

hovid

Continuous Innovation & Quality

Our **R&D** Commitment

Annual Report **2015**



Our New Penang R&D Center

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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirty-fifth (35th) Annual General Meeting (“AGM”) of Hovid Berhad (“Hovid” or “the Company”) will be held at Conference 1, Level 2, Weil Hotel, 292, Jalan Sultan Idris Shah, 30000 Ipoh, Perak Darul Ridzuan on Thursday, 26 November 2015 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 2015 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 RM702,000 for the financial year ended 30 June 2015. **Resolution 1**
3. To re-elect the following directors who retire pursuant to Article 83 of the Company’s Articles of Association:-
 - (a) Mr Ho Sue San @ David Ho Sue San **Resolution 2**
 - (b) YM Raja Shamsul Kamal Bin Raja Shahrizzaman **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 Dr Chuah Chaw Teo who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company in accordance with the Malaysian Code of Corporate Governance 2012.” **Resolution 5**
 - (b) “**THAT** subject to the passing of Resolution 3, approval be and is hereby given for YM Raja Shamsul Kamal Bin Raja Shahrizzaman who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company in accordance with the Malaysian Code of Corporate Governance 2012.” **Resolution 6**
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 cent (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 7**
7. **PROPOSED SHAREHOLDERS’ MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE WITH AGLO1 SDN BHD (“AGLO1”) (“PROPOSED RRPT MANDATE WITH AGLO1”)**

“**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 Aglo1 as set out in Section 2.1 of the Circular to Shareholders dated 4 November 2015, subject to the following: **Resolution 8**

 - (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

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

- (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 RRPT Mandate with Aglo1 during the financial year and in the Annual Report of the Company in the subsequent years during which the Proposed RRPT Mandate with Aglo1 is in force; and
- (iii) the Proposed RRPT Mandate with Aglo1 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 RRPT Mandate with Aglo1 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 SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE WITH EXCELVITE SDN. BHD. ("EXCELVITE") ("PROPOSED RRPT MANDATE WITH EXCELVITE")**

"**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 Excelvite as set out in Section 2.1 of the Circular to Shareholders dated 4 November 2015, 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 RRPT Mandate with Excelvite during the financial year and in the Annual Report of the Company in the subsequent years during which the Proposed RRPT Mandate with Excelvite is in force; and
- (iii) the Proposed RRPT Mandate with Excelvite 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 RRPT Mandate with Excelvite 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."

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

"**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:

- (i) the aggregate number of ordinary shares purchased and/or held by the Company as treasury shares shall not exceed ten per cent (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)
Company Secretaries

Ipoh, Perak Darul Ridzuan
4 November 2015

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

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 18 November 2015. Only a depositor whose name appears on the General Meeting Record of Depositors as at 18 November 2015 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 2015 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 and 6 – 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 Dr Chuah Chaw Teo and YM Raja Shamsul Kamal Bin Raja Shahruzzaman, who served as Independent Non-Executive Directors of the Company for a cumulative term of more than nine (9) years 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.

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

3. Resolution 7 – 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 cent (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. As at the date of this Notice, 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 8 and 9 – Proposed RRPT Mandates with Aglo1 and Excelvite

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 4 November 2015 accompanying the Company's Annual Report 2015.

5. Resolution 10 – 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 cent (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 99 to 104 of this Annual Report.

CORPORATE INFORMATION



BOARD OF DIRECTORS

Ho Sue San @ David Ho Sue San

Chairman & Managing Director

YM Raja Shamsul Kamal Bin Raja Shahruzzaman

Senior Independent Non-Executive Director

Chiam Tau Meng

Independent Non-Executive Director

Dato' Che Mohd Zin Bin Che Awang

Independent Non-Executive Director

Chuah Chaw Teo

Independent Non-Executive Director

Yuen Kah Hay

Executive Director

Goh Tian Hock

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
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Telephone : +6 03 2783 9299
Facsimile : +6 03 2783 9222

AUDITORS

SJ Grant Thornton
(Member of Grant Thornton International Ltd)
Level 11, Sheraton Imperial Court
Jalan Sultan Ismail
P.O. Box 12337
50774 Kuala Lumpur
Telephone : +6 03 2692 4022
Facsimile : +6 03 2732 5119

PRINCIPAL BANKERS

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

Al Rajhi Banking & Investment Corporation (Malaysia) Bhd
No. GA-E-02 & GA-E-02A
Ground & First Floor, Persiaran Greentown 4C
Pusat Perdagangan Greentown
30450 Ipoh
Perak Darul Ridzuan

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

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad

**CORPORATE STRUCTURE
AS AT 8 OCTOBER 2015**



HOVID BERHAD
(58476-A)



R & D Team



Internal Marketing Training



Hovid Best Employees

DIRECTORS' PROFILE

HO SUE SAN @ DAVID HO SUE SAN

A Malaysian aged 66, 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.

Mr David Ho has attended all the five (5) Board meetings held during the financial year ended 30 June 2015. 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 2015.

YM RAJA SHAMSUL KAMAL BIN RAJA SHAHRUZZAMAN

A Malaysian aged 54, 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 was redesignated to Senior Independent Non-Executive Director of the Company on 30 May 2014. 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 in 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), 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 at the private equity management firm of Vida Partners Sdn. Bhd. based in Kuala Lumpur.

YM Raja Shamsul Kamal is the Chairman of the Nomination and Remuneration Committee and a member of the Audit Committee of the Company. He has attended all the five (5) Board meetings held during the financial year ended 30 June 2015. 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.

CHIAM TAU MENG

A Malaysian aged 62, was appointed to the Board of the Company on 7 April 2014 as an Independent Non-Executive Director. He graduated with a Bachelor of Commerce Degree majoring in Accountancy from University of Otago, Dunedin, New Zealand in 1976. He is an Associate Chartered Accountant of the Institute of Chartered Accountants of New Zealand. He is also a Chartered Accountant of the Malaysian Institute of Accountants. He started his career in 1976 as Finance Manager of Tolley Industries Ltd (New Zealand) and in 1979, he joined Malaysian Containers (1974) Berhad as Finance Manager cum Company Secretary. In 1984, he joined Menang Corporation (M) Berhad as General Manager of Corporate Services. In 1989, he joined Bee Hin Holdings Sdn Bhd as General Manager of Corporate Finance in charge of the reconstruction scheme under Section 176 of the Companies Act, 1965 of Kuala Lumpur Industries Berhad. In 1992, he joined the management consultancy practice of an international accounting organization and in 1994, he set up his own consulting practice namely CTM Consulting.

Mr Chiam is a member of the Audit Committee of the Company since his appointment to the Board on 7 April 2014. He was appointed as Chairman of the Audit Committee with effect from 30 May 2014. He is also a member of the Nomination & Remuneration Committee of the Company. He has attended all the five (5) Board meetings held during the financial year ended 30 June 2015. 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.

Presently, he is a Director of Damar Global Holdings Berhad and is also an Independent Non-Executive Director of Success Transformer Corporation Berhad, Seremban Engineering Berhad and Menang Corporation (M) Berhad.

CHUAH CHAW TEO

A Malaysian aged 64, 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. He was made a Fellow of the Institute of Kimia Malaysia (IKM) in September 2014. Presently, he is an Executive Director of Spritzer Berhad, a position that he has held since 1994.

Dr Chuah 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 2015. 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

Dear 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 2015.

We demonstrate "Our Research and Development Commitment" with our soon to be completed new research and development ("R&D") centre which comes complete with a hospital bed wing. Our new R&D Centre located in Bayan Lepas, Penang is at the last leg of being commissioned and we hope to move into this new center by end of this year. With this new R&D Centre, we will be able to further our resources, capabilities and expedite the development of products to grow our portfolio.



FINANCIAL PERFORMANCE

For the financial year ended 30 June 2015, the Group achieved a revenue of RM188.4 million as compared to RM183.5 million in the last financial year, an increase of 2.7%. The disposal of Hovid's investment in Biodeal Pharmaceutical Private Limited ("BPPL"), a 51%-owned subsidiary, was completed during the year and its result was excluded from the Group from beginning of April 2015. BPPL contributed 6.8% to the Group's revenue last year. Excluding BPPL's revenue for comparison purpose, the Group's revenue increased by 5.9% during the current year. The increase was due to higher orders and the stronger United States of America Dollar ("USD").

Hovid's profit after tax for the year increased by 14.1% to RM20.9 million compared to RM18.3 million last year. The increase was due to increase in sales, gain on disposal of BPPL of RM1.4 million and higher foreign exchange gain arising from the stronger USD.

In view of the strengthened Group's financial position, I am pleased to inform that we have paid a total interim dividend of RM10.5 million in respect of the current financial year.

CORPORATE DEVELOPMENT

Hovid Pte. Ltd.

On 14 July 2015, Hovid Pte. Ltd., a wholly-owned subsidiary of Hovid, was incorporated in Singapore for the purpose of undertaking some possible research and development projects in collaboration with potential research institutions in Singapore. Hovid Pte. Ltd. has an issued capital of SGD1,000 divided into 1,000 ordinary shares.

Change of name of Hovid Research Sdn. Bhd.

On 1 July 2015, Hovid Research Sdn. Bhd., a wholly-owned subsidiary of Hovid, has changed its name to Attest Research Sdn. Bhd.

Disposal of 51% Equity Interest in Biodeal Pharmaceuticals Private Limited

On 8 April 2014, the Board announced that Hovid together with the other existing shareholders of Biodeal Pharmaceuticals Private Limited ("BPPL") have entered into a Share Purchase Agreement with Mr Anurag Kumar and Mr Subodh Prasad Singh and BPPL for the sale of the entire share capital of 25,000,000 Equity Shares of Indian Rupees ("Rs.") 10 each at a consideration of Rs. 300,000,000 and subject to the fulfilment of the conditions precedent and other terms and conditions set out in the Agreement.

The Closing Date for the transaction was on 31 March 2015 and the transaction was duly completed on 7 April 2015, following the settlement of the Adjusted Purchase Consideration Equity Component by the Purchasers for the 51% shares held by Hovid.

OUTLOOK AND PROSPECTS

The global and domestic developments have continued to affect the strength of Ringgit Malaysia ("RM"), the RM fell 16.5% against the USD in the third quarter, and hit a low of 4.457 against the greenback amid anticipation of an imminent interest rate hike in the United States. Year-to-date, the ringgit which ended on 13 October at 4.2 against the USD, has fallen about 20% against the greenback, around 12% against the euro and nearly 13% against the Singapore dollar. The weakening RM would be positive to Hovid given that 55% of our revenue is derived in currencies other than the RM, albeit offset against our imports of raw materials denominated in USD.

CHAIRMAN'S STATEMENT (CONTINUED)



Nepal Earthquake Medical Relief



Visit to Hovid



H1N1 Health Talk

For Malaysia, recent indicators suggest continued expansion in economic activity in the third quarter despite ongoing adjustments to external domestic developments. Private consumption continues to adjust to the implementation of the Goods and Services Tax ("GST") and more uncertain economic environment. Despite 4,215 brands of medicines under the national essential medicines list being exempted from GST, a considerable number of expensive medicines for critical and life-long illnesses are not exempted. Nevertheless, the local pharmaceutical market remain stable supported by an ageing population, the rise of non-communicable diseases ("NCDs") and government programs to expand access to healthcare. The prevalence of NCDs in Malaysia, such as cancer and cardiovascular diseases, has risen substantially in the last two decades. NCDs are often associated with ageing populations and lifestyle choices, including smoking, diet and lack of exercise – and many require long-term management. The long-term management of NCDs is a key factor contributing to the resilience of the pharmaceutical market.

Global pharmaceutical sales grew by 8.3% in 2014. Established markets showed average revenue growth of 7.3% while emerging markets revenue growth was 11.6%. Additionally, the world's population is expected to rise from the present seven billion to nine billion by 2050. Also increasing is the number of people accessing healthcare and healthcare spending, particularly by the elderly. By 2018, the number of people over the age of 65 will constitute almost 30% of the world's population. The pharmaceutical industry is thus expected to enjoy long term growth. In 2015, revenue in the pharmaceutical segment of Hovid Group achieved another historical high of RM188.4 million compared to RM183.5 million a year ago. Your Company expects increasing demand for its pharmaceutical products and persist to make good progress with our product pipeline. Harnessing its strength in R&D and the export market, Hovid's products are distributed to over 50 countries. Your Company is poised for greater growth in our international presence.

Hovid is currently focusing on three key initiatives to build strong foundations for sustainable delivery, namely expanding our tablet and capsule manufacturing facility in Ipoh, set up a new research and development centre in Penang and establish a centralised distribution warehouse in Perak. These three initiatives, costing around RM70 million, will be largely financed by bank borrowings and internal funds. To support the growing demand for our products, the expansion of our tablet and capsule manufacturing facility has been split into two phases to cope with our shortage of tableting and capsuling capacities. Phase 1 commenced in the third quarter of 2014 and part of the expanded facility was recently commissioned in October 2015. The balance of Phase 1 should be fully commissioned by the end of December 2015. The construction works on Phase 2 has recently commenced and we anticipate the commissioning to be completed by end of 2016. This new facility has also been designed to meet the pharmaceutical production standards of Europe, the U.S. FDA (Food and Drug Administration)



Watoto Child Care

CHAIRMAN'S STATEMENT (CONTINUED)

and the Australian TGA (Therapeutic Goods Administration). With the new facility we will be able to extend our footprint into Australia, Europe and US in the future.

In line with your Company's motto of Continuous Innovation and Quality and **Our R&D Commitment**, our new R&D Centre in Bayan Lepas, Penang is at the final stages of completion. We hope to move into the new R&D Centre by end of 2015. This new R&D Centre will address the constraint of space at our current facilities needed to expand our R&D capabilities, increasing the number of products being developed and space required for our bioequivalence ("BE") studies. We will further strengthened our product portfolio, pipeline and capability with this new R&D Centre. It will also shorten the development time of new products to ensure new products are constantly added to our portfolio to maintain and strengthen our competitive edge. Since the patents of some of the biggest-selling drugs are expiring in the near term, patients will have greater access to the generic alternatives, both substitutable and analogue, in many important drug classes. With our new R&D Centre, your Company aspires to be the frontrunner to come out with some of these new generic products. These new products would not only allow more choices for Hovid's customers, but will maintain and improve the profitability of Hovid. These new products would increase the volume of sales and also replace the older low margin products. This new R&D Centre will further equip us with our own in-house facility to undertake more BE trials, with our own hospital bed wing. Hovid has thus far completed more than 52 BE studies and 5 comparative bioavailability studies.

At present, Hovid operates more than 9 warehouses around Malaysia to distribute its products in Malaysia and globally. Consequently, there are multiple handing of the same stocks and inefficiencies in stock management. To improve our stock handling, and management, and meet the additional volume arising from the new tableting and capsuling facility, Hovid has recently commenced to construct a new Centralised Distribution Warehouse at our existing Chemor site in Ipoh. Upon completion of this Centralised Distribution Warehouse, targeted to be end of 2016, products will be picked, packed and distributed directly to customers around Malaysia and globally.

During the financial year ended 30 June 2015, our product development ("PD") efforts have resulted in the addition of 17 new products to our product portfolio. Among these were 14 prescription products, 1 dietary supplement, 1 herbal product and 1 OTC (Over-the-Counter) product. 16 new products were successfully registered in Malaysia. More significantly, Hovid has obtained 58 marketing authorizations overseas including the Philippines, Myanmar, Uganda, Sri Lanka, Kuwait, Cambodia, Iraq, Ivory Coast, Singapore, Hong Kong, Nigeria and the Maldives.

Currently, there are 126 products under Hovid's PD pipeline of various categories including prescription products, dietary supplement, food products, cosmetic, over-the-counter ("OTC") products, traditional products and disinfectant. Out of these 126 products, 96 are prescription medicine and the remaining were dietary supplement, OTC and herbal products.

In addition, there are more than 10 completed and ongoing clinical studies on Tocovid Suprabio, conducted in collaboration with various higher learning institutions, including University Sains Malaysia ("USM") and Ohio State University in Ohio, USA. A clinical trial which shows the neuroprotective properties of Tocovid Suprabio has been published in the *Stroke*, a leading peer-reviewed journal in the field of neurology while another clinical study on the liver protective properties of Tocovid Suprabio has been published in another peer-reviewed journal, *Nutrition Journal*.

Whilst our operating environment remains challenging, we have taken and continue to take many steps to strengthen our Company and better position ourselves for the future. We will only remain successful if we can navigate the rapidly changing environment with

diligence, foresight and reflection, and venture to seize strategic opportunities. We will continue building and advancing pipelines to fuel our long-term success. For the future of your Company, we continue to strengthen our growth platforms, capitalise on plant utilisation, develop new markets and new customers, expanding our product portfolios and making our cost structure more flexible to maximise profitability.

CORPORATE SOCIAL RESPONSIBILITY

Corporate Social Responsibility (CSR) has long been an integral part of the Hovid's corporate strategy as well as a guide to embrace responsibility for the Company's actions and encourage a positive impact through its activities on the environment, consumers, employees, communities, stakeholders and all other members of the public sphere. It is important to deliver sustainable growth in the value of stakeholders and for corporate long term success. During this financial year, Hovid has undertaken various CSR activities focused on the four pillars of Community, Marketplace, Workplace and Environment.

Hovid is committed to improve the health and well-being of our communities by supporting programs that improve healthcare and assist in humanitarian relief. During the year, we continued our practice to extend a helping hand to more than 80 events with regards to various educational institutions and charitable societies. Some of the events we have participated were, White Ribbon Campaign 2014 organized by ALL Women's Action Society, The Bounce Campaign and The Bounce Campaign 2.0 organized by Taylor's University Student Council, Urban Health's Campaign named Young at Heart held in the big cities nationwide, Kem Kesihatan 2015 organized by Inner Wheel Club of Ipoh, The 7th

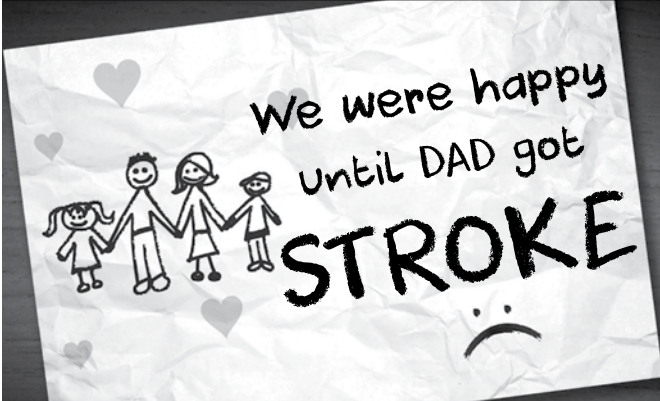


Badminton Tournament 2015



Aid to Kelantan Flood Relief

CHAIRMAN'S STATEMENT (CONTINUED)



75% of stroke patients have **High Blood Pressure**
High blood pressure increases stroke risk by **6 times**.¹

When stroke strikes, 2 million brain cells will die and results to disability. Research shows that **palm tocotrienols** helps to protect brain cells² and reduce the risk of stroke³.

"Start protecting yourself and your love ones against stroke today."

References: 1. National Stroke Association, High blood pressure and stroke; 2. Gopalan Y et al. Stroke Journal 2012;45:1422-1428; 3. DeBettter S et al. BMJ 2010;1-9.

Log on to www.hovid.com/stroke for more stroke risk information. **1800-88-2228** (Mon - Fri, 8am - 6pm)

hovid Leader in palm tocotrienol innovation

PROTECT AGAINST STROKE



PING 2015

National Pharmacy Quiz 2015 organized by Cyberjaya University College of Medical Sciences, The 6th Malaysian Symposium of Biomedical Science 2015 organized by UTAR - Department of Biomedical Science, Ipoh Starwalk 2015 and many more. Hovid believes that improving education and basic health awareness systems are effective ways to build stronger and healthier communities. During the floods in the East Coast of Peninsular Malaysia in January 2015, Hovid had distributed its medicines as emergency relief supplies to the affected areas. Also, during the April 2015 Nepal earthquake, Hovid via the Malaysian Organization of Pharmaceutical Industries in collaboration with the Ministry of Health Malaysia contributed medicines and medical supplies to Nepal.

In respect of employee development and welfare, Hovid implements a structured training process to develop a learning platform to develop and enhance our employees in management and leadership techniques, problem-solving and technical skills. Our in-house corporate training for the FY 2014 focused on personal self-development, problem-solving and Lean Leadership. Besides this, we continuously enhance the knowledge-based skills of our people with specialized trainings on GMP, Good Distribution Practices, Microbiology and ISO Awareness. Hovid also promotes work-life balance for the employees through the activities organized by our in-house Sports Club e.g. Badminton Tournament, Yoga Classes and Futsal Sessions.

Talent development is a core pillar for Hovid. To help secure our future, we hired emerging talent and invested in internships. In 2015, we offered few internship programs for students from the School of Pharmacy at Taylors' University, Cyberjaya University College of Medical Sciences and MAHSA University for the purpose of supporting the country to produce competent pharmacists of the future. Within Hovid, the monthly "Best Employee Award" is an important platform where Hovid engages with its team members to motivate its employees' commitment and achievement. The

award is to recognize and reward employees for not only their job performance but also for those who exemplify the core values of the Hovid Spirit which include Respect, Communication, Teamwork, Innovation and Be Ethical and Honest.

Hovid is committed to high product quality, which underpins the safety and efficacy of our medicines. Our continuous improvement programs, via Lean improvement tools and methods, allows us to enhance the overall process flow and minimize environmental impact by focusing on increasing efficiency, overall equipment effectiveness and eliminating waste, reducing manufacturing lead times and inventory costs. Hovid is also committed on improving the quality of work environment by adopting strict health and safety measures. Safety values are being infused in our employees as part of their work ethics. As an additional initiative to ensure that our employees are protected and ready with knowledge, the Company has established its own Qualified First Aided team trained by the Malaysian Red Crescent Society. In order to ensure the employees are well-prepared, we have regular firefighting drills at our premises. As an environmentally and socially responsible corporate citizen, Hovid meets all regulatory requirements. We work to cut our water effluent discharge and air emission levels, reduce energy consumption, reuse and recycle our materials for the preservation of the environment.

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

APPRECIATION

On behalf of the Board, I want to thank the employees of Hovid for their outstanding efforts that has helped us achieve so much in 2015. My heartfelt gratitude also goes out to our shareholders, customers and business associates for their confidence and support. To our financiers, government authorities and investors, I wish to thank them for their continuous support and co-operation. Finally, I would like to thank all my fellow Directors for their invaluable dedication and quality of their contributions to the Group.

We look forward to achieving new milestones in 2016 with you.

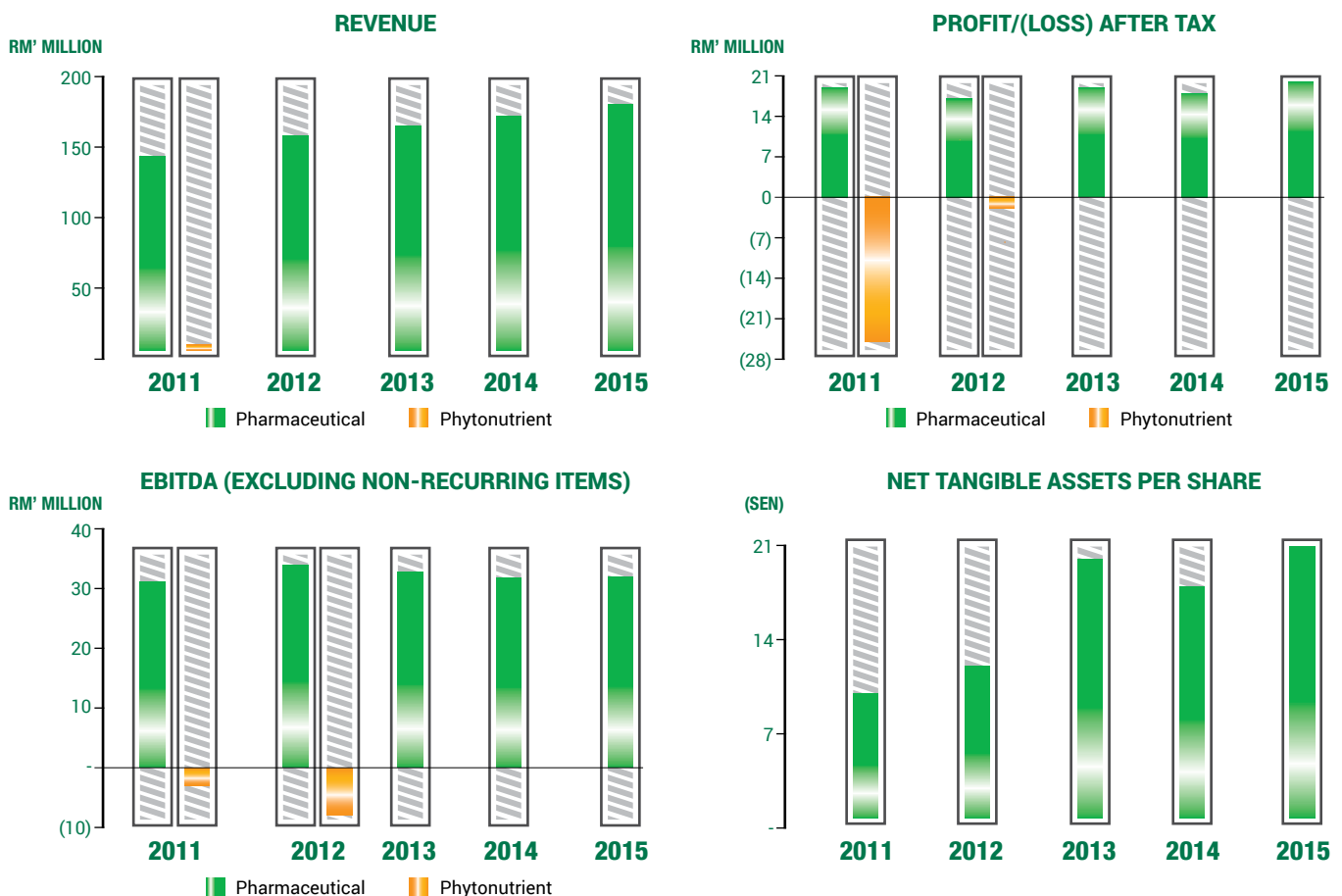
Ho Sue San @ David Ho Sue San
Chairman & Managing Director

FINANCIAL HIGHLIGHTS

For the year ended 30 June	2011* RM'000	2012 RM'000	Restated 2013 RM'000	2014 RM'000	2015 RM'000
Statements of Profit or Loss and Other Comprehensive Income					
Pharmaceutical					
Revenue	145,189	164,808	172,510	183,542	188,406
EBITDA (excluding non-recurring items)	31,403	34,790	34,004	32,212	32,340
Profit after tax	19,490	17,804	19,880	18,302	20,885
Phytonutrient					
Revenue	8,267	-	-	-	-
EBITDA (excluding non-recurring items)	(3,214)	(9,106)	-	-	-
Loss after tax	(25,607)	(2,046)	-	-	-
Statements of Financial Position					
Pharmaceutical					
Total Assets	200,998	210,176	223,680	227,712	251,651
Total Liabilities	95,498	98,905	65,989	61,555	65,640
Phytonutrient					
Total Assets	-	-	-	-	-
Total Liabilities	-	-	-	-	-
Key Financial Ratios					
Basic earnings/(loss) per share	(0.79)	2.06	2.59	2.37	2.73
Diluted earnings/(loss) per share	(0.53)	1.37	2.34	1.89	2.15
Net tangible assets per share (sen)	10.7	12.0	20.1	18.7	21.0

*** 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.



STATEMENT ON CORPORATE GOVERNANCE

The Malaysian Code on Corporate Governance 2012 (“MCCG 2012”) sets out the framework and processes by which companies, via their Board of Directors, direct and manage their business 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 of Directors (“the Board”) of Hovid Berhad (“the Company”) recognises that overall business integrity and performance has to be grounded on a foundation of good governance to enhance shareholder value and building a sustainable business. The Board is pleased to provide the below statement specifying the Group’s application of the principles of MCCG 2012 and the extent of compliance with the best practices throughout the financial year ended 30 June 2015.

PRINCIPLE 1 – ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

1.1 Clear Functions of the Board and Management

The Board retains full and effective control of the Group. The Board recognises their overall responsibility for the Group’s strategic direction and reviews the 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.

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. 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.

1.2 Clear Roles and Responsibilities

The Board has established clear roles and responsibilities in discharging its fiduciary and leadership functions. The responsibilities assumed, amongst others, included reviewing and adopting the Company’s strategic plans, overseeing the conduct of the Company’s business, identifying principal risks and ensuring there are systems in place which effectively monitor and manage those risks, succession planning, overseeing the effectiveness of communication with its shareholders and other stakeholders, and reviewing the adequacy and the integrity of the Company’s internal control system.

1.3 Formalised Ethical Standards through Code of Conduct

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. The Board has formalised a Code of Conduct for its directors which is incorporated in the Board Charter.

1.4 Strategies Promoting Sustainability

The Board recognises the importance of business sustainability and views the commitment to sustainability and environmental, social and governance performance as

part of its broader responsibility to shareholders and the community. The Company’s activities on corporate social responsibilities are revealed in the Chairman Statement of this Annual Report.

1.5 Access to Information and Advice

All Board Members are supplied with information concerning the Company and the Group. 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.

Board Meetings are conducted in accordance to a structured agenda. The Board Members are provided with comprehensive Board papers containing relevant information in a timely manner prior to Board Meetings 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. All proceedings of Board Meetings were minuted and signed in accordance with the provision of Section 156 of the Companies Act, 1965 (“the Act”).

In exercising their duties, the Board Members have full and unrestricted access to all information pertaining to the Group’s business and affairs and may obtain independent professional advice, if necessary, at the Company’s expense. They also have full access to the advice and services of the Company Secretaries.

1.6 Qualified and Competent Company Secretaries

The Board is assisted by qualified and competent Company Secretaries who ensures that Board procedures are followed and applicable rules and regulations are complied with.

The Company Secretaries are responsible for advising the Directors of their obligations and duties to disclose their interest in securities, disclosure of any conflict of interest in a transaction involving the Group, prohibition on dealing in securities and restrictions on disclosure of price-sensitive information.

The Company Secretaries also safeguard all statutory books and records of the Company and maintain the statutory registers of the Company. Company Secretaries also ensure all Board meetings are properly convened, and that accurate and proper records of the proceedings and resolutions passed are recorded. In addition, the Company Secretaries also ensure that any change in the Group’s statutory information should be duly completed in the relevant prescribed forms and lodged with the Registrar of Companies within the required period of time.

1.7 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 made available on the Company’s website at www.hovid.com and is subject to review by the Board from time to time to ensure the Charter remains consistent with the Board’s objectives and responsibilities.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

PRINCIPLE 2 – STRENGTHEN COMPOSITION

2.1 Nomination Committee

The Nomination and Remuneration Committee comprises the following Independent Non-Executive Directors:-

Name	Designation	Directorship
YM Raja Shamsul Kamal Bin Raja Shahrizzaman	Chairman	Senior Independent Non-Executive Director
Chiam Tau Meng	Member	Independent Non-Executive Director
Dato' Che Mohd Zin Bin Che Awang	Member	Independent Non-Executive Director
Chuah Chaw Teo	Member	Independent Non-Executive Director

The Committee met once during the financial year under review. The meeting was attended by all members during their tenure.

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

Appointment of Directors

The objectives of the Nomination and Remuneration Committee are to recommend to the Board, candidates for any new appointment to the Board and Board Committees and to ensure that the Company recruits and retains the best available Executive and Non-Executive Directors with the right mix of knowledge, capabilities and experience relevant to the Company.

When making recommendations, the Nomination and Remuneration Committee considers the required mix of skills and experiences which the Directors would bring to the Board. Any new nomination received will be recommended to the full Board for assessment and endorsement.

Re-appointment and Re-election of Directors

The Articles of Association ("the 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.

Proposals for the re-appointment and re-election of Directors are reviewed and assessed by the Nomination and Remuneration Committee. The Committee will recommend the proposal to the Board and subsequently to the shareholders for approval.

Board Diversity

The Board acknowledges that a Board made up of highly qualified directors from diverse backgrounds promotes better governance practices. The diversity in the Board composition ensures the good use of the differences in the wide range of skills, industry experience, background, gender and other attributes of the directors to enhance the efficient functioning of the Board. Where boardroom diversity is concerned, the Board does not adopt any formal gender diversity policy in the selection of new Board candidates and does not have a specific policy on setting target for female candidates.

The evaluation of the suitability of candidates as a new Board member is solely based on the candidates' competency, character, time commitment, knowledge and experience in meeting the needs of the Group.

Annual Assessment

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.

2.3 Remuneration Policies

The aggregate remuneration of Directors of the Company for the financial year ended 30 June 2015 are categorised into the following components:-

	Fees (RM)	Salaries & Other Emoluments (RM)	Benefit-in-kind (RM)	Total (RM)
Executive Directors	156,000	2,882,244	19,800	3,058,044
Non-Executive Directors	546,000	-	-	546,000

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

Remuneration Band	Executive Directors	Non-Executive Directors
RM50,001 - RM100,000	-	2
RM150,001 - RM200,000	1	-
RM200,001 - RM250,000	-	2
RM1,100,001 - RM1,150,000	1	-
RM1,700,001 - RM1,750,000	1	-

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

The Company has adopted the principles recommended by the MCGG 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.

are able to function as a check and balance, provide a broader view and bring independent and objective judgment to the Board;

- 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 in their exercise of independent judgment and ability to act in the best interests of the Group.

PRINCIPLE 3 – REINFORCE INDEPENDENCE

3.1 Annual Assessment of Independence

The Board recognises the importance of independence and objectivity in the decision-making process as advocated in the MCGG 2012. The Board is committed in ensuring that Independent Directors are capable and willing to make decisions in the best interests of the Company.

The Independent Non-Executive Directors of the Company namely, YM Raja Shamsul Kamal Bin Raja Shahruzzaman, Mr Chiam Tau Meng, Dato' Che Mohd Zin Bin Che Awang and Dr Chuah Chaw Teo fulfilled the criteria of "Independence" as prescribed by the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities").

3.2 Tenure of Independent Directors

The Board is aware that the recommended tenure of an Independent Director should not exceed a cumulative term of nine (9) years as recommended in the principle of Reinforce Independence of MCGG 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.

3.3 Shareholders' Approval for the Appointment as an Independent Director after serving nine (9) years in that capacity

YM Raja Shamsul Kamal Bin Raja Shahruzzaman and Dr Chuan Chaw Teo are the two (2) Independent Non-Executive Directors who had served the Board for more than nine years. 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 both of them as Independent Non-Executive Directors for the coming year and would like to seek the shareholders' approval at the forthcoming 35th 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

3.4 Separation of Positions of the Chairman and Managing Director

The role of Chairman and Managing Director of the Company 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. Moreover, independent Non-Executive Directors comprised the majority of the Board.

3.5 Composition of the Board

Currently, the Board consists of seven (7) members comprising four (4) Independent Non-Executive Directors, two (2) Executive Directors and one (1) Chairman & Managing Director. This is in line with the MCGG 2012's recommendation and complies with Paragraph 15.02 of the Listing Requirements of Bursa Securities which required at least two (2) or one third (1/3) of the Board whichever is higher, to be Independent Directors. The higher proportion of Independent Directors enables objective consideration of subjects and mitigates any possible conflict of interest. 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 9 and 10.

PRINCIPLE 4 – FOSTER COMMITMENT

4.1 Time Commitment and Number of Directorships

The Board meets at least four (4) times a year at quarterly intervals with additional meetings to be convened where necessary to deal with urgent and important matters that require attention of the Board. The dates scheduled for Board meetings, Board Committee meetings and Annual General Meeting are set in advance towards the availability of the Board members to attend and to ensure that the Board and its Committee meetings are accounted for in their respective schedules and each Board member is able to discharge their responsibilities.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

During the financial year ended 30 June 2015, there were five (5) scheduled Board meetings to discuss and consider issues on the Group's financial performance, major investments, strategy and business plan. The members of the Board and their attendance during the financial year ended 30 June 2015 are as follows:-

Directors	Designation	Attendance
Ho Sue San @ David Ho Sue San	Chairman & Managing Director	5/5
YM Raja Shamsul Kamal Bin Raja Shahruzzaman	Senior Independent Non-Executive Director	5/5
Chiam Tau Meng	Independent Non-Executive Director	5/5
Dato' Che Mohd Zin Bin Che Awang	Independent Non-Executive Director	5/5
Chuah Chaw Teo	Independent Non-Executive Director	5/5
Yuen Kah Hay	Executive Director	5/5
Goh Tian Hock	Executive Director	5/5

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

In line with the Listing Requirements, the number of directorship for each director is limited to five in public-listed companies to ensure the directors have the time to fulfil their responsibility effectively. None of the directors in the Board currently serve on more than five public-listed companies. The Company Secretaries monitor the number of directorship held by each director and advises the Board on new appointment.

4.2 Directors' Training

All Directors have 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.

Seminars and training programmes attended by the Directors during the financial year ended 30 June 2015 are as follows:

Name	Seminar/Training Programme
Ho Sue San @ David Ho Sue San	The Role of the Chairman Palm Oil Rubber 3.0 NKEA Lab
Chiam Tau Meng	Nominating Committee Programme 2 : Effective Board Evaluations
Dato' Che Mohd Zin Bin Che Awang	Nominating Committee Programme 2 : Effective Board Evaluations
Chuah Chaw Teo	Analysis of Corporate Governance in Annual Reports 2012-2013
Yuen Kah Hay	2nd International Workshop on Micronutrients and Child Health
Goh Tian Hock	MTCDP Session on Generics R&D and Product Development MEXPA Seminar on Government Grants and Financial Assistance GST Implementation - Training MATRADE National Exports Strategies Pharmaceutical Workshop on Export Market Expansion

During the financial year ended 30 June 2015, YM Raja Shamsul Kamal Bin Raja Shahruzzaman was unable to attend any training due to time constraints and tight work schedule.

PRINCIPLE 5 – UPHOLD INTEGRITY IN FINANCIAL REPORTING

5.1 Compliance with Applicable Financial Reporting Standards

Financial Reporting

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.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

The Board recognise the value of an effective Audit Committee in ensuring the reliability and accuracy of financial statements. The Board has entrusted the Audit Committee to review the Company's financial reports to ensure its compliance with the acceptable Financial Reporting Standards and the provisions of the Act in Malaysia before the Financial Statements are recommended to the Board for approval and release to the public.

The Audit Committee also 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

The Board 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 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 enquires, 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 on Page 89 in this Annual Report.

5.2 Assessment of Suitability and Independence of External Auditors

The Board has established and maintained a professional and transparent relationship with the Group's external auditors through the Audit Committee.

The Audit Committee is also responsible to assess the suitability and independence of external auditors. The external auditors are invited to attend the Audit Committee meetings when deem 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.

In addition, the external auditors are invited to attend the Company's AGM or Extraordinary General Meeting(s) and are available to answer any questions from shareholders on the conduct of the statutory audit and the contents of the Annual Audited Financial Statements as well as any corporate exercise undertaken by the Group where the external auditors are involved.

During the financial year ended 30 June 2015, the Audit Committee met twice (2) with the external auditors without the presence of the management.

The external auditors have declared their independence to the Group and their compliance with By-Laws (on professional ethics, conduct and practice) of the Malaysian Institute of Accountants and other regulatory requirements

PRINCIPLE 6 – RECOGNISE AND MANAGE RISKS

6.1 Sound Framework to Manage Risks

The Board is fully aware of its 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 Board determine the level of risk tolerance from the activities identified, via the Risk Management Committee, assess and monitor key business risks to safeguard shareholders' investments and the Company's assets.

6.2 Internal Audit Function

The Board recognises that an internal audit function is essential to ensure the adequacy and integrity of the systems of internal control and is an integral part of the risk management process. The internal audit function of the Group is outsourced to an external consultant who reports directly to the Audit Committee of the Company.

Details of the Company's internal control system and framework are set out in the Statement on Risk Management and Internal Control of this Annual Report on Page 22.

PRINCIPLE 7 – ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

7.1 Corporate Disclosure Policy

The Board is aware of the need to establish corporate disclosure policies and procedures to enable comprehensive, accurate and timely disclosures relating to the Company and its subsidiaries to be made to the regulators, shareholders and stakeholders.

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.

7.2 Leverage on Information Technology for Effective Dissemination of Information

The Company has established a dedicated section for corporate information on the Company's website at www.hovid.com which can be accessed by the shareholders or members of the public to keep updated with the development of the Company. Alternatively, they may obtain the Company's latest announcements via the website of Bursa Securities at www.bursamalaysia.com.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

PRINCIPLE 8 – STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

8.1 Encourage Shareholder Participants at General Meetings

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 at least twenty one (21) days before the meeting to enable shareholders to go through the Annual Report and papers supporting the resolutions proposed. Shareholders who are unable to attend are allowed to appoint proxies to attend and vote on their behalf.

8.2 Encourage Poll Voting

At the AGM, shareholders have the right to demand a poll vote for resolutions and the detailed results showing the number of votes cast for and against each resolution will be announced through Bursa Malaysia. All resolutions put for the shareholders' approval at the 34th AGM held last year were voted by a show of hands and duly passed.

8.3 Effective Communication and Proactive Engagement

At the AGM, shareholders have the opportunity 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.

Information about the Group is disseminated via company website, quarterly announcement, annual reports and other announcements made to Bursa Malaysia from time to time.

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.

ADDITIONAL COMPLIANCE INFORMATION

• Share Buy-Back

There was no share buy-back during the financial year ended 30 June 2015.

• Options, Warrants or Convertible Securities

During the financial year ended 30 June 2015, a total of 17,545,971 new ordinary shares of RM0.10 each were issued and allotted pursuant to the exercise of the Warrants.

• 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.

• Non-Audit Fees

The amount of non-audit fee paid to external auditors by the Company and its subsidiary companies for the financial year ended 30 June 2015 was RM5,000.

• 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 (not being contracts entered into in the ordinary course of business) entered into by the Company and/or its subsidiaries involving Directors' and major shareholders' interest, either still subsisting at the end of the financial year ended 30 June 2015 or, if not still subsisting, 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 2015 between the Company and its subsidiary companies are disclosed in Note 31 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 on Corporate Governance is made in accordance with a resolution of the Board dated 20 October 2015.

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' investments and the Group's assets. The Board is committed to maintaining 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 responsibility in reviewing the adequacy, effectiveness and integrity of the Group's system of risk management and internal control. The system covers, inter alia, financial, organisational, operational and compliance controls to safeguard shareholders' investment and the Group's assets. The system, by its nature, nonetheless can only provide reasonable but not absolute assurance against any material misstatement or loss because it is designed to manage the principle business risks that may impede the Group from achieving its corporate objectives and sustain success rather than eliminate the risk of failure to achieve these objectives.

RISK MANAGEMENT FRAMEWORK

The Board understands that risk management plays an important role in identifying, evaluating and managing significant risk areas faced by the Group. 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 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 FUNCTION

An independent external consultant 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 outsourced internal audit function covers the 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.

Observations highlighted by the outsourced internal audit function are reviewed and discussed at the Audit Committee meeting. Reports to the Audit Committee are formatted such that all corrective actions taken on internal audit observations 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 independent internal audit services in respect of the financial year 2015 was RM30,000.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

Pursuant to Paragraph 15.23 of the Main Market Listing Requirements, the External Auditors, Messrs SJ Grant Thornton have reviewed this Statement for inclusion in the Annual Report for the financial year ended 30 June 2015 and the External Auditors have reported to the Board that nothing has come to their attention that causes them to believe that the Statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and effectiveness 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 that the Company's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management framework 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 which occurred during the financial year ended 30 June 2015 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 20 October 2015.

AUDIT COMMITTEE REPORT

The Audit Committee ("Committee") assists the Board in carrying out their fiduciary 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
Chiam Tau Meng	Chairman	Independent Non-Executive Director
YM Raja Shamsul Kamal Bin Raja Shahrizzaman	Member	Senior Independent Non-Executive Director
Dato' Che Mohd Zin Bin Che Awang	Member	Independent Non-Executive Director
Chuah Chaw Teo	Member	Independent Non-Executive Director

MEETINGS AND ATTENDANCE

During the financial year ended 30 June 2015, the Committee convened five (5) meetings. The records of attendance of the Committee members are as follows:

Name	Attendance/ No. of Meetings Held
Chiam Tau Meng	5/5
YM Raja Shamsul Kamal Bin Raja Shahrizzaman	5/5
Dato' Che Mohd Zin Bin Che Awang	5/5
Chuah Chaw Teo	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:

- have authority to consider and investigate any matter within its terms of reference;
- have the resources which are required to perform its duties;
- have full and unrestricted access to any information of the Group;

- be able to obtain external or independent professional advice and may invite outsiders with relevant experience to attend their meetings, if necessary;
- have direct communication channels with the external auditors, internal auditors and all employees of the Group;
- 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; and
- make recommendations for improvements of operating performance based on internal and external auditors' recommendations.

Composition

- 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 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.
 - an alternate Director.
- The members of the Committee shall elect a Chairman from among their numbers who shall be an Independent Non-Executive Director.
- At least one (1) member of the Committee:
 - must be a member of the Malaysian Institute of Accountants; or
 - if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years' working experience and:
 - he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
 - 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
 - fulfills such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad ("Bursa Securities"); or
 - 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.
- 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.

AUDIT COMMITTEE REPORT (CONTINUED)

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.

Responsibilities

The functions of the Committee have been expanded to include matters specified in the Malaysian Code on Corporate Governance 2012.

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);
- (e) his management letter and management's response; and
- (f) the non-audit services provided by the external auditors to ensure there was no impairment of independence or objectivity.

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 2015 up to 20 October 2015 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 assist the Audit Committee in assessing the integrity and effectiveness of internal control system of the Group. Details of the internal audit functions are set out in the Statement on Risk Management and Internal Control on Page 22.

During the financial year ended 30 June 2015, the internal auditors undertook the following activities:

1. reported to the Committee and attended two (2) out five (5) Committee meetings held during the financial year 2015;
2. prepared and presented an internal audit plan, audit strategy and audit scope of work for the Group;
3. reviewed and reported on the internal audit observations from the assessment of adequacy & effectiveness of internal controls used in managing the related processes for achievement of the corporate strategic goals of (i) revenue growth; (ii) leader in GMP; and (iii) business driven through LEAN; and
4. reported on the follow-up of management's implementation status of the prior internal audit recommendations.

Financial Statements

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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 financial year ended 30 June 2015.

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	20,909	21,044
Non-controlling interests	(24)	-
	20,885	21,044

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.

DIVIDENDS

Since the end of the previous financial year, the Directors had:

- i. on 26 August 2014, declared an interim single-tier dividend of 0.5 sen per ordinary share in respect of the financial year ended 30 June 2014, amounting to RM3,819,073, which was paid on 3 October 2014;
- ii. on 25 February 2015, declared an interim single-tier dividend of 0.5 sen per ordinary share in respect of the financial year ended 30 June 2015, amounting to RM3,819,335, which was paid on 27 March 2015;
- iii. on 28 August 2015, declared an interim single-tier dividend of 0.5 sen per ordinary share in respect of the financial year ended 30 June 2015, amounting to RM3,937,980, which was paid on 2 October 2015; and
- iv. on 28 August 2015, declared a special interim single-tier dividend of 0.35 sen per ordinary share in respect of the financial year ended 30 June 2015, amounting to RM2,756,586, which was paid on 2 October 2015.

The financial statements for the current year do not reflect the dividends as mentioned in (iii) and (iv) above. These dividends will be accounted for in the equity as an appropriation of retained earnings in the financial year ending 30 June 2016.

DIRECTORS

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

Ho Sue San @ David Ho Sue San
 YM Raja Shamsul Kamal Bin Raja Shahruzzaman
 Chiam Tau Meng
 Dato' Che Mohd Zin Bin Che Awang
 Chuah Chaw Teo
 Yuen Kah Hay
 Goh Tian Hock

DIRECTORS' REPORT (CONTINUED)**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 1.7.2014	Bought	Sold	Balance at 30.06.2015
Shareholdings in the Company				
Direct interests:				
Ho Sue San @ David Ho Sue San	286,776,400	27,000	5,000,000	281,803,400
Goh Tian Hock	1,765,830	-	-	1,765,830
Yuen Kah Hay	331,555	-	50,000	281,555
*Number of Warrants over ordinary shares of RM0.10 each				
	Balance at 1.7.2014	Bought	Sold	Balance at 30.06.2015
Warrant holdings in the Company				
Direct interests:				
Ho Sue San @ David Ho Sue San	158,429,120	-	13,633,900	144,795,220
Goh Tian Hock	974,000	-	-	974,000

* 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 31.

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

During the financial year, the Company issued 17,545,971 ordinary shares of RM0.10 each for cash arising from the conversion of warrants at an exercise price of RM0.18 per ordinary share.

Other than the above, there were no shares or debentures issued by the Company during the financial year.

DIRECTORS' REPORT (CONTINUED)

WARRANTS

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.

The Warrants are constituted by a Deed Poll, which was executed on 24 April 2013 ("Deed Poll").

The salient terms of the Warrants are as follows:

- (a) The issue date of the Warrants was 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
- (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.

During the financial year, 17,545,971 shares were issued by virtue of the exercise of Warrants to take up unissued shares of the Company. As at the end of the financial year, 361,767,029 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.

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.

STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2015

	Note	GROUP		COMPANY	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Assets					
Non-current assets					
Property, plant and equipment	4	128,808	98,415	90,559	67,864
Intangible assets	5	19,410	18,008	20,214	18,404
Investment properties	6	2,600	2,400	-	-
Investment in subsidiaries	7	-	-	16,760	13,777
Other investment	8	-	-	-	-
Deferred tax assets	9	787	520	-	-
Total non-current assets		151,605	119,343	127,533	100,045
Current assets					
Inventories	10	27,123	26,494	16,434	15,276
Receivables, deposits and prepayments	11	50,001	40,480	73,509	61,829
Cash and deposits	12	22,922	22,670	9,226	9,482
Total current assets		100,046	89,644	99,169	86,587
Assets classified as held for sale	13	-	18,725	-	4,073
Total assets		251,651	227,712	226,702	190,705
Equity and liabilities					
Equity					
Share capital	14	78,135	76,381	78,135	76,381
Share premium	14	2,018	263	2,018	263
Reserves	14	38,298	32,489	21,293	19,383
Retained earnings	14	65,250	52,036	60,334	46,928
Total equity attributable to owners of the Company		183,701	161,169	161,780	142,955
Non-controlling interests	7	2,310	4,988	-	-
Total equity		186,011	166,157	161,780	142,955
Liabilities					
Non-current liabilities					
Deferred tax liabilities	9	11,128	11,956	11,890	12,479
Provision for retirement benefits	15	3,617	3,214	3,275	2,836
Loans and borrowings	16	9,282	2,142	8,252	833
Total non-current liabilities		24,027	17,312	23,417	16,148
Current liabilities					
Loans and borrowings	16	7,494	3,864	6,827	3,273
Payables and accruals	17	30,292	24,759	31,110	23,620
Tax payable		3,827	4,826	3,568	4,709
Total current liabilities		41,613	33,449	41,505	31,602
Liabilities classified as held for sale	13	-	10,794	-	-
Total liabilities		65,640	61,555	64,922	47,750
Total equity and liabilities		251,651	227,712	226,702	190,705

The notes on pages 37 to 87 are an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

	Note	GROUP		COMPANY	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Revenue	18	188,406	183,542	144,181	135,899
Advertisement and promotions		(4,665)	(3,247)	(3,372)	(1,839)
Amortisation of intangible assets		(582)	(596)	(582)	(596)
Allowance for slow moving inventories		(168)	(545)	(125)	(128)
Change in inventories of work-in-progress and finished goods		2,761	46	2,852	1,065
Depreciation of property, plant and equipment		(5,400)	(5,440)	(3,923)	(3,888)
Finance costs	19	(848)	(1,368)	(514)	(360)
Finance income	20	164	1	2,811	2,384
Gain on disposal of investment in a subsidiary		1,365	-	1,782	-
Impairment loss on receivables		(239)	(163)	-	-
Inventories written down		(87)	(33)	(87)	(33)
Inventories written off		(407)	(521)	(167)	(366)
Other expenses		(13,551)	(15,657)	(14,379)	(15,616)
Other income		6,739	2,739	11,640	6,760
Purchase of trading goods		(4,234)	(3,948)	-	-
Raw materials and packing materials used		(66,881)	(65,729)	(63,161)	(59,485)
Reversal of impairment loss on receivables		73	115	-	-
Sales commission		(2,240)	(1,760)	-	-
Staff costs		(52,991)	(44,100)	(33,550)	(25,175)
Transportation and freight charges		(4,172)	(3,142)	(2,272)	(1,362)
Upkeep, repair and maintenance expenses		(7,428)	(7,427)	(6,874)	(6,780)
Utilities and fuel		(8,576)	(7,958)	(7,003)	(6,133)
Profit before tax	21	27,039	24,809	27,257	24,347
Income tax expense	22	(6,154)	(6,507)	(6,213)	(6,134)
Profit for the financial year		20,885	18,302	21,044	18,213
Other comprehensive (loss)/income, net of tax					
<i>Items that will not be reclassified subsequently to profit or loss:</i>					
Remeasurement of retirement benefit liabilities		173	483	-	399
Revaluation of land and buildings		8,951	-	2,261	-
<i>Item that will be reclassified subsequently to profit or loss:</i>					
Foreign exchange translation differences for foreign operations		(2,025)	582	-	-
Total other comprehensive income for the financial year		7,099	1,065	2,261	399
Total comprehensive income for the financial year		27,984	19,367	23,305	18,612
Profit attributable to:					
Owners of the Company		20,909	18,084	21,044	18,213
Non-controlling interests		(24)	218	-	-
Profit for the financial year		20,885	18,302	21,044	18,213
Total comprehensive income attributable to:					
Owners of the Company		27,012	19,106	23,305	18,612
Non-controlling interests		972	261	-	-
Total comprehensive income for the financial year		27,984	19,367	23,305	18,612
Earnings per share					
Basic earnings per share (sen)	23	2.73	2.37		
Diluted earnings per share (sen)	23	2.15	1.89		

The notes on pages 37 to 87 are an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

GROUP	← Attributable to owners of the Company →								
	← Non-distributable →				Distributable		Non-controlling interests	Total equity	
	Share capital	Share premium	Reserve classified as held for sale	Other reserves	Retained earnings	Total			
Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 July 2013		76,208	90	-	31,995	44,718	153,011	4,680	157,691
Foreign exchange translation differences for foreign operations	14	-	-	-	539	-	539	43	582
Remeasurement of retirement benefit liabilities		-	-	-	-	483	483	-	483
Total other comprehensive income		-	-	-	539	483	1,022	43	1,065
Profit for the financial year		-	-	-	-	18,084	18,084	218	18,302
Total comprehensive income		-	-	-	539	18,567	19,106	261	19,367
Reserve attributable to disposal group classified as held for sale	13	-	-	(618)	618	-	-	-	-
<i>Transactions with owners:</i>									
Conversion of warrants		173	173	-	(34)	-	312	-	312
Warrant issue expenses		-	-	-	(11)	-	(11)	-	(11)
Dividends to owners	24	-	-	-	-	(11,249)	(11,249)	-	(11,249)
Issuance of shares to non-controlling interests		-	-	-	-	-	-	47	47
		173	173	-	(45)	(11,249)	(10,948)	47	(10,901)
At 30 June 2014		76,381	263	(618)	33,107	52,036	161,169	4,988	166,157
Foreign exchange translation differences for foreign operations	14	-	-	388	(2,468)	-	(2,080)	55	(2,025)
Revaluation of land and buildings		-	-	-	8,010	-	8,010	941	8,951
Realisation of reserve upon disposal of assets held for sale		-	-	230	-	(230)	-	-	-
Remeasurement of retirement benefit liabilities		-	-	-	-	173	173	-	173
Total other comprehensive income		-	-	618	5,542	(57)	6,103	996	7,099
Profit for the financial year		-	-	-	-	20,909	20,909	(24)	20,885
Total comprehensive income		-	-	618	5,542	20,852	27,012	972	27,984
<i>Transactions with owners:</i>									
Conversion of warrants		1,754	1,755	-	(351)	-	3,158	-	3,158
Dividends to owners	24	-	-	-	-	(7,638)	(7,638)	-	(7,638)
Issuance of shares to non-controlling interests		-	-	-	-	-	-	67	67
Derecognition of non-controlling interests in a subsidiary disposed	7	-	-	-	-	-	-	(3,717)	(3,717)
		1,754	1,755	-	(351)	(7,638)	(4,480)	(3,650)	(8,130)
At 30 June 2015		78,135	2,018	-	38,298	65,250	183,701	2,310	186,011
		Note 14.1	Note 14.2	Note 14.3	Note 14.3	Note 14.4			

STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015 (CONTINUED)

COMPANY	Note	← Non-distributable →			Distributable	Total equity RM'000
		Share capital RM'000	Share premium RM'000	Reserves RM'000	Retained earnings RM'000	
At 1 July 2013		76,208	90	19,428	39,565	135,291
Remeasurement of retirement benefit liability, representing total other comprehensive income		-	-	-	399	399
Profit for the financial year		-	-	-	18,213	18,213
Total comprehensive income		-	-	-	18,612	18,612
<i>Transactions with owners:</i>						
Conversion of warrants		173	173	(34)	-	312
Warrant issue expenses		-	-	(11)	-	(11)
Dividends to owners	24	-	-	-	(11,249)	(11,249)
		173	173	(45)	(11,249)	(10,948)
At 30 June 2014		76,381	263	19,383	46,928	142,955
Revaluation of land and buildings, representing total other comprehensive income		-	-	2,261	-	2,261
Profit for the financial year		-	-	-	21,044	21,044
Total comprehensive income		-	-	2,261	21,044	23,305
<i>Transactions with owners:</i>						
Conversion of warrants		1,754	1,755	(351)	-	3,158
Dividends to owners	24	-	-	-	(7,638)	(7,638)
		1,754	1,755	(351)	(7,638)	(4,480)
At 30 June 2015		78,135	2,018	21,293	60,334	161,780
		Note 14.1	Note 14.2	Note 14.3	Note 14.4	

The notes on pages 37 to 87 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

Note	GROUP		COMPANY	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Cash flows from operating activities				
Profit before tax	27,039	24,809	27,257	24,347
Adjustments for:				
Amortisation of intangible assets	582	596	582	596
Allowance for slow moving inventories	168	545	125	128
Bad debts written off	2	13	-	13
Changes in fair value of investment properties	(200)	(400)	-	-
Provision for retirement benefits	598	(43)	439	(542)
Depreciation of property, plant and equipment	5,400	5,440	3,923	3,888
Gain on disposal of investment in a subsidiary	(1,365)	-	(1,782)	-
Gain on disposal of property, plant and equipment	(3)	(3)	(4)	-
Impairment loss on receivables	239	163	-	-
Interest expense	848	1,368	514	360
Interest income	(164)	(1)	(2,973)	(2,384)
Inventories written down	87	33	87	33
Inventories written off	407	521	167	366
Product development expenditure written off	279	2,570	279	2,570
Property, plant and equipment written off	128	19	115	1
Reversal of impairment loss on receivables	(73)	(115)	-	-
Unrealised (gain)/loss on foreign exchange	(3,618)	96	(3,840)	305
Operating profit before changes in working capital	30,354	35,611	24,889	29,681
Change in inventories	(2,155)	(2,618)	(1,537)	(2,284)
Change in receivables, deposits and prepayments	(9,258)	(4,966)	(5,511)	(4,275)
Change in payables and accruals	7,716	(618)	2,767	(1,282)
Inter-company balances	-	-	2,768	(8,244)
Bankers' acceptance	3,592	(972)	3,592	(972)
Cash generated from operations	30,249	26,437	26,968	12,624
Tax paid	(8,524)	(4,761)	(8,078)	(4,443)
Net cash from operating activities	21,725	21,676	18,890	8,181
Cash flows from investing activities				
Acquisition of property, plant and equipment	(i) (27,267)	(6,280)	(23,782)	(5,034)
Additional investment in a subsidiary	-	-	-	(150)
(Advance to)/repayment from subsidiaries	-	-	(6,175)	750
Interest received	164	1	2,973	2,384
Proceeds from disposal of property, plant and equipment	66	25	64	4
Proceeds from disposal of a subsidiary	-	-	5,855	-
Disposal of a subsidiary, net of cash	7 7,824	-	-	-
Product development expenditure incurred	(2,263)	(2,314)	(2,671)	(2,175)
Net cash used in investing activities	(21,476)	(8,568)	(23,736)	(4,221)

STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015 (CONTINUED)

Note	GROUP		COMPANY	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Cash flows from financing activities				
Advances from subsidiaries	-	-	2,812	1,679
Interest paid	(843)	(2,420)	(509)	(349)
Withdrawal of pledged deposits with licensed banks	24	495	57	537
Dividends paid	(7,638)	(11,249)	(7,638)	(11,249)
Payment of warrants expenses	-	(11)	-	(11)
Proceeds from warrants conversion	3,158	312	3,158	312
Proceeds from issuance of shares to non-controlling interests	67	47	-	-
Repayments of finance lease liabilities	(156)	(490)	(36)	(357)
Repayments of term loans	(427)	(2,658)	(316)	(2,190)
Drawdown of term loans	7,119	-	7,119	-
Net cash from/(used in) financing activities	1,304	(15,974)	4,647	(11,628)
Cash and cash equivalents				
Change in cash and cash equivalents	1,553	(2,866)	(199)	(7,668)
Effect of exchange rates fluctuation on cash held At 1 July	38	(17)	-	(1)
	20,256	23,139	9,425	17,094
At 30 June	21,847	20,256	9,226	9,425

NOTES TO THE STATEMENTS OF CASH FLOWS

(i) Acquisition of property, plant and equipment

Analysis of acquisition of property, plant and equipment:

	GROUP		COMPANY	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Finance lease liabilities	614	-	614	-
Cash outright acquisition	27,267	6,280	23,782	5,034
	27,881	6,280	24,396	5,034

(ii) Cash and cash equivalents

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

	GROUP		COMPANY	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Cash and deposits (Note 12)	21,847	21,570	9,226	9,425
Less: Classified as held for sale (Note 13)				
Cash and deposits	-	347	-	-
Bank overdrafts	-	(1,661)	-	-
	-	(1,314)	-	-
	21,847	20,256	9,226	9,425

The notes on pages 37 to 87 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2015

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 financial year ended 30 June 2015 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 20 October 2015.

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 requirements of the Companies Act, 1965 in Malaysia.

(a) Basis of measurement

The financial statements of the Group and the Company are prepared under the historical cost convention, unless otherwise indicated in the summary of significant accounting policies.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to by the Group and the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial market takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group and the Company use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to their fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to their fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to their fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group and the Company determine whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to their fair value measurement as a whole) at the end of each reporting period.

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2015 (CONTINUED)

2. BASIS OF PREPARATION (continued)

(b) 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.

(c) Adoption of New and Revised MFRSs, Amendments/Improvements to MFRSs, and IC Interpretations ("IC Int")

Except for the changes below, the Group and the Company have consistently applied the accounting policies set out in Note 3 to all periods presented in these financial statements.

In the current financial year, the Group and the Company have applied a number of new and revised MFRSs and amendments to MFRSs that are mandatorily effective for accounting periods that begin on or after 1 July 2014.

Initial application of the standards and amendments to the standards and IC Int did not have material impact to the financial statements.

(d) 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 is issued during the financial year, which reflects all phases of the financial instruments project and replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous versions of MFRS 9. The new standard introduces extensive requirements and guidance for classification and measurement of financial assets and financial liabilities which fall under the scope of MFRS 9, new "expected credit loss model" under the impairment of financial assets and greater flexibility has been allowed in hedge accounting transactions.

The Group and the Company are currently examining the financial impact of adopting MFRS 9, which will be effective for annual financial periods beginning on or after 1 January 2018.

(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.

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 the land and buildings at revalued amount with changes in fair value being recognised in other comprehensive income. The Group and the Company engaged independent valuation specialists to determine the fair value as at 30 June 2015. 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.

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2015 (CONTINUED)

2. BASIS OF PREPARATION (continued)

(e) Use of estimates and judgements (continued)

Estimation uncertainty (continued)

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 qualified valuers to determine fair value as at 30 June 2015. 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 and the Company'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.

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 liabilities

The present value of the defined benefit liabilities is determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. It also takes into account the standard rates of inflation and medical cost trends. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

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

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.

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2015 (CONTINUED)

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, 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.

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

(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.

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2015 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of consolidation (continued)

(iii) Non-controlling interests (continued)

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.

(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 off.

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2015 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

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(k)(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 off 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.

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2015 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

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 principal annual depreciation rates and estimated useful live 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.

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2015 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(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 expenses 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 profit or loss 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.

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2015 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Intangible assets (continued)

(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 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.

(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 and 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.

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2015 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Non-Current Assets Held for Sale

Non-current assets are classified as held for sale if the carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition subject only to terms that are usual and customary.

Immediately before classification as held for sale, the measurement of the non-current assets is brought up-to-date in accordance with applicable MFRSs. Then, on initial classification as held for sale, non-current assets are measured at the lower of carrying amount and fair value less costs to sell and are not depreciated. Any differences are recognised in the profit or loss.

(j) 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.

(k) 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.

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2015 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Impairment (continued)

(ii) Non-financial assets (continued)

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.

(l) 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 unexercised warrants at the expiry of the warrants period will be transferred to retained earnings.

(m) Employee benefits

(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.

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2015 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Employee benefits (continued)

(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.

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.

(n) 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.

(o) 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 rendered

Revenue from services rendered is recognised upon rendering the services.

(iii) Rental income

Rental income from investment property is recognised in profit and loss 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.

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2015 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) 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.

(q) 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 or loss. Deferred tax is measured at the tax rates that are expected to be applied 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.

(r) 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 warrants issued by the Company.

(s) 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.

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2015 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) 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).

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2015 (CONTINUED)

4. PROPERTY, PLANT AND EQUIPMENT

GROUP

Cost/Valuation	Land and buildings (Note 4.1)	Plant, machinery and electrical equipment	Motor vehicles	Furniture, fittings, office, laboratory and factory equipment, electrical installation and renovation	Capital work-in- progress	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 July 2013	67,431	59,748	5,270	27,764	958	161,171
Additions	454	1,767	40	2,335	1,684	6,280
Transfers	122	3	-	108	(233)	-
Write offs	-	-	-	(49)	-	(49)
Disposals	-	-	(46)	(14)	-	(60)
Exchange differences	523	155	4	20	-	702
Transfer to assets held for sale (Note 13)	(4,918)	(13,612)	(126)	(796)	-	(19,452)
At 30 June 2014	63,612	48,061	5,142	29,368	2,409	148,592
Additions	7	2,299	1,262	2,352	21,961	27,881
Transfers	181	244	-	349	(774)	-
Write offs	(7)	(409)	-	(499)	-	(915)
Disposals	-	-	(414)	(6)	-	(420)
Revaluation surplus	9,268	-	-	-	-	9,268
Transfer from accumulated depreciation on revaluation	(1,371)	-	-	-	-	(1,371)
Exchange differences	(1,763)	-	87	11	-	(1,665)
At 30 June 2015	69,927	50,195	6,077	31,575	23,596	181,370
Representing items at:						
Cost	21	50,195	6,077	31,575	23,596	111,464
Valuation	69,906	-	-	-	-	69,906
	69,927	50,195	6,077	31,575	23,596	181,370

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2015 (CONTINUED)

4. PROPERTY, PLANT AND EQUIPMENT (continued)

GROUP

	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
Accumulated depreciation/ impairment losses						
At 1 July 2013						
Accumulated depreciation	-	31,440	3,614	14,443	-	49,497
Accumulated impairment losses	-	110	-	9	-	119
Charge for the year	762	2,694	372	1,612	-	5,440
Write offs	-	-	-	(30)	-	(30)
Disposals	-	-	(31)	(7)	-	(38)
Exchange differences	-	45	-	6	-	51
Transfer to assets held for sale (Note 13)	(74)	(4,319)	(84)	(385)	-	(4,862)
At 30 June 2014						
Accumulated depreciation	688	29,860	3,871	15,639	-	50,058
Accumulated impairment losses	-	110	-	9	-	119
	688	29,970	3,871	15,648	-	50,177
Charge for the year	688	2,051	440	1,610	-	4,789
Write offs	(2)	(377)	-	(408)	-	(787)
Disposals	-	-	(353)	(4)	-	(357)
Transfer to cost/valuation on revaluation	(1,371)	-	-	-	-	(1,371)
Exchange differences	-	-	79	32	-	111
At 30 June 2015						
Accumulated depreciation	3	31,534	4,037	16,869	-	52,443
Accumulated impairment losses	-	110	-	9	-	119
	3	31,644	4,037	16,878	-	52,562
Carrying amounts						
At 30 June 2015	69,924	18,551	2,040	14,697	23,596	128,808
At 30 June 2014	62,924	18,091	1,271	13,720	2,409	98,415

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2015 (CONTINUED)

4. PROPERTY, PLANT AND EQUIPMENT (continued)

COMPANY

Cost/Valuation	Land and buildings (Note 4.1)	Plant, machinery and electrical equipment	Motor vehicles	Furniture, fittings, office, laboratory and factory equipment, electrical installation and renovation	Capital work-in- progress	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 July 2013	37,361	45,746	3,213	20,330	944	107,594
Additions	290	1,099	-	1,961	1,684	5,034
Transfers	109	3	-	107	(219)	-
Write offs	-	(1)	-	(2)	-	(3)
Disposals	-	-	-	(7)	-	(7)
At 30 June 2014	37,760	46,847	3,213	22,389	2,409	112,618
Additions	6	2,242	717	1,258	20,173	24,396
Transfers	181	244	-	349	(774)	-
Write offs	(7)	(409)	-	(400)	-	(816)
Disposals	-	-	(334)	-	-	(334)
Revaluation surplus	2,397	-	-	-	-	2,397
Transfer from accumulated depreciation on revaluation	(1,207)	-	-	-	-	(1,207)
At 30 June 2015	39,130	48,924	3,596	23,596	21,808	137,054
Representing items at:						
Cost	-	48,924	3,596	23,596	21,808	97,924
Valuation	39,130	-	-	-	-	39,130
	39,130	48,924	3,596	23,596	21,808	137,054
Accumulated depreciation/ impairment losses						
At 1 July 2013						
Accumulated depreciation	-	27,162	2,555	11,035	-	40,752
Accumulated impairment losses	-	110	-	9	-	119
Charge for the year	604	2,013	132	1,139	-	3,888
Write offs	-	(1)	-	(1)	-	(2)
Disposals	-	-	-	(3)	-	(3)
At 30 June 2014						
Accumulated depreciation	604	29,174	2,687	12,170	-	44,635
Accumulated impairment losses	-	110	-	9	-	119
Charge for the year	604	29,284	2,687	12,179	-	44,754
Write offs	(1)	(377)	-	(323)	-	(701)
Disposals	-	-	(274)	-	-	(274)
Transfer to cost/valuation on revaluation	(1,207)	-	-	-	-	(1,207)
At 30 June 2015						
Accumulated depreciation	-	30,793	2,570	13,013	-	46,376
Accumulated impairment losses	-	110	-	9	-	119
	-	30,903	2,570	13,022	-	46,495
Carrying amounts						
At 30 June 2015	39,130	18,021	1,026	10,574	21,808	90,559
At 30 June 2014	37,156	17,563	526	10,210	2,409	67,864

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2015 (CONTINUED)

4. PROPERTY, PLANT AND EQUIPMENT (continued)

4.1 Land and buildings

GROUP

Cost/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 2013	28,720	13,041	1,550	24,120	67,431
Additions	163	-	-	291	454
Transfers	-	-	-	122	122
Exchange differences	495	-	-	28	523
Transfer to assets held for sale	(2,610)	-	-	(2,308)	(4,918)
At 30 June 2014	26,768	13,041	1,550	22,253	63,612
Additions	-	-	-	7	7
Transfers	-	-	-	181	181
Write offs	-	-	-	(7)	(7)
Revaluation surplus	6,982	1,138	511	637	9,268
Transfer from accumulated depreciation on revaluation	-	(189)	(111)	(1,071)	(1,371)
Exchange differences	(1,757)	-	-	(6)	(1,763)
At 30 June 2015	31,993	13,990	1,950	21,994	69,927
Representing items at:					
Cost	-	-	-	21	21
Valuation	31,993	13,990	1,950	21,973	69,906
	31,993	13,990	1,950	21,994	69,927
Accumulated depreciation					
At 1 July 2013	-	-	-	-	-
Charge for the year	-	94	60	608	762
Transfer to assets held for sale	-	-	-	(74)	(74)
At 30 June 2014	-	94	60	534	688
Charge for the year	-	95	51	542	688
Write offs	-	-	-	(2)	(2)
Transfer to cost/valuation on revaluation	-	(189)	(111)	(1,071)	(1,371)
At 30 June 2015	-	-	-	3	3
Carrying amounts					
At 30 June 2015	31,993	13,990	1,950	21,991	69,924
At 30 June 2014	26,768	12,947	1,490	21,719	62,924

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2015 (CONTINUED)

4. PROPERTY, PLANT AND EQUIPMENT (continued)

4.1 Land and buildings (continued)

COMPANY	Freehold	Long-term	Short-term	Buildings	Total
	land	leasehold	leasehold		
Valuation	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 July 2013	5,845	10,201	1,550	19,765	37,361
Additions	-	-	-	290	290
Transfers	-	-	-	109	109
At 30 June 2014	5,845	10,201	1,550	20,164	37,760
Additions	-	-	-	6	6
Transfers	-	-	-	181	181
Write offs	-	-	-	(7)	(7)
Revaluation surplus	865	614	511	407	2,397
Transfer from accumulated depreciation on revaluation	-	(114)	(111)	(982)	(1,207)
At 30 June 2015	6,710	10,701	1,950	19,769	39,130
Accumulated depreciation					
At 1 July 2013	-	-	-	-	-
Charge for the year	-	56	60	488	604
At 30 June 2014	-	56	60	488	604
Charge for the year	-	58	51	495	604
Write offs	-	-	-	(1)	(1)
Transfer to valuation on revaluation	-	(114)	(111)	(982)	(1,207)
At 30 June 2015	-	-	-	-	-
Carrying amounts					
At 30 June 2015	6,710	10,701	1,950	19,769	39,130
At 30 June 2014	5,845	10,145	1,490	19,676	37,156

- (i) Land and buildings of the Group and of the Company were revalued on 30 June 2015 based on valuations carried out by external independent professional valuers who have adopted the comparison, asset depreciated replacement cost and residual 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 asset depreciated replacement cost is the total value of property and the replacement cost of building and other site improvements.

The residual method entails the estimation of gross development sales value from a project and deducting therefrom the estimated development expenditure including construction costs, professional fees, financing charges and allowances for developer's profit and other relevant costs. The residual or resultant amount is then discounted at an appropriate rate over the period of time required for the completion of the project to arrive at the market value.

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2015 (CONTINUED)

4. PROPERTY, PLANT AND EQUIPMENT (continued)

4.1 Land and buildings (continued)

The fair values of the land and buildings are analysed as follows:

	GROUP		COMPANY	
	2015	2014	2015	2014
Level 2	RM'000	RM'000	RM'000	RM'000
Freehold land	31,993	26,768	6,710	5,845
Long-term leasehold land	13,990	12,947	10,699	10,145
Short-term leasehold land	1,950	1,490	1,950	1,490
Buildings	21,991	21,719	19,771	19,676
	69,924	62,924	39,130	37,156

The level 2 fair values have been determined based on the market comparison approach that reflects recent transaction prices of similar properties, assets depreciated replacement cost and residual method of valuation, to reflect market value of existing use.

- (ii) 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	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Freehold land	15,926	6,661	826	826
Leasehold land	6,649	6,710	5,767	5,819
Buildings	13,908	13,648	13,062	12,784

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

	GROUP		COMPANY	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Motor vehicles				
- additions during the year	717	-	717	-
- carrying amounts at end of the year	927	466	663	102

- (iv) Carrying amounts of property, plant and equipment pledged as securities for credit facilities granted to the Group and the Company amounted to RM42,018,000 (2014: RM32,954,000) and RM27,485,000 (2014: RM22,529,000) respectively.

5. INTANGIBLE ASSETS

GROUP		Goodwill	Product development expenditure	Acquired trademark	Total
Cost	Note				
At 1 July 2013		4,407	24,771	770	29,948
Additions		-	2,314	-	2,314
Write offs		-	(2,697)	-	(2,697)
Classified as held for sale	13	(4,212)	-	-	(4,212)
At 30 June 2014		195	24,388	770	25,353
Additions		-	2,263	-	2,263
Write offs		-	(279)	-	(279)
At 30 June 2015		195	26,372	770	27,337

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2015 (CONTINUED)

5. INTANGIBLE ASSETS (continued)

GROUP

		Goodwill RM'000	Product development expenditure RM'000	Acquired trademark RM'000	Total RM'000
Accumulated amortisation/impairment losses	Note				
At 1 July 2013					
Accumulated amortisation		-	6,346	519	6,865
Accumulated impairment losses		4,223	-	-	4,223
		4,223	6,346	519	11,088
Amortisation for the year		-	564	32	596
Write offs		-	(127)	-	(127)
Classified as held for sale	13	(4,212)	-	-	(4,212)
At 30 June 2014					
Accumulated amortisation		-	6,783	551	7,334
Accumulated impairment losses		11	-	-	11
		11	6,783	551	7,345
Amortisation for the year		-	551	31	582
Accumulated amortisation		-	7,334	582	7,916
Accumulated impairment losses		11	-	-	11
At 30 June 2015		11	7,334	582	7,927
Carrying amounts					
At 30 June 2015		184	19,038	188	19,410
At 30 June 2014		184	17,605	219	18,008

COMPANY

	Cost	Product development expenditure RM'000	Acquired trademark RM'000	Total RM'000
At 1 July 2013		25,491	770	26,261
Additions		2,175	-	2,175
Write offs		(2,697)	-	(2,697)
30 June 2014		24,969	770	25,739
Additions		2,671	-	2,671
Write offs		(279)	-	(279)
At 30 June 2015		27,361	770	28,131
Accumulated amortisation				
At 1 July 2013		6,347	519	6,866
Amortisation for the year		564	32	596
Write offs		(127)	-	(127)
At 30 June 2014		6,784	551	7,335
Amortisation for the year		551	31	582
At 30 June 2015		7,335	582	7,917
Carrying amounts				
At 30 June 2015		20,026	188	20,214
At 30 June 2014		18,185	219	18,404

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2015 (CONTINUED)

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 subsidiary is higher than the carrying amount of the investment. Thus, there is no impairment loss recognised for the financial year ended 30 June 2015.

The recoverable amount of the goodwill was based on fair value less cost of disposal. The fair value of the subsidiary is determined based on level 3 of fair value hierarchy.

Product development expenditure and acquired trademark

The recoverable amounts 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 intangible assets, no impairment loss was recognised. However, during the year, carrying amounts of product development expenditure of the Group and of the Company of RM279,000 (2014: RM2,570,000) were 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:

- 20-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 8.5% (2014: 8.5%) 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 →	
	2015	2014
	RM'000	RM'000
At fair value		
Brought forward	2,400	2,000
Change in fair value recognised in profit or loss	200	400
Carried forward	2,600	2,400
Included in the above are:		
Freehold land	1,150	1,130
Building on freehold land	450	270
Leasehold land with unexpired lease period of 63 years (2014: 64 years)	650	650
Building on leasehold land	350	350
	2,600	2,400

- (i) The amounts recognised in the profit or loss in respect of investment properties are disclosed in Note 21.
- (ii) Investment properties of the Group have been charged to secure term loan and guarantee facilities granted to a subsidiary as disclosed in Note 16.
- (iii) The investment properties, which were revalued by independent professional qualified valuers using comparison method on 5 June 2015 and 10 June 2015, have been categorised as Level 2.

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2015 (CONTINUED)

7. INVESTMENT IN SUBSIDIARIES

	← COMPANY →	
	2015	2014
	RM'000	RM'000
At cost		
Unquoted shares in Malaysia	6,604	6,604
Less: Accumulated impairment losses Brought/Carried forward	(1,750)	(1,750)
	4,854	4,854
Unquoted shares outside Malaysia	464	4,537
Less: Classified as held for sale (Note 13)	-	(4,073)
	464	464
Total investment in subsidiaries	5,318	5,318
Amount due from subsidiaries	11,442	8,459
	<u>16,760</u>	<u>13,777</u>

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.

Details of subsidiaries are as follows:

Name of company	Country of incorporation	Effective Group's interest (%)		Principal activities
		2015	2014	
Direct subsidiaries				
Hovid Pharmacy Sdn. Bhd.	Malaysia	100.00	100.00	Trading of medical supplies pharmaceutical and consumer products.
Hovid Inc. #	Philippines	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	Marketing of health and wellness products via the multi-level network marketing direct interest model. Inactive.
Javid Sdn. Bhd.	Malaysia	100.00	100.00	Dealers in all kinds of pharmaceutical, medicated herbs and nutritional products. Inactive.
Hovid Nutriworld Sdn. Bhd.	Malaysia	100.00	100.00	E-commerce marketing in health food products, consumer products, supplements and herbal products.
Biodeal Pharmaceuticals Private Limited *	India	-	51.00	Manufacturing of pharmaceutical and consumer products.
Hovid (Hong Kong) Limited *	Hong Kong Special Administrative Region, China	100.00	100.00	Inactive.
Hovid International Limited *	British Virgin	100.00	100.00	Investment holding.

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2015 (CONTINUED)

7. INVESTMENT IN SUBSIDIARIES (continued)

Details of subsidiaries are as follows: (continued)

Name of company	Country of incorporation	Effective Group's interest (%)		Principal activities
		2015	2014	
Direct subsidiaries (continued)				
Attest Research Sdn. Bhd. (formerly known as Hovid Research Sdn. Bhd.)	Malaysia	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.
Best Practice International Sdn. Bhd.	Malaysia	100.00	100.00	Inactive.
Indirect subsidiaries				
Hovid Life Science Pte. Ltd. *	India	100.00	100.00	Inactive.
Hovid Limited. *	Hong Kong Special Administrative Region, China	60.00	60.00	Trading of pharmaceutical products.
Agrovid S.A.S #	Republic of Colombia	92.83	92.83	Engaged in agro-industrial exploitation of productive species and cultivation and commercialisation of agriculture crops and livestock.

* Not audited by SJ Grant Thornton.

Audited by member firm of Grant Thornton International Ltd.

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

Disposal of a subsidiary

On 31 March 2015, the Company disposed off its entire investment in its subsidiary, Biodeal Pharmaceuticals Private Limited ("BPPL"), for a total consideration of RM5,855,000. Further details are disclosed in Note 32 to the financial statements.

The value of assets and liabilities of BPPL recorded in the consolidated financial statements as at 30 June 2015 and the cash flow effects of the disposal were as follows:

	RM'000
Property, plant and equipment	15,426
Inventories	2,226
Receivables	1,666
Tax recoverable	413
Cash and bank balances	278
Deposit pledged with a licensed bank	5
Payable	(7,582)
Bank overdraft	(2,247)
Deferred tax liabilities	(1,978)
	8,207
Non-controlling interests	(3,717)
	4,490
Gain on disposal	1,365
Total consideration	5,855
Cash and cash equivalent	1,969
Net cash inflows from disposal	7,824

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2015 (CONTINUED)

7. INVESTMENT IN SUBSIDIARIES (continued)

Non-controlling interests in subsidiaries

Non-wholly owned subsidiaries of the Group that have material non-controlling interests ("NCI") are shown below. The amounts disclosed do not reflect the elimination of intragroup transactions:

	Profit/(Loss) Allocated to NCI		Accumulated NCI	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
BPPL	(237)	(5)	-	3,581
Hovid Limited ("H Ltd")	255	199	1,318	1,061
Agrovid S.A.S ("Agrovid")	(42)	24	992	346
	(24)	218	2,310	4,988

Summarised financial information in respect of the above subsidiaries that have material non-controlling interests are set out below. The summarised financial information below is before intragroup eliminations:

	2015			2014		
	BPPL RM'000	H Ltd RM'000	Agrovid RM'000	BPPL RM'000	H Ltd RM'000	Agrovid RM'000
Financial position						
Non-current assets	-	117	15,311	14,590	102	13,059
Current assets	-	7,035	949	4,135	6,127	1,825
Non-current liabilities	-	(7)	-	(7,696)	(7)	-
Current liabilities	-	(3,328)	(1,508)	(3,098)	(3,568)	(1,076)
Net assets	-	3,817	14,752	7,931	2,654	13,808
Financial performance						
Revenue	7,300	10,976	-	12,555	9,440	-
Profit/(loss) for the period/year	(484)	637	(576)	(10)	497	(306)
Other comprehensive income	760	-	-	91	-	-
Total comprehensive income/(loss)	276	637	(576)	81	497	(306)
Cash flows						
Net cash flows from operating activities	-	25	1,030	1,143	923	306
Net cash flows used in investing activities	-	(15)	(932)	(228)	(33)	(130)
Net cash flows used in financing activities	-	-	(57)	(794)	-	(27)
Net increase in cash and cash equivalents	-	10	41	121	890	149

8. OTHER INVESTMENT

	GROUP		COMPANY	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 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)
	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2015 (CONTINUED)

9. DEFERRED TAX ASSETS AND LIABILITIES

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	GROUP		COMPANY	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Deferred tax assets	787	520	-	-
Deferred tax liabilities:				
Property, plant and equipment	(7,062)	(8,900)	(7,824)	(9,423)
Intangible assets	(4,852)	(3,737)	(4,852)	(3,737)
Retirement benefit	786	681	786	681
	(11,128)	(11,956)	(11,890)	(12,479)
Net deferred tax liabilities	(10,341)	(11,436)	(11,890)	(12,479)

Unrecognised deferred tax assets

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

	GROUP	
	2015 RM'000	2014 RM'000
Unabsorbed capital allowances	614	706
Unutilised tax losses	5,360	5,350
	5,974	6,056

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 the subsidiaries could utilise the benefits therefrom.

Movement in temporary differences during the year

GROUP	At 1 July	Recognised in profit		Transferred to liabilities		At 30 June	Recognised in profit		At 30 June	
	2013 RM'000	or loss (Note 22) RM'000	Recognised in equity differences RM'000	Exchange differences RM'000	held for sale (Note 13) RM'000	2014 RM'000	or loss (Note 22) RM'000	Recognised in equity differences RM'000	Exchange differences RM'000	2015 RM'000
Deferred tax liabilities										
- Property, plant and equipment	(10,959)	283	-	(23)	1,799	(8,900)	2,155	(317)	-	(7,062)
- Intangible assets	(3,975)	238	-	-	-	(3,737)	(1,115)	-	-	(4,852)
- Retirement benefit	936	(130)	(125)	-	-	681	105	-	-	786
Deferred tax assets										
- Others	451	53	17	(1)	-	520	182	-	85	787
	(13,547)	444	(108)	(24)	1,799	(11,436)	1,327	(317)	85	(10,341)
COMPANY										
Deferred tax liabilities										
- Property, plant and equipment	(9,690)	267	-	-	-	(9,423)	1,735	(136)	-	(7,824)
- Intangible assets	(3,975)	238	-	-	-	(3,737)	(1,115)	-	-	(4,852)
- Retirement benefit	936	(130)	(125)	-	-	681	105	-	-	786
	(12,729)	375	(125)	-	-	(12,479)	725	(136)	-	(11,890)

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2015 (CONTINUED)

10. INVENTORIES

	GROUP		COMPANY	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
At cost				
Raw materials	5,686	6,559	5,687	6,559
Work-in-progress	2,646	3,270	2,645	3,270
Finished goods	12,314	8,723	5,333	2,257
Trading goods	3,708	4,752	-	-
Packing materials	2,348	2,868	2,348	2,868
	26,702	26,172	16,013	14,954
At net realisable value				
Finished goods	421	322	421	322
	27,123	26,494	16,434	15,276
Recognised in profit or loss				
Inventories recognised as cost of sales	92,803	87,073	84,154	75,862
Inventories written off	407	521	167	366
Inventories written down	87	33	87	33
Allowance for slow moving inventories	168	545	125	128

11. RECEIVABLES, DEPOSITS AND PREPAYMENTS

Note	GROUP		COMPANY	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Trade				
Trade receivables	36,014	31,146	12,434	7,181
Less: Accumulated impairment losses	(990)	(894)	-	-
	35,024	30,252	12,434	7,181
Amount due from subsidiaries				
- interest bearing	-	-	37,281	38,928
- non-interest bearing	-	-	3,295	3,334
Less: Accumulated impairment losses	-	-	40,576	42,262
	-	-	(871)	(871)
	-	-	39,705	41,391
Total trade	35,024	30,252	52,139	48,572
Non-trade				
Other receivables	19,822	18,085	18,257	17,267
Less: Accumulated impairment losses	(17,210)	(17,073)	(17,073)	(17,073)
	2,612	1,012	1,184	194
Amount due from subsidiaries				
- interest bearing	-	-	8,613	4,287
- non-interest bearing	-	-	3,699	3,832
Less: Accumulated impairment losses	-	-	12,312	8,119
	-	-	(3,710)	(3,710)
	-	-	8,602	4,409
Prepayments	2,612	1,012	9,786	4,603
Deposits	3,063	3,667	2,552	3,275
	9,302	5,549	9,032	5,379
Total non-trade	14,977	10,228	21,370	13,257
Total trade and non-trade	50,001	40,480	73,509	61,829

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2015 (CONTINUED)

11. RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

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

	← GROUP →		← COMPANY →	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
At 1 July	17,073	17,073	17,073	17,073
Impairment loss recognised	128	-	-	-
Foreign exchange translation	9	-	-	-
At 30 June	17,210	17,073	17,073	17,073

The amount due from subsidiaries is unsecured, non-interest bearing and has no fixed terms of repayment except for interest bearing portion which is subject to an interest at 9.00% (2014: 9.00%) per annum.

12. CASH AND DEPOSITS

	← GROUP →		← COMPANY →	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Deposits with licensed banks	1,075	1,100	-	57
Cash and bank balances	21,847	21,570	9,226	9,425
	22,922	22,670	9,226	9,482

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

13. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 8 April 2014, the Company together with the other existing shareholders (collectively referred to as "the Sellers") of Biodeal Pharmaceuticals Private Limited ("BPPL"), a subsidiary in which the Company owns 51% shares, entered into a Share Purchase Agreement ("Agreement") with Mr Anurag Kumar and Mr Subodh Prasad Singh ("the Purchasers") and BPPL for the sale of the entire share capital of 25,000,000 Equity Shares of Indian Rupees ("Rs.") 10 each and the control and management of BPPL to the Purchasers, at a consideration of Rs.300,000,000 to be paid by the Purchasers to the Sellers in the following form and subject to the fulfillment of the conditions precedent and other terms and conditions set out in the Agreement.

The Closing Date for the transaction was on 31 March 2015 and the transaction was duly completed on 7 April 2015, following the settlement of the Adjusted Consideration Equity Component by the Purchasers for the 51% shares held by the Company.

Further details are disclosed in Note 32 to the financial statements.

The details of assets and liabilities classified as held for sales are as follows:

	GROUP	
	2015	2014
	RM'000	RM'000
Assets classified as held for sale		
Property, plant and equipment	-	14,590
Inventories	-	1,362
Trade receivables	-	2,058
Others receivables, deposits and prepayments	-	39
Tax recoverable	-	325
Cash and bank balances	-	347
Deposit pledged with a licensed bank	-	4
	-	18,725
Goodwill on acquisition	-	4,212
Less: Impairment of goodwill	-	(4,212)
Total assets classified as held for sale	-	18,725

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2015 (CONTINUED)

13. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (continued)

The details of assets and liabilities classified as held for sales are as follows: (continued)

	← GROUP →	
	2015 RM'000	2014 RM'000
Liabilities classified as held for sale		
Trade payables	-	1,204
Other payables and accruals	-	233
Bank overdraft	-	1,661
Deferred tax liabilities	-	1,799
Long term advances	-	5,897
Total liabilities classified as held for sale	-	10,794
Reserves in BPPL		
Revaluation reserve (Note 14.3)	-	622
Exchange fluctuation reserve (Note 14.3)	-	(1,240)
	-	(618)

The property, plant and equipment and deposit with a licensed bank were pledged for bank facilities granted to the subsidiary.

	← COMPANY →	
	2015 RM'000	2014 RM'000
Assets classified as held for sale		
Investment in a subsidiary		
At 1 July	4,073	4,073
Less: Disposal	(4,073)	-
At 30 June	-	4,073

14. CAPITAL AND RESERVES

14.1 Share capital

	Per Value RM	← GROUP AND COMPANY →			
		2015 Number of shares ('000)	2014	2015 RM'000	2014 RM'000
Authorised					
Brought/Carried forward	0.10	2,000,000	2,000,000	200,000	200,000
Issued and fully paid ordinary shares					
At 1 July	0.10	763,807	762,080	76,381	76,208
Add: Conversion of warrants		17,546	1,727	1,754	173
At 30 June		781,353	763,807	78,135	76,381

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's residual assets.

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2015 (CONTINUED)

14. CAPITAL AND RESERVES (continued)

14.2 Share premium

	← GROUP AND COMPANY →	
	2015 RM'000	2014 RM'000
Non-distributable		
At 1 July	263	90
Add: Conversion of warrants	1,755	173
At 30 June	2,018	263

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 →		← COMPANY →	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Non-distributable				
Exchange fluctuation reserve				
Brought forward	540	(1,239)	-	-
Foreign exchange translation differences for foreign operations	(2,468)	539	-	-
Reserve classified as held for sale (Note 13)	-	1,240	-	-
Carried forward	(1,928)	540	-	-
Warrant reserve				
Brought forward	7,022	7,067	7,022	7,067
Warrants issue expenses	-	(11)	-	(11)
Conversion of warrants	(351)	(34)	(351)	(34)
Carried forward	6,671	7,022	6,671	7,022
Revaluation reserve				
Brought forward	29,567	30,311	15,906	15,906
Reserve classified as held for sale (Note 13)	-	(744)	-	-
Revaluation of land and buildings	8,327	-	2,397	-
Carried forward	37,894	29,567	18,303	15,906
Less: Deferred taxation				
Brought forward	(4,022)	(4,144)	(3,545)	(3,545)
Revaluation of land and buildings (Note 9)	(317)	-	(136)	-
Reserve classified as held for sale (Note 13)	-	122	-	-
Carried forward	(4,339)	(4,022)	(3,681)	(3,545)
Revaluation reserve, net of tax	33,555	25,545	14,622	12,361
Reserve classified as held for sale				
Brought forward	(618)	-	-	-
Foreign exchange translation differences for foreign operation	388	-	-	-
Reserve classified as held for sale (Note 13)	-	(618)	-	-
Realisation of reserve upon disposal of assets held for sale	230	-	-	-
Carried forward	-	(618)	-	-
	38,298	32,489	21,293	19,383

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2015 (CONTINUED)

14. CAPITAL AND RESERVES (continued)

14.3 Reserves (continued)

(i) **Exchange fluctuation reserve**

The exchange fluctuation reserve represents exchange differences arising from the translation of the financial statements of foreign operations 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 was 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
- (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.

During the financial year, 17,545,971 of the Warrants issued were converted to ordinary shares.

(iii) **Revaluation reserve**

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

14.4 Retained earnings

The Company will be able to distribute tax exempt dividends out of its entire retained earnings under the single-tier system without incurring additional tax liabilities.

15. PROVISION FOR RETIREMENT BENEFITS

The Company's retirement benefit plan is for the Managing Director in accordance with his employment contract signed with the Company. While the Group's retirement benefits provision include the retirement benefits of Hovid Inc., a subsidiary in Philippines, based solely on the requirement under the Republic Act 7641, and the post-employment obligation is accrued based on actuarial valuation report. Actuarial valuations are generally made annually to update the post-employment benefit cost and the amount of expected contributions. The normal retirement age is 65 with a minimum of 5 years of credited service. The plan also provides for an early retirement at age 60 with a minimum of 5 years of credited service. Normal post-employment benefit is an amount equivalent to 50% of the final monthly covered compensation (average monthly basic salary during the last 12 months of credited service) for every year of credited service.

The plan exposes the Group and the Company to actuarial risks such as interest rate risk, longevity and salary risk, and inflation risk as explained below:

Interest rate risk

The present value of the Company's defined benefit obligation is calculated using a discount rate determined by reference to market yields of high quality corporate bonds. The estimated term of the bonds is consistent with the estimated term of the defined benefit obligation. A decrease in market yield on high quality corporate bonds will increase the Company's defined benefit obligation.

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2015 (CONTINUED)

15. PROVISION FOR RETIREMENT BENEFITS (continued)

Interest rate risk (continued)

The present value of the subsidiary's defined benefit obligations is calculated using a discount rate determined by reference to market yields of government bonds with terms to maturity approximating to the terms of the post-employment obligation. Generally, a decrease in the interest rate of a reference government bonds will increase the post-employment defined benefit obligations.

Longevity and salary risk

The present value of the defined benefit obligations is calculated by reference to the best estimate of the mortality of the participants both during and after their employment, and to their future salaries. Consequently, increases in the life expectancy and salary of the participants will result in an increase in the post-employment defined benefit obligations.

Inflation risk

A significant proportion of the defined benefit obligations is linked to inflation. An increase in the inflation rate will increase the Group's and the Company's liabilities.

The following is reconciliation of the Group's and the Company's defined benefit obligations presented in the statements of financial position for each reporting period:

	← GROUP →		← COMPANY →	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Defined benefit obligations	3,214	1,584	2,836	1,584
Effect of adoption of MFRS 119	-	2,318	-	2,318
At 1 July, restated	3,214	3,902	2,836	3,902
Current service cost	401	506	266	401
Settlement gain	-	(773)	-	(1,144)
Net interest cost on defined benefit	197	224	173	201
Remeasurement gain recognised in other comprehensive income	(247)	(645)	-	(524)
Exchange differences	52	-	-	-
Defined benefit obligations at 30 June	3,617	3,214	3,275	2,836

Actuarial assumptions

Significant actuarial assumptions for the determination of the defined benefit obligations are discount rate and expected salary increase. The sensitivity analysis below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting periods, while all other assumptions remained constant.

GROUP	Core assumption	Sensitivity analysis	Effect on defined benefit obligations increase/(decrease) RM'000	Effect on defined benefit obligations increase/(decrease)
Rate of salary increase	5.0% - 6.0%	2% increase	434	12.0%
Discount rate	4.8% - 6.1%	1% increase	(514)	(14.2%)
COMPANY				
Rate of salary increase	6.0%	1% increase	275	8.4%
Discount rate	6.1%	1% increase	(455)	(13.9%)

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligations because it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. In presenting the above sensitivity analysis, the present value of the defined benefit obligations have been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligations recognised in the statements of financial position.

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2015 (CONTINUED)

15. PROVISION FOR RETIREMENT BENEFITS (continued)

The amounts recognised in profit or loss related to the Group's and the Company's defined benefit plans are as follows:

	← GROUP →		← COMPANY →	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
The expense recognised in the profit or loss:				
Current service cost	401	506	266	401
Settlement gain	-	(773)	-	(1,144)
Net interest cost on defined benefit	197	224	173	201
Retirement benefits recognised in profit or loss	598	(43)	439	(542)
The expense recognised in other comprehensive income:				
Plan experience	(132)	(230)	-	(72)
Changes in financial assumptions	(83)	(415)	-	(452)
Changes in demographic assumption	(32)	-	-	-
Retirement benefits recognised in other comprehensive income	(247)	(645)	-	(524)

The amounts recognised in other comprehensive income were included within item that will not be subsequently reclassified to profit or loss.

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 →	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Non-current liabilities				
Secured term loans	8,725	1,990	7,733	833
Finance lease liabilities	557	152	519	-
	9,282	2,142	8,252	833
Current liabilities				
Secured term loans	773	765	220	317
Unsecured term loan	-	23	-	-
Secured bankers' acceptance	6,531	2,939	6,531	2,939
Finance lease liabilities	190	137	76	17
	7,494	3,864	6,827	3,273
Total loans and borrowings	16,776	6,006	15,079	4,106

Securities

GROUP

The secured term loans and borrowings are secured by way of:

- (i) fixed charge over freehold land and buildings of the Company;
- (ii) fixed charge over the leasehold land of the Company;
- (iii) fixed charges over land and buildings and investment properties of a subsidiary;
- (iv) fixed charge over the freehold land of a subsidiary;
- (v) facility agreements;

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2015 (CONTINUED)

16. LOANS AND BORROWINGS (continued)

Securities (continued)

GROUP (continued)

- (vi) specific debentures incorporating fixed charges over certain plant and machinery of the Company;
- (vii) corporate guarantee by a subsidiary; and
- (viii) deposits with licensed banks of the Company and a subsidiary pledged.

COMPANY

The secured term loans and borrowings are secured by way of:

- (i) fixed charge over freehold land and buildings of the Company;
- (ii) fixed charge over the leasehold land of the Company;
- (iii) fixed charge over freehold land of a subsidiary;
- (iv) facility agreements;
- (v) specific debentures incorporating fixed charges over certain plant and machinery of the Company;
- (vi) corporate guarantee by a subsidiary; and
- (vii) deposits with licensed banks of the Company and a subsidiary pledged.

GROUP AND COMPANY

Financial covenants

- (i) Gearing ratio defined as Company's total bank borrowings against total net worth less intangibles, shall not exceed 1.0 time;
- (ii) Debt service coverage ratio of no less than 2.0 times; and
- (iii) Consent to be obtained for dividend payments exceeding 50% of net profit after tax.

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
2015						
Less than 1 year	222	32	190	103	27	76
Between 1 and 5 years	451	65	386	411	64	347
More than 5 years	175	4	171	175	3	172
	848	101	747	689	94	595
2014						
Less than 1 year	149	12	137	17	*	17
Between 1 and 5 years	159	7	152	-	-	-
	308	19	289	17	*	17

* Less than RM1,000

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2015 (CONTINUED)

17. PAYABLES AND ACCRUALS

	← GROUP →		← COMPANY →	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Trade				
Trade payables	11,248	12,181	10,940	11,880
Non-trade				
Other payables	13,604	10,499	10,419	7,614
Accrued expenses	5,440	2,079	3,986	836
Amount due to subsidiaries	-	-	5,765	3,290
	19,044	12,578	20,170	11,740
	30,292	24,759	31,110	23,620

Trade payables are non-interest bearing and are generally on 30 to 150 (2014: 30 to 150) days' term.

The followings are included in other payables of the Group and of the Company:

	← GROUP →		← COMPANY →	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
(i) Amount owing to companies in which a person connected with a Director has substantial financial interest	9	52	9	34
(ii) Amount owing to companies in which a Director has substantial financial interest	855	451	855	451
(iii) Amount owing to shareholders of a subsidiary	-	281	-	-

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

The amounts due to companies in which a Director and a person connected with a Director have substantial financial interest are unsecured, non-interest bearing and have no fixed terms of repayment.

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

18. REVENUE

	← GROUP →		← COMPANY →	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Revenue comprises:				
Goods sold	188,162	183,532	144,181	135,899
Services rendered	244	10	-	-
	188,406	183,542	144,181	135,899

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2015 (CONTINUED)

19. FINANCE COSTS

	GROUP		COMPANY	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Interest expense:				
- bank overdrafts	144	235	1	20
- term loans	186	277	53	144
- other borrowings	518	856	460	196
	848	1,368	514	360

20. FINANCE INCOME

	GROUP		COMPANY	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Interest income recognised in profit or loss	164	1	2,811	2,384

21. PROFIT BEFORE TAX

	GROUP		COMPANY	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Profit before tax is arrived at after charging:				
Allowance for slow moving inventories	168	545	125	128
Amortisation of intangible assets	582	596	582	596
Auditors' remuneration:				
- Audit services:				
- Auditors of the Company	89	86	50	48
- Member firms of Grant Thornton International Ltd	27	48	-	-
- Other auditors	46	13	-	-
- Other services:				
- Auditors of the Company	5	45	5	45
- Other auditors	4	4	-	-
Bad debts written off	2	13	-	13
Depreciation of property, plant and equipment	5,400	5,440	3,923	3,888
Direct operating expenses of investment properties				
- generating income	6	6	-	-
Impairment loss on receivables	239	163	-	-
Inventories written down	87	33	87	33
Inventories written off	407	521	167	366
Loss on foreign exchange:				
- realised	92	135	-	-
- unrealised	223	305	-	305
Retirement benefit expense	598	-	439	-
Personnel expenses (including key management personnel):				
- Contributions to Employees Provident Fund	4,394	4,104	2,913	2,608
- Wages, salaries and others	47,999	39,996	30,198	22,567
Product development expenditure written off	279	2,570	279	2,570
Property, plant and equipment written off	128	19	115	1
Rental expense of equipment	19	25	18	18
Rental expense of premises	751	669	219	188

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2015 (CONTINUED)

21. PROFIT BEFORE TAX (continued)

	← GROUP →		← COMPANY →	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Profit before tax is arrived at after crediting:				
Changes in fair value of investment properties	200	400	-	-
Gain on disposal of a subsidiary	1,365	-	1,782	-
Gain on disposal of plant and equipment	3	3	4	-
Gain on foreign exchange:				
- realised	1,999	1,770	1,999	1,749
- unrealised	3,841	209	3,840	-
Rental income from investment properties	73	80	-	-
Rental income from premises	5	9	263	267
Rental income from equipment	-	-	306	306
Reversal of impairment loss on receivables	73	115	-	-
Retirement benefit credit	-	43	-	542

22. INCOME TAX EXPENSE

(i) Recognised in profit or loss:

	← GROUP →		← COMPANY →	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Income tax expense	6,154	6,507	6,213	6,134

Major components of income tax expense include:

Current tax expense

Malaysia – current year	7,252	6,403	6,938	6,509
Malaysia – prior years	36	339	-	-
Overseas – current year	193	209	-	-
	7,481	6,951	6,938	6,509

Deferred tax expense

Origination and reversal of temporary differences (Note 9)	(1,327)	(444)	(725)	(375)
	6,154	6,507	6,213	6,134

(ii) The numerical reconciliation between the average effective tax rate and the statutory tax rate are as follows:

	← GROUP →		← COMPANY →	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Profit for the year	20,885	18,302	21,044	18,213
Income tax expense	6,154	6,507	6,213	6,134
Profit before tax	27,039	24,809	27,257	24,347

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2015 (CONTINUED)

22. INCOME TAX EXPENSE (continued)

(ii) The numerical reconciliation between the average effective tax rate and the statutory tax rate are as follows: (continued)

	← GROUP →		← COMPANY →	
	2015 %	2014 %	2015 %	2014 %
Statutory income tax rate of Malaysia	25	25	25	25
Non-deductible expenses	6	6	4	5
Non-taxable income	(2)	(1)	(2)	-
Tax incentives	(6)	(3)	(3)	(1)
Changes in unrecognised temporary differences	(4)	(1)	(3)	(1)
Allowable expenses not included in profit or loss	(2)	(2)	(2)	(2)
Differential in tax rates	1	(1)	-	-
Unrecognised tax losses in a subsidiary	1	4	-	-
	19	27	19	26
Under/(Over) provision in prior year:				
- Current tax	7	1	7	1
- Deferred tax	(3)	(1)	(3)	(1)
Average effective tax rate	23	27	23	26

(iii) Recognised in other comprehensive income:

	← GROUP →		← COMPANY →	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Remeasurement of defined benefit obligations	74	162	-	125
Revaluation of land and buildings	317	-	136	-
	391	162	136	125

The Group's unabsorbed capital allowances and unutilised tax losses amounted to approximately RM614,000 (2014: RM706,000) and RM5,360,000 (2014: RM5,350,000) respectively.

The above amounts are subject to approval of the Inland Revenue Board of Malaysia.

23. 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.

	2015	2014
Profit attributable to owners of the Company (RM'000)	20,909	18,084
Weighted average number of ordinary shares in issue (unit'000):		
Issued ordinary shares at 1 July	763,807	762,080
Effect of ordinary shares issued during the financial year	1,417	511
Weighted average number of ordinary shares at 30 June	765,224	762,591
Basic earnings per ordinary share ("EPS") (sen)	2.73	2.37

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2015 (CONTINUED)

23. EARNINGS PER SHARE (continued)

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.

	2015	2014
Profit attributable to owners of the Company (RM'000)	20,909	18,084
Weighted average number of ordinary shares in issue (unit'000)	765,224	762,591
Effect of Warrants (unit'000)	207,852	192,255
Adjusted weighted average number of ordinary shares (unit'000)	973,076	954,846
Diluted EPS (sen)	2.15	1.89

24. DIVIDENDS

On 28 August 2015, the Directors declared the following single-tier dividends in respect of the financial year ended 30 June 2015, and paid on 2 October 2015:

- (i) an interim dividend of 0.5 sen per ordinary share; and
- (ii) a special interim dividend of 0.35 sen per ordinary share.

The financial statements for current year do not reflect these dividends. Such dividends will be accounted for in equity as an appropriation of retained earnings in the financial year ending 30 June 2016.

Dividends recognised during the financial year are as follows:

	Sen per share	Total amount RM'000	Date of payment
2015			
Interim dividend, single-tier system	0.5	3,819	3 October 2014
Interim dividend, single-tier system	0.5	3,819	27 March 2015
		<u>7,638</u>	
2014			
Interim dividend, less 25% tax	1.3	7,430	20 November 2013
Interim dividend, single-tier system	0.5	3,819	18 April 2014
		<u>11,249</u>	

25. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensations are as follows:

	← GROUP →		← COMPANY →	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Directors' remuneration				
- Fees	702	373	702	373
- Emoluments	4,349	3,856	2,882	2,516
Total short-term employee benefits	5,051	4,229	3,584	2,889
Post-employment benefits				
- Defined benefit plan expenses for a Director	440	(542)	440	(542)
	5,491	3,687	4,024	2,347
Other key management personnel				
- Short-term employee benefits	1,973	2,525	1,747	2,357
- Other long-term benefits	240	325	240	325
	<u>7,704</u>	<u>6,537</u>	<u>6,011</u>	<u>5,029</u>

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2015 (CONTINUED)

25. KEY MANAGEMENT PERSONNEL COMPENSATION (continued)

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 RM19,800 (2014: RM19,800).

26. OPERATING SEGMENTS

The Group operates principally in one major business segment being manufacture and sale of pharmaceutical products.

Business segment

The Company's Board of Directors (the chief operating decision maker) reviews internal management reports in respect of this segment at least on a quarterly basis.

Accordingly, no segment information is provided as the financial position and performance are as already shown in the Statement of Financial Position and Statement of Profit or Loss and Other Comprehensive Income.

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

Geographical segments

	Revenue RM'000	Total assets RM'000	Capital expenditure RM'000
2015			
(i) Asia	150,068	235,391	25,930
(ii) Africa	36,184	-	-
(iii) North and South America	1,772	16,260	932
(iv) Europe	17	-	-
(v) Pacific Island	365	-	-
	188,406	251,651	26,862
2014			
(i) Asia	150,899	212,827	6,150
(ii) Africa	29,874	-	-
(iii) North and South America	1,984	14,885	130
(iv) Europe	378	-	-
(v) Pacific Island	407	-	-
	183,542	227,712	6,280

Customers

During the financial year, revenue from one single customer amounted to RM30,399,000 (2014: RM24,693,000) contributed to approximately 16.1% (2014: 13.5%) of the Group's revenue.

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2015 (CONTINUED)

27. FINANCIAL INSTRUMENTS

27.1 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.

	Carrying amounts RM'000	L&R/(OL) RM'000
2015		
Financial assets		
GROUP		
Receivables and deposits	46,938	46,938
Cash and deposits	22,922	22,922
	<u>69,860</u>	<u>69,860</u>
COMPANY		
Receivables and deposits	70,957	70,957
Cash and deposits	9,226	9,226
	<u>80,183</u>	<u>80,183</u>
Financial liabilities		
GROUP		
Loans and borrowings	(16,776)	(16,776)
Payables and accruals	(30,292)	(30,292)
	<u>(47,068)</u>	<u>(47,068)</u>
COMPANY		
Loans and borrowings	(15,079)	(15,079)
Payables and accruals	(31,110)	(31,110)
	<u>(46,189)</u>	<u>(46,189)</u>
2014		
Financial assets		
GROUP		
Receivables and deposits	36,813	36,813
Cash and deposits	22,670	22,670
	<u>59,483</u>	<u>59,483</u>
COMPANY		
Receivables and deposits	58,554	58,554
Cash and deposits	9,482	9,482
	<u>68,036</u>	<u>68,036</u>
Financial liabilities		
GROUP		
Loans and borrowings	(6,006)	(6,006)
Payables and accruals	(24,759)	(24,759)
	<u>(30,765)</u>	<u>(30,765)</u>
COMPANY		
Loans and borrowings	(4,106)	(4,106)
Payables and accruals	(23,620)	(23,620)
	<u>(27,726)</u>	<u>(27,726)</u>

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2015 (CONTINUED)

27. FINANCIAL INSTRUMENTS (continued)

27.2 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 statements 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 →	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Malaysia	16,238	19,632	33,212	36,164
Africa	5,944	2,501	5,944	2,501
Asia	12,449	6,365	12,591	8,154
Others	393	1,754	392	1,753
	35,024	30,252	52,139	48,572

Impairment losses

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

GROUP	Gross RM'000	Individually impaired RM'000	Net RM'000
2015			
Not past due	24,977	-	24,977
Past due 0 - 30 days	8,541	-	8,541
Past due 31 - 60 days	983	-	983
Past due 61 - 90 days	445	59	386
Past due more than 90 days	1,068	931	137
	36,014	990	35,024

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2015 (CONTINUED)

27. FINANCIAL INSTRUMENTS (continued)

27.2 Financial risk management (continued)

(i) Credit risk (continued)

Receivables (continued)

Impairment losses (continued)

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

GROUP	Gross RM'000	Individually impaired RM'000	Net RM'000
2014			
Not past due	23,683	2	23,681
Past due 0 - 30 days	4,773	-	4,773
Past due 31 - 60 days	1,364	-	1,364
Past due 61 - 90 days	361	60	301
Past due more than 90 days	965	832	133
	31,146	894	30,252
COMPANY			
2015			
Not past due	47,037	-	47,037
Past due 0 - 30 days	4,650	-	4,650
Past due 31 - 60 days	418	-	418
Past due 61 - 90 days	-	-	-
Past due more than 90 days	905	871	34
	53,010	871	52,139
2014			
Not past due	45,996	-	45,996
Past due 0 - 30 days	1,884	-	1,884
Past due 31 - 60 days	639	-	639
Past due 61 - 90 days	-	-	-
Past due more than 90 days	924	871	53
	49,443	871	48,572

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

	GROUP	
	2015 RM'000	2014 RM'000
At 1 July	894	847
Impairment loss recognised	111	163
Impairment loss reversed	(73)	(115)
Foreign exchange translation	58	(1)
At 30 June	990	894

As at 30 June 2015, trade receivables of the Group and of the Company amounting to approximately RM10,047,000 (2014: RM6,571,000) and RM2,308,000 (2014: RM2,576,000) 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.

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2015 (CONTINUED)

27. FINANCIAL INSTRUMENTS (continued)

27.2 Financial risk management (continued)

(i) Credit risk (continued)

Inter-company balances (continued)

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, other than those impairment made, there was no indication that loans and advances to the subsidiaries 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 was as follows:

	← COMPANY →	
	2015	2014
	RM'000	RM'000
At 1 July 2014/30 June 2014 and 30 June 2015	4,581	4,581

The impairment losses consist of trade and non-trade receivables.

(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:

2015	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	9,498	5.00 - 6.10	9,570	818	2,432	4,928	1,392
Secured bankers' acceptance	6,531	0.58 - 5.00	6,531	6,531	-	-	-
Finance lease liabilities	747	2.46 - 6.45	847	222	131	319	175
Payables and accruals	30,292	-	30,292	30,292	-	-	-
	<u>47,068</u>		<u>47,240</u>	<u>37,863</u>	<u>2,563</u>	<u>5,247</u>	<u>1,567</u>

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2015 (CONTINUED)

27. FINANCIAL INSTRUMENTS (continued)

27.2 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)

2015	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
COMPANY							
Non-derivative financial liabilities							
Secured term loans	7,953	5.68 - 6.01	7,954	220	1,860	4,482	1,392
Secured bankers' acceptance	6,531	0.58 - 5.00	6,531	6,531	-	-	-
Finance lease liabilities	595	4.24 - 4.56	689	103	103	308	175
Payables and accruals	31,110	-	31,110	31,110	-	-	-
	<u>46,189</u>		<u>46,284</u>	<u>37,964</u>	<u>1,963</u>	<u>4,790</u>	<u>1,567</u>
2014 GROUP							
Non-derivative financial liabilities							
Secured term loans	2,755	3.28 - 10.52	2,885	827	732	1,326	-
Unsecured term loans	23	10.62	23	23	-	-	-
Secured bankers' acceptance	2,939	1.33 - 5.00	2,939	2,939	-	-	-
Finance lease liabilities	289	2.46 - 6.45	307	148	119	40	-
Payables and accruals	24,759	-	24,759	24,759	-	-	-
	<u>30,765</u>		<u>30,913</u>	<u>28,696</u>	<u>851</u>	<u>1,366</u>	<u>-</u>
COMPANY							
Non-derivative financial liabilities							
Secured term loans	1,150	3.28 - 3.34	1,151	317	220	614	-
Secured bankers' acceptance	2,939	1.33 - 5.00	2,939	2,939	-	-	-
Finance lease liabilities	17	4.24 - 5.01	17	17	-	-	-
Payables and accruals	23,620	-	23,620	23,620	-	-	-
	<u>27,726</u>		<u>27,727</u>	<u>26,893</u>	<u>220</u>	<u>614</u>	<u>-</u>

(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 positions 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.

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2015 (CONTINUED)

27. FINANCIAL INSTRUMENTS (continued)

27.2 Financial risk management (continued)

(iii) Market risk (continued)

Currency risk (continued)

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 were:

	← GROUP →		← COMPANY →	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Cash and deposits	1,864	2,934	1,693	2,934
Receivables	10,002	4,298	9,228	4,298
Payables	(4,513)	(4,715)	(4,321)	(4,715)
Exposure in the statements of financial position	7,353	2,517	6,600	2,517

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.

	← GROUP →		← COMPANY →	
	Profit or loss		Profit or loss	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
USD Impact	74	25	66	25

Interest rate risk

The Group's and the Company's fixed rate borrowings are not exposed to the risk of change 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 and financial institution 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.

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2015 (CONTINUED)

27. FINANCIAL INSTRUMENTS (continued)

27.2 Financial risk management (continued)

(iii) Market risk (continued)

Interest rate risk (continued)

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 →	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Fixed rate instruments				
Financial assets	-	-	45,894	43,215
Financial liabilities	(7,278)	(3,430)	(7,126)	(2,956)
	<u>(7,278)</u>	<u>(3,430)</u>	<u>38,768</u>	<u>40,259</u>
Floating rate instruments				
Financial assets	-	57	-	57
Financial liabilities	(8,981)	(2,576)	(7,953)	(1,150)
	<u>(8,981)</u>	<u>(2,519)</u>	<u>(7,953)</u>	<u>(1,093)</u>

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.

	← GROUP →		← COMPANY →	
	Profit or loss 100bp increase	Profit or loss 100bp decrease	Profit or loss 100bp increase	Profit or loss 100bp decrease
	RM'000	RM'000	RM'000	RM'000
2015				
Floating rate instruments	(90)	90	(80)	80
2014				
Floating rate instruments	(25)	25	(11)	11

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2015 (CONTINUED)

27. FINANCIAL INSTRUMENTS (continued)

27.3 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 table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their carrying amounts shown in the statements of financial position.

GROUP	Note	Level 2 RM'000	Carrying amounts RM'000
Financial liabilities			
2015			
Finance lease liabilities	16	744	747
Loan and borrowings	16	15,987	16,029
<hr/>			
2014			
Finance lease liabilities	16	274	289
Loan and borrowings	16	5,626	5,717
<hr/>			
COMPANY			
Financial liabilities			
2015			
Finance lease liabilities	16	607	595
Loan and borrowings	16	14,459	14,484
<hr/>			
2014			
Finance lease liabilities	16	17	17
Loan and borrowings	16	4,089	4,089
<hr/>			

Policy on transfer between levels

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

Level 1 Fair Value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

Level 2 Fair Value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

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.

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2015 (CONTINUED)

28. 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 investors', creditors' and market's 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 financial covenants and regulatory requirements as disclosed in Note 16. The debt-to-equity ratio is calculated as net debt (total interest-bearing borrowings less cash and cash equivalents) divided by total equity. The Company has complied with this requirement.

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

The debt-to-equity ratio of the Group and Company at the end of the reporting period is not presented as the cash and cash equivalents exceeded the total interest-bearing borrowings.

Under the requirement of Bursa Malaysia Practice Note 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 these requirements.

29. OPERATING LEASES

Leases as lessee

Non-cancellable operating lease rentals are payables as follows:

	← GROUP →	
	2015	2014
	RM'000	RM'000
Less than 1 year	385	441
Between 1 and 5 years	551	678
	936	1,119

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

30. CAPITAL COMMITMENTS

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

	← GROUP →		← COMPANY →	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Authorised and contracted for:				
- Purchase of property, plant and equipment	16,562	4,154	16,493	4,015
Authorised but not contracted for:				
- Purchase of property, plant and equipment	32,492	42,162	32,492	42,162
	49,054	46,316	48,985	46,177

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2015 (CONTINUED)

31. RELATED PARTIES

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions of the Group and of the Company, other than key management personnel compensation, are as follows:

	2015 RM'000	2014 RM'000
GROUP		
(i) Transactions with related parties		
Sales	79	468
Reallocation of common costs	86	151
Product development services rendered	306	-
Purchases	(706)	(458)
Administration charges	-	(1)
Steam services expense	(589)	(699)
Rental expense	(11)	(18)
	<hr/>	<hr/>
(ii) Transactions with companies in which a person connected with a Director has substantial financial interests		
Purchase of computer equipment accessories	(360)	(133)
	<hr/>	<hr/>
COMPANY		
(i) Transactions with subsidiaries		
Sales	71,613	69,885
Interest income	2,811	2,384
Reallocation of common costs	4,375	4,301
Rental income	564	564
Rental expense	(79)	(75)
Services rendered	(7,721)	(6,146)
	<hr/>	<hr/>
(ii) Transactions with related parties		
Sales	26	482
Reallocation of common costs	86	151
Product development services rendered	306	-
Purchases	(706)	(458)
Steam services expense	(589)	(699)
Rental expense	(11)	(18)
	<hr/>	<hr/>
(iii) Transactions with companies in which a person connected with a Director has substantial financial interests		
Purchase of computer equipment and accessories	(350)	(122)
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2015 (CONTINUED)

32. SIGNIFICANT EVENT

On 8 April 2014, the Company together with the other existing shareholders (collectively referred to as "the Sellers") of Biodeal Pharmaceuticals Private Limited ("BPPL"), a subsidiary in which the Company owns 51% shares, entered into a Share Purchase Agreement ("the Agreement") with Mr Anurag Kumar and Mr Subodh Prasad Singh ("the Purchasers") and BPPL for the sale of the entire share capital of 25,000,000 Equity Shares of Indian Rupees ("Rs.") 10 each and the control and management of BPPL to the Purchasers, at a consideration of Rs.300,000,000 to be paid by the Purchasers to the Sellers in the following form and subject to the fulfillment of the conditions precedent and other terms and conditions set out in the Agreement:

- (i) Rs.200,000,000 towards the entire paid up Equity Share Capital of BPPL held by the Sellers ("Purchase Consideration Equity Component"); and
- (ii) Rs.100,000,000 towards the unsecured loans granted to BPPL by the Sellers cum Unsecured Lenders ("Purchase Consideration Loan Component").

The Purchase Consideration Equity Component shall be subject to the following adjustments to arrive at the final Purchase Consideration Equity Component ("Adjusted Purchase Consideration Equity Component") on the Closing Date, a date not later than 3 months from the date of the Agreement unless mutually agreed to be extended, which was extended to 31 March 2015:

- (i) Difference in current assets minus current liabilities as on Closing Date. If the difference is a positive figure, the Purchase Consideration Equity Component will be increased to that extent, and if the said difference is a negative figure, the Purchase Consideration Equity Component will reduce to that extent; and
- (ii) In addition, missing assets amounting to Rs.974,640 will be deducted directly from Purchase Consideration Equity Component.

The salient terms of the Agreement affecting the Company are as follows:

On the Closing Date, upon fulfillment of all the Conditions Precedent stipulated in the Agreement, the Purchasers will first acquire 51% shareholding in BPPL held by the Company by making 51% payment of Adjusted Purchase Consideration Equity Component. The 51% shares held by the Company will be transferred simultaneously into the name of the Purchasers immediately upon such payment.

Thereafter, the terms of the Agreement relating to the Company would have been completed. Upon the completion of the abovementioned disposal, BPPL will cease to be a subsidiary of the Company.

The disposal was duly completed on 7 April 2015.

33. EVENTS AFTER THE REPORTING PERIOD

- (i) On 1 July 2015, a wholly owned subsidiary, Hovid Research Sdn. Bhd. changed its name to Attest Research Sdn. Bhd.; and
- (ii) On 14 July 2015, the Company incorporated a wholly-owned subsidiary in Singapore known as Hovid Pte. Ltd. with issued capital of Singapore Dollar ("SGD") 1,000 comprising 1,000 ordinary shares. The intended principal activity of the subsidiary is that of research and development.

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

The breakdown of retained earnings of the Group and of the Company into realised and unrealised earnings, pursuant to the directives issued by Bursa Malaysia Securities Berhad, is as follows:

	← GROUP →		← COMPANY →	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Total retained earnings of the Company and its subsidiaries:				
- Realised	72,703	55,675	68,382	59,170
- Unrealised	(8,280)	(14,389)	(8,048)	(12,242)
	64,423	41,286	60,334	46,928
Consolidation adjustments	827	10,750	-	-
Total group retained earnings as per consolidated financial statements	65,250	52,036	60,334	46,928

The determination of realised and unrealised profits is based on the Guidance of Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the context of Disclosure Pursuant to Bursa Malaysia Listing Requirements, issued by the Malaysian Institute of Accountants on 20 December 2010.

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 statements of financial position as of 30 June 2015 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 33 and set out on pages 31 to 87.

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 of 30 June 2015 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HOVID BERHAD (INCORPORATED IN MALAYSIA) (CONTINUED)

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.

Other Reporting Responsibilities

The supplementary information set out on page 88 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.

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. : 2278/10/16(J))
CHARTERED ACCOUNTANT

Kuala Lumpur
20 October 2015

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	Carrying amounts as at 30 June 2015 RM'000
<p>No. 121, Jalan Tunku Abdul Rahman, 30010 Ipoh, Perak Darul Ridzuan.</p> <p>Lot 8811N, Title Pajakan Negeri 68053, Town of Ipoh, District of Kinta, Perak Darul Ridzuan.</p>	Comprising a parcel of industrial land and erected upon with a pharmaceutical factory complex together with administrative office and ancillary buildings.	<p>Tenure: 999 years leasehold interest expiring on 14 June 2895</p> <p>Approximate age: The ages of the buildings are between 16 to 51 years old</p>	<p>Land area: 123,915 sq. ft.</p> <p>Gross built-up area: 88,876 sq. ft.</p>	Date of valuation: 30 June 2015	12,300
<p>No. 1, Jalan Bijeh Timah, 30000 Ipoh, Perak Darul Ridzuan.</p> <p>Lot 117N, Title Geran 29785, Town of Ipoh, District of Kinta, Perak Darul Ridzuan.</p>	Comprising a 2-storey pre-war shophouse.	<p>Tenure: Freehold</p> <p>Approximate age: More than 70 years</p>	<p>Land area: 1,331 sq. ft.</p> <p>Gross built-up area: 2,320 sq. ft.</p>	Date of valuation: 30 June 2015	500
<p>No. 19, Laluan Kangsar 7, Vaiva Light Industrial Park, Jalan Tunku Abdul Rahman, 30010 Ipoh, Perak Darul Ridzuan.</p> <p>Lot 7238N, Title Geran 141109, Town of Ipoh, District of Kinta, Perak Darul Ridzuan.</p>	Comprising a 1½ storey terrace industrial factory.	<p>Tenure: Freehold</p> <p>Approximate age: 16 years</p>	<p>Land area: 2,045 sq. ft.</p> <p>Gross built-up area: 2,974 sq. ft.</p>	Date of valuation: 30 June 2015	380
<p>Lot P.T. 232229, 7½ mile, Jalan Ipoh/Chemor, 31200 Chemor, Perak Darul Ridzuan.</p> <p>Lot P.T. 232229, Title H.S.(D) 200004, Mukim of Hulu Kinta, District of Kinta, Perak Darul Ridzuan.</p>	Comprising an industrial land and erected upon with a modern specialised pharmaceutical plant, laboratories for research and development and quality control and ancillary buildings.	<p>Tenure: Freehold</p> <p>Approximate age: The ages of the buildings are between 11 to 13 years old</p>	<p>Land area: 254,965 sq. ft.</p> <p>Gross built-up area: 87,486 sq. ft.</p>	Date of valuation: 30 June 2015	20,550
<p>No. 29, Jalan Yang Kalsom, 30250 Ipoh, Perak Darul Ridzuan.</p> <p>Lot 2056S, Title Geran 120, Town of Ipoh, District of Kinta, Perak Darul Ridzuan.</p>	Comprising an intermediate 3-storey shopoffice being used as a pharmacy retail outlet at the ground floor and offices at the upper floors.	<p>Tenure: Freehold</p> <p>Approximate age: 45 years</p>	<p>Land area: 1,740 sq. ft.</p> <p>Gross built-up area: 3,439 sq. ft.</p>	Date of valuation: 30 June 2015	800

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	Carrying amounts as at 30 June 2015 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: 34 years	Land area: 1,336 sq. ft. Gross built-up area: 4,361 sq. ft.	Date of valuation: 5 June 2015	1,000
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: 16 years	Land area: 1,400 sq. ft. Gross built-up area: 2,722 sq. ft.	Date of valuation: 30 June 2015	200
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: 33 years	Land area: 1,750 sq. ft. Gross built-up area: 5,250 sq. ft.	Date of valuation: 10 June 2015	1,600
No. 79, Jalan Sungai Palas, Cameron Highlands, Pahang Darul Makmur. Lot 96, Title Pajakan Negeri 2988, 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 60 years	Land area: 52,925 sq. ft. Gross built-up area: 3,428 sq. ft.	Date of valuation: 30 June 2015	2,200
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 terrace 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 14 to 16 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 2015	3,300

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	Carrying amounts as at 30 June 2015 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: 24 years	Land area: 1,776 sq. ft. Gross built-up area: 4,312 sq. ft.	Date of valuation: 30 June 2015	1,300
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: 23 years	Land area: 1,540 sq. ft. Gross built-up area: 3,016 sq. ft.	Date of valuation: 30 June 2015	580
8¼ m.s. Jalan Tunku Abdul Rahman, Ipoh, Perak Darul Ridzuan. Lots 255852 to 255859, Titles Geran 217001 to 217008, Mukim of Hulu Kinta, District of Kinta, Perak Darul Ridzuan.	7 parcels of vacant detached industrial land and a TNB sub-station site.	Tenure: Freehold Approximate age: N/A	Land area: 515,712 sq. ft.	Date of valuation: 30 June 2015	11,500
Lot 16030, 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 2015	3,200
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: 30 June 2015	13,083

ANALYSIS OF SHAREHOLDINGS AS AT 8 OCTOBER 2015

SHARE CAPITAL

Authorised Share Capital	RM200,000,000.00
Issued and Fully Paid Share Capital	RM78,765,857.10 comprising 787,658,571 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	15	0.15	284	0.00
100 – 1,000 shares	580	5.64	413,841	0.05
1,001 – 10,000 shares	4,837	47.03	32,098,209	4.08
10,001 – 100,000 shares	4,250	41.33	151,732,516	19.26
100,001 – 39,382,927	599	5.82	287,212,021	36.46
39,382,928 and above	3	0.03	316,201,700	40.15
Total	10,284	100.00	787,658,571	100.00

DIRECTORS' SHAREHOLDINGS AS PER REGISTER OF DIRECTORS AS AT 8 OCTOBER 2015

Name	No. of Shares Held			
	Direct	%	Indirect	%
Ho Sue San @ David Ho Sue San	279,303,400	35.46	0	0
YM Raja Shamsul Kamal Bin Raja Shahruzzaman	0	0	0	0
Chiam Tau Meng	0	0	0	0
Dato' Che Mohd Zin Bin Che Awang	0	0	0	0
Chuah Chaw Teo	0	0	0	0
Yuen Kah Hay	281,555	0.04	0	0
Goh Tian Hock	1,765,830	0.22	0	0

SUBSTANTIAL SHAREHOLDERS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 8 OCTOBER 2015

Name	No. of Shares Held			
	Direct	%	Indirect	%
Ho Sue San @ David Ho Sue San	279,303,400	35.46	0	0
Kumpulan Wang Persaraan (Diperbadankan)	42,898,300	5.45	0	0

LIST OF TOP THIRTY (30) SHAREHOLDERS/DEPOSITORS

No	Name of Securities Account Holders	No. of Shares Held	%
1	HO SUE SAN @ DAVID HO SUE SAN	163,303,400	20.73
2	EB NOMINEES (TEMPATAN) SENDIRIAN BERHAD PLEDGED SECURITIES ACCOUNT FOR HO SUE SAN @ DAVID HO SUE SAN (IPO)	111,000,000	14.09
3	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	42,898,300	5.45
4	YONG LOY HUAT	10,000,000	1.27
5	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR CITIBANK NEW YORK (NORGES BANK 14)	9,000,000	1.14
6	LIONG KAM HON	8,596,060	1.09
7	MAYBANK NOMINEES (TEMPATAN) SDN BHD ETIQA INSURANCE BERHAD (LIFE NON-PAR FD)	6,105,000	0.78
8	MAYBANK NOMINEES (TEMPATAN) SDN BHD ETIQA TAKAFUL BERHAD (ANNUITY PIF EQ)	5,097,100	0.65

ANALYSIS OF SHAREHOLDINGS AS AT 8 OCTOBER 2015 (CONTINUED)

LIST OF TOP THIRTY (30) SHAREHOLDERS/DEPOSITORS (continued)

No	Name of Securities Account Holders	No. of Shares Held	%
9	HO SUE SAN @ DAVID HO SUE SAN	5,000,000	0.63
10	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR DFA EMERGING MARKETS SMALL CAP SERIES	4,951,400	0.63
11	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR EMERGING MARKET CORE EQUITY PORTFOLIO DFA INVESTMENT DIMENSIONS GROUP INC	4,702,500	0.60
12	MAYBANK NOMINEES (TEMPATAN) SDN BHD ETIQA INSURANCE BERHAD (LIFE PAR FUND)	4,575,000	0.58
13	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD MIDF AMANAH ASSET MANAGEMENT BERHAD FOR TAKAFUL IKHLAS SDN BHD (JS487)	3,977,000	0.50
14	AMANAHRAYA TRUSTEES BERHAD MIDF AMANAH STRATEGIC FUND	3,840,000	0.49
15	MALACCA EQUITY NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR PHILLIP CAPITAL MANAGEMENT SDN BHD (EPF)	3,838,871	0.49
16	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KOK YOON LIM	3,740,300	0.47
17	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM CHEE SING (R01-MARGIN)	3,699,000	0.47
18	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR UNITED ASEAN DISCOVERYFUND	3,655,300	0.46
19	HSBC NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR MORGAN STANLEY & CO. INTERNATIONAL PLC (PWM ACSDA R)	3,492,000	0.44
20	MAYBANK NOMINEES (TEMPATAN) SDN BHD ETIQA INSURANCE BERHAD (SHAREHLDR'S FD)	3,301,400	0.42
21	MAYBANK NOMINEES (TEMPATAN) SDN BHD ETIQA TAKAFUL BERHAD (FT-EQUITY)	3,030,100	0.38
22	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR MALAYSIAN AGENTS PROVIDENT FUND (SAM AIA-031)	2,974,800	0.38
23	HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN CHING LING	2,870,000	0.36
24	TAN KUAN HAI	2,650,000	0.34
25	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD MIDF AMANAH ASSET MANAGEMENT BERHAD FOR UNIVERSITI MALAYA (JG488)	2,577,300	0.33
26	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR PERTUBUHAN KESELAMATAN SOSIAL (PACIFIC6939-407)	2,569,300	0.33
27	MD. SHAH BIN ABU HASAN	2,500,000	0.32
28	MALACCA EQUITY NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR PHILLIP CAPITAL MANAGEMENT SDN BHD	2,375,500	0.30
29	LIM CHEE SING	2,001,500	0.25
30	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR SINGULAR VALUE FUND	1,981,400	0.25
		430,302,531	54.62

ANALYSIS OF WARRANT HOLDINGS AS AT 8 OCTOBER 2015

No. of Warrants	355,461,429
No. of Warrant Holders	2,738

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	10	0.37	353	0.00
100 – 1,000 warrants	85	3.10	52,677	0.01
1,001 – 10,000 warrants	923	33.71	5,856,650	1.65
10,001 – 100,000 warrants	1,439	52.56	56,940,300	16.02
100,001 – 17,773,070 warrants	278	10.15	134,063,829	37.72
17,773,071 warrants and above	3	0.11	158,547,620	44.60
Total	2,738	100.00	355,461,429	100.00

DIRECTORS' WARRANT HOLDINGS AS PER REGISTER OF DIRECTORS AS AT 8 OCTOBER 2015

Name	No. of Warrants Held			
	Direct	%	Indirect	%
Ho Sue San @ David Ho Sue San	142,795,220	40.17	0	0
YM Raja Shamsul Kamal Bin Raja Shahruzzaman	0	0	0	0
Chiam Tau Meng	0	0	0	0
Dato' Che Mohd Zin Bin Che Awang	0	0	0	0
Chuah Chaw Teo	0	0	0	0
Yuen Kah Hay	0	0	0	0
Goh Tian Hock	974,000	0.27	0	0

SUBSTANTIAL WARRANT HOLDERS AS PER REGISTER OF SUBSTANTIAL WARRANT HOLDERS AS AT 8 OCTOBER 2015

Name	No. of Warrants Held			
	Direct	%	Indirect	%
Ho Sue San @ David Ho Sue San	142,495,220	40.17	0	0

LIST OF TOP THIRTY (30) WARRANTS HOLDERS

No	Name of Warrant Holders	No. of Warrants Held	%
1	HO SUE SAN @ DAVID HO SUE SAN	102,795,220	28.92
2	UOBM NOMINEES (TEMPATAN) SDN BHD TAEI TWO PARTNERS LTD FOR HO SUE SAN @ DAVID HO SUE SAN	30,000,000	8.44
3	UOB KAY HIAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR UOB KAY HIAN PTE LTD (A/C CLIENTS)	25,752,400	7.25
4	HO SUE SAN @ DAVID HO SUE SAN	10,000,000	2.81
5	LIONG KAM HON	5,600,000	1.58
6	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KOK YOON LIM	5,163,550	1.45
7	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR LIM KAI SWEE (MY1585)	5,100,000	1.44
8	HSBC NOMINEES (ASING) SDN BHD TNTC FOR APS FUND	5,000,000	1.41
9	HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LOKE YUNG YUNG	3,181,900	0.90

ANALYSIS OF WARRANT HOLDINGS AS AT 8 OCTOBER 2015 (CONTINUED)

LIST OF TOP THIRTY (30) WARRANTS HOLDERS (continued)

No	Name of Warrant Holders	No. of Warrants Held	%
10	HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN CHING LING	3,000,000	0.84
11	TAN AH SAN @ TAN AH SENG	1,800,000	0.51
12	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MOHAMED ADZMAN BIN MOHAMED S URA	1,732,300	0.49
13	OOI TEK KIANG	1,600,000	0.45
14	CHEUNG SENG YEW	1,508,200	0.43
15	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR BSI SA (NON RESIDENT)	1,500,000	0.42
16	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM HOCK SING	1,500,000	0.42
17	OTHMAN BIN MOHD SAID	1,500,000	0.42
18	CHONG KIAN SENG	1,450,000	0.41
19	LIEW MEI HIN @ LIEW MEE HIN	1,402,300	0.39
20	NG BOO KEE @ NG BOO CHEE	1,400,000	0.39
21	TAN KUAN HAI	1,285,000	0.36
22	TAN AH SAN @ TAN AH SENG	1,280,000	0.36
23	CHEW TING HUE	1,249,200	0.35
24	LIM CHEE SING	1,160,000	0.33
25	OU KWEE HUA	1,150,000	0.32
26	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR THOONG LYE CHAN (THO0039C)	1,000,000	0.28
27	CHOY WEE CHIAP	1,000,000	0.28
28	LOKE YUNG YUNG	1,000,000	0.28
29	GOH TIAN HOCK	974,000	0.27
30	CHAI KOON KHOW	935,000	0.26
		222,019,070	62.46

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

1. INTRODUCTION

On 20 October 2015, the Board of Directors ("the Board") announced that the Company proposes to seek approval from its shareholders for the Proposed Renewal of Shareholders' Mandate for the authority to the Company to purchase its own shares of up to ten per cent (10%) of the issued and paid-up share capital of the Company ("Proposed Renewal of SBB Mandate") at the forthcoming Thirty-fifth ("35th") Annual General Meeting ("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 35th AGM. A notice of the 35th 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-fourth (34th) AGM held on 25 November 2014, the Board 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 cent (10%) of the issued and paid-up capital of the Company and the said shareholders' mandate will expire at the conclusion of the forthcoming 35th AGM of the Company, which will be held on 26 November 2015.

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 cent (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 Malaysia Securities Berhad ("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 35th 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 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 resell on Bursa Securities in accordance with the relevant rules of Bursa Securities; 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 Hovid Shares purchased pursuant to the Proposed Renewal of SBB Mandate ("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.

Where the Directors resolve to cancel the Hovid Shares so purchased, the Company's issued and paid-up share capital shall be diminished by the cancellation of the Hovid Shares so purchased and the amount by which the Company's issued share capital is diminished shall be transferred to a capital redemption reserve. It is pertinent to note that the cancellation of Hovid Shares made pursuant to Section 67A of the Act shall not be deemed to be a reduction in share capital as the capital redemption reserve shall be treated as if it was part of shareholders funds.

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

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.

In addition, the Purchased Shares, 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 which would in turn stabilise the market price of Hovid Shares to enhance investors' confidence;
- (ii) provides flexibility for the Company in fine-tuning its capital structure, in terms of the debt and equity composition and the size of equity;
- (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 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 cashflow 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.

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

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 2015, the retained profits and share premium accounts of the Company were approximately RM65.25 million and RM2.02 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 8 October 2015, and assuming that the maximum number of Hovid Shares (of up to ten per cent (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 8 October 2015	787,658,571	78,765,857	787,658,571	78,765,857
To be issued pursuant to the exercise of Warrants 2013/2018 ⁽ⁱ⁾	-	-	355,461,429	35,546,143
Enlarged issued and paid-up share capital	787,658,571	78,765,857	1,143,120,000	114,312,000
Assuming cancellation of Hovid Shares purchased pursuant to the Proposed Renewal of SBB Mandate ⁽ⁱⁱ⁾	(78,765,857)	(7,876,586)	(114,312,000)	(11,431,200)
Resultant issued and paid-up share capital	708,892,714	70,889,271	1,028,808,000	102,880,800

Notes:

⁽ⁱ⁾ Assuming that the 355,461,429 outstanding Warrants 2013/2018 as at 8 October 2015 are fully exercised.

⁽ⁱⁱ⁾ Based on the maximum numbers of Hovid Shares (of up to ten per cent (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.

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

6. EFFECTS OF THE PROPOSED RENEWAL OF SBB MANDATE (continued)

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 8 October 2015 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 8 October 2015				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	279,303,400	35.46	-	-	279,303,400	39.40	-	-
Kumpulan Wang Persaraan (Diperbadankan)	42,898,300	5.45	-	-	42,898,300	6.05	-	-
Directors								
Ho Sue San @ David Ho Sue San	279,303,400	35.46	-	-	279,303,400	39.40	-	-
Goh Tian Hock	1,765,830	0.22	-	-	1,765,830	0.25	-	-
Yuen Kah Hay	281,555	0.04	-	-	281,555	0.04	-	-
Chiam Tau Meng	-	-	-	-	-	-	-	-
Chuah Chaw Teo	-	-	-	-	-	-	-	-
YM Raja Shamsul Kamal Bin Raja Shahruzzaman	-	-	-	-	-	-	-	-
Dato' Che Mohd Zin Bin Che Awang	-	-	-	-	-	-	-	-
Persons connected to Directors/Substantial Shareholders								
Ho Sue Cheong	161,000	0.02	-	-	161,000	0.02	-	-
Loh Poh Mee	10,000	0.00	-	-	10,000	0.00	-	-

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

7. SHAREHOLDINGS OF THE DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND PERSONS CONNECTED TO THEM IN HOVID SHARES (continued)

(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 8 October 2015				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 Kumpulan Wang Persaraan (Diperbadankan)	279,303,400	35.46	-	-	422,098,620	36.93	-	-	422,098,620	41.03	-	-
	42,898,300	5.45	-	-	42,898,300	3.75	-	-	42,898,300	4.17	-	-
Directors												
Ho Sue San @ David Ho Sue San	279,303,400	35.46	-	-	422,098,620	36.93	-	-	422,098,620	41.03	-	-
Goh Tian Hock	1,765,830	0.22	-	-	2,739,830	0.24	-	-	2,739,830	0.27	-	-
Yuen Kah Hay	281,555	0.04	-	-	281,555	0.02	-	-	281,555	0.03	-	-
Chiam Tau Meng	-	-	-	-	-	-	-	-	-	-	-	-
Chuah Chaw Teo	-	-	-	-	-	-	-	-	-	-	-	-
YM Raja Shamsul Kamal Bin Raja Shahrizzaman	-	-	-	-	-	-	-	-	-	-	-	-
Dato' Che Mohd Zin Bin Che Awang	-	-	-	-	-	-	-	-	-	-	-	-
Persons connected to Directors / Substantial Shareholders												
Ho Sue Cheong	161,000	0.02	-	-	241,500	0.02	-	-	241,500	0.02	-	-
Loh Poh Mee	10,000	0.00	-	-	10,000	0.00	-	-	10,000	0.00	-	-

8. IMPLICATIONS RELATING TO THE TAKE-OVERS AND MERGERS CODE ("THE CODE")

Under Part II of the Code, a person and any person acting in concert with him will be obliged to make a mandatory general offer ("MGO") 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 8 October 2015, the total shareholdings of Mr Ho Sue San @ David Ho Sue San and Kumpulan Wang Persaraan (Diperbadankan) ("Major Shareholders") and Mr Ho Sue Cheong and Mdm Loh Poh Mee ("Persons Acting in Concert") in Hovid is approximately 40.93% 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 Shareholders and Persons Acting in Concert in Hovid would increase to approximately 45.48% and 45.22% 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 Shareholders and Persons Acting in Concert in Hovid increase by two per cent (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 Shareholders and Persons 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 Shareholders and Persons Acting in Concert complying with certain conditions.

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

8. IMPLICATIONS RELATING TO THE TAKE-OVERS AND MERGERS CODE ("THE CODE") (continued)

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 8 October 2015, there were 10,277 public shareholders with a total shareholding of 57.72% of the Company's issued and paid-up share capital.

Assuming that the Proposed Renewal of SBB Mandate of up to 78,765,857 ordinary shares of RM0.10 each representing ten per cent (10%) of the share capital as at 8 October 2015 is carried out in full, Hovid's shareholding spread would be reduced to approximately 53.02%.

10. PURCHASES, RESALE OR CANCELLATION OF SHARES IN THE FINANCIAL YEAR ENDED 30 JUNE 2015

Information on the purchase of Hovid Shares during the financial year ended 30 June 2015 is set out in the Additional Compliance Information of the Statement On Corporate Governance in Hovid's Annual Report 2015.

During the financial year ended 30 June 2015, 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.

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 35th 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)

**PROXY FORM
THIRTY-FIFTH (35TH) ANNUAL GENERAL MEETING**

CDS Account No. of authorised nominee

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-fifth (35th) Annual General Meeting of the Company, to be held at Conference 1, Level 2, Weil Hotel, 292, Jalan Sultan Idris Shah, 30000 Ipoh, Perak Darul Ridzuan on Thursday, 26 November 2015, at 10.30 a.m. and, at every adjournment thereof.

*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		

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 _____ 2015

The proportions of shareholdings to be represented by *my/*our proxies are as follows:-

Signature/Common Seal of Member

	No. of shares	Percentage
Total shares held		100%
Proxy 1		
Proxy 2		

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 18 November 2015. Only a depositor whose name appears on the General Meeting Record of Depositors as at 18 November 2015 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

hovid

Continuous Innovation & Quality

THE COMPANY SECRETARY

HOVID BERHAD (58476-A)
No. 121, Jalan Tunku Abdul Rahman
30010 Ipoh
Perak Darul Ridzuan

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