenance expenses		(5,739)	(5,687)	(4,950)	(4,865)
Utilities and fuel		(6,372)	(6,163)	(4,874)	(4,485)
Operating profit		25,770	31,362	23,046	19,221
Share of loss in an associate, net of tax		-	(9,106)	-	-
Profit before tax	22	25,770	22,256	23,046	19,221
Income tax expense	23	(5,297)	(6,498)	(5,150)	(6,175)
Profit for the year		20,473	15,758	17,896	13,046
Other comprehensive (loss)/ income, net of tax					
Available-for-sale investment					
- fair value loss		-	(2,404)	-	(2,404)
- impairment loss reclassified to profit or loss		-	2,404	-	2,404
Foreign exchange reserve realised on strike-off of a subsidiary		-	(1)	-	-
Foreign exchange translation differences for foreign operations		(781)	(1,453)	-	-
Realisation of other comprehensive expense on disposal of an associate		-	32	-	-
Revaluation of property, plant and equipment upon transfer to investment properties		-	40	-	-
Revaluation of land and buildings		21,459	-	9,515	-
Share of other comprehensive loss of an associate		-	(32)	-	-
Total other comprehensive income/(loss) for the year		20,678	(1,414)	9,515	-
Total comprehensive income for the year		41,151	14,344	27,411	13,046

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2013 (continued)

		GROUP		COMPANY	
	Note	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Profit attributable to:					
Owners of the Company		20,327	15,682	17,896	13,046
Non-controlling interests		146	76	-	-
Profit for the year		20,473	15,758	17,896	13,046
Total comprehensive income attributable to:					
Owners of the Company		41,230	15,039	27,411	13,046
Non-controlling interests		(79)	(695)	-	-
Total comprehensive income for the year		41,151	14,344	27,411	13,046
Earnings per share					
Basic earnings per share (sen)	24	2.67	2.06		
Diluted earnings per share (sen)	24	1.78	1.37		

The notes on pages 37 to 93 are an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2013

GROUP

		← Attributable to owners of the Company →						
		<-Non-distributable->			Distributable			
	Note	**Share capital RM'000**	**Share premium RM'000**	**Reserves RM'000**	**Retained earnings RM'000**	**Total RM'000**	**Non-controlling interests RM'000**	**Total equity RM'000**
At 1 July 2011		76,208	90	11,672	12,350	100,320	5,180	105,500
Share of other comprehensive loss of an associate		-	-	(32)	-	(32)	-	(32)
Realisation of other comprehensive loss on deemed disposal of an associate		-	-	32	-	32	-	32
Foreign exchange reserve realised on strike-off of a subsidiary		-	-	(1)	-	(1)	-	(1)
Foreign exchange translation differences for foreign operations	14	-	-	(682)	-	(682)	(771)	(1,453)
Revaluation of property, plant and equipment upon transfer to investment properties		-	-	40	-	40	-	40
Available-for-sale investment								
- fair value loss		-	-	(2,404)	-	(2,404)	-	(2,404)
- impairment loss reclassified to profit or loss		-	-	2,404	-	2,404	-	2,404
Total other comprehensive loss		-	-	(643)	-	(643)	(771)	(1,414)
Profit for the year		-	-	-	15,682	15,682	76	15,758
Total comprehensive (loss)/income		-	-	(643)	15,682	15,039	(695)	14,344
Transaction with owners:								
Dividend	25	-	-	-	(8,573)	(8,573)	-	(8,573)
At 30 June 2012		76,208	90	11,029	19,459	106,786	4,485	111,271
Foreign exchange translation differences for foreign operations	14	-	-	(556)	-	(556)	(225)	(781)
Revaluation of land and buildings		-	-	21,459	-	21,459	-	21,459
Total other comprehensive income/(loss)		-	-	20,903	-	20,903	(225)	20,678
Profit for the year		-	-	-	20,327	20,327	146	20,473
Total comprehensive income/(loss)		-	-	20,903	20,327	41,230	(79)	41,151
Transaction with owners:								
Issuance of warrants		-	-	7,621	-	7,621	-	7,621
Warrants issue expenses		-	-	(554)	-	(554)	-	(554)
Realisation of reserve upon expiry of warrants 2008/2013		-	-	(7,004)	7,004	-	-	-
Issuance of shares to non-controlling interests		-	-	-	-	-	520	520
Dilution of interest in a subsidiary		-	-	-	246	246	(246)	-
		-	-	63	7,250	7,313	274	7,587
At 30 June 2013		76,208	90	31,995	47,036	155,329	4,680	160,009
		Note 14.1	Note 14.2	Note 14.3				

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2013 (continued)

COMPANY

	Note	← Non-distributable		→	Distributable	
		Share capital RM'000	**Share premium RM'000**	**Reserves RM'000**	**Retained earnings RM'000**	**Total equity RM'000**
At 1 July 2011		76,208	90	11,346	12,510	100,154
Total comprehensive income for the year		-	-	-	13,046	13,046
Transaction with owners:						
Dividend	25	-	-	-	(8,573)	(8,573)
At 30 June 2012		76,208	90	11,346	16,983	104,627
Revaluation of land and buildings		-	-	8,019	-	8,019
Profit for the year		-	-	-	17,896	17,896
Total comprehensive income		76,208	90	19,365	34,879	130,542
Transaction with owners:						
Issuance of warrants		-	-	7,621	-	7,621
Warrants issue expenses		-	-	(554)	-	(554)
Realisation of reserve upon expiry of warrants 2008/2013		-	-	(7,004)	7,004	-
		-	-	63	7,004	7,067
At 30 June 2013		76,208	90	19,428	41,883	137,609
		Note 14.1	Note 14.2	Note 14.3	Note 14.4	

The notes on pages 37 to 93 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2013

		GROUP		COMPANY	
		2013	2012	2013	2012
	Note	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities					
Profit before tax		25,770	22,256	23,046	19,221
Adjustments for:					
Amortisation of intangible assets		550	494	550	494
Bad debts written off		80	-	-	-
Changes in fair value of investment properties		(320)	(150)	-	-
Defined benefit plan expenses for a Director		199	186	199	186
Depreciation of property, plant and equipment		5,320	5,188	3,737	3,592
(Gain)/Loss on disposal of property, plant and equipment		(60)	(30)	1	-
Gain on deemed disposal of an associate		-	(7,684)	-	-
Gain on distribution of dividend-in-specie		-	(952)	-	(952)
Impairment loss on investment in a subsidiary		-	-	-	5,604
Impairment loss on available-for-sale investment		-	6,412	-	6,412
Impairment loss for goodwill		-	4,212	-	-
Impairment loss on receivables		339	306	-	-
Revaluation deficit of land and buildings		12	-	-	-
Interest expense		2,369	3,193	1,315	2,213
Interest income		(3)	(1,647)	(2,084)	(3,330)
Inventories written down		307	183	24	94
Inventories written off		428	763	319	471
Inventories written back		(12)	-	(12)	-
Product development expenditure written off		2,545	2,226	2,545	2,226
Property, plant and equipment written off		42	35	23	2
Reversal of impairment loss on investment in an associate		-	(1,422)	-	-
Reversal of impairment loss on receivables		(718)	(4,397)	(726)	(4,498)
Unrealised loss/(gain) on foreign exchange		323	152	(51)	152
Share of loss in an associate, net of tax		-	9,106	-	-
Operating profit before changes in working capital		37,171	38,430	28,886	31,887
Change in inventories		2,483	(6,801)	3,422	(4,758)
Change in receivables, deposits and prepayments		7,470	(3,546)	5,956	(1,563)
Change in payables and accruals		(6,617)	7,679	(6,128)	8,127
Inter-company balances		-	-	88	(7,345)
Bankers' acceptance		(15,393)	(2,091)	(15,393)	(956)
Revolving credit		(6,000)	-	(6,000)	-
Cash generated from operations		19,114	33,671	10,831	25,392
Tax paid		(5,537)	(4,779)	(4,877)	(4,612)
Net cash from operating activities		13,577	28,892	5,954	20,780
Cash flows from investing activities					
Acquisition of property, plant and equipment	(i)	(3,992)	(7,691)	(3,169)	(6,745)
Repayments from an associate		-	516	-	516
Repayments from subsidiaries		-	-	295	1,014
Interest received		3	1,647	2,084	3,330
Proceeds from disposal of property, plant and equipment		118	89	8	1,075
Product development expenditure incurred		(2,292)	(2,435)	(2,338)	(2,666)
Net cash used in investing activities		(6,163)	(7,874)	(3,120)	(3,476)

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)

	Note	GROUP 2013 RM'000	GROUP 2012 RM'000	COMPANY 2013 RM'000	COMPANY 2012 RM'000
Cash flows from financing activities					
Advances from subsidiaries		-	-	1,353	316
Interest paid		(1,879)	(2,737)	(1,206)	(2,193)
(Placement)/Withdrawal of pledged deposits with licensed banks		(1,014)	309	(16)	291
Proceeds from issuance of warrants		7,067	-	7,067	-
Proceeds from issuance of shares to non-controlling interests		520	-	-	-
Repayments of finance lease liabilities		(1,179)	(2,216)	(1,025)	(2,068)
Repayments of term loans		(3,037)	(3,334)	(1,596)	(1,907)
Drawdown on term loans		62	-	-	-
Acquisition of a subsidiary		*	-	-	-
Net cash from/(used in) financing activities		540	(7,978)	4,577	(5,561)
Cash and cash equivalents					
Change in cash and cash equivalents		7,954	13,040	7,411	11,743
Effect of exchange rates fluctuation on cash held		96	273	-	-
At 1 July		15,089	1,776	9,683	(2,060)
At 30 June	(ii)	23,139	15,089	17,094	9,683

NOTES TO THE STATEMENTS OF CASH FLOWS

(i) Acquisition of property, plant and equipment

Analysis of acquisition of property, plant and equipment:

	GROUP 2013 RM'000	GROUP 2012 RM'000	COMPANY 2013 RM'000	COMPANY 2012 RM'000
Finance lease liabilities	106	231	-	-
Changes in other payables	(763)	514	(763)	514
Acquisition from a related company	-	-	-	37
Cash outright acquisition	3,992	7,691	3,169	6,745
	3,335	8,436	2,406	7,296

(ii) Cash and cash equivalents

Cash and cash equivalents included in the statements of cash flows comprise the following amounts:

	GROUP 2013 RM'000	GROUP 2012 RM'000	COMPANY 2013 RM'000	COMPANY 2012 RM'000
Cash and bank balances	25,206	22,622	17,449	15,776
Bank overdrafts	(2,067)	(7,533)	(355)	(6,093)
	23,139	15,089	17,094	9,683

* less than RM1

The notes on pages 37 to 93 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
- 30 JUNE 2013

1. GENERAL INFORMATION

Hovid Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of the Bursa Malaysia Securities Berhad. The principal place of business and registered office of the Company is as follows:

Registered office/Principal place of business
No. 121, Jalan Tunku Abdul Rahman
30010 Ipoh
Perak Darul Ridzuan, Malaysia.

The consolidated financial statements of the Company as at and for the year ended 30 June 2013 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities").

The principal activity of the Company is manufacturing of pharmaceutical and herbal products. The principal activities of the subsidiaries are shown in Note 7.

There have been no significant changes in the nature of these activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Board of Directors on 28 October 2013.

2. BASIS OF PREPARATION

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the Companies Act, 1965 in Malaysia.

(a) First-time adoption of MFRSs

These are the Group's and the Company's first financial statements prepared in accordance with MFRS and MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards* has been applied. In the previous years, the financial statements of the Group and of the Company were prepared in accordance with Financial Reporting Standards.

The accounting policies set out in Note 3 have been applied in preparing the financial statements of the Group and of the Company for the financial year ended 30 June 2013, the comparative information presented in these financial statements for the financial year ended 30 June 2012 and in the preparation of the opening MFRS statements of financial position at 1 July 2011 (the Group's and the Company's date of transition to MFRSs).

The transition to MFRSs does not have financial impact to the opening statement of financial position of the Group and of the Company as at 1 July 2011.

(b) Standards issued but not yet effective

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the Malaysian Accounting Standards Board but are not yet effective, and have not been adopted early by the Group and the Company.

Management anticipates that all relevant pronouncements will be adopted in the Group's and the Company's accounting policies for the first period beginning after the effective date of pronouncement. Information on new standards, amendments and interpretations that are expected to have impact on the Group's and the Company's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's and the Company's financial statements.

MFRS 9, *Financial Instruments*

MFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement*. MFRS 9 requires financial assets to be classified into two measurement categories: fair value and amortised cost, determined at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. Most of the requirements for financial liabilities are retained, except for cases where the fair value option is taken, the part of a fair value change due to an entity's own risk is recorded in other comprehensive income rather than profit or loss, unless this creates an accounting mismatch.

The adoption of MFRS 9 will result in a change in accounting policy. The Group and the Company are currently examining the financial impact of adopting MFRS 9.

2. BASIS OF PREPARATION (continued)

(b) Standards issued but not yet effective (continued)

MFRS 10, *Consolidated Financial Statements*

MFRS 10 introduces a new single control model to determining which investees should be consolidated. MFRS 10 supersedes MFRS 127, *Consolidated and Separate Financial Statements* and IC Interpretation 112, *Consolidation -Special Purpose Entities*. There are three elements to the definition of control in MFRS 10: (i) power by investor over an investee (ii) exposure, or rights, to variable returns from investor's investment with the investee and (iii) investor's ability to affect those returns through its power over the investee.

The Group is currently assessing the relevance and financial impact of adopting MFRS 10.

MFRS 12, *Disclosure of Interests in Other Entities*

MFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in MFRS 12 are more extensive than those in the current standards.

The Directors anticipate that the application of MFRS 12 may result in more extensive disclosures in the financial statements.

MFRS 13, *Fair Value Measurement*

MFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across MFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. The enhanced disclosure requirements are similar to those in MFRS 7, *Financial Instruments: Disclosures*, but apply to all assets and liabilities measured at fair value, not just financial ones.

The Directors anticipate that the application of MFRS 13 may result in more extensive disclosures in the financial statements.

MFRS 119, *Employees Benefits*

The amendments to MFRS 119 change the accounting for defined benefit plans and termination benefits. The amendments require the recognition of changes in defined benefit obligations when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of MFRS 119 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. The amendments to MFRS 119 require retrospective application.

The Group is currently assessing the relevance and financial impact of adopting MFRS 119.

(c) Basis of measurement

The financial statements of the Group and of the Company have been prepared on the historical cost basis, unless otherwise indicated in the summary of significant accounting policies.

(d) Functional and presentation currency

The financial statements are presented in Ringgit Malaysia (RM), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

(e) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and judgements are continually evaluated by the Directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

2. BASIS OF PREPARATION (continued)

(e) Use of estimates and judgements (continued)

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Revaluation of property, plant and equipment

The Group and the Company measure its land and buildings at revalued amount with changes in fair value being recognised in other comprehensive income. The Group and the Company engaged independent professional valuer to determine fair values as at 30 June 2013.

The carrying amount of the land and buildings at the end of the reporting period, and the relevant revaluation bases, are disclosed in Note 4.1 and Note 4(ii) respectively.

Revaluation of investment properties

The Group carries its investment properties at fair value, with changes in fair values being recognised in the statement of profit or loss. The Group engaged independent professional valuer to determine fair value as at 30 June 2013. The relevant valuation bases are disclosed in Note 6.

Impairment of intangible assets

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows management makes assumptions about future operating results. These assumptions relate to future events and circumstances. The actual results may vary, and may cause significant adjustments to the Group's assets within the next financial year.

In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors.

In 2012, the Group incurred an impairment loss of RM4,212,000 on goodwill in order to reduce the carrying amount of goodwill to its recoverable amount.

Further details of the carrying values, key assumptions applied in the impairment assessment of intangible assets and the assumptions are disclosed in Note 5.

Defined benefit liability

Management estimates the defined benefit liability annually with the assistance of independent actuaries; however, the actual outcome may vary due to estimation uncertainties. The estimate of its defined benefit liability of RM1,584,000 (2012: RM1,385,000) is based on standard rates of inflation and medical cost trends. It also takes into account the Group's specific anticipation of future salary increases. Discount factors are determined close to each year end by reference to high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability. Estimation uncertainties exist particularly with regard to medical cost trends, which may vary significantly in future appraisals of the Group's defined benefit obligations.

The assumptions and model used for estimating fair value for defined benefit liability and the carrying amounts are disclosed in Note 15.

2. BASIS OF PREPARATION (continued)

(e) Use of estimates and judgements (continued)

Significant management judgement

The following are significant management judgements in applying the accounting policies of the Group that have the most significant effect on the financial statements.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. The Group accounts for the portions separately if the portions could be sold separately (or leased out separately under a finance lease). If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Leases

In applying the classification of leases in MFRS 117, management considers the leases of land as finance lease arrangements. In some cases, the lease transaction is not always conclusive, and management uses judgement in determining whether the lease is a finance lease arrangement that transfers substantively all the risks and rewards incidental to ownership.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently by the Group and the Company to the periods presented in these financial statements and in preparing their opening statements of financial position at 1 July 2011 (the transition date of MFRS framework), unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investments are held for sale or distribution. The cost of investments includes transaction costs.

The accounting policies of subsidiaries are changed when necessary to align them with the policies adopted by the Group.

(ii) Business combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of consolidation (continued)

(ii) Business combinations and Goodwill (continued)

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with MFRS 139 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of MFRS 139, it is measured in accordance with the appropriate MFRS.

Goodwill in initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

As part of its transition to MFRS framework, the Group elected not to restate those business combinations that occurred before the date of transition to MFRS. Goodwill arising from acquisitions before 1 January 2011 has been carried forward from the previous FRS framework as at the date of transition.

(iii) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated profit or loss and other comprehensive income as an allocation of the comprehensive income for the year between non-controlling interests and the owners of the Company.

Where losses applicable to the non-controlling interests exceed their interest in the equity of a subsidiary, the excess, and any further losses applicable to the non-controlling interests, are charged against the Group's interest except to the extent that the non-controlling interests have a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the non-controlling interests' share of losses previously absorbed by the Group has been recovered.

(iv) Changes in ownership interests in subsidiaries without change in control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions - that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of consolidation (continued)

(v) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(vi) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(b) Foreign currencies

(i) Transactions and balances

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the reporting date except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in the profit or loss.

(ii) Operations denominated in functional currencies other than RM

Assets and liabilities of the foreign operations are translated into RM using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the year, unless exchange rates fluctuated significantly during the year, in which case the exchange rates at the date of the transactions are used. Exchange differences arising, if any are recognised in other comprehensive income and accumulated in the translation reserve of the Group. Such exchange differences are recognised in profit or loss in the year in which the foreign operations are disposed of.

(c) Financial instruments

(i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

Loans and receivables

Loans and receivables comprise debt instruments that are not quoted in an active market, trade and other receivables and cash and deposits.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

Financial assets (continued)

Loans and receivables (continued)

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

All financial assets except for those measured at fair value through profit or loss, are subject to review for impairment (Note 3(j)(i)).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. All available-for-sale financial assets are measured at fair value at the end of the 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, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognised in the profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gains or losses previously accumulated in the fair value reserve is reclassified to the profit or loss.

Financial liabilities

Financial liabilities of the Group and of the Company, including borrowings are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

(iii) 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 expired. 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.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are stated at cost/valuation less any accumulated depreciation and any accumulated impairment losses.

The Group revalues its property comprising of land and building every 5 years and whenever the fair value of the revalued asset is expected to differ materially from its carrying value.

Surplus arising from revaluation are dealt with in the revaluation reserve account. Any deficit arising is offset against the revaluation reserve to the extent of a previous increase for the same property. In all other cases, a decrease in carrying amount is recognised in profit or loss.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the Group's accounting policy on borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Property, plant and equipment (continued)

(i) Recognition and measurement (continued)

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged between knowledgeable willing parties in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of property, plant and equipment is based on the quoted market prices for similar items when available and replacement cost when appropriate.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of the property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other income" or "other expenses" respectively in profit or loss. When revalued assets are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group or the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in profit or loss on a reducing balance basis over the estimated useful lives of each part of an item of property, plant and equipment. Freehold land is not depreciated. Property, plant and equipment under work-in-progress are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are as follows:

• Leasehold land	Over the lease term from 60 to 999 years
• Buildings	2%-10%
• Plant, machinery and electrical equipment	4%-20%
• Motor vehicles	20%
• Furniture, fittings, office, laboratory and factory equipment, electrical installation and renovation	10%-20%

Depreciation methods, useful lives and residual values are reviewed and adjusted as appropriate at the end of the reporting period.

(e) Leased assets

(i) Finance lease

Leases in terms of which the Group or the Company assume substantially all the risks and rewards of ownership are classified as finance leases. On initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment.

Minimum lease payments made under finance lease are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Leased assets (continued)

(ii) Operating lease

Leases, where the Group do not assume substantially all the risks and rewards of ownerships are classified as operating leases and the leased assets are not recognised on the statement of financial position under operating lease. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

(f) Intangible assets

(i) Goodwill

Goodwill arises on business combinations is measured at cost less any accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity accounted investee.

(ii) Product development expenditure

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan and design for the production of new or substantially improved products and processes, is capitalised if the product and process are technically and commercially feasible and the Group has sufficient resources to complete development.

The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the statements of comprehensive income as an expense as incurred. Capitalised development expenditure is stated at cost less any accumulated amortisation and any impairment losses.

(iii) Other intangible assets

Intangible assets, other than goodwill, that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses.

Expenditure on internally generated goodwill and brands is recognised in the profit or loss as an expense as incurred.

(iv) Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

(v) Amortisation

Goodwill and intangible assets with indefinite useful lives are not amortised but are tested for impairment annually and whenever there is an indication that they may be impaired.

Other intangible assets such as capitalised development expenditure and trademarks are amortised from the date of production commences. Amortisation of intangible assets is recognised in profit or loss on a straight-line basis over the estimated useful life of 20 years.

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Investment properties

(i) Investment properties carried at fair value

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. These include land held for a currently undetermined future use. Properties that are occupied by the companies in the Group are accounted for as owner-occupied rather than as investment properties.

Investment properties are measured initially at cost and subsequently at fair value with any change therein recognised in profit or loss for the period in which they arise.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

(ii) Reclassification to/from investment property

When an item of property, plant and equipment is transferred to investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised in other comprehensive income and accumulated in equity as revaluation reserve. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in profit or loss. Upon disposal of an investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through profit or loss.

When the use of a property changes such that it is reclassified as property, plant and equipment or inventories, its fair value at the date of reclassification becomes its deemed cost for subsequent accounting.

(iii) Determination of fair value

An external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Group's investment property portfolio every year.

The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

(h) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is based on weighted average basis and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of work-in-progress, manufactured inventories, finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(i) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank balances, deposits with banks and highly liquid investments which have an insignificant risk of changes in value. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

Cash and cash equivalents (other than bank overdrafts) are categorised and measured as loans and receivables in accordance with policy Note 3(c).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Impairment

(i) Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss, investments in subsidiaries and associates) are assessed at each reporting date 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. Losses expected as a result of future events, no matter how likely, are not recognised. For an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment.

An impairment loss in respect of loans and receivables 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 asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of unquoted equity instrument that is carried at cost 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 current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument is not reversed through profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognised, the impairment previously recognised is reversed, to the extent that the asset's carrying amount does not exceed its amortised cost at the reversal date. The amount of the reversal is recognised in profit or loss.

(ii) Non-financial assets

The carrying amounts of non-financial assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment.

If any such indication exists, then the asset's recoverable amount is estimated. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (groups of units) on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Equity instruments

All equity instruments are stated at cost on initial recognition and are not re-measured subsequently.

(i) Issue expenses

Costs directly attributable to issue of equity instruments are recognised as a deduction from equity.

(ii) Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity and is not revalued for subsequent changes in the fair value or market price of shares. Repurchased shares that are not subsequently cancelled are classified as treasury shares and are presented as a deduction from total equity.

(iii) Dividend payments

The distribution of non-cash assets to owners is recognised as dividend payable when the dividend was approved by shareholders. The dividend payable is measured at the fair value of the shares to be distributed. At the end of the financial year and on the settlement date, the Company reviews the carrying amount of the dividend payable, with any changes in the fair value of the dividend payable recognised in equity. When the Company settles the dividend payable, the difference between the carrying amount of the dividend distributed and the carrying amount of the dividend payable is recognised as a separate line item in profit or loss.

All transactions with owners of the parent are recorded separately within equity.

(iv) Warrants reserve

Proceeds from the issuance of warrants, net of issue costs, are credited to warrants reserve which is non-distributable as cash dividends. Warrants reserve is transferred to the share premium account upon the exercise of warrants and the warrants reserve in relation to unexcercised warrants at the expiry of the warrants period will be transferred to retained earnings.

(l) Employee benefit

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Defined contribution plans

The Group's contributions to statutory pension funds are charged to profit or loss in the year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

(iii) Defined benefits plan

The liability in respect of a defined benefit plan is the present value of the defined benefit obligations at the statement of financial position date, together with adjustments for actuarial gains/losses and past service cost. The Group determines the present value of the defined benefit obligation with sufficient regularity such that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the end of the reporting date.

The defined benefit obligation, calculated using the projected unit credit method, is determined by independent actuaries, considering the estimated future cash outflows using market yields at statement of financial position date of government securities which have currency and terms to maturity approximating the terms of the related liability.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Employee benefit (continued)

(iii) Defined benefits plan (continued)

Actuarial gains and losses arise from experience adjustments and changes in actuarial assumptions. The amount of net actuarial gains and losses is charged or credited to the statement of comprehensive income over the average remaining service lives of the related employee participating in the unfunded retirement benefit plan.

Insurance policies are used to fund the retirement benefit plan. These insurance policies are non-qualifying insurance policies where the right to reimbursement under insurance policies is treated as a separate asset. In the statement of comprehensive income, the expense relating to a defined benefit plan is presented net of amount recognised for a reimbursement.

(m) Provisions and contingent liabilities

(i) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of discount is recognised as finance cost.

(ii) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(n) Revenue and other income

(i) Goods sold

Revenue from the sale of goods is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

(ii) Services

Revenue from services is recognised upon services rendered.

(iii) Rental income

Rental income from investment property is recognised in the statement of comprehensive income on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

(iv) Dividend income

Dividend income is recognised in profit or loss when the right to receive payment is established.

(v) Interest income

Interest income is recognised as it accrues, using the effective interest method in profit or loss.

(o) Borrowing costs

All borrowing costs are recognised in profit or loss using the effective interest method, in the period in which they are incurred except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit (tax loss). Deferred tax is measured at the tax rates that are expected to apply to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at the end of reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(q) Earnings per share

The Group presents basic and diluted earnings per share (“EPS”) data for its ordinary shares.

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

(r) Operating segment

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, which in this case is the Board of Directors of the Group, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

(s) Related parties

A related party is a person or entity that is related to the Group. A related party transaction is a transfer of resources, services or obligations between the Group and its related party, regardless of whether a price is charged.

(i) A person or a close member of that person’s family is related to the Group if that person:

- (a) has control or joint control over the Group;
- (b) has significant influence over the Group; or
- (c) is a member of the key management personnel of the holding company of the Group, or the Group.

(ii) An entity is related to the Group if any of the following conditions applies:

- (a) The entity and the Group are members of the same group.
- (b) One entity is an associate or joint venture of the other entity.
- (c) Both entities are joint ventures of the same third party.
- (d) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (e) The entity is a post-employment benefit plan for the benefits of employees of either the Group or an entity related to the Group.
- (f) The entity is controlled or jointly-controlled by a person identified in (i) above.
- (g) A person identified in (i)(a) above has significant influence over the entity or is a member of the key management personnel of the entity (or of the parent of the entity).

4. PROPERTY, PLANT AND EQUIPMENT

GROUP

Cost/Valuation	Land and buildings (Note 4.1) RM'000	Plant, machinery and electrical equipment RM'000	Motor vehicles RM'000	Furniture, fittings, office, laboratory and factory equipment, electrical installation and renovation RM'000	Capital work-in-progress RM'000	Total RM'000
At 1 July 2011	46,334	56,944	4,940	25,238	1,477	134,933
Additions	1,019	5,325	548	1,410	134	8,436
Transfer	503	(6)	-	34	(531)	-
Transfer to investment properties						
- Transfer of carrying amount	(680)	-	-	-	-	(680)
- Revaluation of property transferred	40	-	-	-	-	40
Write off	-	(5)	-	(88)	-	(93)
Disposals	-	(67)	(286)	(2)	-	(355)
Exchange differences	(766)	(2,798)	10	(146)	-	(3,700)
At 30 June 2012	46,450	59,393	5,212	26,446	1,080	138,581
Additions	218	706	265	1,718	428	3,335
Transfer	18	532	-	-	(550)	-
Revaluation	23,766	-	-	-	-	23,766
Transfer from accumulated depreciation on revaluation	(2,477)	-	-	-	-	(2,477)
Write off	-	(34)	-	(325)	-	(359)
Disposals	-	(6)	(173)	(20)	-	(199)
Exchange differences	(544)	(843)	(34)	(55)	-	(1,476)
At 30 June 2013	67,431	59,748	5,270	27,764	958	161,171
Representing items at:						
Cost	-	59,748	5,270	27,764	958	93,740
Valuation	67,431	-	-	-	-	67,431
	67,431	59,748	5,270	27,764	958	161,171
Accumulated depreciation/ impairment losses						
At 1 July 2011						
Accumulated depreciation	1,442	26,928	3,008	11,818	-	43,196
Accumulated impairment losses	-	110	-	9	-	119
	1,442	27,038	3,008	11,827	-	43,315
Charge for the year	538	2,616	512	1,522	-	5,188
Transfer	-	(5)	-	5	-	-
Write off	-	(3)	-	(55)	-	(58)
Disposals	-	(53)	(242)	(1)	-	(296)
Exchange differences	(31)	(571)	17	(37)	-	(622)
At 30 June 2012						
Accumulated depreciation	1,949	28,912	3,295	13,252	-	47,408
Accumulated impairment losses	-	110	-	9	-	119
	1,949	29,022	3,295	13,261	-	47,527

4. PROPERTY, PLANT AND EQUIPMENT (continued)

GROUP

Accumulated depreciation/ impairment losses	**Land and buildings (Note 4.1) RM'000**	**Plant, machinery and electrical equipment RM'000**	**Motor vehicles RM'000**	**Furniture, fittings, office, laboratory and factory equipment, electrical installation and renovation RM'000**	**Capital work-in-progress RM'000**	**Total RM'000**
At 1 July 2012	1,949	29,022	3,295	13,261	-	47,527
Transfer to cost/valuation on revaluation	(2,477)	-	-	-	-	(2,477)
Charge for the year	546	2,796	469	1,509	-	5,320
Write off	-	(30)	-	(287)	-	(317)
Disposals	-	(4)	(131)	(6)	-	(141)
Exchange differences	(18)	(234)	(19)	(25)	-	(296)
At 30 June 2013						
Accumulated depreciation	-	31,440	3,614	14,443	-	49,497
Accumulated impairment losses	-	110	-	9	-	119
	-	31,550	3,614	14,452	-	49,616
Carrying amounts						
At 30 June 2013	67,431	28,198	1,656	13,312	958	111,555
At 30 June 2012	44,501	30,371	1,917	13,185	1,080	91,054
At 1 July 2011	44,892	29,906	1,932	13,411	1,477	91,618

COMPANY

	Land and buildings RM'000	Plant, machinery and electrical equipment RM'000	Motor vehicles RM'000	Furniture, fittings, office, laboratory and factory equipment, electrical installation and renovation RM'000	Capital work-in-progress RM'000	Total RM'000
Cost/Valuation						
At 1 July 2011	27,968	39,353	3,609	20,313	1,476	92,719
Additions	982	5,351	-	856	107	7,296
Transfer	503	(6)	-	6	(503)	-
Write off	-	(5)	-	(1)	-	(6)
Disposals	-	(67)	(396)	(1,855)	-	(2,318)
At 30 June 2012	29,453	44,626	3,213	19,319	1,080	97,691
Transfer	-	532	-	-	(532)	-
Additions	92	627	-	1,291	396	2,406
Revaluation	9,769	-	-	-	-	9,769
Transfer from accumulated depreciation on revaluation	(1,953)	-	-	-	-	(1,953)
Write off	-	(34)	-	(269)	-	(303)
Disposals	-	(5)	-	(11)	-	(16)
At 30 June 2013	37,361	45,746	3,213	20,330	944	107,594
Representing items at:						
Cost	-	45,746	3,213	20,330	944	70,233
Valuation	37,361	-	-	-	-	37,361
	37,361	45,746	3,213	20,330	944	107,594

4. PROPERTY, PLANT AND EQUIPMENT (continued)

COMPANY

Accumulated depreciation/ impairment losses	Land and buildings (Note 4.1) RM'000	Plant, machinery and electrical equipment RM'000	Motor vehicles RM'000	Furniture, fittings, office, laboratory and factory equipment, electrical installation and renovation RM'000	Capital work-in-progress RM'000	Total RM'000
At 1 July 2011						
Accumulated depreciation	1,114	23,258	2,512	10,026	-	36,910
Accumulated impairment losses	-	110	-	9	-	119
	1,114	23,368	2,512	10,035	-	37,029
Charge for the year	412	1,878	214	1,088	-	3,592
Transfer	-	(5)	-	5	-	-
Write off	-	(3)	-	(1)	-	(4)
Disposals	-	(53)	(329)	(861)	-	(1,243)
At 30 June 2012						
Accumulated depreciation	1,526	25,075	2,397	10,257	-	39,255
Accumulated impairment losses	-	110	-	9	-	119
	1,526	25,185	2,397	10,266	-	39,374
Charge for the year	427	2,120	158	1,032	-	3,737
Transfer to cost/valuation on revaluation	(1,953)	-	-	-	-	(1,953)
Write off	-	(30)	-	(250)	-	(280)
Disposals	-	(3)	-	(4)	-	(7)
At 30 June 2013						
Accumulated depreciation	-	27,162	2,555	11,035	-	40,752
Accumulated impairment losses	-	110	-	9	-	119
	-	27,272	2,555	11,044	-	40,871
Carrying amounts						
At 30 June 2013	37,361	18,474	658	9,286	944	66,723
At 30 June 2012	27,927	19,441	816	9,053	1,080	58,317
At 1 July 2011	26,854	15,985	1,097	10,278	1,476	55,690

4. PROPERTY, PLANT AND EQUIPMENT (continued)

4.1 Land and buildings

GROUP

Valuation	Freehold land RM'000	Long-term leasehold land RM'000	Short-term leasehold land RM'000	Buildings RM'000	Total RM'000
At 1 July 2011	15,414	6,843	870	23,207	46,334
Additions	37	218	-	764	1,019
Transfer	-	-	-	503	503
Transfer to investment properties					
- Transfer of carrying amount	-	(430)	-	(250)	(680)
- Revaluation of property transferred	-	30	-	10	40
Exchange differences	(310)	-	-	(456)	(766)
At 30 June 2012	15,141	6,661	870	23,778	46,450
Additions	73	-	-	145	218
Transfer	-	-	-	18	18
Revaluation	13,912	6,599	890	2,365	23,766
Transfer from accumulated depreciation on revaluation	-	(219)	(210)	(2,048)	(2,477)
Exchange differences	(406)	-	-	(138)	(544)
At 30 June 2013	28,720	13,041	1,550	24,120	67,431
Accumulated depreciation					
At 1 July 2011	-	140	163	1,139	1,442
Charge for the year	-	40	24	474	538
Exchange differences	-	-	-	(31)	(31)
At 30 June 2012	-	180	187	1,582	1,949
Transfer to valuation on revaluation	-	(219)	(210)	(2,048)	(2,477)
Charge for the year	-	39	23	484	546
Exchange differences	-	-	-	(18)	(18)
At 30 June 2013	-	-	-	-	-
Carrying amounts					
At 30 June 2013	28,720	13,041	1,550	24,120	67,431
At 30 June 2012	15,141	6,481	683	22,196	44,501
At 1 July 2011	15,414	6,703	707	22,068	44,892

COMPANY

Valuation	Freehold land RM'000	Long-term leasehold land RM'000	Short-term leasehold land RM'000	Buildings RM'000	Total RM'000
At 1 July 2011	3,075	5,062	870	18,961	27,968
Additions	-	218	-	764	982
Transfer	-	-	-	503	503
At 30 June 2012	3,075	5,280	870	20,228	29,453
Additions	-	-	-	92	92
Revaluation	2,770	4,997	889	1,113	9,769
Transfer from accumulated depreciation on revaluation	-	(76)	(209)	(1,668)	(1,953)
At 30 June 2013	5,845	10,201	1,550	19,765	37,361
Accumulated depreciation					
At 1 July 2011	-	29	162	923	1,114
Charge for the year	-	24	24	364	412
At 30 June 2012	-	53	186	1,287	1,526
Charge for the year	-	23	23	381	427
Transfer to valuation on revaluation	-	(76)	(209)	(1,668)	(1,953)
At 30 June 2013	-	-	-	-	-

4. PROPERTY, PLANT AND EQUIPMENT (continued)

4.1 Land and buildings (continued)

COMPANY Carrying amounts	Freehold land RM'000	Long-term leasehold land RM'000	Short-term leasehold land RM'000	Buildings RM'000	Total RM'000
At 30 June 2013	5,845	10,201	1,550	19,765	37,361
At 30 June 2012	3,075	5,227	684	18,941	27,927
At 1 July 2011	3,075	5,033	708	18,038	26,854

The freehold land belonging to a subsidiary with carrying amount of RM2,580,000 (30.06.2012: RM2,344,000, 01.07.2011: RM2,803,000) has yet to be transferred to the subsidiary's name and to be entered in Revenue Records of the Himachal State Revenue Authorities, India.

(i) Depreciation charge for the financial year includes:

	GROUP			COMPANY		
	30.06.2013 RM'000	30.06.2012 RM'000	01.07.2011 RM'000	30.06.2013 RM'000	30.06.2012 RM'000	01.07.2011 RM'000
Charged to profit or loss	5,320	5,188	7,831	3,737	3,592	3,613
Capitalised as product development expenditure (Note 5)	-	-	131	-	-	131
	5,320	5,188	7,962	3,737	3,592	3,744

(ii) Land and buildings of the Group and of the Company were revalued on 30 June 2013 based on valuation carried out by external independent professional valuers who have adopted the comparison and assets depreciated replacement cost method of valuation, to reflect market value of existing use.

The comparison method is comparing the subject property with comparable properties which have been sold or are being offered for sale and making adjustments for factors which affect value such as location, size, shape of land, built-up area, design, type and condition of building, improvements, availability of facilities and amenities, time element and other relevant factors.

The assets depreciated replacement cost is the value of property is added to the replacement cost of buildings and other site improvements.

The carrying amounts of revalued freehold land, leasehold land and buildings of the Group and of the Company that would have been included in the financial statements, had these assets been carried at cost less accumulated depreciation and impairment losses are as follows:

	GROUP			COMPANY		
	30.06.2013 RM'000	30.06.2012 RM'000	01.07.2011 RM'000	30.06.2013 RM'000	30.06.2012 RM'000	01.07.2011 RM'000
Freehold land	8,691	1,138	1,138	826	826	826
Leasehold land	6,770	917	1,202	5,864	-	-
Buildings	15,851	11,193	11,722	13,045	10,294	10,504

4. PROPERTY, PLANT AND EQUIPMENT (continued)

(iii) Details of assets under finance lease arrangements are as follows:

	GROUP			COMPANY		
	30.06.2013 RM'000	30.06.2012 RM'000	01.07.2011 RM'000	30.06.2013 RM'000	30.06.2012 RM'000	01.07.2011 RM'000
Plant, machinery and electrical equipment						
- carrying amounts at end of the year	1,023	4,407	5,168	1,023	4,407	5,168
Motor vehicles						
- additions during the year	106	231	198	-	-	-
- carrying amounts at end of the year	743	1,336	1,457	258	774	1,016
Furniture, fittings, office, laboratory and factory equipment						
- carrying amounts at end of the year	175	475	1,509	175	475	1,509

(iv) Carrying amounts of property, plant and equipment pledged as securities for credit facilities granted to the Group and the Company amounted to RM53,909,000 (30.06.2012: RM49,617,000, 01.07.2011: RM47,499,000) and RM34,850,000 (30.06.2012: RM26,577,000, 01.07.2011: RM20,122,000) respectively.

5. INTANGIBLE ASSETS

GROUP

	Goodwill RM'000	Product development expenditure RM'000	Acquired trademark RM'000	Total RM'000
Cost				
At 1 July 2011	4,407	25,236	770	30,413
Additions	-	2,435	-	2,435
Write off	-	(2,307)	-	(2,307)
At 30 June 2012	4,407	25,364	770	30,541
Additions	-	2,292	-	2,292
Write off	-	(2,885)	-	(2,885)
At 30 June 2013	4,407	24,771	770	29,948
Accumulated amortisation/ impairment losses				
At 1 July 2011				
Accumulated amortisation	-	5,783	459	6,242
Accumulated impairment losses	11	-	-	11
	11	5,783	459	6,253
Amortisation for the year	-	464	30	494
Impairment	4,212	-	-	4,212
Write off	-	(81)	-	(81)
At 30 June 2012				
Accumulated amortisation	-	6,166	489	6,655
Accumulated impairment losses	4,223	-	-	4,223
	4,223	6,166	489	10,878

5. INTANGIBLE ASSETS (continued)

GROUP

Accumulated amortisation/ impairment losses	**Goodwill RM'000**	**Product development expenditure RM'000**	**Acquired trademark RM'000**	**Total RM'000**
At 1 July 2012	4,223	6,166	489	10,878
Amortisation for the year	-	520	30	550
Write off	-	(340)	-	(340)
At 30 June 2013	4,223	6,346	519	11,088
Carrying amounts				
At 30 June 2013	184	18,425	251	18,860
At 30 June 2012	184	19,198	281	19,663
At 1 July 2011	4,396	19,453	311	24,160

COMPANY

	Product development expenditure RM'000	**Acquired trademark RM'000**	**Total RM'000**
Cost			
At 1 July 2011	25,679	770	26,449
Additions	2,666	-	2,666
Write off	(2,307)	-	(2,307)
At 30 June 2012	26,038	770	26,808
Additions	2,338	-	2,338
Write off	(2,885)	-	(2,885)
At 30 June 2013	25,491	770	26,261
Accumulated amortisation			
At 1 July 2011	5,784	459	6,243
Amortisation for the year	464	30	494
Write off	(81)	-	(81)
At 30 June 2012	6,167	489	6,656
Amortisation for the year	520	30	550
Write off	(340)	-	(340)
At 30 June 2013	6,347	519	6,866
Carrying amounts			
At 30 June 2013	19,144	251	19,395
At 30 June 2012	19,871	281	20,152
At 1 July 2011	19,895	311	20,206

5. INTANGIBLE ASSETS (continued)

Goodwill

Goodwill has been allocated to the Group's cash-generating units identified according to pharmaceutical business segment.

The recoverable amount of the goodwill was based on its value in use and was determined by discounting the future cash flows generated from the continuing use of the investment and was based on the following key assumptions:

- The discount rate of 14.25% (30.06.2012: 14.25%, 01.07.2011: 14.25%) was used by the management as their expected internal rate of return for a foreign subsidiary.
- Cash flows were projected based on actual operating results in the year immediately before the projected years whereby there are expected efficiency improvements with an assumption of revenue growth of 4% (30.06.2012: 5%, 01.07.2011: 20%) per annum.

In 2012, by using the above methods, the recoverable amount was lower than the carrying amount of the investments and cash-generating unit. Thus, an impairment loss on goodwill totalling RM4,212,000 was recognised in the profit or loss in 2012.

Product development expenditure and acquired trademark

The recoverable amount of the product development expenditure and acquired trademark of the Group and of the Company are based on their value in use calculations and where recoverable amounts are higher than the carrying amounts of the intangibles, no impairment loss was recognised. However, during the year, carrying amounts of product development expenditure of the Group and of the Company of RM2,545,000 (30.06.2012: RM2,226,000, 01.07.2011: RM3,573,000) was written off as the products are no longer viable.

Value in use was determined by discounting the future cash flows generated from the continuing/expected sales of the products within a specific timeframe and was based on the following key assumptions:

- 10-year cash flows were projected based on past actual operating results and management's assessment of future trends in the consumer market based on both external and internal sources of the product itself or product of its similar nature and its ability to launch to the market in future.
- The average discount rate of 9.0% (30.06.2012: 7.8%, 01.07.2011: 7.8%) used was the management's expected internal rate of return.
- The size of operation will remain, and not be lower than the current operations.
- Approvals from the regulatory bodies in Malaysia on the products are granted, at the stipulated timelines.
- Close monitoring on the timelines and development costs by the management.

6. INVESTMENT PROPERTIES

		GROUP	
	30.06.2013 RM'000	30.06.2012 RM'000	01.07.2011 RM'000
Brought forward	1,680	850	850
Transfer from property, plant and equipment	-	680	-
Change in fair value recognised in profit or loss	320	150	-
Carried forward	2,000	1,680	850
Included in the above are:			
Freehold land	1,030	750	600
Leasehold land	440	430	-
Buildings	530	500	250
	2,000	1,680	850

6. INVESTMENT PROPERTIES (continued)

The investment properties were revalued on 22 May 2013 and 29 May 2013 respectively by independent professional qualified valuers using comparison method.

The amounts recognised in the profit or loss in respect of investment properties are disclosed in Note 22.

Investment properties of the Group have been charged to secure term loan and guarantee facilities granted to a subsidiary (Note 16).

7. INVESTMENT IN SUBSIDIARIES

	COMPANY 30.06.2013 RM'000	 30.06.2012 RM'000	 01.07.2011 RM'000
At cost			
Unquoted shares in Malaysia	6,454	6,454	6,454
Less: Accumulated impairment losses Brought/Carried forward	(1,750)	(1,750)	(1,750)
	4,704	4,704	4,704
Unquoted shares outside Malaysia	10,141	10,141	10,175
Less: Accumulated impairment losses	(5,604)	(5,604)	(34)
	4,537	4,537	10,141
Total investment in subsidiaries	9,241	9,241	14,845
Amount due from subsidiaries	7,038	6,644	6,294
	16,279	15,885	21,139

The movement in the accumulated impairment losses of investment in unquoted shares outside Malaysia is as follows:

	COMPANY 2013 RM'000	 2012 RM'000
At 1 July	5,604	34
Impairment loss recognised	-	5,604
Impairment loss written off	-	(34)
At 30 June	5,604	5,604

The amount due from subsidiaries represents advances and payments made on behalf of which the settlement is neither planned nor likely to occur in the foreseeable future. This amount is, in substance, a part of the Company's net investment in certain subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS
- 30 JUNE 2013 (continued)

7. INVESTMENT IN SUBSIDIARIES (continued)

Details of subsidiaries are as follows:

Name of the company	Country of incorporation	Effective Group's interest (%) 30.06.2013	30.06.2012	01.07.2011	Principal activities
Hovid Pharmacy Sdn. Bhd.	Malaysia	100.00	100.00	100.00	Trading of medical supplies, pharmaceutical and consumer products.
Hovid Inc. *	Philippines	100.00	100.00	100.00	Trading of goods such as medical supplies, consumer goods, wholesale/importation and distribution of pharmaceutical products.
Hovid Marketing Sdn. Bhd.	Malaysia	100.00	100.00	100.00	Marketing of health and wellness products via the multi-level network marketing direct interest model.
Javid Sdn. Bhd.	Malaysia	100.00	100.00	100.00	Dealers in all kinds of pharmaceutical, medicated herbs and nutritional products. Inactive.
Ho Yan Hor (S) Pte. Ltd. #	Singapore	-	-	80.00	Wholesalers, distributors, agents of and dealers in all kinds of pharmaceutical products embrocation oil, herbal tea and Chinese patented medicines. Inactive.
Hovid Nutriworld Sdn. Bhd.	Malaysia	100.00	100.00	100.00	To own and manage a chain of concept stores selling over-the-counter health food products, consumer products, supplements and herbal products.
Hovid Limited *	Hong Kong Special Administrative Region, China	60.00	60.00	60.00	Trading of pharmaceutical products.
Hovid Life Science Pte. Ltd. *^	India	100.00	100.00	100.00	Inactive.
Hovid International Limited ×	British Virgin Islands	100.00	100.00	100.00	Inactive.
Hovid Research Sdn. Bhd.	Malaysia	100.00	100.00	100.00	Establishing, maintaining and operating laboratories and shops, for the purpose of carrying on chemical, physical and other research and developments in medicine, chemistry, industry and other unrelated or related fields.

7. INVESTMENT IN SUBSIDIARIES (continued)

Details of subsidiaries are as follows: (continued)

Name of the company	Country of incorporation	Effective Group's interest (%) 30.06.2013	30.06.2012	01.07.2011	Principal activities
Best Practice International Sdn. Bhd.	Malaysia	100.00	100.00	100.00	Inactive.
Agrovid S.A.S×	Republic of Colombia	92.83	100.00	100.00	Engaged in agro-industrial exploitation of productive species and cultivation and commercialisation of agriculture crops and livestock. Inactive.
Biodeal Pharmaceuticals Private Limited *	India	51.00	51.00	51.00	Manufacturing of pharmaceutical and consumer products.
Hovid (Hong Kong) Limited *	Hong Kong Special Administrative Region, China	100.00	-	-	Inactive.

* *Not audited by SJ Grant Thornton.*

× *Not required to be audited in the country of incorporation.*

^ *The latest audited financial statements for this subsidiary are for the year ended 31 March 2013. The Directors have consolidated the results of this subsidiary based on its audited 9 months and unaudited 3 months management financial statements as at 30 June 2013.*

Struck-off in 2012.

8. INVESTMENT IN AN ASSOCIATE

	GROUP 30.06.2013 RM'000	30.06.2012 RM'000	01.07.2011 RM'000	COMPANY 30.06.2013 RM'000	30.06.2012 RM'000	01.07.2011 RM'000
At cost						
Quoted shares in Malaysia	-	-	24,557	-	-	38,544
Share of post-acquisition reserves	-	-	(9,102)	-	-	-
	-	-	15,455	-	-	38,544
Less: Accumulated impairment losses	-	-	(1,422)	-	-	(24,511)
	-	-	14,033	-	-	14,033

The movement in the accumulated impairment losses is as follows:

	GROUP 2013 RM'000	2012 RM'000	COMPANY 2013 RM'000	2012 RM'000
At 1 July	-	1,422	-	24,511
Transferred to other investment	-	-	-	(24,511)
Impairment loss reversed	-	(1,422)	-	-
At 30 June	-	-	-	-

8. INVESTMENT IN AN ASSOCIATE (continued)

In 2011, the carrying value of the quoted shares in Malaysia was based on the market value of RM14,033,000. These quoted shares were pledged to a bank for a term loan granted to the Company.

On 15 August 2011, the Company has proposed to distribute a portion of its shareholding interest in Carotech Berhad ("Carotech") by way of dividend-in-specie to the shareholders of the Company, on the basis of 25 ordinary shares of RM0.10 each in Carotech for every 100 ordinary shares of RM0.10 each held in the Company.

On 23 December 2011, upon completion of dividend-in-specie, interest in Carotech has been reduced from 38.5% to 17.6% and it was accounted for as other investment as disclosed in Note 9. The investment in Carotech as an associate was deemed disposed. As a result of the deemed disposal, the Group recognised a gain amounting to approximately RM7.684 million.

Details of the associate are as follows:

Name of the company	Country of incorporation	Effective Group's interest (%) 30.06.2013	30.06.2012	01.07.2011	Principal activities
Carotech Berhad	Malaysia	-	-	38.45	Extraction and processing of nutrients from palm oil for the purpose of manufacturing and producing pharmaceutical, phytonutrient and oleochemical products.
Carotech Inc.	United States of America	-	-	38.45	Sales agency and marketing of pharmaceutical, phytonutrient and oleochemical products.
Carotech Bio-Fuel Sdn. Bhd.	Malaysia	-	-	38.45	Inactive.
Carotech Yangzhou Biofuel Company Limited	The People's Republic of China	-	-	38.45	Inactive.
Carotech Bio-Vits Sdn. Bhd.	Malaysia	-	-	38.45	Inactive.

The summary of financial information for the associate, not adjusted for the percentage ownership held by the Group is as follows:

GROUP 01.07.2011	Effective ownership interest	Revenue # (100%) RM'000	Loss # (100%) RM'000	Total assets (100%) RM'000	Total liabilities (100%) RM'000
Equity accounted					
Carotech Berhad	38.45%	32,233	23,672	341,785	313,189

relates to the period from 1 September 2010 to 30 June 2011.

9. OTHER INVESTMENT

	GROUP			COMPANY		
	30.06.2013 RM'000	30.06.2012 RM'000	01.07.2011 RM'000	30.06.2013 RM'000	30.06.2012 RM'000	01.07.2011 RM'000
Available-for-sale investment						
Unquoted shares in Malaysia	6,412	6,412	-	17,612	17,612	-
Less: Accumulated impairment losses	(6,412)	(6,412)	-	(17,612)	(17,612)	-
	-	-	-	-	-	-

The movement in the accumulated impairment losses is as follows:

	GROUP		COMPANY	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
At 1 July	6,412	-	17,612	-
Transferred from investment in an associate	-	-	-	24,511
Impairment loss recognised	-	6,412	-	6,412
Impairment loss written off	-	-	-	(13,311)
At 30 June	6,412	6,412	17,612	17,612

10. DEFERRED TAX ASSETS AND LIABILITIES

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	GROUP			COMPANY		
	30.06.2013 RM'000	30.06.2012 RM'000	01.07.2011 RM'000	30.06.2013 RM'000	30.06.2012 RM'000	01.07.2011 RM'000
Deferred tax assets:						
Others	451	186	125	-	-	-
	451	186	125	-	-	-
Deferred tax liabilities:						
Property, plant and equipment	(10,023)	(6,198)	(6,283)	(8,754)	(5,515)	(5,213)
Intangible assets	(3,975)	(5,038)	(4,619)	(3,975)	(5,038)	(4,619)
Others	-	(278)	(444)	-	-	-
	(13,998)	(11,514)	(11,346)	(12,729)	(10,553)	(9,832)
Net tax liabilities	(13,547)	(11,328)	(11,221)	(12,729)	(10,553)	(9,832)

10. DEFERRED TAX ASSETS AND LIABILITIES (continued)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	GROUP		
	30.06.2013 RM'000	30.06.2012 RM'000	01.07.2011 RM'000
Carrying amount of qualifying property, plant and equipment in excess of their tax base	-	(14)	(21)
Unabsorbed capital allowances	728	343	341
Unutilised tax losses	5,350	3,381	3,185
	6,078	3,710	3,505

Deferred tax assets have not been recognised in respect of these items because it was not probable that future taxable profit will be available against which a subsidiary could utilise the benefits therefrom.

Movement in temporary differences during the year

GROUP	At 1 July 2011 RM'000	Recognised in profit or loss (Note 23) RM'000	Exchange differences RM'000	At 30 June 2012 RM'000	Recognised in profit or loss (Note 23) RM'000	Recognised in equity RM'000	Exchange differences RM'000	At 30 June 2013 RM'000
Deferred tax liabilities								
- Property, plant and equipment	(6,283)	(209)	294	(6,198)	(1,608)	(2,319)	102	(10,023)
- Intangible assets	(4,619)	(419)	-	(5,038)	1,063	-	-	(3,975)
- Others	(444)	168	(2)	(278)	278	-	-	-
Deferred tax assets								
- Others	125	48	13	186	276	-	(11)	451
	(11,221)	(412)	305	(11,328)	9	(2,319)	91	(13,547)
COMPANY								
Deferred tax liabilities								
- Property, plant and equipment	(5,213)	(302)	-	(5,515)	(1,489)	(1,750)	-	(8,754)
- Intangible assets	(4,619)	(419)	-	(5,038)	1,063	-	-	(3,975)
	(9,832)	(721)	-	(10,553)	(426)	(1,750)	-	(12,729)

11. INVENTORIES

	GROUP			COMPANY		
	30.06.2013 RM'000	30.06.2012 RM'000	01.07.2011 RM'000	30.06.2013 RM'000	30.06.2012 RM'000	01.07.2011 RM'000
Raw materials	8,053	9,725	6,763	6,852	9,190	6,141
Work-in-progress	1,214	2,113	1,663	1,214	1,959	1,663
Finished goods	11,273	12,264	10,121	3,570	3,775	3,449
Trading goods	3,529	2,502	2,656	-	-	-
Packing materials	2,268	2,939	2,485	1,883	2,348	1,826
	26,337	29,543	23,688	13,519	17,272	13,079
Recognised in profit or loss						
Inventories recognised as cost of sales	77,925	74,207	70,751	71,125	70,693	62,290
Inventories written off	428	763	533	319	471	438
Inventories written down	307	183	308	24	94	287
Inventories written back	12	-	-	12	-	-

12. RECEIVABLES, DEPOSITS AND PREPAYMENTS

	GROUP			COMPANY		
	30.06.2013 RM'000	30.06.2012 RM'000	01.07.2011 RM'000	30.06.2013 RM'000	30.06.2012 RM'000	01.07.2011 RM'000
Trade						
Trade receivables	30,754	33,896	31,224	4,989	6,834	5,919
Less: Accumulated impairment losses	(847)	(763)	(480)	-	-	-
	29,907	33,133	30,744	4,989	6,834	5,919
Amount due from subsidiaries						
- interest bearing	-	-	-	30,499	32,010	24,160
- non-interest bearing	-	-	-	3,428	2,230	2,735
Less: Accumulated impairment losses	-	-	-	(871)	(856)	(917)
	-	-	-	33,056	33,384	25,978
Total trade	29,907	33,133	30,744	38,045	40,218	31,897
Non-trade						
Other receivables	18,563	18,784	902	17,934	17,872	16
Less: Accumulated impairment losses	(17,073)	(17,725)	-	(17,073)	(17,725)	-
	1,490	1,059	902	861	147	16
Non-trade						
Amount due from subsidiaries						
- interest bearing	-	-	-	6,832	6,290	7,108
- non-interest bearing	-	-	-	3,957	4,870	6,210
	-	-	-	10,789	11,160	13,318
Less: Accumulated impairment losses	-	-	-	(3,710)	(3,799)	(3,869)
	-	-	-	7,079	7,361	9,449
Amount due from an associate	-	-	22,608	-	-	22,608
Less: Accumulated impairment losses	-	-	(22,092)	-	-	(22,092)
	-	-	516	-	-	516
	1,490	1,059	1,418	7,940	7,508	9,981
Prepayments	1,727	1,782	1,914	1,491	1,466	1,658
Deposits	4,548	8,869	3,679	4,401	8,728	3,549
Total non-trade	7,765	11,710	7,011	13,832	17,702	15,188
Total trade and non-trade	37,672	44,843	37,755	51,877	57,920	47,085

12. RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

The movement in the accumulated impairment losses on other receivables is as follows:

	GROUP		COMPANY	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
At 1 July	17,725	-	17,725	-
Transferred from amount due from an associate	-	22,092	-	22,092
Impairment loss reversed	(652)	(4,367)	(652)	(4,367)
At 30 June	17,073	17,725	17,073	17,725

The movement in the accumulated impairment losses on amount due from an associate is as follows:

	GROUP		COMPANY	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
At 1 July	-	22,092	-	22,092
Transferred to other receivables	-	(22,092)	-	(22,092)
At 30 June	-	-	-	-

The amount due from subsidiaries is unsecured, non-interest bearing and have no fixed terms of repayment except for interest bearing portion which is subject to an interest at 9.00% (30.06.2012: 8.00%, 01.07.2011: 7.10% to 8.00%) per annum.

Included in receivables of the Group and of the Company are amounts owing by a company in which a Director has substantial financial interest as follows:

	30.06.2013 RM'000	30.06.2012 RM'000	01.07.2011 RM'000
Trade receivables	21	-	-
Other receivables	614	-	-

The amount due from a company in which a Director has substantial financial interest is unsecured, non-interest bearing and has no fixed terms of repayment.

In 2011, the amount due from an associate was unsecured, interest bearing ranging from 7.10% to 8.00% per annum and has no fixed terms of repayment.

13. CASH AND DEPOSITS

	GROUP			COMPANY		
	30.06.2013 RM'000	30.06.2012 RM'000	01.07.2011 RM'000	30.06.2013 RM'000	30.06.2012 RM'000	01.07.2011 RM'000
Deposits with licensed banks	1,599	585	897	594	578	869
Cash and bank balances	25,206	22,622	7,872	17,449	15,776	2,661
	26,805	23,207	8,769	18,043	16,354	3,530

All deposits with licensed banks are pledged for bank facilities granted to the Company and a subsidiary.

14. CAPITAL AND RESERVES

14.1 Share capital

	Par Value RM	GROUP AND COMPANY 30.06.2013 Number of shares ('000)	30.06.2012 Number of shares ('000)	01.07.2011 Number of shares ('000)	30.06.2013 RM'000	30.06.2012 RM'000	01.07.2011 RM'000
Authorised							
Brought/Carried forward	0.10	2,000,000	2,000,000	2,000,000	200,000	200,000	200,000
Issued and fully paid							
Brought/Carried forward	0.10	762,080	762,080	762,080	76,208	76,208	76,208

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company residual assets.

14.2 Share premium

	GROUP AND COMPANY RM'000
Non-distributable	
1 July 2011/30 June 2012/30 June 2013	90

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefit.

14.3 Reserves

	GROUP 30.06.2013 RM'000	GROUP 30.06.2012 RM'000	GROUP 01.07.2011 RM'000	COMPANY 30.06.2013 RM'000	COMPANY 30.06.2012 RM'000	COMPANY 01.07.2011 RM'000
Non-distributable						
Exchange fluctuation reserve						
Brought forward	(683)	-	299	-	-	-
Foreign exchange translation differences for foreign operations	(556)	(682)	(72)	-	-	-
Share of foreign exchange of an associate	-	(32)	-	-	-	-
Realised on disposal of an associate	-	32	-	-	-	-
Realised on strike-off of a subsidiary	-	(1)	-	-	-	-
Realised on disposal of a subsidiary	-	-	(227)	-	-	-
Carried forward	(1,239)	(683)	-	-	-	-
Warrant reserve						
Brought forward	7,004	7,004	7,004	7,004	7,004	7,004
Issued during the year	7,621	-	-	7,621	-	-
Warrants issue expenses	(554)	-	-	(554)	-	-
Realised upon expiry of Warrants 2008/2013	(7,004)	-	-	(7,004)	-	-
Carried forward	7,067	7,004	7,004	7,067	7,004	7,004

14. CAPITAL AND RESERVES (continued)

14.3 Reserves (continued)

	GROUP			COMPANY		
	30.06.2013 RM'000	30.06.2012 RM'000	01.07.2011 RM'000	30.06.2013 RM'000	30.06.2012 RM'000	01.07.2011 RM'000
Non-distributable						
Revaluation reserve						
Brought forward	6,533	6,493	22,995	6,137	6,137	6,137
Realised on disposal of a subsidiary	-	-	(16,502)	-	-	-
Revaluation of property, plant and equipment upon transfer to investment properties	-	40	-	-	-	-
Revaluation of land and buildings	23,778	-	-	9,769	-	-
Carried forward	30,311	6,533	6,493	15,906	6,137	6,137
Less: Deferred taxation						
Brought forward	(1,825)	(1,825)	(6,510)	(1,795)	(1,795)	(1,795)
Realised on disposal of a subsidiary	-	-	4,685	-	-	-
Revaluation of land and buildings (Note 10)	(2,319)	-	-	(1,750)	-	-
Carried forward	(4,144)	(1,825)	(1,825)	(3,545)	(1,795)	(1,795)
Revaluation reserve, net of tax	26,167	4,708	4,668	12,361	4,342	4,342
Fair value reserve						
Brought forward	-	-	-	-	-	-
Fair value loss	-	(2,404)	-	-	(2,404)	-
Impairment loss reclassified to profit or loss	-	2,404	-	-	2,404	-
Carried forward	-	-	-	-	-	-
Total reserves	31,995	11,029	11,672	19,428	11,346	11,346

(i) Exchange fluctuation reserve

The exchange fluctuation reserve represents exchange differences arising from the translation of the financial statements of foreign operation whose functional currencies are different from that of the Group's presentation currency.

(ii) Warrant reserve

The warrant reserve represents monies received from renounceable rights issue of 381,040,000 five-year warrants 2013/2018 ("Warrants") on the basis of one warrant for every two new ordinary shares held at an issue price of RM0.02 per warrant.

Salient terms of the Warrants

The salient terms of the Warrants are as follows:

(a) The issue date of the Warrants is 6 June 2013 and the expiry date is 5 June 2018. Any Warrants not exercised during the exercise period will lapse and cease to be valid for any purpose;

(b) Each Warrant shall entitle the registered holder during the exercise period to subscribe for one new ordinary share of RM0.10 each in the Company at an exercise price of RM0.18 per warrant unless otherwise adjusted pursuant to the provisions of the Deed Poll; and

14. CAPITAL AND RESERVES (continued)

14.3 Reserves (continued)

(ii) Warrant reserve (continued)

Salient terms of the Warrants (continued)

The salient terms of the Warrants are as follows: (continued)

(c) The new ordinary shares of RM0.10 each to be issued pursuant to the exercise of the Warrants shall upon allotment and issue, rank pari passu in all respects with the existing ordinary shares of RM0.10 each save and except that they will not be entitled to any rights, allotments, dividends and/or other distributions declared, where the entitlement date precedes the relevant dates of allotment of such ordinary shares of RM0.10 each.

None of the Warrants issued was exercised during the financial year.

(iii) Revaluation reserve

The revaluation reserve relates to the revaluation of land and buildings.

(iv) Fair value reserve

The fair value reserve represents the cumulative fair value changes, net of tax, of available-for-sale investment.

14.4 Retained earnings

Subject to agreement by the Inland Revenue Board, the Company has sufficient credit under Section 108 of the Income Tax Act, 1967 and tax exempt income to frank the entire distributable reserves at 30 June 2013 if paid out as dividends without incurring additional tax liabilities.

The Finance Act, 2007 introduced a single tier company income tax system with effect from year of assessment 2008. As such, the Section 108 tax credit as at 30 June 2013 will be available to the Company until such time the credit is fully utilised or upon expiry of the six-year transitional period on 31 December 2013, whichever is earlier.

As at reporting date, the Company has not elected for single tier income tax system.

15. PROVISION FOR RETIREMENT BENEFITS

The retirement benefits plan is for the Managing Director in accordance with his employment contract signed with the Company.

The amount recognised in the Group's and in the Company's statements of financial position is analysed as follows:

	GROUP AND COMPANY		
	30.06.2013 RM'000	30.06.2012 RM'000	01.07.2011 RM'000
Non-current liabilities			
Provision for retirement benefits			
- Present value of unfunded obligation	1,584	1,385	1,199

The expense recognised in the Group's and in the Company's profit or loss is analysed as follows:

	GROUP AND COMPANY		
	30.06.2013 RM'000	30.06.2012 RM'000	01.07.2011 RM'000
Current service cost	131	129	(291)
Interest cost	70	60	50
Actuarial gain	(2)	(3)	(4)
Benefit expense	199	186	(245)
Reimbursement rights under insurance policies that exactly match the amount and timing of some of benefits payable under the plan	-	-	269

15. PROVISION FOR RETIREMENT BENEFITS (continued)

	GROUP AND COMPANY		
	30.06.2013 RM'000	30.06.2012 RM'000	01.07.2011 RM'000
Expense recognised in the profit or loss net of the amount recognised for the reimbursement rights under insurance policies	199	186	24

The amounts charged to the profit or loss are included in staff costs.

The unfunded retirement benefit scheme is a defined benefit scheme. Obligation is determined by independent actuaries using the Projected Unit Credit actuarial method. The actuarial valuations were carried out as at 8 April 2011 for the year ended 2013, 2012 and 2011.

The principal actuarial assumptions used in the actuarial valuation in respect of the Group's and of the Company's defined benefit plan were as follows:

(i) Salary escalation of 6.0% per annum.

(ii) Discount interest rate of 5.7% per annum.

(iii) Medical cost inflation of 5.0% per annum.

16. LOANS AND BORROWINGS

The contractual terms of the Group's and of the Company's interest bearing loans and borrowings are as follows:

	GROUP			COMPANY		
	30.06.2013 RM'000	30.06.2012 RM'000	01.07.2011 RM'000	30.06.2013 RM'000	30.06.2012 RM'000	01.07.2011 RM'000
Non-current liabilities						
Secured term loans	3,904	5,547	8,912	2,304	3,357	4,824
Unsecured term loan	22	-	-	-	-	-
Finance lease liabilities	289	684	1,664	17	375	1,406
	4,215	6,231	10,576	2,321	3,732	6,230
Current liabilities						
Secured term loans	1,480	2,939	3,363	1,036	1,579	2,006
Unsecured term loan	30	-	-	-	-	-
Secured bank overdrafts	2,051	7,533	6,096	355	6,093	4,721
Unsecured bank overdrafts	16	-	-	-	-	-
Secured bankers' acceptance	3,911	19,304	20,260	3,911	19,304	20,260
Unsecured bankers' acceptance	-	-	1,135	-	-	-
Secured revolving credit	-	6,000	6,000	-	6,000	6,000
Finance lease liabilities	490	1,168	2,173	357	1,024	2,061
	7,978	36,944	39,027	5,659	34,000	35,048
Total loans and borrowings	12,193	43,175	49,603	7,980	37,732	41,278

Security

GROUP

(i) Term loans

The secured term loans are secured by way of:

(a) fixed charges over a leasehold land and buildings of the Company;

(b) fixed charges over a freehold land and buildings of the Company;

16. LOANS AND BORROWINGS (continued)

Security (continued)

GROUP

(i) Term loans (continued)

The term loans are secured by way of: (continued)

(c) lien holder's caveat over the leasehold land of the Company;

(d) debentures incorporating fixed and floating charges over all present and future assets of the Company;

(e) fixed charges over land and buildings and investment properties of a subsidiary;

(f) facility agreements;

(g) negative pledge;

(h) specific debentures incorporating fixed charges over certain plant and machinery of the Company; and

(i) fixed deposits pledged.

As at 1 July 2011, a term loan facility amounted to RM428,000 were secured against the following:

(a) a first legal charge under Memorandum of Deposit over the Company's entire shares of a listed associate and/or other marketable quoted shares acceptable by the banker ("Pledged Shares");

(b) a first legal charge under Memorandum of Deposit over cash equivalent to 3 months interest; and

(c) an assignment over dividends received under the Pledged Shares.

(ii) Bank overdrafts, bankers' acceptance and revolving credit

The bank overdrafts, bankers' acceptance and revolving credit are secured by way of:

(a) fixed charges over a leasehold land and buildings of the Company;

(b) fixed charges over a freehold land and buildings of the Company;

(c) lien holder's caveat over the leasehold land and buildings of the Company;

(d) debentures incorporating fixed and floating charges over all present and future assets of the Company;

(e) facility agreements; and

(f) negative pledge.

COMPANY

Significant covenants and terms

On 26 May 2011, two debentures have been executed by the Company with Malaysian Trustees Berhad ("Security Agent") for the lender banks waiving any and all events of cross default of a former subsidiary which have arisen prior to the date of the Debentures.

Significant covenants and terms included in the two debentures are:

(a) Covenant to pay

The Company covenants with the Security Agent who acts for the lender banks, that it will duly and punctually pay to the lender banks, their respective secured amounts and discharge all its other obligations with respect to the secured amounts in accordance with the provisions of the respective existing facilities agreements.

16. LOANS AND BORROWINGS (continued)

COMPANY

Significant covenants and terms (continued)

Significant covenants and terms included in the two debentures are: (continued)

(b) Security

Fixed and floating charges

The Company as beneficial owner charges in favour of the Security Agent as security for the payment in full of the secured amounts:

(i) by way of a fixed charge in point of priority and security:

- all properties, plant and equipment of the Company, both present and future except for the properties which are already charged as security in favour of the lender banks, of which only the residual value after satisfaction of the relevant security affecting the properties; and

- all shares, bonds and securities of any kind whatsoever, whether marketable or otherwise and all other interests, including but not limited to loan capital of the Company both present and future but excluding the quoted shares of a former subsidiary owned by the Company, which have been charged to another lender bank.

(ii) by way of a floating charge in point of priority and security over all its other movable and immovable property, other assets and rights to the Company, but not limited to trade assets and stock in trade of the Company and the benefit of any security interest and securities from time to time and at any time held by the Company in respect of any such and all other rights whatsoever and wheresoever, both present and future and all the property described in the Debentures and so that such floating charge shall be subject to the provisions of the Debentures and all things in action due or owing or which may become due or owing to or purchased or otherwise acquired by the Company.

(c) Continuing security

The security created is expressly intended to be and shall be a continuing security for the secured amounts and the charges, covenants and provisions contained in the Debentures shall remain in force as a continuing security to the Security Agent, for and on behalf of the lender banks notwithstanding any settlement of account or any other act, event or matter whatsoever, except upon the execution under a written agreement by the Security Agent for and on behalf of the lender banks of an absolute and unconditional release or the execution by the Security Agent, for and on behalf of the lender banks, of a receipt for all (and not part only) of the secured amounts.

(d) Restrictions against other security interests

Other than the security created under the existing security documents and facilities agreements, there is no mortgage charge or debenture or any security interest upon any of the Company's properties, assets and undertaking secured by the Debentures and:

(i) the Company shall not during the subsistence of this Debenture, without the consent in writing of the Security Agent acting on the instructions of the majority creditors, create or allow to arise or exist any form of security interest in respect of any of the properties, assets or undertakings of the Company covered by these Debentures, the existing security documents and the security interest permitted under the existing facilities agreements and the other facilities agreements;

(ii) the Company hereby covenants that it shall not, without the prior written consent of the Security Agent acting on the instructions of the majority creditors:

- pledge, charge or otherwise encumber any of the assets hereby charged or any part thereof or attempt or agree so to do; and

- part with possession of, transfer, sell, lease or otherwise dispose of the assets hereby charged or any part thereof or attempt or agree so to do; and

(iii) the Company shall not deal with its book debts and other debts otherwise than by collecting them in the ordinary course of the Company's business and in particular the Company will not realise its book debts by means of block discounting and debt factoring.

16. LOANS AND BORROWINGS (continued)

COMPANY

Significant covenants and terms (continued)

In 2011, a term loan facility of the Company was subject to the fulfilment of the following significant covenants:

(i) Debts to Equity Ratio calculated at the end of the financial year based on its audited financial statements shall not exceed 3.0 during the tenure of the term loan facility;

(ii) Dividend payments to its shareholders shall not exceed 50% of the preceding year's net profit after tax; and

(iii) Not to declare and pay dividend in the event there is breach of obligations and/or covenants in relation to the term loan facility.

In 2012, the Company has fully settled the said term loan.

Finance lease liabilities

Finance lease liabilities are payable as follows:

	GROUP			COMPANY		
	Minimum lease payments RM'000	Interest RM'000	Principal RM'000	Minimum lease payments RM'000	Interest RM'000	Principal RM'000
30.06.2013						
Less than 1 year	519	29	490	367	10	357
Between 1 and 5 years	307	18	289	17	-	17
	826	47	779	384	10	374
30.06.2012						
Less than 1 year	1,236	68	1,168	1,070	46	1,024
Between 1 and 5 years	719	35	684	385	10	375
	1,955	103	1,852	1,455	56	1,399
01.07.2011						
Less than 1 year	2,350	177	2,173	2,221	160	2,061
Between 1 and 5 years	1,742	78	1,664	1,462	56	1,406
	4,092	255	3,837	3,683	216	3,467

17. LONG-TERM ADVANCES

GROUP

Long-term advances are granted by certain shareholders of the subsidiaries. These amounts are non-trade in nature, unsecured, have no fixed terms of repayment and interest free, except for an amount of RM5,789,000 (30.06.2012: RM5,762,000, 01.07.2011: RM6,348,000) which is subject to an interest rate at 10% (30.06.2012: 10%, 01.07.2011: 12%) per annum.

18. PAYABLES AND ACCRUALS

	GROUP			COMPANY		
	30.06.2013 RM'000	30.06.2012 RM'000	01.07.2011 RM'000	30.06.2013 RM'000	30.06.2012 RM'000	01.07.2011 RM'000
Trade						
Trade payables	11,687	13,532	12,974	9,731	12,075	11,609
Non-trade						
Other payables	13,864	17,930	7,517	11,139	15,134	6,002
Accrued expenses	1,854	2,565	4,771	735	1,259	2,044
Amount due to subsidiaries	-	-	-	1,686	338	689
	15,718	20,495	12,288	13,560	16,731	8,735
	27,405	34,027	25,262	23,291	28,806	20,344

18. PAYABLES AND ACCRUALS (continued)

Trade payables are non-interest bearing and are generally on 30 to 120 (30.06.2012: 30 to 120, 01.07.2011: 30 to 120) days term.

The following is included in other payables of the Group and of the Company:

	GROUP			COMPANY		
	30.06.2013 RM'000	30.06.2012 RM'000	01.07.2011 RM'000	30.06.2013 RM'000	30.06.2012 RM'000	01.07.2011 RM'000
(i) Amount owing to a Company in which a person connected with a Director has substantial financial interest	33	63	72	32	43	70
(ii) Amount owing to a Company in which a Director has substantial financial interest	-	1	101	-	1	101

The amount due to subsidiaries is unsecured, non-interest bearing and has no fixed terms of repayment.

19. REVENUE

	GROUP		COMPANY	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Revenue is stated at gross invoiced values and comprises:				
Goods sold	172,414	162,555	128,942	126,606
Services	96	2,253	-	-
	172,510	164,808	128,942	126,606

20. FINANCE COSTS

	GROUP		COMPANY	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Interest expense:				
- bank overdrafts	574	810	342	566
- term loans	475	751	245	345
- other borrowings	1,320	1,632	728	1,302
	2,369	3,193	1,315	2,213

21. FINANCE INCOME

	GROUP		COMPANY	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Interest income recognised in profit or loss	3	1,647	2,084	3,330

NOTES TO THE FINANCIAL STATEMENTS
- 30 JUNE 2013 (continued)

22. PROFIT BEFORE TAX

	GROUP		COMPANY	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Profit before tax is arrived at after charging:				
Amortisation of intangible assets	550	494	550	494
Auditors' remuneration:				
- Audit services:				
- Auditors of the Company	72	71	40	38
- Affiliates of the auditors of the Company	23	-	-	-
- Other auditors	15	30	-	-
- Other services:				
- Auditors of the Company	25	28	25	28
- Other auditors	4	1	-	-
Bad debts written off	80	-	-	-
Defined benefit plan expenses for a Director	199	186	199	186
Depreciation of property, plant and equipment	5,320	5,188	3,737	3,592
Direct operating expenses of investment properties				
- generating income	6	6	-	-
Impairment loss on investment in a subsidiary	-	-	-	5,604
Impairment loss for goodwill	-	4,212	-	-
Impairment loss on receivables	339	306	-	-
Impairment loss on available-for-sale investment	-	6,412	-	6,412
Inventories written down	307	183	24	94
Inventories written off	428	763	319	471
Loss on foreign exchange:				
- realised	11	1	-	-
- unrealised	323	152	-	152
Revaluation deficit of land and buildings	12	-	-	-
Personnel expenses (including key management personnel):				
- Contributions to Employees' Provident Fund	3,753	3,182	2,330	1,928
- Wages, salaries and others	39,643	35,890	23,335	20,890
Product development expenditure written off	2,545	2,226	2,545	2,226
Property, plant and equipment written off	42	35	23	2
Rental expense of equipment	30	61	21	-
Rental expense of premises	598	549	142	127
Loss on disposal of property, plant and equipment	-	-	1	-
and after crediting:				
Changes in fair value of investment properties	320	150	-	-
Gain on deemed disposal of an associate	-	7,684	-	-
Gain on disposal of property, plant and equipment	60	30	-	-
Gain on foreign exchange:				
- realised	1,457	1,933	1,394	1,788
- unrealised	-	-	51	-
Gain on distribution of dividend-in-specie	-	952	-	952
Inventories written back	12	-	12	-
Rental income from investment properties	52	55	-	-
Rental income from premises	8	80	266	338
Rental income from equipment	-	-	306	660
Reversal of impairment loss on investment in an associate	-	1,422	-	-
Reversal of impairment loss on receivables	718	4,397	726	4,498

23. INCOME TAX EXPENSE

(i) Recognised in profit or loss:

	GROUP		COMPANY	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Income tax expense	5,297	6,498	5,150	6,175

Major components of income tax expense include:

	GROUP		COMPANY	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Current tax expense				
Malaysia - current year	5,085	5,508	4,724	5,221
- prior years	(11)	235	-	233
Overseas - current year	232	343	-	-
	5,306	6,086	4,724	5,454
Deferred tax expense				
Origination and reversal of temporary differences (Note 10)	(9)	412	426	721
	5,297	6,498	5,150	6,175

(ii) The reconciliation of income tax expense applicable to profit before tax at the statutory tax rate to income tax expenses at the effective tax rate of the Group and of the Company are as follows:

	GROUP		COMPANY	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Profit for the year	20,473	15,758	17,896	13,046
Income tax expense	5,297	6,498	5,150	6,175
Profit before tax	25,770	22,256	23,046	19,221

	GROUP		COMPANY	
	2013 %	2012 %	2013 %	2012 %
Statutory income tax rate of Malaysia	25	25	25	25
Non-deductible expenses	2	30	3	21
Reinvestment allowances utilised	-	(1)	-	(1)
Non-taxable income	(2)	(8)	(3)	(9)
Tax incentives	(6)	(3)	(2)	(2)
Changes in unrecognised temporary differences	2	(2)	-	-
Share of post tax result of an associate	-	(10)	-	-
Foreign jurisdiction differential in tax rates	2	-	-	-
Over provision of deferred taxation in prior years	(1)	(3)	(1)	(3)
	22	28	22	31
(Over)/Under provision in prior years	(1)	1	-	1
Average effective tax rate	21	29	22	32

The Group's unabsorbed capital allowances and unutilised tax losses amounted to approximately RM728,000 (2012: RM343,000) and RM5,350,000 (2012: RM3,381,000) respectively.

However, the above amount is subject to approval of the Inland Revenue Board of Malaysia and relevant tax authorities of foreign subsidiaries.

24. EARNINGS PER SHARE

Basic earnings per share

The basic earnings per share has been calculated by dividing the Group's profit attributable to equity holders by the weighted average number of ordinary shares in issue during the financial year.

	2013	2012
Profit attributable to ordinary equity holders of the Company (RM'000)	20,327	15,682
Weighted average number of ordinary shares in issue (unit'000)	762,080	762,080
Basic earnings per share ("EPS") (sen)	2.67	2.06

Diluted earnings per share

For the purpose of calculating diluted earnings per share, the profit attributable to equity holders and the weighted average number of ordinary shares in issue during the year have been adjusted for the dilutive effects of all potential ordinary shares, i.e., warrants in issue.

	2013	2012
Profit attributable to ordinary equity holders of the Company (RM'000)	20,327	15,682
Weighted average number of ordinary shares in issue (unit'000)	762,080	762,080
Effect of Warrants (unit'000)	381,040	381,040
Adjusted weighted average number of ordinary shares (unit'000)	1,143,120	1,143,120
Diluted EPS (sen)	1.78	1.37

25. DIVIDEND

On 13 September 2013, the Directors declared an interim dividend of 1.3 sen per ordinary share less 25% tax in respect of the financial year ended 30 June 2013, which is payable on 20 November 2013.

The financial statements for current year do not reflect this dividend. Such dividend will be accounted for in equity as an appropriation of retained earnings in the financial year ending 30 June 2014.

Dividend recognised in the previous financial year by the Company is:

	Sen per share	Total amount RM'000	Date of payment
2012			
Interim tax exempt dividend	4.5	8,573	23 December 2011

26. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensations are as follows:

	GROUP		COMPANY	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Directors' remuneration				
- Fees	210	183	210	183
- Emoluments	2,549	2,028	1,269	780
Total short-term employee benefits	2,759	2,211	1,479	963

26. KEY MANAGEMENT PERSONNEL COMPENSATION (continued)

The key management personnel compensations are as follows: (continued)

	GROUP		COMPANY	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Post-employment benefits				
- Defined benefit plan expenses for a Director	199	186	199	186
	2,958	2,397	1,678	1,149
Other key management personnel				
- Short-term employee benefits	2,702	2,362	2,496	2,160
- Other long-term benefits	341	291	341	291
	6,001	5,050	4,515	3,600

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly and includes all the Directors of the Group.

Other key management personnel comprise persons other than the Directors of Group entities, having authority and responsibility for planning, directing and controlling the activities of the Group entities either directly or indirectly.

In addition to their salaries, the Group also provides non-cash benefits to Directors amounted to RM32,300 (2012: RM34,800).

27. OPERATING SEGMENTS

The Group has two operating and reportable segments as described below:

Pharmaceutical	Manufacture and sale of pharmaceutical products.
Phytonutrient	Extraction and processing of nutrients from palm oil for the purpose of manufacturing and producing of pharmaceutical, phytonutrient and oleochemicals/biodiesel products.

Management monitors the operating results of business segments separately for the purpose of making decisions about resources to be allocated and of assessing performance.

Segment profit

Performance is measured based on segment profit before interest and tax as included in the internal management reports that are reviewed by the Board of Directors.

Segment assets

The total of segment asset is measured based on all assets (including goodwill) of a segment, as included in the internal management reports that are reviewed by the Board of Directors.

Segment liabilities

The total of segment liabilities is measured based on all liabilities of a segment, as included in the internal management reports that are reviewed by the Board of Directors.

Business Segments

2013

Business segments are not presented as the Group operates in one major business segment being manufacturing and sale of pharmaceutical products.

27. OPERATING SEGMENTS (continued)

Business Segments (continued)

2012	Note	Pharmaceutical RM'000	Phytonutrient RM'000	Eliminations RM'000	Total RM'000
Revenue					
External revenue		164,808	-	-	164,808
Inter-segment revenue	i	70,202	-	(70,202)	-
Total revenue		235,010	-	(70,202)	164,808
Results					
Profit from operations		25,848	7,060	-	32,908
Share of loss in an associate		-	(9,106)	-	(9,106)
Finance costs		(3,193)	-	-	(3,193)
Finance income		1,647	-	-	1,647
Profit/(Loss) before tax		24,302	(2,046)	-	22,256
Income tax expense		(6,498)	-	-	(6,498)
Profit/(Loss) for the year		17,804	(2,046)	-	15,758
Assets					
Segment assets		209,990	-	-	209,990
Unallocated assets	ii				186
Total assets					210,176
Liabilities					
Segment liabilities		84,628	-	-	84,628
Unallocated liabilities	iii				14,277
Total liabilities					98,905
Other information					
Addition to property, plant and equipment		8,436	-	-	8,436
Addition to intangible assets		2,435	-	-	2,435
Changes in fair value of investment properties		150	-	-	150
Depreciation and amortisation		5,682	-	-	5,682
Realised gain on foreign exchange		1,933	-	-	1,933
Gain on disposal of property, plant and equipment		30	-	-	30
Gain on distribution of dividend-in-specie		952	-	-	952
Gain on deemed disposal of an associate		-	7,684	-	7,684
Impairment loss for goodwill		4,212	-	-	4,212
Impairment loss on receivables		306	-	-	306
Impairment loss on available-for-sale investment		-	6,412	-	6,412
Inventories written down		183	-	-	183
Inventories written off		763	-	-	763
Loss on foreign exchange					
- realised		1	-	-	1
- unrealised		152	-	-	152
Product development expenditure written off		2,226	-	-	2,226
Property, plant and equipment written off		35	-	-	35
Reversal of impairment loss on investment in an associate		-	1,422	-	1,422
Reversal of impairment loss on receivables		31	4,366	-	4,397

Notes:
(i) Inter-segment revenues are eliminated on consolidation.
(ii) Unallocated assets consist of tax recoverable and deferred tax assets.
(iii) Unallocated liabilities consist of tax payable and deferred tax liabilities.

27. OPERATING SEGMENTS (continued)

Geographical segments

2013		Sales RM'000	Total assets RM'000	Capital expenditure RM'000
(i)	Asia	139,553	210,177	3,063
(ii)	Africa	30,838	-	-
(iii)	North and South America	1,605	13,503	272
(iv)	Pacific Island	514	-	-
		172,510	223,680	3,335

2012		Sales RM'000	Total assets RM'000	Capital expenditure RM'000
(i)	Asia	132,529	206,014	8,370
(ii)	Africa	30,316	-	-
(iii)	North and South America	1,497	4,162	66
(iv)	Europe	208	-	-
(v)	Pacific Island	258	-	-
		164,808	210,176	8,436

Customers

During the financial year, revenue from one single customer amounted to RM24,897,000 (2012: RM24,944,000) contributed to more than 10% of the Group's revenue.

28. FINANCIAL INSTRUMENTS

28.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(a) Loans and receivables (L&R); and
(b) Other financial liabilities (OL) measured at amortised cost.

30.06.2013	Carrying Amount RM'000	L&R/ (OL) RM'000
Financial assets		
GROUP		
Receivables and deposits	35,945	35,945
Cash and deposits	26,805	26,805
	62,750	62,750
COMPANY		
Receivables and deposits	50,386	50,386
Cash and deposits	18,043	18,043
	68,429	68,429
Financial liabilities		
GROUP		
Loans and borrowings	(18,260)	(18,260)
Payables and accruals	(27,405)	(27,405)
	(45,665)	(45,665)
COMPANY		
Loans and borrowings	(7,980)	(7,980)
Payables and accruals	(23,291)	(23,291)
	(31,271)	(31,271)

28. FINANCIAL INSTRUMENTS (continued)

28.1 Categories of financial instruments (continued)

30.06.2012	Carrying Amount RM'000	L&R/ (OL) RM'000
Financial assets		
GROUP		
Receivables and deposits	43,061	43,061
Cash and deposits	23,207	23,207
	66,268	66,268
COMPANY		
Receivables and deposits	56,454	56,454
Cash and deposits	16,354	16,354
	72,808	72,808
Financial liabilities		
GROUP		
Loans and borrowings	(49,216)	(49,216)
Payables and accruals	(34,027)	(34,027)
	(83,243)	(83,243)
COMPANY		
Loans and borrowings	(37,732)	(37,732)
Payables and accruals	(28,806)	(28,806)
	(66,538)	(66,538)
01.07.2011		
Financial assets		
GROUP		
Receivables and deposits	35,841	35,841
Cash and deposits	8,769	8,769
	44,610	44,610
COMPANY		
Receivables and deposits	45,427	45,427
Cash and deposits	3,530	3,530
	48,957	48,957
Financial liabilities		
GROUP		
Loans and borrowings	(55,951)	(55,951)
Payables and accruals	(25,262)	(25,262)
	(81,213)	(81,213)
COMPANY		
Loans and borrowings	(41,278)	(41,278)
Payables and accruals	(20,344)	(20,344)
	(61,622)	(61,622)

28. FINANCIAL INSTRUMENTS (continued)

28.2 Net gains/(losses) arising from financial instruments

	GROUP		COMPANY	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Net gains/(losses) arising on:				
- Loans and receivables	1,123	1,780	1,343	1,636
- Financial liabilities	(2,369)	(3,193)	(1,315)	(2,213)

28.3 Financial risk management

The Group has exposure to the following risks arising from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

(i) Credit risk

Concentration of credit risk with respect to trade receivables is limited as the Group and the Company have a large number of customers in a broad spectrum of manufacturing and distribution sectors and a variety of end markets. The Group's and the Company's historical experiences in collection of trade receivables fall within the recorded allowances. Due to this factor, the Directors believe that no additional credit risk beyond amounts allowed for collection loss is inherent in the Group's and the Company's trade receivables.

Receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all new trade receivables.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group and the Company. The Group and the Company use ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 30 days, except for customers on Letter of Credit with credit terms ranging from 30 to 45 days, which are deemed to have higher credit risk, are monitored individually.

The exposure of credit risk for trade receivables as at the end of the reporting period by geographical region was:

	GROUP			COMPANY		
	30.06.2013 RM'000	30.06.2012 RM'000	01.07.2011 RM'000	30.06.2013 RM'000	30.06.2012 RM'000	01.07.2011 RM'000
Malaysia	18,688	20,360	19,735	423	1,092	725
Africa	687	1,284	2,701	687	1,283	2,701
Asia	10,012	11,238	8,193	3,358	4,208	2,378
Others	520	251	115	521	251	115
	29,907	33,133	30,744	4,989	6,834	5,919

28. FINANCIAL INSTRUMENTS (continued)

28.3 Financial risk management (continued)

(i) Credit risk (continued)

Impairment losses

The ageing of trade receivables as at the end of the reporting period was:

GROUP

30.06.2013	Gross RM'000	Individually impaired RM'000	Net RM'000
Not past due	24,701	-	24,701
Past due 0-30 days	2,966	-	2,966
Past due 31-60 days	996	-	996
Past due 61-90 days	446	39	407
Past due more than 90 days	1,645	808	837
	30,754	847	29,907
30.06.2012			
Not past due	24,270	-	24,270
Past due 0-30 days	5,556	-	5,556
Past due 31-60 days	1,730	-	1,730
Past due 61-90 days	731	-	731
Past due more than 90 days	1,609	763	846
	33,896	763	33,133
01.07.2011			
Not past due	19,739	-	19,739
Past due 0-30 days	6,836	-	6,836
Past due 31-60 days	2,754	-	2,754
Past due 61-90 days	1,023	-	1,023
Past due more than 90 days	872	480	392
	31,224	480	30,744

COMPANY

30.06.2013	Gross RM'000	Individually impaired RM'000	Net RM'000
Not past due	37,701	-	37,701
Past due 0-30 days	256	5	251
Past due 31-60 days	5	5	-
Past due 61-90 days	1	-	1
Past due more than 90 days	953	861	92
	38,916	871	38,045
30.06.2012			
Not past due	37,778	62	37,716
Past due 0-30 days	1,717	5	1,712
Past due 31-60 days	136	-	136
Past due 61-90 days	568	-	568
Past due more than 90 days	875	789	86
	41,074	856	40,218
01.07.2011			
Not past due	27,617	271	27,346
Past due 0-30 days	3,054	39	3,015
Past due 31-60 days	813	-	813
Past due 61-90 days	701	-	701
Past due more than 90 days	629	607	22
	32,814	917	31,897

28. FINANCIAL INSTRUMENTS (continued)

28.3 Financial risk management (continued)

(i) Credit risk (continued)

Impairment losses (continued)

The movement in the accumulated impairment losses of trade receivables were as follows:

	GROUP	
	2013	**2012**
	RM'000	**RM'000**
At 1 July	763	480
Impairment loss recognised	339	306
Impairment loss reversed	(66)	(30)
Impairment loss written off	(181)	-
Foreign exchange translation	(8)	7
At 30 June	847	763

As at 30 June 2013, trade receivables of the Group and of the Company amounting to approximately RM5,206,000 (30.06.2012: RM8,863,000, 01.07.2011: RM11,005,000) and RM344,000 (30.06.2012: RM2,502,000, 01.07.2011: RM4,551,000) respectively were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default.

Inter-company balances

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured loans and advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Impairment losses

As at the end of the reporting period, there was no indication that any further loans and advances to the subsidiaries which are not recoverable. The Company does not specifically monitor the ageing of current advances to the subsidiaries.

The movement in the accumulated impairment losses of amount due from subsidiaries were as follows:

	COMPANY	
	2013	**2012**
	RM'000	**RM'000**
At 1 July	4,655	4,786
Impairment loss reversed	(74)	(131)
At 30 June	4,581	4,655

28. FINANCIAL INSTRUMENTS (continued)

28.3 Financial risk management (continued)

(ii) Liquidity risk

Liquidity risk is the risk that the Group and the Company will not be able to meet their financial obligations as they fall due. The Group's and the Company's exposure to liquidity risk arises principally from their various payables, loans and borrowings.

The Group and the Company maintain a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that they will have sufficient liquidity to meet their liabilities when they fall due.

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

30.06.2013 GROUP	Carrying amounts RM'000	Contractual annual interest rate %	Contractual cash flows RM'000	Within 1 year RM'000	1 – 2 years RM'000	2 – 5 years RM'000	More than 5 years RM'000
Non-derivative financial liabilities							
Secured term loans	5,384	5.00% - 14.25%	5,808	1,702	1,641	2,291	174
Unsecured term loans	52	10.52%	52	30	22	-	-
Secured bank overdrafts	2,051	7.85% - 14.25%	2,051	2,051	-	-	-
Unsecured bank overdrafts	16	27% - 28%	16	16	-	-	-
Secured bankers' acceptance	3,911	3.35% - 4.95%	3,911	3,911	-	-	-
Finance lease liabilities	779	3.40% - 7.30%	826	519	148	159	-
Payables and accruals	27,405	-	27,405	27,405	-	-	-
Long-term advances	6,067	10.03%	6,067	-	-	-	6,067
	45,665		46,136	35,634	1,811	2,450	6,241
COMPANY							
Non-derivative financial liabilities							
Secured term loans	3,340	5.05% - 6.60%	3,501	1,137	1,123	1,067	174
Secured bank overdrafts	355	7.85% - 9.10%	355	355	-	-	-
Secured bankers' acceptance	3,911	3.35% - 4.95%	3,911	3,911	-	-	-
Finance lease liabilities	374	4.24% - 5.01%	384	367	17	-	-
Payables and accruals	23,291	-	23,291	23,291	-	-	-
	31,271		31,442	29,061	1,140	1,067	174

28. FINANCIAL INSTRUMENTS (continued)

28.3 Financial risk management (continued)

(ii) Liquidity risk (continued)

Maturity analysis (continued)

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments: (continued)

30.06.2012	Carrying amounts RM'000	Contractual annual interest rate %	Contractual cash flows RM'000	Within 1 year RM'000	1 – 2 years RM'000	2 – 5 years RM'000	More than 5 years RM'000
GROUP							
Non-derivative financial liabilities							
Secured term loans	8,486	2.70% - 14.25%	9,358	3,369	1,938	3,654	397
Secured bank overdrafts	7,533	7.05% - 14.25%	7,533	7,533	-	-	-
Secured bankers' acceptance	19,304	3.32% - 4.94%	19,304	19,304	-	-	-
Secured revolving credit	6,000	4.85% - 5.13%	6,000	6,000	-	-	-
Finance lease liabilities	1,852	3.40% - 7.43%	1,955	1,236	495	224	-
Payables and accruals	34,027	-	34,027	34,027	-	-	-
Long-term advances	6,041	10.00%	6,041	-	-	-	6,041
	83,243		84,218	71,469	2,433	3,878	6,438
COMPANY							
Non-derivative financial liabilities							
Secured term loans	4,936	2.70% - 6.60%	5,242	1,723	1,136	1,986	397
Secured bank overdrafts	6,093	7.60% - 9.10%	6,093	6,093	-	-	-
Secured bankers' acceptance	19,304	3.32% - 4.94%	19,304	19,304	-	-	-
Secured revolving credit	6,000	4.85% - 5.13%	6,000	6,000	-	-	-
Finance lease liabilities	1,399	4.18% - 7.43%	1,455	1,070	367	18	-
Payables and accruals	28,806	-	28,806	28,806	-	-	-
	66,538		66,900	62,996	1,503	2,004	397

28. FINANCIAL INSTRUMENTS (continued)

28.3 Financial risk management (continued)

(ii) Liquidity risk (continued)

Maturity analysis (continued)

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments: (continued)

01.07.2011 GROUP	Carrying amounts RM'000	Contractual annual interest rate %	Contractual cash flows RM'000	Within 1 year RM'000	1 – 2 years RM'000	2 – 5 years RM'000	More than 5 years RM'000
Non-derivative financial liabilities							
Secured term loans	12,275	2.70% - 14.25%	13,196	3,665	4,003	4,914	614
Secured bank overdrafts	6,096	7.05% - 9.10%	6,096	6,096	-	-	-
Secured bankers' acceptance	20,260	2.99% - 5.12%	20,260	20,260	-	-	-
Unsecured bankers' acceptance	1,135	4.91% - 5.08%	1,135	1,135	-	-	-
Secured revolving credit	6,000	3.29% - 5.15%	6,000	6,000	-	-	-
Finance lease liabilities	3,837	4.18% - 9.06%	4,092	2,352	1,224	516	-
Payables and accruals	25,262	-	25,262	25,262	-	-	-
Long-term advances	6,348	12.00%	7,109	-	7,109	-	-
	81,213		83,150	64,770	12,336	5,430	614
COMPANY							
Non-derivative financial liabilities							
Secured term loans	6,830	2.70% - 6.60%	7,321	2,191	1,602	2,914	614
Secured bank overdrafts	4,721	7.05% - 9.10%	4,721	4,721	-	-	-
Secured bankers' acceptance	20,260	2.99% - 5.12%	20,260	20,260	-	-	-
Secured revolving credit	6,000	3.29% - 5.15%	6,000	6,000	-	-	-
Finance lease liabilities	3,467	4.18% - 9.06%	3,683	2,222	1,113	348	-
Payables and accruals	20,344	-	20,344	20,344	-	-	-
	61,622		62,329	55,738	2,715	3,262	614

28. FINANCIAL INSTRUMENTS (continued)

28.3 Financial risk management (continued)

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices will affect the Group's and the Company's financial position or cash flows.

Currency risk

The Group and the Company are exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The currency giving rise to this risk is primarily the US Dollar ("USD").

Risk management objectives, policies and processes for managing the risk

The availability of both inflow and outflow of USD arising from the normal business transactions of the Group and of the Company provide a natural hedge to foreign currency exchange risk.

Exposure to foreign currency risk

The Group's and the Company's exposure to USD risk, based on carrying amounts as at the end of the reporting period was:

	GROUP			COMPANY		
	30.06.2013 RM'000	30.06.2012 RM'000	01.07.2011 RM'000	30.06.2013 RM'000	30.06.2012 RM'000	01.07.2011 RM'000
Cash and deposits	3,070	4,363	681	2,717	3,775	635
Receivables	7,426	5,655	4,644	3,121	3,360	4,445
Borrowings	(1,697)	(587)	(1,092)	-	(587)	(1,092)
Payables	(5,899)	(6,177)	(3,481)	(3,533)	(5,060)	(3,481)
Exposure in the statements of financial position	2,900	3,254	752	2,305	1,488	507

Currency risk sensitivity analysis

The Group and the Company are mainly exposed to the currency of USD. The management considers that the impact of other currencies to be minimal.

The following table details the sensitivity of the Group and of the Company to a 1% increase and decrease in RM against the relevant foreign currency. The sensitivity rate of 1% is used when reporting foreign currency risk internally to key management and represents management's assessment of the reasonably possible change in foreign exchange rates in the next 12 months.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. A positive number below indicates an increase in profit where RM strengthening by 1% against the respective currencies. For a 1% weakening of RM against the USD, there would be a decrease in the profit, and the balances would be negative. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

	Profit or loss GROUP			Profit or loss COMPANY		
	30.06.2013 RM'000	30.06.2012 RM'000	01.07.2011 RM'000	30.06.2013 RM'000	30.06.2012 RM'000	01.07.2011 RM'000
USD impact	29	33	8	23	15	5

28. FINANCIAL INSTRUMENTS (continued)

28.3 Financial risk management (continued)

(iii) Market risk (continued)

Interest rate risk

The Group's and the Company's fixed rate borrowings are exposed to a risk of change in its fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Short-term receivables and payables are not significantly exposed to interest rate risk.

Risk management objectives, policies and processes for managing the risk

Interest rate exposure arises mainly from the Group's and the Company's borrowings. The Group and the Company closely monitor the interest rate trends and decisions in respect of fixed or floating rate debt structure, and tenor of borrowings are made based on the expected interest rate trends and after consultations with the bankers.

The Group and the Company place cash balances with reputable licensed banks to generate interest income for the Group and the Company. The Group and the Company manage their interest rate risk by placing such balances on varying maturities and interest rate terms.

Exposure to interest rate risk

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	GROUP			COMPANY		
	30.06.2013 RM'000	30.06.2012 RM'000	01.07.2011 RM'000	30.06.2013 RM'000	30.06.2012 RM'000	01.07.2011 RM'000
Fixed rate instrument						
Financial assets	37,335	7	28	37,331	38,300	31,784
Financial liabilities	(6,520)	(35,395)	(32,514)	(6,116)	(29,181)	(30,819)
	30,815	(35,388)	(32,486)	31,215	9,119	965
Floating rate instrument						
Financial assets	594	578	869	594	578	869
Financial liabilities	(11,109)	(13,542)	(23,437)	(1,864)	(8,551)	(10,459)
	(10,515)	(12,964)	(22,568)	(1,270)	(7,973)	(9,590)

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group and the Company do not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Sensitivity analysis for floating rate instruments

A change of 100 basis points ("bp") in interest rates at the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

28. FINANCIAL INSTRUMENTS (continued)

28.3 Financial risk management (continued)

(iii) Market risk (continued)

Interest rate risk (continued)

	GROUP Profit or loss		COMPANY Profit or loss	
	100 bp increase RM'000	100 bp decrease RM'000	100 bp increase RM'000	100 bp decrease RM'000
30.06.2013				
Floating rate instruments	(105)	105	(13)	13
30.06.2012				
Floating rate instruments	(130)	130	(80)	80
01.07.2011				
Floating rate instruments	(226)	226	(96)	96

28.4 Fair value of financial instruments

The carrying amounts of cash and deposits, receivables, deposits, other payables, and short-term borrowings, approximate fair values due to the relatively short-term nature of these financial instruments.

The fair value of the fixed rate loans is determined by discounting the relevant cash flows using current interest rate for similar financial instruments at the end of the reporting date. Since the current interest rates do not differ significantly from the intrinsic rate of this financial liability, the fair value of the loans, therefore, closely approximate their carrying values as at the end of the reporting date.

The carrying amount of floating rate loans approximate the fair value as they bear variable rates of interest determined based on a margin over the lender banks' effective cost of funds.

Non-derivatives financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period. For finance leases the market rate of interest is determined by reference to similar lease agreements.

29. CAPITAL MANAGEMENT

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Directors monitor and determine to maintain an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements as disclosed in Note 16. The debt-to-equity ratio was as follows:

	GROUP			COMPANY		
	30.06.2013 RM'000	30.06.2012 RM'000	01.07.2011 RM'000	30.06.2013 RM'000	30.06.2012 RM'000	01.07.2011 RM'000
Total borrowings (Note 16)	12,193	43,175	49,603	7,980	37,732	41,278
Less: Cash and deposits (Note 13)	(26,805)	(23,207)	(8,769)	(18,043)	(16,354)	(3,530)
Net (cash)/ debt	(14,612)	19,968	40,834	(10,063)	21,378	37,748
Total equity	160,009	111,271	105,500	137,609	104,627	100,154
Debt-to-equity ratio	(0.09)	0.18	0.39	(0.07)	0.20	0.38

29. CAPITAL MANAGEMENT (continued)

There were no changes in the Group's approach to capital management during the financial year.

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

30. OPERATING LEASES

Leases as lessee

Non-cancellable operating lease rentals are payables as follows:

	GROUP		
	30.06.2013 RM'000	30.06.2012 RM'000	01.07.2011 RM'000
Less than 1 year	322	377	284
Between 1 and 5 years	585	765	390
	907	1,142	674

The non-cancellable operating lease commitments are in respect of tenancy agreements committed by subsidiaries.

Leases as lessor

The Group leases out its investment properties. The future minimum lease receivables under non-cancellable leases are as follows:

	GROUP		
	30.06.2013 RM'000	30.06.2012 RM'000	01.07.2011 RM'000
Less than 1 year	-	-	6

31. CAPITAL COMMITMENTS

Capital expenditure not provided for in the financial statements are as follows:

	GROUP AND COMPANY		
	30.06.2013 RM'000	30.06.2012 RM'000	01.07.2011 RM'000
Authorised and contracted for:			
- Purchase of property, plant and equipment	515	1,777	1,004
Authorised but not contracted for:			
- Purchase of property, plant and equipment	37,370	5,000	6,552
	37,885	6,777	7,556

32. RELATED PARTIES

Significant transactions of the Group and of the Company, other than key management personnel compensation, are as follows:

	2013 RM'000	2012 RM'000
GROUP		
(i) Transactions with related parties		
Sales	58	91
Interest income	-	1,638
Reallocation of common cost	180	415
Services income	-	39
Purchases	(725)	(4,887)
Administration charges	-	(2)
Steam services expenses	66	(360)
Rental expense	(21)	-
(ii) Transaction with a company in which a person connected with a Director has substantial financial interest		
Purchase of computer equipment and accessories	(114)	(132)
COMPANY		
(i) Transactions with subsidiaries		
Sales	62,832	63,393
Interest income	2,085	1,692
Reallocation of common cost	4,539	4,462
Rental income	564	970
Rental expenses	(72)	(72)
Purchases	(23)	(1,406)
Services rendered	(5,812)	(5,401)
(ii) Transactions with related parties		
Sales	33	84
Interest income	-	1,638
Reallocation of common cost	180	415
Purchases	(725)	(4,887)
Steam services expenses	(66)	(360)
Rental expenses	(21)	-
(iii) Transaction with a company in which a person connected with a Director has substantial financial interest		
Purchase of computer equipment and accessories	(114)	(105)

NOTES TO THE FINANCIAL STATEMENTS
- 30 JUNE 2013 (continued)

33. SIGNIFICANT EVENTS

(i) On 25 September 2012, the Company incorporated a wholly-owned subsidiary in Hong Kong known as Hovid (Hong Kong) Limited ("HHKL") with an authorised share capital of Hong Kong Dollar ("HKD") 10,000 divided into 10,000 ordinary shares of HKD1.00 each with an issued and fully paid up share capital of HKD1.00 comprising 1 ordinary share of HKD1.00 each. The principal activity of HHKL is trading of pharmaceutical products.

(ii) On 6 June 2013, the Company issued renounceable rights issue of 381,040,000 Warrants 2013/2018 ("Warrants") on the basis of one warrant for every two existing ordinary shares of RM0.10 each held in the Company at an issue price of RM0.02 per warrant, for cash of RM7,067,000, net of warrant issue expenses.

34. EVENT AFTER THE REPORTING PERIOD

On 9 September 2013, a subsidiary, Hovid Research Sdn Bhd increased its authorised share capital from RM100,000 to RM400,000 through the creation of 300,000 new ordinary shares of RM1.00 each and the issued and fully paid-up share capital of the subsidiary increased from RM100,000 to RM250,000 by way of issuance of 150,000 ordinary shares of RM1.00 each for working capital purpose. The new shares rank pari-passu with the existing ordinary shares of the Company.

SUPPLEMENTARY INFORMATION ON THE BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES

Bursa Malaysia Securities Berhad has on 25 March 2010 and 20 December 2010, issued directives requiring all listed corporations to disclose the breakdown of retained earnings or accumulated losses into realised and unrealised on Group and Company basis, in the annual audited financial statements.

The breakdown of retained earnings as at the reporting date which has been prepared by the Directors in accordance with the directives from Bursa Malaysia Securities Berhad stated above and 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 are as follows:

	GROUP		COMPANY	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Total retained earnings of the Company and its subsidiaries:				
- Realised	50,840	20,925	53,167	27,688
- Unrealised	(15,070)	(12,631)	(11,284)	(10,705)
	35,770	8,294	41,883	16,983
Consolidation adjustments	11,266	11,165	-	-
Total group retained earnings as per consolidated financial statements	47,036	19,459	41,883	16,983

The disclosure of realised and unrealised profits or losses above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia Securities Berhad and should not be applied for any other purposes.

STATEMENT BY DIRECTORS/ STATUTORY DECLARATION

STATEMENT BY DIRECTORS PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

In the opinion of the Directors, the financial statements set out on pages 30 to 93 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2013 and of their financial performance and cash flows for the year then ended.

In the opinion of the Directors, the information set out on page 94 has been compiled in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profit or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Signed on behalf of the Board of Directors in accordance with a resolution by the Board of Directors.

....)
HO SUE SAN @ DAVID HO SUE SAN)
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....)
LIONG KAM HON

Ipoh
28 October 2013

STATUTORY DECLARATION PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Ho Sue San @ David Ho Sue San, being the Director primarily responsible for the financial management of Hovid Berhad, do solemnly and sincerely declare that the financial statements set out on pages 30 to 93 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 Statutory Declarations Act, 1960.

Subscribed and solemnly declared by)
the abovenamed at Ipoh in the State)
of Perak Darul Ridzuan on)
28 October 2013) ....

HO SUE SAN @ DAVID HO SUE SAN

Before me:

Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF HOVID BERHAD (Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of Hovid Berhad which comprise the statement of financial position as at 30 June 2013 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 notes, as enumerated in Notes 1 to 34 and set out on pages 30 to 93.

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 Company's preparation of 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 Company'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 at 30 June 2013 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.

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 have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 7 to the financial statements.

(c) 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 preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(d) The auditors' reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174 (3) of the Act.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF HOVID BERHAD (Incorporated in Malaysia) (continued)

Other Reporting Responsibilities

The supplementary information set out on page 94 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

As stated in Note 2(a) to the financial statement, the Company adopted Malaysian Financial Reporting Standards on 1 July 2012 with a transition date of 1 July 2011. These standards were applied retrospectively by Directors to the comparative information in these financial statements, including the statements of financial position as at 30 June 2012 and 1 July 2011 and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the financial year ended 30 June 2012 and related disclosures. We were not engaged to report on the Malaysian Financial Reporting Standards transition comparative information, and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Company for the financial year ended 30 June 2013 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balance as at 1 July 2012 do not contain misstatements that materially affect financial position as at 30 June 2013 and financial performance and cash flows for the financial year then ended.

This report is made solely to the member 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.

SJ GRANT THORNTON
(NO. AF: 0737)
CHARTERED ACCOUNTANTS

NG CHEE HOONG
(No: 2278/10/14(J))
CHARTERED ACCOUNTANT

Kuala Lumpur
28 October 2013

LIST OF PROPERTIES

The following landed properties are owned by the Group.

Postal address / Location / Title details of the Properties	Description / Existing use	Tenure of Lease / Approximate age of building	Land Area / Gross Built-up Area	Date of acquisition / Valuation	Net Book Value as at 30 June 2013 RM'000
No. 121, Jalan Tunku Abdul Rahman, 30010 Ipoh, Perak Darul Ridzuan. Lot 8811N, Title Pajakan Negeri 68053, Town of Ipoh, District of Kinta, Perak Darul Ridzuan.	Comprising a parcel of industrial land and erected upon with a pharmaceutical factory complex together with administrative office and ancillary buildings.	Tenure: 999 years leasehold interest expiring on 14 June 2895 Approximate age: The ages of the buildings are between 14 to 49 years old	Land area: 123,915 sq. ft. Gross built-up area: 88,876 sq. ft.	Date of valuation: 30 June 2013	12,300
No. 1, Jalan Bijeh Timah, 30000 Ipoh, Perak Darul Ridzuan. Lot 117N, Title Geran 29785, Town of Ipoh, District of Kinta, Perak Darul Ridzuan.	Comprising a 2-storey pre-war shophouse.	Tenure: Freehold Approximate age: More than 68 years	Land area: 1,331 sq. ft. Gross built-up area: 2,320 sq. ft.	Date of valuation: 30 June 2013	350
No. 19, Laluan Kangsar 7, Vaiva Light Industrial Park, Jalan Tunku Abdul Rahman, 30010 Ipoh, Perak Darul Ridzuan. Lot 7238N (formerly Lot 7238), Title Geran 141109 (formerly Title No. H.S.(D) 829/83), Town of Ipoh, District of Kinta, Perak Darul Ridzuan.	Comprising a 1½ storey terrace industrial factory.	Tenure: Freehold Approximate age: 14 years	Land area: 2,045 sq. ft. Gross built-up area: 2,974 sq. ft.	Date of valuation: 30 June 2013	360
Lot P.T. 232229 (formerly Lot 56442), 7½ mile, Jalan Ipoh/Chemor, 31200 Chemor, Perak Darul Ridzuan. Lot P.T. 232229 (formerly Lot 56442), Title H.S.(D) 20004 (formerly Title Geran 6107), Mukim of Hulu Kinta, District of Kinta, Perak Darul Ridzuan.	Comprising an industrial land and erected upon with a modern specialised pharmaceutical plant, laboratories for research and development and quality control and ancillary buildings.	Tenure: Freehold Approximate age: 11 years	Land area: 254,965 sq. ft. Gross built-up area: 87,486 sq. ft.	Date of valuation: 30 June 2013	19,850
No. 29, Jalan Yang Kalsom, 30250 Ipoh, Perak Darul Ridzuan. Lot 2056S, Title Grant 120, Town of Ipoh, District of Kinta, Perak Darul Ridzuan.	Comprising an intermediate 3-storey shopoffice being used as a pharmacy retail outlet at the ground floor and offices at the upper floors.	Tenure: Freehold Approximate age: 43 years	Land area: 1,740 sq. ft. Gross built-up area: 3,439 sq. ft.	Date of valuation: 30 June 2013	700

LIST OF PROPERTIES (continued)

Postal address / Location / Title details of the Properties	Description / Existing use	Tenure of Lease / Approximate age of building	Land Area / Gross Built-up Area	Date of acquisition / Valuation	Net Book Value as at 30 June 2013 RM'000
Nos. 64 & 64A-C, Jalan Leong Sin Nam, 30300 Ipoh, Perak Darul Ridzuan. Lot P.T. 17980, Title H.S.(D)KA 67801, Town of Ipoh, District of Kinta, Perak Darul Ridzuan.	Comprising an intermediate 4-storey shopoffice.	Tenure: 99 years leasehold interest expiring on 20 December 2078 Approximate age: 32 years	Land area: 1,336 sq. ft. Gross built-up area: 4,361 sq. ft.	Date of valuation: 21 May 2013	700
No. 71, Jalan Pengkalan Indah 2, Bandar Pengkalan Indah, Off Pasir Puteh, 31650 Ipoh, Perak Darul Ridzuan. Lot P.T. 143393, Title H.S.(D)KA 55668, Mukim of Hulu Kinta, District of Kinta, Perak Darul Ridzuan.	Comprising an intermediate double-storey shopoffice.	Tenure: 99 years leasehold interest expiring on 19 November 2095 Approximate age: 14 years	Land area: 1,400 sq. ft. Gross built-up area: 2,722 sq. ft.	Date of valuation: 30 June 2013	180
No. 16, Jalan SS4D/14, 47301 Petaling Jaya, Selangor Darul Ehsan. Lot P.T. 27742, Title H.S.(M) 11828, Mukim of Sungai Buluh, District of Petaling, Selangor Darul Ehsan.	Comprising a 3-storey shopoffice.	Tenure: Freehold Approximate age: 31 years	Land area: 1,750 sq. ft. Gross built-up area: 5,250 sq. ft.	Date of valuation: 22 May 2013	1,300
No. 79, Jalan Sungai Palas, Cameron Highlands, Pahang Darul Makmur. Lot 96, Title Pajakan Negeri 2988 (formerly Certificate of Title 3095), Mukim of Ulu Telom, District of Cameron Highlands, Pahang Darul Makmur.	Comprising a detached house.	Tenure: Leasehold interest expiring on 13 September 2039 Approximate age: More than 58 years	Land area: 52,925 sq. ft. Gross built-up area: 3,428 sq. ft.	Date of valuation: 30 June 2013	1,800
Nos. 36, 38, 40 and 42, Jalan TPJ 10 (Jalan PJU 1A/11), Taman Perindustrian Jaya, 47200 Petaling Jaya, Selangor Darul Ehsan. Lots 312, 313, 314 and 315, all within Prima Subang Industrial Park, Mukim of Damansara, District of Petaling, Selangor Darul Ehsan.	Comprising 4 adjoining 1½ storey terraced light industrial factories being used as stores and offices.	Tenure: 99 years leasehold interest expiring on 13 October 2072 Approximate age: The ages of the buildings are between 12 to 14 years old	Total land area: 8,000 sq. ft. (or 2,000 sq. ft. per lot) Gross built-up area: 11,500 sq. ft. (or 2,875 sq. ft. per unit)	Date of valuation: 30 June 2013	2,880

Postal address / Location / Title details of the Properties	Description / Existing use	Tenure of Lease / Approximate age of building	Land Area / Gross Built-up Area	Date of acquisition / Valuation	Net Book Value as at 30 June 2013 RM'000
Nos. 52A, B & C, Lintang Angsana, Bandar Baru Ayer Itam, 11500 Pulau Pinang. Lot 8265, Title Geran No. Pendaftaran 57174, Mukim of 13, District of North-East, Pulau Pinang.	Comprising a 3-storey shophouse being used as stores and offices.	Tenure: 99 years sublease interest created by way of Agreement dated 23 March, 1992 between Registered Proprietors, Trustees of Leong San Toong Khoo Kongsi (Penang) and Vendor, Perumahan Farlim (Malaysia) Sdn. Bhd. Approximate age: 22 years	Land area: 1,776 sq. ft. Gross built-up area: 4,312 sq. ft.	Date of valuation: 30 June 2013	1,150
Nos. 25 & 25A, Jalan Sri Bahagia 5, Taman Sri Bahagia, 81200 Tampoi, Johor Darul Takzim. Lot PTD 17128, Title H.S.(D) 70280, Mukim of Tebrau, District of Johor Bahru, Johor Darul Takzim.	Comprising a 2-storey shopoffice being used as stores and offices.	Tenure: Freehold Approximate age: 21 years	Land area: 1,540 sq. ft. Gross built-up area: 3,016 sq. ft.	Date of valuation: 30 June 2013	580
8th m.s. Jalan Tunku Abdul Rahman, Ipoh, Perak Darul Ridzuan. Lots 371465 to 371538 (formerly Lots P.T. 160326 to 160399), Titles Geran 105067 to 105114, 105122 to 105123, 105131 to 105143 and 105145 to 105155 (formerly Titles H.S.(D) 81606 to 81675), Mukim of Hulu Kinta, District of Kinta, Perak Darul Ridzuan.	This property is adjacent to Lot P.T. 232229 above. It consists of 18 vacant terrace industrial lots, 55 vacant semi-detached industrial lots and 1 vacant TNB sub-station site which is in the process of being amalgamated.	Tenure: Freehold Approximate age: N/A	Land area: 515,710 sq. ft.	Date of valuation: 30 June 2013	7,500
Lot 16030 (formerly Plot 88(g)), Title PN 6972, Taman Perindustrian Bayan Lepas, Fasa IV, Mukim 12, South West District, Pulau Pinang.	Industrial land acquired for research and development.	Tenure: 60 years leasehold interest expiring on 26 March 2069 Approximate age: N/A	Land area: 54,413 sq. ft.	Date of valuation: 30 June 2013	2,700
Alto Manacacias, Puerto Gaitan, Meta. (Registration No.: 234-0005.596)	Vacant agricultural land for agricultural purposes.	Tenure: Freehold Approximate age: N/A	Land area: 322,917,312 sq. ft.	Date of valuation: 2 September 2013	12,195
Vill. Saini Majra, Nalagarh Ropar Road, Nalagarh, Distt. Solan (HP).	Comprising of joint parcels of land and erected upon with pharmaceutical factory complex together with administrative office and ancillary buildings.	Tenure: Freehold Approximate age: The ages of the buildings are above 6 years old	Land area: 224,770 sq. ft. Gross built-up area: 44,188.49 sq. ft.	Date of valuation: 15 October 2013	4,861

ANALYSIS OF SHAREHOLDINGS
AS AT 10 OCTOBER 2013

Share Capital

Authorised Share Capital	RM200,000,000.00
Issued and Fully Paid Share Capital	RM76,208,000.00 comprising 762,080,000 ordinary shares of RM0.10 each
Class of Shares	Ordinary Shares of RM0.10 each
Voting Rights	1 vote per Ordinary Share

Shareholdings Distribution

Size of Holdings	No. of Shareholders/ Depositors	% of Shareholders/ Depositors	No. of Shares Held	% of Issued Capital
Less than 100 shares	3	0.05	108	0.00
100 – 1,000 shares	334	5.50	232,921	0.03
1,001 – 10,000 shares	2,713	44.68	17,680,340	2.32
10,001 – 100,000 shares	2,535	41.75	97,191,516	12.75
100,001 – 38,103,999 shares	482	7.94	334,245,515	43.86
38,104,000 shares and above	45	0.08	312,729,600	41.04
Total	**6,072**	**100.00**	**762,080,000**	**100.00**

Directors' Shareholdings As Per Register Of Directors As At 10 October 2013

Name	No. of Shares Held			
	Direct	%	Indirect	%
Ho Sue San @ David Ho Sue San	296,613,700	38.92	0	0
Liong Kam Hon	7,895,360	1.04	0	0
Chuah Chaw Teo	0	0	0	0
Leong Kwok Yee	290,400	0.04	0	0
YM Raja Shamsul Kamal Bin Raja Shahruzzaman	0	0	0	0
Dato' Che Mohd Zin Bin Che Awang	0	0	0	0

Substantial Shareholders As Per Register Of Substantial Shareholders As At 10 October 2013

Name	No. of Shares Held			
	Direct	%	Indirect	%
Ho Sue San @ David Ho Sue San	296,613,700	38.92	0	0
Lembaga Tabung Haji	44,115,900	5.79	0	0

List of Top Thirty (30) Shareholders/Depositors

No	Name of Securities Account Holders	No. of Shares Held	%
1	EB NOMINEES (TEMPATAN) SENDIRIAN BERHAD PLEDGED SECURITIES ACCOUNT FOR HO SUE SAN @ DAVID HO SUE SAN (IPO)	111,000,000	14.56
2	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD PLEDGED SECURITIES ACCOUNT FOR HO SUE SAN @ DAVID HO SUE SAN (20-00214-000)	59,730,000	7.84
3	HO SUE SAN @ DAVID HO SUE SAN	55,383,700	7.27
4	LEMBAGA TABUNG HAJI	44,115,900	5.79
5	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HO SUE SAN @ DAVID HO SUE SAN (32531 IPOH)	42,500,000	5.58
6	HDM NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HO SUE SAN @ DAVID HO SUE SAN (IB)	23,000,000	3.02

ANALYSIS OF SHAREHOLDINGS
AS AT 10 OCTOBER 2013 (continued)

List of Top Thirty (30) Shareholders/Depositors (continued)

No	Name of Securities Account Holders	No. of Shares Held	%
7	PUI CHENG WUI	14,621,000	1.92
8	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR KOH KIN LIP (MY0502)	14,000,000	1.84
9	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR SKANDINAVISKA ENSKILDA BANKEN AB (SWEDISH CLIENTS)	12,837,700	1.68
10	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR OH KIM SUN	12,568,800	1.65
11	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MAK TIAN MENG	10,000,000	1.31
12	CARTABAN NOMINEES (TEMPATAN) SDN BHD RHB TRUSTEES BERHAD FOR MAAKL – HW SHARIAH PROGRESS FUND	9,100,000	1.20
13	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR RICKOH CORPORATION SDN BHD (MY0507)	9,000,000	1.18
14	LIONG KAM HON	7,895,360	1.04
15	CHUA SIM NEO @ DIANA CHUA	7,869,000	1.03
16	TOH MAY FOOK	7,065,000	0.93
17	AMANAHRAYA TRUSTEES BERHAD MIDF AMANAH STRATEGIC FUND	6,077,000	0.80
18	GOLDEN FRESH SDN BHD	5,000,000	0.65
19	HO SUE SAN @ DAVID HO SUE SAN	5,000,000	0.65
20	MAYBANK NOMINEES (TEMPATAN) SDN BHD ETIQA INSURANCE BERHAD (GROWTH FUND)	5,000,000	0.65
21	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KOK YOON LIM	4,261,800	0.56
22	MAYBANK NOMINEES (TEMPATAN) SDN BHD ETIQA TAKAFUL BERHAD (SHAREHOLDERS FD)	3,500,000	0.46
23	MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK ASSET MANAGEMENT SDN BHD FOR SERENA BINTI M ISMA IL (8SMI1-250065)	3,200,000	0.42
24	CHOW SONG KUANG	2,675,100	0.35
25	TAN KUAN HAI	2,570,000	0.34
26	IBRAHIM BIN HAJI AHMAD	2,500,000	0.33
27	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WONG SIEW CHAN	2,326,500	0.30
28	CHOW SONG KUANG	2,320,000	0.30
29	LIM CHEE SING	2,101,500	0.28
30	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR TAN SOON LAI (MY0871)	2,070,000	0.27
		489,288,360	64.20

ANALYSIS OF WARRANT HOLDINGS
AS AT 10 OCTOBER 2013

No. of Warrants	381,040,000
No. of Warrant Holders	2,020

Warrant Holders Distribution

Size of Warrant Holdings	No. of Warrant Holders	% of Warrant Holders	No. of Warrants Held	% of Warrant Holdings
Less than 100 warrants	5	0.25	152	0.00
100 – 1,000 warrants	77	3.81	45,728	0.01
1,001 – 10,000 warrants	798	39.50	4,386,500	1.15
10,001 – 100,000 warrants	891	44.11	33,958,000	8.91
100,001 – 19,051,999 warrants	245	12.13	161,703,900	42.44
19,052,000 warrants and above	4	0.20	180,945,720	47.49
Total	**2,020**	**100.00**	**381,040,000**	**100.00**

Directors' Warrant Holdings As Per Register Of Directors As At 10 October 2013

Name	No. of Warrants Held			
	Direct	%	Indirect	%
Ho Sue San @ David Ho Sue San	168,229,120	44.15	0	0
Liong Kam Hon	0	0	0	0
Chuah Chaw Teo	0	0	0	0
Leong Kwok Yee	145,200	0.04	0	0
YM Raja Shamsul Kamal Bin Raja Shahruzzaman	0	0	0	0
Dato' Che Mohd Zin Bin Che Awang	0	0	0	0

Substantial Warrant Holders As Per Register Of Substantial Warrant Holders As At 10 October 2013

Name	No. of Warrants Held			
	Direct	%	Indirect	%
Ho Sue San @ David Ho Sue San	168,229,120	44.15	0	0
Chua Sim Neo @ Diana Chua	22,716,600	5.96	0	0

List of Top Thirty (30) Warrant Holders

No	Name of Warrant Holders	No. of Warrants Held	%
1	HO SUE SAN @ DAVID HO SUE SAN	108,364,120	28.44
2	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD PLEDGED SECURITIES ACCOUNT FOR HO SUE SAN @ DAVID HO SUE SAN (20-00214-000)	29,865,000	7.84
3	CHUA SIM NEO @ DIANA CHUA	22,716,600	5.96
4	HDM NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HO SUE SAN @ DAVID HO SUE SAN (IB)	20,000,000	5.25
5	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HO YOCK MAIN (REM857-MARGIN)	11,700,000	3.07
6	HO SUE SAN @ DAVID HO SUE SAN	10,000,000	2.62
7	PUI CHENG WUI	9,934,300	2.61
8	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MAK TIAN MENG	4,500,000	1.18

ANALYSIS OF WARRANT HOLDINGS
AS AT 10 OCTOBER 2013 (continued)

List of Top Thirty (30) Warrant Holders (continued)

No	Name of Warrant Holders	No. of Warrants Held	%
9	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR OH KIM SUN	4,497,900	1.18
10	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR TAN SOON LAI (MY0871)	3,793,300	0.99
11	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KOK YOON LIM	3,471,850	0.91
12	HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LOKE YUNG YUNG	3,100,000	0.81
13	LEE LAM TAT	2,800,000	0.74
14	AFFIN NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHIA SUIE CHONG (CHI0375C)	2,500,000	0.66
15	CHRISTINA LOH YOKE LIN	2,500,000	0.66
16	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR MAK TIAN MENG (MY0343)	2,275,000	0.60
17	LIM KAI SWEE	2,100,000	0.55
18	TAN CHOO JOO	2,100,000	0.55
19	WONG YOKE FONG @ WONG NYOK FING	2,025,000	0.53
20	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR KOH KIN LIP (MY0502)	2,000,000	0.53
21	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR RICKOH CORPORATION SDN BHD (MY0507)	2,000,000	0.53
22	CHONG KAH AN	1,800,000	0.47
23	IBRAHIM BIN HAJI AHMAD	1,750,000	0.46
24	HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KHONG CHE LAM	1,500,000	0.39
25	HLIB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM CHEE SING (M)	1,500,000	0.39
26	OOI TEK KIANG	1,500,000	0.39
27	WONG YOKE FONG @ WONG NYOK FING	1,500,000	0.39
28	CHONG KAH LEONG	1,422,000	0.37
29	MAH WAI LOEN	1,330,000	0.35
30	TAN KUAN HAI	1,285,000	0.34
		265,830,070	69.76

SHARE BUY-BACK STATEMENT IN RELATION TO THE PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR SHARE BUY-BACK

1. INTRODUCTION

On 28 October 2013, the Board of Directors announced that the Company proposes to seek approval from its shareholders for the Proposed Renewal of Shareholders' Mandate for Share Buy-Back ("Proposed Renewal of SBB Mandate") at the forthcoming Thirty-third Annual General Meeting ("33rd AGM") of the Company.

The purpose of this Statement is to provide relevant information on the Proposed Renewal of SBB Mandate and to seek shareholders' approval for the ordinary resolution which is to give effect to the Proposed Renewal of SBB Mandate to be tabled at the forthcoming 33rd AGM. A notice of the 33rd AGM together with the Proxy Form are enclosed in this Annual Report.

2. DETAILS OF THE PROPOSED RENEWAL OF SBB MANDATE

At the Company's Thirty-second (32nd) Annual General Meeting held on 26 November 2012, the Board of Directors had obtained shareholders' mandate to renew the Company's authority to purchase its own shares of RM0.10 each ("Hovid Shares") of up to ten per centum (10%) of the issued and paid-up capital of the Company and the said shareholders' mandate will expire at the conclusion of the forthcoming 33rd AGM of the Company, which will be held on 2 December 2013.

The Company proposes to seek authorisation from its shareholders for a renewal of the authority for the Company to purchase and/or hold its own shares of up to a maximum of ten per centum (10%) of the issued and paid-up share capital of the Company through stockbroker(s) to be appointed, at any point in time subject to compliance with Section 67A of the Companies Act, 1965 ("the Act"), Part IIIA of the Companies Regulations 1966, the Main Market Listing Requirements of Bursa Securities and any prevailing laws, rules, regulations, orders, guidelines and requirements issued by the relevant authorities.

The approval from the shareholders for the Proposed Renewal of SBB Mandate will be effective upon the passing of the ordinary resolution for the Proposed Renewal of SBB Mandate at the forthcoming 33rd AGM until:

(i) the conclusion of the next AGM of the Company following this AGM at which such resolution was passed, at which time it will lapse, unless by an ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions;

(ii) the expiration of the period within which the next AGM is required by law to be held; or

(iii) revoked or varied by an ordinary resolution passed by the shareholders of the Company in general meeting,

whichever occurs first.

In accordance with Section 67A of the Act, the Directors are able to deal with any Hovid Shares bought pursuant to the Proposed Renewal of SBB Mandate ("Purchased Shares") in the following manner:

(i) To cancel the Hovid Shares so purchased; or

(ii) To retain the Hovid Shares so purchased as treasury shares for distribution as dividends to the shareholders of the Company and/or resale on Bursa Securities in accordance with the relevant rules of Bursa Securities and/or cancellation subsequently; or

(iii) To retain part of the Hovid Shares so purchased as treasury shares and cancel the remainder.

Upon each purchase of the Hovid Shares, an immediate announcement will be made to Bursa Securities in respect of the intention of the Board on the treatment of the Purchased Shares. An immediate announcement will also be made to Bursa Securities of any resale or cancellation of Hovid Shares. As at the date of this Statement, the Board has yet to make any decision with regards to the treatment of the Hovid Shares so purchased in the future.

3. RATIONALE FOR THE PROPOSED RENEWAL OF SBB MANDATE

The Directors of the Company are of the opinion that empowering the Company to undertake the Proposed Renewal of SBB Mandate is in the best interest of the Company. The Proposed Renewal of SBB Mandate will enable the Company to utilise its surplus financial resources to purchase Hovid Shares through Bursa Securities. It may stabilise the supply and demand of Hovid Shares traded on Bursa Securities, thereby supporting its fundamental value.

The Proposed Renewal of SBB Mandate, whether to be held as treasury shares or subsequently cancelled, will effectively reduce the number of Hovid Shares carrying voting and participation rights. Therefore, the shareholders of the Company may enjoy an increase in the value of their investment in Hovid due to the increase in the Company's Earnings Per Share ("EPS").

The purchased Hovid Shares can be held as treasury shares and resold on Bursa Securities at a higher price with the intention of realising potential gain without affecting the total issued and paid-up share capital of the Company. Should any treasury shares be distributed as share dividends, this would serve to reward the shareholders of the Company.

4. EVALUATION OF THE PROPOSED RENEWAL OF SBB MANDATE

4.1 Advantages

The potential advantages of the Proposed Renewal of SBB Mandate are as follows:

(i) allows the Company to take preventive measures against excessive speculation, in particular when the Company's shares are undervalued;

(ii) allows the Company more flexibility in fine-tuning its capital structure;

(iii) the resultant reduction of share capital base is expected to improve the EPS and may strengthen the net tangible assets of the remaining shares as well as the probability of declaring a higher quantum of dividend in future;

(iv) to stabilise a downward trend of the market price of the Company's shares;

(v) treasury shares can be treated as long-term investments. It makes business sense to invest in our own Company as the Board of Directors is confident of Hovid's future prospects and performance in the long-term;

(vi) resale of treasury shares at price higher than the purchase prices when the market price picks up will be realised and as a result increase the working capital and net assets of the Company; and

(vii) in the event that the treasury shares are distributed as dividend by the Company, it may then serve to reward the shareholders of the Company.

4.2 Disadvantages

The potential disadvantages of the Proposed Renewal of SBB Mandate are as follows:

(i) the Proposed Renewal of SBB Mandate, if implemented, will reduce the financial resources of the Company. This may result in the Company's foregoing future investment opportunities and/or any income that may be derived from the deposit of such funds in interest bearing instruments;

(ii) the cash flow of the Company may be affected if the Company decides to utilise bank borrowing to finance the Proposed Renewal of SBB Mandate;

(iii) the Proposed Renewal of SBB Mandate may reduce the consolidated Net Assets ("NA") of the Company if the purchase price of Hovid Shares is higher than the consolidated NA of the Company at the time of purchase; and

(iv) as the Proposed Renewal of SBB Mandate can only be made out of the distributable reserves, it may reduce the financial resources available for the distribution to the shareholders of the Company in the immediate future.

Nevertheless, the Proposed Renewal of SBB Mandate is not expected to have any potential material disadvantages to the Company and its shareholders as the Company would purchase Hovid Shares only after the Board has given due consideration to its potential impact on the Company's earnings and financial position and the Board is of the opinion that it would be in the best interest of the Company and its shareholders to do so.

5. FUNDING OF THE PROPOSED RENEWAL OF SBB MANDATE

The maximum amount of funds to be utilised by the Company for the Proposed Renewal of SBB Mandate shall not exceed the retained profits and/or share premium account of the Company. Based on the latest audited financial statements as at 30 June 2013, the retained profits and share premium accounts of the Company were approximately RM41.88 million and RM0.09 million, respectively.

The Proposed Renewal of SBB Mandate will allow the Board to exercise the power of the Company to purchase and hold Hovid Shares at any time within the abovementioned time period using internal funds of the Company and/or external borrowings. The amount of internally generated funds and/or external borrowings to be utilised will only be determined later depending on, amongst others, the availability of internally generated funds, actual number of Hovid Shares to be purchased and other relevant cost factors. The actual number of Hovid Shares to be purchased and/or held, and the timing of such purchases will depend on, amongst others, the market conditions and sentiments of the stock market as well as the retained profits, share premium account and financial resources available to the Company.

If the Company purchases and holds Hovid Shares using external borrowings, the Board will ensure that the Company has sufficient funds to repay the external borrowings.

Section 67A (3A) of the Act allows the Company to cancel the purchased Hovid Shares or to hold the purchased Hovid Shares as treasury shares or a combination of both. The purchased Hovid Shares held as treasury shares may either be distributed to the shareholders of the Company as share dividends, which then may be applied as a reduction of the retained profits or the share premium account of the Company, or resold on Bursa Securities in accordance with the relevant rules of Bursa Securities, or subsequently cancelled. The decision whether to retain the purchased Hovid Shares as treasury shares, or to cancel the Hovid Shares purchased or a combination of both, will be made by the Board at the appropriate time.

6. EFFECTS OF THE PROPOSED RENEWAL OF SBB MANDATE

6.1 Share Capital

The effects of the Proposed Renewal of SBB Mandate on the issued and paid-up share capital of Hovid will depend on whether the Purchased Shares are cancelled or retained as treasury share(s). Based on the issued and paid-up share capital of the Company as at 10 October 2013, and assuming that the maximum number of Hovid Shares (of up to ten per centum (10%) of the issued and paid-up share capital) authorised under the Proposed Renewal of SBB Mandate are purchased and cancelled, the effect of the Proposed Renewal of SBB Mandate is set out below:

	Minimum Scenario Assuming that none of the Warrants 2013/2018 are exercised into new Hovid Shares		Maximum Scenario Assuming that all the outstanding Warrants 2013/2018 are exercised into new Hovid Shares	
	No. of Shares	RM	No. of Shares	RM
Issued and paid-up share capital as at 10 October 2013	762,080,000	76,208,000	762,080,000	76,208,000
To be issued pursuant to the exercise of Warrants 2013/2018(i)	-	-	381,040,000	38,104,000
Enlarged issued and paid-up share capital	762,080,000	76,208,000	1,143,120,000	114,312,000
Assuming cancellation of Hovid Shares purchased pursuant to the Proposed Renewal of SBB Mandate(ii)	(76,208,000)	(7,620,800)	(114,312,000)	(11,431,200)
Resultant issued and paid-up share capital	685,872,000	68,587,200	1,028,808,000	102,880,800

6. EFFECTS OF THE PROPOSED RENEWAL OF SBB MANDATE (continued)

6.1 Share Capital (continued)

Notes:

(i) Assuming that the 381,040,000 outstanding Warrants 2013/2018 as at 10 October 2013 are fully exercised.

(ii) Based on the maximum numbers of Hovid Shares (of up to ten per centum (10%) of the issued and paid-up share capital) that may be purchased.

Conversely, if the Hovid Shares purchased are retained as treasury shares, resold or distributed as share dividends to its shareholders, the Proposed Renewal of SBB Mandate will have no effect on the issued and paid-up share capital of Hovid.

Pursuant to Section 67A (3C) of the Act, while the purchased Hovid Shares are held as treasury shares, the rights attached to them in relation to voting, dividends and participation in any other distribution or otherwise are suspended. The treasury shares shall not be taken into account in calculating the number or percentage of shares or of a class of shares in the Company for any purposes including substantial shareholding, takeovers, notices, the requisitioning of meetings, the quorum for a meeting and the result of a vote on a resolution at a meeting.

6.2 Net Assets

The Proposed Renewal of SBB Mandate is likely to reduce the NA per share of the Group if the purchase price exceeds the audited NA per share of the Group at the time of purchase and will increase the NA per share of the Group if the purchase price is less than the audited NA per share of the Group at the time of purchase.

For shares bought back which are kept as treasury shares, upon resale of such shares, the NA of the Group will increase assuming that a gain has been realised. The quantum of the increase in NA will depend on the actual selling price of the treasury shares and the number of treasury shares resold.

6.3 Working Capital and Cash Flow

The Proposed Renewal of SBB Mandate will result in outflow of cash and thereby reduce the working capital of the Group, the quantum of which is dependent on actual number of shares bought back and actual purchase prices of the Hovid Shares and the funding cost, if any. However, the working capital and cash flow of the Group will increase upon reselling the Purchased Shares which are retained as treasury shares. Again, the quantum of the increase in the working capital and cash flow will depend on the actual selling price of the treasury shares and the number of treasury shares resold.

6.4 Earnings

The effect of the Proposed Renewal of SBB Mandate on the earnings of the Group will depend on the actual purchase prices of Hovid Shares, the number of shares purchased and the effective funding cost of the purchases. Generally, a lesser share capital subsequent to the cancellation of the shares bought back or either kept as treasury shares will have a positive impact, all else being equal, on the Group's EPS.

6.5 Dividends

The Proposed Renewal of SBB Mandate is not expected to have any material effect on the dividends to be declared by the Company, if any, in the future. The level of dividends to be declared in the future would be determined by the Board after taking into consideration the performance, cash flow position and financing requirements of the Group.

7. SHAREHOLDINGS OF THE DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND PERSONS CONNECTED TO THEM IN HOVID SHARES

The effect of the Proposed Renewal of SBB Mandate on the shareholdings of our Directors, Substantial Shareholders and Persons Connected to them based on the Register of Substantial Shareholders' and Directors' Shareholdings as at 10 October 2013 on the assumption that the Proposed Renewal of SBB Mandate is implemented up to the maximum of 10% of the issued and paid-up share capital and the Purchased Shares are from the shareholders other than the Directors and Substantial Shareholders of Hovid are set out below:

(a) Minimum Scenario – Assuming no outstanding Warrants 2013/2018 are exercised into new Hovid Shares during the implementation of the Proposed Renewal of SBB Mandate

	As at 10 October 2013				After Proposed Renewal of SBB Mandate			
	Direct		Indirect		Direct		Indirect	
	No. of shares held	%	No. of shares held	%	No. of shares held	%	No. of shares held	%
Substantial Shareholders								
Ho Sue San @ David Ho Sue San	296,613,700	38.92	-	-	296,613,700	43.25	-	-
Lembaga Tabung Haji	44,115,900	5.79	-	-	44,115,900	6.43	-	-
Directors								
Ho Sue San @ David Ho Sue San	296,613,700	38.92	-	-	296,613,700	43.25	-	-
Liong Kam Hon	7,895,360	1.04	-	-	7,895,360	1.15	-	-
Leong Kwok Yee	290,400	0.04	-	-	290,400	0.04	-	-
Chuah Chaw Teo	-	-	-	-	-	-	-	-
YM Raja Shamsul Kamal Bin Raja Shahruzzaman	-	-	-	-	-	-	-	-
Dato' Che Mohd Zin Bin Che Awang	-	-	-	-	-	-	-	-
Person connected to Directors/Substantial Shareholder								
Ho Sue Cheong	161,000	0.02	-	-	161,000	0.02	-	-

(b) Maximum Scenario – Assuming all outstanding Warrants 2013/2018 are exercised into new Hovid Shares during the implementation of the Proposed Renewal of SBB Mandate

	As at 10 October 2013				After full exercise of Warrants 2013/2018				After Proposed Renewal of SBB Mandate			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of shares held	%	No. of shares held	%	No. of shares held	%	No. of shares held	%	No. of shares held	%	No. of shares held	%
Substantial Shareholders												
Ho Sue San @ David Ho Sue San	296,613,700	38.92	-	-	464,842,820	40.66	-	-	464,842,820	45.18	-	-
Lembaga Tabung Haji	44,115,900	5.79	-	-	44,675,700	3.91	-	-	44,675,700	4.34	-	-
Directors												
Ho Sue San @ David Ho Sue San	296,613,700	38.92	-	-	464,842,820	40.66	-	-	464,842,820	45.18	-	-
Liong Kam Hon	7,895,360	1.04	-	-	7,895,360	0.69	-	-	7,895,360	0.77	-	-
Leong Kwok Yee	290,400	0.04	-	-	435,600	0.04	-	-	435,600	0.04	-	-
Chuah Chaw Teo	-	-	-	-	-	-	-	-	-	-	-	-
YM Raja Shamsul Kamal Bin Raja Shahruzzaman	-	-	-	-	-	-	-	-	-	-	-	-
Dato' Che Mohd Zin Bin Che Awang	-	-	-	-	-	-	-	-	-	-	-	-
Person connected to Directors / Substantial Shareholder												
Ho Sue Cheong	161,000	0.02	-	-	241,500	0.02	-	-	241,500	0.02	-	-

8. IMPLICATIONS RELATING TO THE TAKE-OVERS AND MERGERS CODE ("THE CODE")

A person and any person acting in concert with him will be obliged to make a mandatory general offer ("MGO") under Part II of the Code for the remaining ordinary shares of the Company not already owned by him/them if as a result of the Proposed Renewal of SBB Mandate:

(i) a shareholder who holds less than 33% of the voting shares of Hovid has inadvertently increased his shareholding to more than 33%; or

(ii) a shareholder who holds more than 33% but less than 50% of the voting shares of Hovid has inadvertently increased his shareholdings by 2% or more within a six (6) month period.

Based on the issued and paid-up ordinary share capital of Hovid as at 10 October 2013, the total shareholdings of Mr Ho Sue San @ David Ho Sue San ("Major Shareholder") and Mr Ho Sue Cheong ("Person Acting in Concert") in Hovid is approximately 38.94% of the issued and paid-up ordinary share capital of the Company. If the Proposed Renewal of SBB Mandate is carried out in full (whether shares are cancelled or treated as treasury shares), the total shareholdings of the Major Shareholder and Person Acting in Concert in Hovid would increase to approximately 40.68% and 45.20% of the issued and paid-up ordinary share capital of the Company based on the Minimum Scenario and Maximum Scenario respectively.

Accordingly, if the shareholdings of the Major Shareholder and Person Acting in Concert in Hovid increase by two per centum (2%) or more in any six (6) months period as a result of the Proposed Renewal of SBB Mandate, there is an obligation for the Major Shareholder and Person Acting in Concert to undertake a MGO for the remaining shares not held by them. However, under Practice Note 2.9.10 of the Code, they may apply for an exemption from a MGO obligation arising from the purchase of a company's own shares subject to the Major Shareholder and Person Acting in Concert complying with certain conditions.

As at the date of this Statement, the Company has yet to decide on the percentage of its own shares to be purchased pursuant to the Proposed Renewal of SBB Mandate. In any case, it is not the intention of the Company to cause any shareholder to trigger an obligation to undertake a MGO under the Code and Company will be mindful of the above implication of the Code in making any purchase of its own shares under the Proposed Renewal of SBB Mandate.

9. PUBLIC SHAREHOLDING SPREAD

According to the Company's Record of Depositors as at 10 October 2013, there were 6,068 public shareholders with a total shareholding of 59.99% of the Company's issued and paid-up share capital.

Assuming that the Proposed Renewal of SBB Mandate of up to 76,208,000 ordinary shares of RM0.10 each representing ten per centum (10%) of the share capital as at 10 October 2013 is carried out in full, Hovid's shareholding spread would be reduced to approximately 55.54%.

10. PURCHASES, RESALE OR CANCELLATION OF SHARES IN THE FINANCIAL YEAR ENDED 30 JUNE 2013

Information on the purchase of Hovid Shares during the financial year ended 30 June 2013 is set out in the Additional Compliance Information of the Statement On Corporate Governance in Hovid's Annual Report 2013.

During the financial year ended 30 June 2013, the Company has not made any purchase of Hovid Shares. As such, the Company does not have any treasury shares and has not resold, cancelled and/or distributed any treasury shares as dividends in the same period.

11. DIRECTORS', MAJOR SHAREHOLDERS', PERSONS CONNECTED WITH DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

Save for the proportionate increase in the percentage shareholdings as a consequence of the Proposed Renewal of SBB Mandate, none of the Directors and/or major shareholder(s) of Hovid and/or persons connected to the Directors and/or major shareholder(s) of Hovid has any interest, directly or indirectly, in the Proposed Renewal of SBB Mandate and the subsequent resale of treasury shares, if any.

SHARE BUY-BACK STATEMENT IN RELATION TO THE PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR SHARE BUY-BACK (continued)

12. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors of Hovid have seen and approved the contents of this Statement and they collectively and individually accept full responsibility for the accuracy of the information given herein and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

13. APPROVALS REQUIRED

The Proposed Renewal of SBB Mandate is conditional upon approval from the shareholders at the forthcoming AGM.

14. DIRECTORS' RECOMMENDATION

The Directors, having considered all aspects of the Proposed Renewal of SBB Mandate, are of the opinion that the Proposed Renewal of SBB Mandate is in the best interest of the Hovid Group. Accordingly, the Directors recommend that you vote in favour of the ordinary resolution for the Proposed Renewal of SBB Mandate to be tabled at the forthcoming 33rd AGM.

15. BURSA SECURITIES

Bursa Securities takes no responsibility for the contents of this Statement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or reliance upon the whole or any part of the contents of this Statement.

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Continuous Innovation & Quality

HOVID BERHAD

(58476-A)

CDS Account No. of authorised nominee

PROXY FORM
THIRTY-THIRD (33RD) ANNUAL GENERAL MEETING

I/We,____
(Full name in block capitals)

NRIC No./Company No.____________________ of ____________________________________
(Address)

____ being a Member of

HOVID BERHAD, hereby appoint____
(Full name in block capitals)

NRIC No.____________________ of ____
(Address)

________________________________or failing him/her,__________________________________
(Full name in block capitals)

NRIC No.____________________ of ____
(Address)

________________________________ or failing him/her, *the Chairman of the meeting as *my/our proxy to vote for *me/us and on *my/our behalf at the Thirty-third (33rd) Annual General Meeting of the Company, to be held at Gopeng Hall, Level 3, Kinta Riverfront Hotel & Suites Sdn. Bhd. Jalan Lim Bo Seng, 30000 Ipoh, Perak Darul Ridzuan on Monday, 2 December 2013, at 10.30 a.m.

*My/Our proxy is to vote as indicated below:

RESOLUTIONS	FOR	AGAINST
Ordinary Resolution 1		
Ordinary Resolution 2		
Ordinary Resolution 3		
Ordinary Resolution 4		
Ordinary Resolution 5		
Ordinary Resolution 6		
Ordinary Resolution 7		
Ordinary Resolution 8		
Ordinary Resolution 9		
Ordinary Resolution 10		
Ordinary Resolution 11		

Please indicate with an "X" in the spaces provided above how you wish your vote to be casted. If no specific direction as to the voting is given, the proxy will vote or abstain from voting at his/her discretion.

*(* Strike out whichever is not desired)*

Signed this ________ day of __________________ 2013

The proportions of shareholdings to be represented by *my/our proxies are as follows:-

	No. of shares	Percentage
Total shares held		100%
Proxy 1		
Proxy 2		

____
Signature/Common Seal of Member

____
Telephone Number of Member

Notes:-

1. *A member of the Company entitled to attend and vote at the meeting is entitled to appoint more than two (2) proxies to attend and vote in his/her stead at the same meeting. A proxy may but need not be a member of the Company and Section 149(1)(a) and (b) of the Act shall not apply to the Company.*
2. *Where a member appoints two (2) or more proxies, the appointment shall be invalid unless the member specifies the proportion of his shareholdings to be represented by each proxy. Each proxy appointed, shall represent a minimum of 100 shares held by the member.*
3. *Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each securities account in holds with ordinary shares of the Company standing to the credit of the said securities account.*
4. *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. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.*
5. *The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or if the appointor is a corporation, either under its common seal or under the hand of its attorney duly authorised.*
6. *The instrument appointing a proxy shall be deposited at the Registered Office of the Company at No. 121, Jalan Tunku Abdul Rahman, 30010 Ipoh, Perak Darul Ridzuan not less than forty-eight (48) hours before the time appointed for holding the meeting or at any adjournment thereof.*
7. *For the purpose of determining a member who shall be entitled to attend the meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd., in accordance with Article 60(c) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositors as at 22 November 2013. Only a depositor whose name appears on the General Meeting Record of Depositors as at 22 November 2013 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote in his/her stead.*

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AFFIX
STAMP

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THE COMPANY SECRETARY

HOVID BERHAD (58476-A)
No. 121, Jalan Tunku Abdul Rahman
30010 Ipoh
Perak Darul Ridzuan

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