

hovid

Continuous Innovation & Quality

New Capacity with **Higher Standards**

Annual Report 2016



CONTENTS



2	NOTICE OF ANNUAL GENERAL MEETING
12	CORPORATE INFORMATION
13	CORPORATE STRUCTURE
14	DIRECTORS' PROFILE
16	KEY MANAGEMENT PROFILE
18	CHAIRMAN'S STATEMENT
22	FINANCIAL HIGHLIGHTS
23	STATEMENT ON CORPORATE GOVERNANCE
33	STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL
35	AUDIT COMMITTEE REPORT
37	FINANCIAL STATEMENTS
112	LIST OF PROPERTIES
116	ANALYSIS OF SHAREHOLDINGS
118	ANALYSIS OF WARRANT HOLDINGS
120	SHARE BUY-BACK STATEMENT
ENCLOSED	PROXY FORM

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirty-sixth (36th) 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 Tuesday, 22 November 2016 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 2016 together with the Reports of the Directors and Independent Auditors thereon.
2. To approve the payment of Directors’ fees of RM402,000 for the financial year ended 30 June 2016.
3. To re-elect the following Directors who retire pursuant to Article 83 of the Company’s Articles of Association:-
 - (a) Mr Chiam Tau Meng
 - (b) Mr Goh Tian Hock
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.

As Special Business:-

To consider and if thought fit, to pass the following 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.”
- (b) “**THAT** approval be and is hereby given for YM Raja Shamsul Kamal Bin Raja Shahruzzaman who has served as an Independent Non-Executive Director of the Company 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.”

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.”

Please refer to
Explanatory Note 1

Ordinary Resolution 1

Ordinary Resolution 2

Ordinary Resolution 3

Ordinary Resolution 4

Ordinary Resolution 5

Ordinary Resolution 6

Ordinary Resolution 7

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

7. PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE WITH AGLO1 SDN. BHD. ("AGLO1") ("PROPOSED RENEWAL OF 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 31 October 2016, subject to the following:-

- (i) the RRPT are:-
 - (a) necessary for the day-to-day operations;
 - (b) undertaken in the ordinary course of business and at arm's length basis and are on terms not more favourable to the related parties than those generally available to the public; and
 - (c) are not detrimental to the shareholders of the Company; and
- (ii) the disclosure is made in the Annual Report of the Company of the aggregate value of the RRPT based on the type of transactions, the names of the Related Parties and their relationships with the Company pursuant to the Proposed Renewal of RRPT Mandate with Aglo1 during the financial year and in the Annual Report of the Company in the subsequent years during which the Proposed Renewal of RRPT Mandate with Aglo1 is in force; and
- (iii) the Proposed Renewal of 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 Renewal of 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 RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE WITH EXCELVITE SDN. BHD. ("EXCELVITE") ("PROPOSED RENEWAL OF 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 31 October 2016, subject to the following:-

Ordinary Resolution 8

Ordinary Resolution 9

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

- (i) the RRPT are:-
 - (a) necessary for the day-to-day operations;
 - (b) undertaken in the ordinary course of business and at arm's length basis and are on terms not more favourable to the related parties than those generally available to the public; and
 - (c) are not detrimental to the shareholders of the Company; and
- (ii) the disclosure is made in the Annual Report of the Company of the aggregate value of the RRPT based on the type of transactions, the names of the Related Parties and their relationships with the Company pursuant to the Proposed Renewal of RRPT Mandate with Excelvite during the financial year and in the Annual Report of the Company in the subsequent years during which the Proposed Renewal of RRPT Mandate with Excelvite is in force; and
- (iii) the Proposed Renewal of 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 Renewal of 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.”

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”)**

“**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;

Ordinary Resolution 10

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

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. PROPOSED ADDITIONS TO THE MEMORANDUM OF ASSOCIATION OF THE COMPANY

“**THAT** the additions to the Memorandum of Association of the Company contained in Appendix A be and are hereby approved.”

Special Resolution 1

11. PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY

“**THAT** the alterations, modifications, additions or deletions to the Articles of Association of the Company contained in Appendix B be and are hereby approved.”

Special Resolution 2

12. 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
31 October 2016

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 14 November 2016. Only a depositor whose name appears on the General Meeting Record of Depositors as at 14 November 2016 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 2016 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. **Ordinary 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;

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

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

3. **Ordinary Resolution 7 – Authority to Allot and Issue Shares pursuant to Section 132D of the Companies Act, 1965**

The proposed Ordinary 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. **Ordinary Resolutions 8 and 9 – Proposed Renewal of RRPT Mandates with Aglo1 and Excelvite**

The proposed Ordinary Resolutions 8 and 9, 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 Ordinary Resolutions are contained in the Circular to Shareholders dated 31 October 2016 accompanying the Company's Annual Report 2016.

5. **Ordinary Resolution 10 – Proposed Renewal of SBB Mandate**

The proposed Ordinary 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 the proposed Ordinary Resolution are contained in the Share Buy-Back Statement on Pages 120 to 126 of this Annual Report.

6. **Special Resolution 1 – Proposed Additions to Memorandum of Association**

The current object clauses of the Company's Memorandum of Association covers the existing activities of the Company.

The proposed Special Resolution 1, if passed, will allow the Company to carry out additional business activities and to promote awareness and appreciation of "Ho Yan Hor" brand.

Details of the proposed Special Resolution 1 are contained in the Appendix A on Page 8 of this Annual Report.

7. **Special Resolution 2 – Proposed Amendment to Articles of Association**

The proposed amendments to the Articles of Association are in compliance with the enhancements issued by Bursa Securities amending certain provisions of the Main Market Listing Requirements of Bursa Securities.

Details of the proposed amendments are set out in the Appendix B on Pages 9 to 11 of this Annual Report.

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

“APPENDIX A”

PROPOSED ADDITIONS TO THE MEMORANDUM OF ASSOCIATION OF THE COMPANY

The Memorandum of Association of the Company are proposed to be amended in the following manner:-

- i) THAT the following Object Clause No. 1A be inserted immediately after the existing Object Clause No. 1 of the Company’s Memorandum of Association:-

Object Clause No.	Existing Provision	Proposed Object Clause
1A	N/A	To carry on the business of manufacturing, trading, warehousing, takeover, clearing and forwarding, acts as a purchasing and selling agent, export, import, brand establishment or otherwise dealing in basic drugs, pharmaceuticals, medicines, medical devices, chemical preparation, surgical equipment and accessories, drug formulation including ayurvedic and homeopathic formulations, proteins, nutrients, medicated oils, artificial limbs, bandage materials, hospital aids, patients aids, medical professional aids, pharmacist’s aids and handicapper’s aids both in internal, external and import markets and also to carry on the business of manufacturers, importers, exporters of and dealers in ancillary plants, accessories and machinery together with accessories tools appliances and apparatus and spare parts thereto used in producing drugs, chemicals and pharmaceuticals and in particular hard and soft gelatin capsules and containers.

- ii) THAT the following Object Clause No. 2A be inserted immediately after the existing Object Clause No. 2 of the Company’s Memorandum of Association:-

Object Clause No.	Existing Provision	Proposed Object Clause
2A	N/A	To carry out or any of the business to preserve and promote awareness and appreciation of “Ho Yan Hor” unique brand in Malaysia through the sharing of the historical stories of the origin of “Ho Yan Hor businesses and its heritage cultures” by conducting researches and experiments; acquiring, collecting, establishing, maintaining published works and photograph images; arranging, organizing, managing events, exhibitions, expositions and shows of works of interest; and organizing such activities and collaborations in such manner as may seem expedient to advance the Company’s interest including all or any acts of buying, selling, exchange, repair and otherwise deal in and with paintings, engraving, sketches, sculptures, antique furnishing, accessories, books and other objects and works of art, decorations, ornaments and souvenirs of all kinds.



NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

“APPENDIX B”

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY

The Articles of Association of the Company are proposed to be amended in the following manner (for which differences are underlined and highlighted in bold below under the columns “Existing Articles” and “Proposed Amendments” respectively:-

Article No.	Existing Articles	Proposed Amendments
11(3)	A holder of a preference share must be entitled to the same rights as holders of ordinary shares in relation to receiving notices, reports, <u>audited accounts</u> and attending meetings.	A holder of a preference share must be entitled to the same rights as holders of ordinary shares in relation to receiving notices, reports, audited financial statements and attending meetings.
68(1)	<p><u>At any general meeting, a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded:-</u></p> <p>(a) by the Chairman;</p> <p>(b) by at least two (2) Members present in person or by proxy; or</p> <p>(c) by any Member or Members present or by proxy and representing not less than one tenth (1/10) of the total voting rights of all Members having the right to vote at the meeting; or</p> <p>(d) by a Member or Members holding shares in the Company conferring a right to vote at the meeting, being shares on which an aggregate sum has been paid up equal to not less than one tenth (1/10) of the total sum paid up on all shares conferring that right.</p> <p>Provided that no poll shall be demanded on the election of a chairman for the meeting or on any question of adjournment of the meeting.</p>	<p>Subject to the Listing Requirements, any resolution set out in the notice of any general meeting, or in any notice of resolution which may properly be moved and is intended to be moved at any general meeting shall be voted by poll. Subject to the Act, a poll may be demanded:-</p> <p>(a) by the Chairman;</p> <p>(b) by at least two (2) Members present in person or by proxy; or</p> <p>(c) by any Member or Members present or by proxy and representing not less than one tenth (1/10) of the total voting rights of all Members having the right to vote at the meeting; or</p> <p>(d) by a Member or Members holding shares in the Company conferring a right to vote at the meeting, being shares on which an aggregate sum has been paid up equal to not less than one tenth (1/10) of the total sum paid up on all shares conferring that right.</p> <p>Provided that no poll shall be demanded on the election of a chairman for the meeting or on any question of adjournment of the meeting.</p>
68(2)	Unless a poll is so demanded a declaration by the Chairman of the meeting that a resolution has on a show of hands been carried unanimously or by a particular majority or lost and an entry to that effect in the book containing the minutes of the proceedings of the Company shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolutions. <u>The demand for a poll may be withdrawn.</u>	Unless a poll is so demanded a declaration by the Chairman of the meeting that a resolution has on a show of hands been carried unanimously or by a particular majority or lost and an entry to that effect in the book containing the minutes of the proceedings of the Company shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolutions. The demand for a poll may be withdrawn.

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

“APPENDIX B” (continued)

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY (continued)

Article No.	Existing Articles	Proposed Amendments
69	<p>If a poll is duly demanded, it shall be taken in such manner and either at once or after an interval or adjournment or as the chairman of the meeting directs, being not more than thirty (30) days from the date of the meeting or adjourned meeting at which the poll was demanded, and the result of the poll shall be the resolution of the meeting at which the poll was demanded. The Chairman of the meeting <u>may (and if so directed by the meeting) appoint scrutineers and</u> may, in addition to the powers of adjourning meetings contained in Article 67, adjourn the meeting to some place and time to be fixed by him for the purpose of declaring the result of the poll. The demand for a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which the poll has been demanded. The instrument appointing a proxy to vote shall be deemed also to confer authority to demand or join in demanding a poll, and a demand by a person as proxy for a Member shall be the same as a demand by the Member.</p>	<p>If a poll is duly demanded, it shall be taken in such manner and either at once or after an interval or adjournment or as the chairman of the meeting directs, being not more than thirty (30) days from the date of the meeting or adjourned meeting at which the poll was demanded, and the result of the poll shall be the resolution of the meeting at which the poll was demanded. <i>The Chairman of the meeting must appoint at least one (1) scrutineer to validate the votes cast at the general meeting. The appointed scrutineer must not be an officer of the Company or its related corporation, and must be independent of the person undertaking the polling process. The Chairman of the meeting may,</i> in addition to the powers of adjourning meetings contained in Article 67, adjourn the meeting to some place and time to be fixed by him for the purpose of declaring the result of the poll. The demand for a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which the poll has been demanded. The instrument appointing a proxy to vote shall be deemed also to confer authority to demand or join in demanding a poll, and a demand by a person as proxy for a Member shall be the same as a demand by the Member.</p> <p><i>The poll may be conducted manually using voting slips or electronically using various forms of electronic devices. Such votes shall be counted by the poll administrator, and verified by the scrutineer, as may be appointed by the Chairman of the meeting for the purpose of determining the outcome of the resolution(s) to be decided on poll.</i></p>
78	<p>The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the Office or at such other place as is specified for that purpose in the notice convening the meeting, not less than forty-eight (48) hours before the time appointed for holding the meeting <u>or adjourned meeting</u> at which the person named in the instrument <u>proposes to vote, or in the case of a poll, not less than twenty-four (24) hours before the time appointed for the taking of the poll</u> and in default the instrument of proxy shall not be treated as valid.</p>	<p>The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the Office or at such other place as is specified for that purpose in the notice convening the meeting, not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote <i>proposes to vote, or in the case of a poll, not less than twenty-four (24) hours before the time appointed for the taking of the poll</i> and in default the instrument of proxy shall not be treated as valid.</p>

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

“APPENDIX B” (continued)

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY (continued)

Article No.	Existing Articles	Proposed Amendments
132	<p>The Directors shall from time to time in accordance with Section 169 of the Act, cause to be prepared and laid before the Company in general meeting such profit and loss accounts, balance sheets and report as are referred to in that Section. The interval between the close of a financial year of the Company and the issue of the <u>annual audited accounts</u>, the Directors’ and Auditors’ reports shall not exceed four (4) months. A copy of each of such documents shall not less than twenty-one (21) clear days before the date of the meeting be sent to every Member of and to every holder of debentures of the Company under the provisions of the Listing Requirements and the Act. The requisite number of copies of each of such documents as may be required by the Exchange and/or other stock exchange(s), if any, upon which the Company’s shares may be listed shall at the same time be likewise sent to the Exchange and/or such other stock exchange(s) provided that this Article shall not require a copy of these documents to be sent to any person of whose address the Company is not aware but any Member to whom a copy of these documents has not been sent shall be entitled to receive a copy free of charge on application at the Office.</p>	<p>The Directors shall from time to time in accordance with Section 169 of the Act, cause to be prepared and laid before the Company in general meeting such profit and loss accounts, balance sheets and report as are referred to in that Section. The interval between the close of a financial year of the Company and the issue of the annual audited financial statements, the Directors’ and Auditors’ reports shall not exceed four (4) months. A copy of each of such documents shall not less than twenty-one (21) clear days before the date of the meeting be sent to every Member of and to every holder of debentures of the Company under the provisions of the Listing Requirements and the Act. The requisite number of copies of each of such documents as may be required by the Exchange and/or other stock exchange(s), if any, upon which the Company’s shares may be listed shall at the same time be likewise sent to the Exchange and/or such other stock exchange(s) provided that this Article shall not require a copy of these documents to be sent to any person of whose address the Company is not aware but any Member to whom a copy of these documents has not been sent shall be entitled to receive a copy free of charge on application at the Office.</p>
132A	<p>The Company must issue <u>to its shareholders an annual report relating to its annual audited accounts within six (6) months after the expiry of its financial year end in printed form or in CD-ROM form or in such other form of electronic media.</u> In the event that the annual report is sent by <u>CD-ROM form or in such other form of electronic media</u> and a member requires printed form of such document, the Company shall send such document to the member within four (4) market days from the date of receipt of <u>the member’s request.</u></p>	<p>The Company must issue its annual report that includes annual audited financial statements together with the auditors’ and directors’ reports of the Company, to the Exchange and members within four (4) months from the close of the financial year of the Company. In the event that the annual report is issued in electronic format and a member requires printed form of such document, the Company shall send such document to the member within four (4) market days from the date of receipt of the member’s verbal or written request.</p>

CORPORATE INFORMATION

BOARD OF DIRECTORS

Ho Sue San @ David Ho Sue San	<i>Chairman and Managing Director</i>
YM Raja Shamsul Kamal Bin Raja Shahrizzaman	<i>Senior Independent Non-Executive Director</i>
Chiam Tau Meng	<i>Independent Non-Executive Director</i>
Dato' Che Mohd Zin Bin Che Awang	<i>Independent Non-Executive Director</i>
Chuah Chaw Teo	<i>Independent Non-Executive Director</i>
Yuen Kah Hay	<i>Executive Director</i>
Goh Tian Hock	<i>Executive Director</i>

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 & Issuing House 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 (AF: 0737)
(Member of Grant Thornton International Ltd)
Level 11, Sheraton Imperial Court
Jalan Sultan Ismail
50250 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) Berhad
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

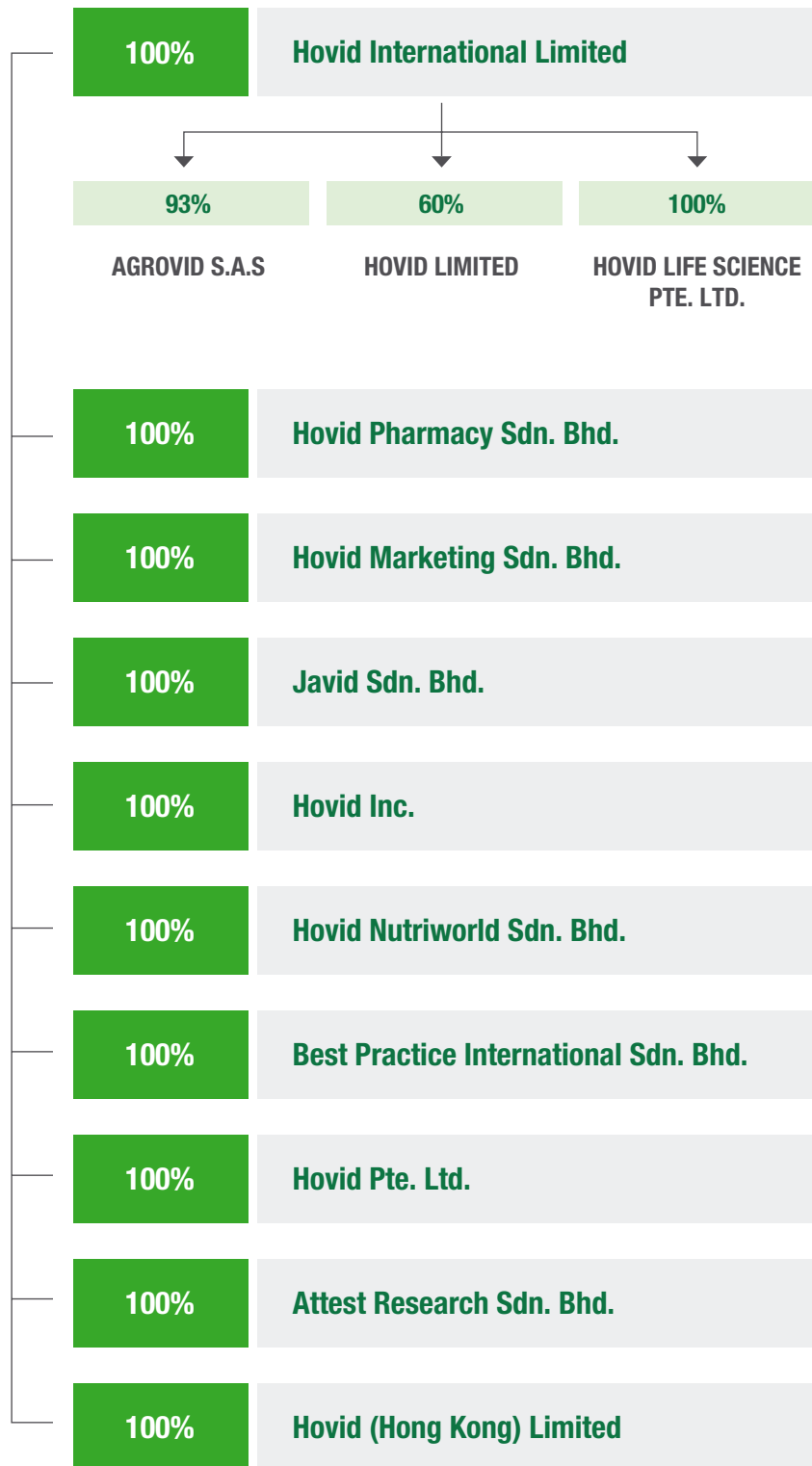
STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad



CORPORATE STRUCTURE

As At 4 October 2016



DIRECTORS' PROFILE

HO SUE SAN @ DAVID HO SUE SAN

Managing Director and Chairman
Malaysian, Aged 67, Male

Mr David Ho is the Managing Director of the Company. He was appointed to the Board, being the first Director since incorporation of the Company on 20 May 1980 and was redesignated to Chairman and Managing Director on 31 January 2008.

Mr David Ho 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. Additionally, he is a major shareholder of the Company as at 30 June 2016.

YM RAJA SHAMSUL KAMAL BIN RAJA SHAHRUZZAMAN

Senior Independent Non-Executive Director
Malaysian, Aged 55, Male

YM Raja Shamsul Kamal 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 subsequently redesignated as Senior Independent Non-Executive Director of the Company on 30 May 2014. He is the Chairman of the Nomination and Remuneration Committee and a member of the Audit Committee of the Company.

YM Raja Shamsul Kamal 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.

CHIAM TAU MENG

Independent Non-Executive Director
Malaysian, Aged 63, Male

Mr Chiam was appointed to the Board of the Company on 7 April 2014 as an Independent Non-Executive Director. He 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 and Remuneration Committee of the Company.

Mr Chiam graduated with a Bachelor of Commerce Degree majoring in Accountancy from University of Otago, Dunedin, New Zealand in 1976. He was admitted as an Associate Chartered Accountant of the Institute of Chartered Accountants of New Zealand in 1980. He is presently a Chartered Accountant of the Chartered Accountants Australia and 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. Presently, he is a Director of Damar Global Holdings Berhad and is also an Independent Non-Executive Director of Menang Corporation (M) Berhad and SC Estate Builder Berhad.

DIRECTORS' PROFILE (CONTINUED)

CHUAH CHAW TEO

Independent Non-Executive Director
Malaysian, Aged 65, Male

Dr Chuah 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 is a member of the Nomination and Remuneration Committee as well as the Audit Committee of the Company.

Dr Chuah 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.

DATO' CHE MOHD ZIN BIN CHE AWANG

Independent Non-Executive Director
Malaysian, Aged 67, Male

Dato' Zin is a Fellow of Malaysian Pharmaceutical Society. He was appointed to the Board on 1 March 2012 as an Independent Non-Executive Director. He is a member of the Audit Committee and the Nomination and Remuneration Committee of the Company.

Dato' Zin obtained a Bachelor of Pharmacy degree from University of Baghdad, Iraq, in 1972. In 1978 and 1984, he obtained a Master of Science degree in Radiopharmacy from University of Southern California, USA and a Master of Science degree in Pharmaceutical Sciences from University of Wales, United Kingdom, respectively. He started his career in 1974 as a Pharmacist of Perak Medical Store under the Ministry of Health of Malaysia (MOH). In 1977,

he joined Tun Ismail Atomic Research Centre of Ministry of Science, Malaysia, as a Research Officer. From 1980 to 1984, he was a Production Pharmacist with the Government Medical Lab & Stores of MOH before his appointment as the Head of Good Manufacturing Practice (GMP) Division in National Pharmaceutical Control Bureau (NPCB) of Ministry of Health, Malaysia in 1985. He took up the role as Chief Pharmacist of Regional Medical Stores in Penang in 1991 and Kelantan State Pharmacist in 1993. From 1998 to 2000, he was appointed as Deputy Director of NPCB as well as the Secretary of Drug Control Authority. He was promoted to the position of Director of NPCB in 2000 and subsequently as Senior Director of Pharmaceutical Services in MOH in 2001. Before his retirement in 2008, he was the Chairman of Asean Consultative Committee on Standards and Quality, Pharmaceutical Products Working Group (ACCSQ – PPWG) from 2002 to 2008.

YUEN KAH HAY

Executive Director
Malaysian, Aged 62, Male

Professor Yuen was appointed to the Board of the Company on 2 January 2014 as an Executive Director. He obtained a B. Pharm (1st Class Hons) from Universiti Sains Malaysia ("USM"), M.Sc from USM and Ph.D from The School of Pharmacy, University of London. He started his career in 1978 as Pupil Pharmacist in General Hospital Penang. In 1979, he joined USM as a Temporary Lecturer. He was appointed Lecturer of USM from 1983 to 1994 and as an Associate Professor of USM from 1994 to 2001. Currently, he is a Professor of USM, a position of which he held since 2001.

GOH TIAN HOCK

Executive Director
Malaysian, Aged 49, Male

Mr Goh is the Chief Financial Officer of the Company. He was appointed to the Board of the Company on 2 January 2014 as an Executive Director. He holds a Bachelor of Science (Honours) Degree in Accountancy (Computerised) and is a Fellow Member of the Institute of Chartered Accountants in England and Wales of United Kingdom and a Member of the Malaysian Institute of Accountants. He started his career in auditing, financial management and corporate finance since 1989 before joining Hovid in 2003.

Notes:-

1. None of the Directors has any family relationship with any Director and/or major shareholder of the Company.
2. None of the Directors has any conflict of interest with the Company.
3. None of the Directors has been convicted for any offences within the past five (5) years.
4. All the Directors have attended all the five (5) Board meetings held during the financial year ended 30 June 2016.
5. The details of Directors' interest in securities of the Company are set out in the Analysis of Shareholdings on Page 116 and Analysis of Warrant Holdings on Page 118 of this Annual Report.

KEY MANAGEMENT PROFILE

LIONG KAM HON

Director of Hovid Pharmacy Sdn. Bhd.
Malaysian, Aged 70, Male

He joined Hovid Pharmacy Sdn. Bhd. as a Manager on 16 June 1981. On 28 August 1995, he was appointed as Director of Hovid Pharmacy Sdn. Bhd. and was subsequently appointed as an Executive Director of Hovid Berhad on 11 February 1999. On 29 November 2013, he resigned as Executive Director of Hovid Berhad. He continues to be the Director of Hovid Pharmacy Sdn. Bhd.

HO SHEE KEE

Production Manager of Hovid Berhad
Malaysian, Aged 56, Male

He obtained a Diploma in Supervisory and Management from the Malaysian Institute of Management in 1996 and 1999.

He is the cousin of Mr Ho Sue San @ David Ho Sue San. He started his career with Hovid in 1978 as Supervisor of Herbal Department of Hovid. He was promoted to Production Manager in 1985 overseeing the Herbal Tea Division and Logistic and Store operation of Hovid.

CHOONG FOO WAH

General Manager of Hovid Pharmacy Sdn. Bhd.
Malaysian, Aged 55, Male

He is a registered pharmacist and lifetime member with Malaysia Pharmaceutical Society.

After graduating from USM Pharmacy School, he served in Government Hospitals for a year. In July 1987, he joined Hovid Pharmacy Sdn. Bhd. as a retail pharmacist. In 1988, he was transferred to Penang to set up a branch in Penang and served as Branch Manager. In year 1990, he was promoted as Sales Manager and transferred to KL office to oversee the whole company business and further expansion of more branches throughout Malaysia to strengthen and capture more revenue for Hovid Group. In July 2000, he was promoted to General Manager, a position he held till today.

LEONG AH LING

Supply Chain Manager of Hovid Berhad
Malaysian, Aged 54, Female

She is a Chartered Accountant and a member of Chartered Institute of Management Accountants, United Kingdom.

She started her career in accounting with the subsidiary of Rahman Hydraulic Group in Kuala Lumpur before moving back to Ipoh. She joined Hovid Group more than 20 years back and was with the Finance Department and subsequently transferred to Supply Chain Department as Supply Chain Manager on 1 September 2007.

ONG BEE LAN

Quality Assurance Manager of Hovid Berhad
Malaysian, Aged 52, Female

She graduated with a Bachelor of Science (Hons) degree in Microbiology in 1989 from Universiti Kebangsaan Malaysia and obtained her professional qualification as Quality Engineer in Year 1998 and as Certified Quality Manager in Year 2004 from America Society of Quality.

In 1991, she joined Hovid as a Microbiologist and was involved in the quality control of raw materials and finished products. She was transferred to Production Department in 1994 and promoted to Senior Production Executive in 1995. In 1996, she was transferred to Quality Control ("QC") Department as Senior QC Executive. She was promoted to Quality Assurance ("QA") Manager in 1998 and was then transferred to take up the challenge as Production Manager in 2002. After working for another one and half years in Production Department, she was then transferred back to QA Department in July 2003 and since then was assigned as QA Manager of Hovid Berhad. In December 2005 she was promoted to Operation/Production Manager of the Company. In April 2010, she was transferred to the QA Department as QA Manager of Hovid Berhad where her key responsibilities includes maintenance of the Company's quality management system, GMP and all quality related matters of Hovid Berhad.

DENNIS CHAN WING CHEUNG

International Business Director of Hovid Berhad
Chinese, Aged 51, Male

He graduated from McMaster University in Canada and has more than 20 years of experience in Pharmaceutical Industry.

He started his career as Professional Medical Representative in Schering AG. He got promoted to Product Manager after 3 years. Later on, he joined another 2 multi-national pharmaceutical companies working as different position including Senior Product Manager, Divisional Manager and Country Manager. In 2009, he joined Hovid Limited as Country Manager and was promoted to International Business Director of Hovid Berhad in April 2015.

KEY MANAGEMENT PROFILE (CONTINUED)

YEW MING CHUI

Head of Business Development of Hovid Berhad
Malaysian, Aged 50, Female

She graduated with a Bachelor of Science in Pharmacology from University of Sunderland, England in 1989. She further obtained her Diploma in Management in 1997 from the Malaysia Institute of Management.

She started her career as a Research Officer in 1989 with University Sains Malaysia before joining Hovid in 1990 as Registration Executive. She was promoted to Senior Registration Executive and Regulatory Affairs Manager in 1995 and 1997 respectively, overseeing global regulatory affairs, marketing authorizations and intellectual properties. On 9 December 2014, she was promoted to Head of Business Development, responsible for strategic alliances and outsourcing of formulations.

DR WONG JIA WOEI

Research & Development Manager of Attest Research Sdn. Bhd.
Malaysian, Aged 44, Female

She graduated with a Bachelor of Pharmacy degree and later obtained her Ph. D in Pharmaceutics from the School of Pharmaceutical Sciences, Universiti Sains Malaysia.

She started her career as Research Scientist in the Research and Development ("R&D") Department of Hovid Berhad since year 2000. She was transferred to Hovid Research Sdn. Bhd. (which was subsequently changed its name to Attest Research Sdn. Bhd.) as R&D Manager in 2009 and was involved in drug formulations and development of drug delivery systems as well as clinical and bioequivalence trials.

WONG WEE CHUN

Senior Production Manager of Hovid Berhad
Malaysian, Aged 42, Male

He graduated from Universiti Pertanian Malaysia and Malaysia Multimedia University with Bachelor of Science (Hons) in Chemistry and Master in Business Administration, respectively.

After graduating from Universiti Pertanian Malaysia in 1999, he started his career in production, lab testing and quality assurance with chemical based manufacturing plants. He joined Hovid Berhad in June 2015 with more than 13 years of experiences in quality assurance and production functions in pharmaceutical industry.

TAN KIM SONG

Engineering Manager of Hovid Berhad
Malaysian, Aged 41, Male

He graduated with a Master Degree of Civil Engineering from Universiti Kebangsaan Malaysia.

He has worked as a project engineer with Nam Fatt Berhad in Malaysia and Italy for a period of 6 years and with Sumatec Berhad for 2 years in Labuan Oil and Gas Project before joining Hovid Berhad on 1 July 2010 as Engineering Manager.

HO SARAH LEE-MUN

Head of Sales and Marketing of Hovid Group
Malaysian, Aged 31, Female

She is a registered pharmacist with the New Zealand Pharmacy Council and is a fellow member of the Pharmaceutical Society of New Zealand. She also successfully obtained an MBA from the Hong Kong University of Science and Technology, one of the top MBA programmes in Asia, in the year 2015.

She is the second daughter of Mr Ho Sue San @ David Ho Sue San. She started her career in retail pharmacy and has since then progressed into the pharmaceutical industry in sales and marketing. She was appointed as Head of Sales and Marketing of Hovid Group on 1 July 2016.

Notes:-

Save as disclosed above, none of the above key management team have:-

- (a) any directorship in public companies and listed issuers;
- (b) any family relationship with any directors and/or major shareholders of the Company;
- (c) any conflict of interest with the Company;
- (d) any conviction of offences within the past five (5) years; and
- (e) any public sanction or penalty imposed by the relevant regulatory bodies during the financial year

CHAIRMAN'S STATEMENT



Dear Fellow Shareholders

On behalf of the Board of Directors (“the Board”) of Hovid Berhad (“Hovid”), I am pleased to present you the Annual Report and Audited Financial Statements for the financial year ended (“FYE”) 30 June 2016.

We present our *“New Capacity with Higher Standards”* with our soon to be completed tablet and capsules production facility and our new centralised distribution warehouse. Our new tablet and capsules production facility will allow us to meet the growing demand for tablets and capsules. Additionally, it has been designed to meet the higher cGMP standards required for us to penetrate the Australian, European and American markets in the future. The new centralised distribution warehouse equipped with automated storage and retrieval systems will let cope with higher volume of stocks with more efficient inventory management and distribution.

of RM3.6 million recorded for the year in comparison to RM5.5 million from the previous year, that arose from the fluctuations of United States of America Dollar (“USD”) against Ringgit Malaysia (“RM”) and higher operating expenses caused by the weaker RM. Additionally, included in the previous year’s result was a gain of RM1.4 million from the disposal of BPPL.

In view of the continued strengthened Group’s financial position, I am pleased to inform that we have paid an interim dividend of RM4.1 million in respect of the current financial year.

DEVELOPMENT, OUTLOOK AND PROSPECTS

The CMR International Pharmaceutical R&D Factbook, a report from Thomson Reuters, reveals a surge in global pharmaceutical sales – reaching a milestone of \$1 trillion in 2014, and estimates that in 2015, the sales surpassed \$1.1 trillion mark, and this growth is likely to continue up until 2019. The world’s population is rapidly growing and aging and is forecast to reach nine billion with urban population at 6.3 billion by 2050. The Organisation for Economic Co-operation and Development predicts that three billion people will form the new middle class in Africa and Asia by 2030. Obviously, there is an increasing number of people accessing healthcare and increasing healthcare spending, especially the elderly. Healthcare, retirement income and wellness were singled out as the three biggest concerns for ageing in Asia Pacific by the survey of Ageing Asia, over 150 industry leaders from the Asia Pacific eldercare market in a Silver Economy report. The spending power of consumers aged 60 and above globally is expected to surpass USD15 trillion by 2020, according to figures from the Silver Dollar, a report by Bank of America Merrill Lynch. As population age, there will be a shift in focus from infectious diseases to non-communicable diseases (“NCD”) which has also resulted in undercutting productivity and boosting healthcare outlay. Examples of NCDs or chronic diseases are cardiovascular diseases, cancer, diabetes, dementia etc. Globally, chronic diseases account for about 63% of all deaths. They likely will account for 70% death by 2025, according to the World Health Organization. The long-term management of chronic diseases becomes a major contribution to the resilience of the pharmaceutical market. Taken together, these factors are likely to drive increasing demand for healthcare worldwide.

FINANCIAL PERFORMANCE

For the financial year ended 30 June 2016, the Group achieved revenues of RM189.0 million, which was slightly higher in comparison to RM188.4 million achieved in the last financial year. However, a 51%-owned subsidiary, Biodeal Pharmaceuticals Private Limited (“BPPL”), was disposed during the previous financial year on 31 March 2015. BPPL contributed RM7.3 million to the Group’s revenue last year. Excluding BPPL’s revenue for comparison purpose, the Group’s revenue has increased by RM7.9 million or 4.4% for the current financial year.

The Group’s profit after tax for the year was RM18.2 million, which was lower by 13.1% as compared to RM20.9 million last year. The poorer result was due to a lower foreign exchange gain

Will YOU get Stroke?

If your blood pressure level is still SCARING HIGH (above 130/80mmHg), you are at 6 times greater risk of getting STROKE than healthy people. 75% of stroke patients were hypertensive before they had stroke.

For the sake of your family, don't wait. Consult your doctor to bring down your BP soonest possible and live a healthy lifestyle from now on.

You may also want to start protecting your brain cells early with palm tocotrienols. Palm tocotrienols is clinically proven to protect and minimize brain cell damage in the event of a stroke.

Tocotrienols Protection

Log on to www.hovid.com/stroke to redeem stroke risk information booklet or call us for more information. 03-7831 2738 (Mon - Fri, 9am - 4pm)

TOCOVIDTM SupraBioTM

- Clinically proven to reach and protect vital organs, including the brain.
- Reputable medical publication (Stroke Journal) showed 200mg palm tocotrienol twice daily helps protect cells.

Tocotrienols Protection

Mixed Tocotrienols (Palm Tocotrienols) increase in 300% absorption

Available also in 50mg and 100mg

Email: tocovid@hovid.com • 03-7831 2738 (Mon - Fri, 9am - 4pm)

CHAIRMAN'S STATEMENT (CONTINUED)

Thanks to our resilient business model, in FYE 2016, revenue in the pharmaceutical segment of Hovid Group achieved another historical high of RM189 million compared to RM188.4 million a year ago, via our strength in Research and Development and our export markets. Hovid's products continue to be distributed in more than 50 countries and we aim to continue refining our business to deliver long term value in serving the spiraling population.



ASEAN Business Awards Malaysia ("ABAM") - May 2016

Our Company had won the prestigious ASEAN Business Awards Malaysia ("ABAM") Healthcare Category, which was presented by the Prime Minister Yang Berhormat Dato' Sri Mohd Najib Tun Razak on 31 May 2016 at the ABAM Gala Dinner. The ABAM award is bestowed on outstanding businesses and entrepreneurs that have created a positive impact on the growth of the Malaysian economy and helped elevate the country's image in ASEAN. The award qualifies Hovid to compete with other achievers within ASEAN on a regional level at the ASEAN Business and Investment



Pangkor Dialogue Awards - 2016

Summit ("ABIS") at the end of this year. In addition, our Company was also honoured with the Pangkor Dialogue Awards - Excellence in Pharmaceutical by Institute Darul Ridzuan ("IDR") in conjunction

with the Pangkor Dialogue 2016 held in Ipoh on 5th September 2016. The Pangkor Dialogue Awards was organized by the Perak State Government with their strategic partner, Northern Corridor Implementation Authority ("NCIA").

Hovid is confident in the world's growing demand for its products and maintain its resolve to pursue growth. In FYE 2016, we have launched Phase I of our new tablet and capsule manufacturing facility in Ipoh, increasing our tablet and capsule production



capacity by 30% and the Company is in the progress of ramping up its utilisation for the added capacity. Presently, Phase 2 is still in progress and we anticipate the commissioning to be completed by early 2017. This new facility has been designed to meet the pharmaceutical production standards of Europe, the U.S. FDA (Food and Drug Administration) and the Australian TGA (Therapeutic Goods Administration). Apart from meeting the anticipated higher demand for our products, this new facility will extend our footprint into Australia, Europe and US in the future.

Research and Development ("R&D") of new products and technologies have been one of the main pillars behind the growth of Hovid. The R&D Centre which will avail us to conduct our own bioequivalence ("BE") study is another revolution sweeping the Company. Located in Bayan Lepas, Penang our new R&D centre will help us improve our ability to grow our product portfolio, sharpened our focus and target our resources on innovation and product development. This new R&D Centre will have 48 hospital beds in total and will shorten our development time for 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.

R&D efforts in FYE 2016 yielded additional 27 new products to our product portfolio. Among these were 16 prescription products, 1 dietary supplement, 4 herbal teas, 5 Over-the-Counter ("OTC") products and 1 cosmetic product. 17 new products were successfully registered in Malaysia. More significantly, Hovid has obtained 56 marketing authorizations overseas including Brunei, the Philippines, Laos, Uganda, Myanmar, Cambodia, Oman, Ivory Coast, Vietnam, Hong Kong and Nigeria.

CHAIRMAN'S STATEMENT (CONTINUED)

Currently, there are 137 products under Hovid's development pipeline in various categories including prescription, dietary supplements, food, cosmetic, OTC, traditional remedies and disinfectant. 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 the 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*.

Our new Centralised Distribution Warehouse at our existing Chemor site is under construction and targeted for completion by early 2017. This new warehouse will have the two Automated Storage and Retrieval System ("ASRS") cranes that is 8 storeys high containing 4,500 pallet locations. Upon commissioning, we will gradually consolidate our current 12 warehouses around Malaysia into this new facility. This new warehouse will also have the Digital Pick-to-Light system for us to conduct paperless picking of more than 520 SKU (Shelf Keeping Unit) for monthly direct distribution to our 7,000 customers in Malaysia. This will improve our inventory management and meet the additional volume arising from the new tableting and capsuling facility.

Whilst the economic environment is expected to remain challenging in the near future, we have taken and will continue to take steps to streamline our operation and enhance our agility. The Company is charged with creating value and safeguarding assets to ensure growth prevails on a rising trajectory. Your Company strives to remain successful by plugging the gaps in our competencies through continuous improvement and shed our limitations to compete internationally. We will continue to seize strategic opportunities and navigate challenges, building and advancing pipelines to fuel our long-term success, focus on delivering sustainable revenue and earnings growth to achieve greater heights and keep making progress on all fronts to grow our business further.

CORPORATE SOCIAL RESPONSIBILITY

Our efforts on Corporate Social Responsibility ("CSR") are long term commitment 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. During this financial year, Hovid has undertaken numerous 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 help educational institutions and charitable societies. Some of the events we have participated were, UTAR Counselling & Wellness Week 2015, Victory Life Charity fun fair 2015 organized by Victory Life Training Center, 56th Anniversary Fun Fair 2015 of Shen Jai High School, SRJK(C) Bercham Carnival 2015, Larian 10km Sempena Hari Merdeka organized by Persatuan Olahraga Masters Perak, Interaction Week 2015 lead by the Accounting Club of University of Malaya, Run for Peace 2015 organized by Persatuan Soka Gakkai Malaysia, Majlis Sambutan Deepavali 2015 organized by by Persatuan Kebajikan Masyarakat Berinovasi, NASAM Walkathon 2015, White Ribbon Run 2015 organized by All Women's Action Society, Ipoh International Run 2015, Fund Raising at SRJK(C) Lawan Kuda, Care for Orang Asli Students at SRJK(C) Yun Hwa, Food Fair & Charity Sales organized by The Perak Thalassaemia Society, Ziarah Kasih ke Hospital Raja Permaisuri Bainun Ipoh organized by Persatuan Pembangunan Masyarakat Inovatif Ipoh Perak, Urban Health's Campaign named Young at Heart 2nd Series: Move It - held in Klang Valley and Penang, Ipoh Starwalk 2016 and many more. Hovid believes that improving education and basic health awareness systems are effective ways to build stronger and healthier communities.



Ipoh Starwalk 2016

It is undeniable that human capital is the crux of competitiveness today. Hovid has fostered a culture that values results and motivates our people to realize professional and personal growth. The Company follows a structured training process known as Training Needs Analysis to provide developing opportunities as well as a career map for our people. Our in-house corporate training this year focused on personal self-development, problem-solving and human resource management, such as Persuasion & Influence and Disciplinary Procedures in enforcing discipline in the place of employment. Besides this, we continuously enhance the knowledge-based skills of our people with specialized trainings on Good Manufacturing Practices, Good Distribution Practices, ISO

CHAIRMAN'S STATEMENT (CONTINUED)



Launching Ho Yan Hor Museum (HYHM) - April 2016

Awareness, Environmental and Occupational Safety Training and Halal Assurance Management System. This year, the Company has started monthly Birthday Celebrations for employees to further strengthen the bond among our employees. Additionally, we continue to promote work-life balance for our employees through activities organized by our in-house Sports Club, such as Badminton Sessions, Yoga Classes and Futsal Sessions.

Talent development remains a core pillar for Hovid. The Company hired emerging talent and invested in internships. This year, we offered internship program for students from University of Science Malaysia to support the country in nurturing competent pharmacists for the future. To strengthen our recruitment efforts, the Company has initiated a Memorandum of Understanding at the Pangkor International Development Dialogue organized jointly by Institut Darul Ridzuan, the Perak government and the NCIA on 19 October 2015 for the purpose of exchanging knowledge and recruitment ideas in the areas of global, regional, national and state development; and collaboration with Perak State Government's "Pusat Kerjaya Amanjaya" for recruitment of manpower. Additionally, we have enlisted the power of social media via Facebook to reach out to the new generation through the "Hovidrecruit tag" by giving updates on hiring and employee activities. As a result of all these initiatives, Hovid was awarded as the Model Company 2015 ("Syarikat Control 2015") for the State of Perak for Technical Skills Collaboration.



Hovid at the Asia Pasific Stroke Conference in Brisbane - July 2016

In conjunction with Ho Yan Hor's 75th anniversary, Ho Yan Hor Museum ("HYHM") at No. 1, Jalan Bijeh Timah in Ipoh oldtown, was officially launched on April 30, 2016. HYHM tells the origin of the well-known household health tea and inspirational story of the King of Herbal Tea, Dr. Ho Kai Cheong. This is a corporate CSR project to honour the founder who created the health tea and contributed substantially to the communities. Furthermore, the museum helps to preserve and restore the old building for the purpose of promoting the awareness and appreciation of Ipoh and its unique, diverse and rich heritage to the generations to come. The museum is open to the public for free on Tuesdays to Sundays, 10am to 4pm.

Hovid will continue to strengthen and advance its CSR initiatives and play its best role in all aspects.

APPRECIATION

On behalf of the Board, I would like to thank the employees of Hovid for their outstanding efforts that have helped us achieve so much in FYE 2016. My heartfelt gratitude also goes out to our shareholders, customers and business associates for their confidence and unwavering support all these years. To our financiers, government authorities and investors, I wish to thank them for their co-operation and guidance. Last but not least, my sincere appreciation also goes to my fellow Directors for their wise counsel and invaluable insights.

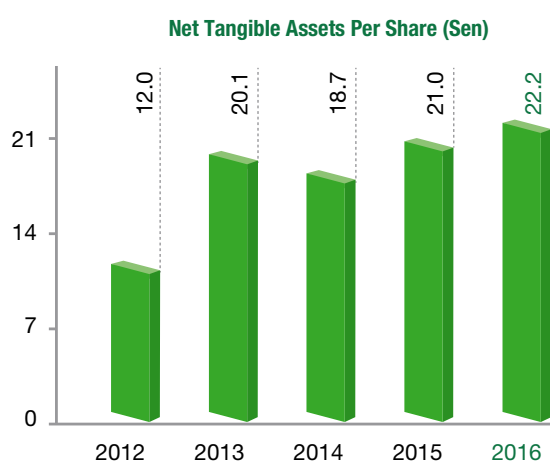
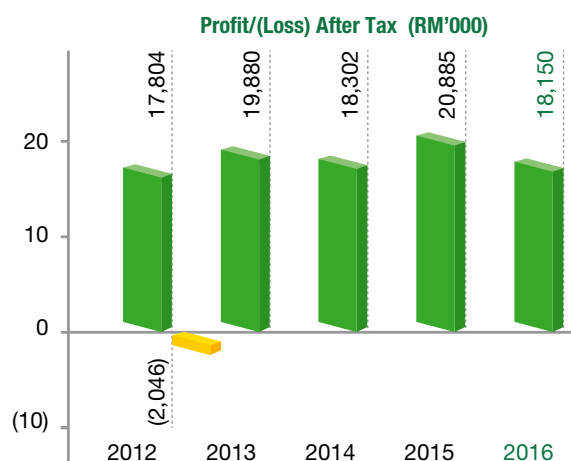
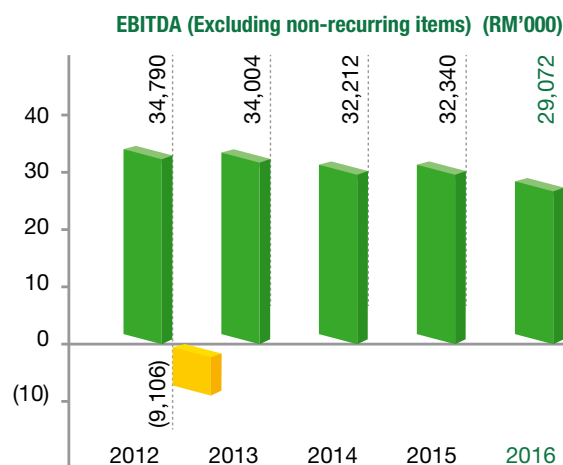
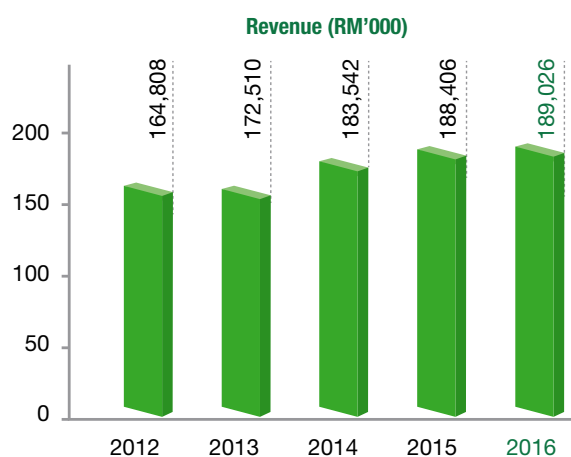
We look forward to achieving new milestones in 2017 with you.

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

FINANCIAL HIGHLIGHTS

For the year ended 30 June	2012	Restated 2013	2014	2015	2016
	RM'000	RM'000	RM'000	RM'000	RM'000
Statements of Profit or Loss and Other Comprehensive Income					
Pharmaceutical					
Revenue	164,808	172,510	183,542	188,406	189,026
EBITDA (excluding non-recurring items)	34,790	34,004	32,212	32,340	29,072
Profit after tax	17,804	19,880	18,302	20,885	18,150
Phytonutrient					
Revenue	-	-	-	-	-
EBITDA (excluding non-recurring items)	(9,106)	-	-	-	-
Loss after tax	(2,046)	-	-	-	-
Statements of Financial Position					
Pharmaceutical					
Total Assets	210,176	223,680	227,712	251,651	312,749
Total Liabilities	98,905	65,989	61,555	65,640	108,426
Phytonutrient					
Total Assets	-	-	-	-	-
Total Liabilities	-	-	-	-	-
Key Financial Ratios					
Basic earnings per share (sen)	2.06	2.59	2.37	2.73	2.24
Diluted earnings per share (sen)	1.37	2.34	1.89	2.15	1.80
Net tangible assets per share (sen)	12.0	20.1	18.7	21.0	22.2

■ Pharmaceutical ■ Phytonutrient



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 and Recommendations of MCCG 2012 throughout the financial year ended 30 June 2016.

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 the 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 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, include 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.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

PRINCIPLE 1 – ESTABLISH CLEAR ROLES AND RESPONSIBILITIES (continued)

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 Companies Commission of Malaysia 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.

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 Shahruzzaman	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

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

PRINCIPLE 2 – STRENGTHEN COMPOSITION (continued)

2.1 Nomination Committee (continued)

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

The Terms of Reference of the Nomination and Remuneration Committee is made available on the Company's website at www.hovid.com.

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.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

2.3 Remuneration Policies

The aggregate remuneration of Directors of the Company for the financial year ended 30 June 2016 are categorised into the following components:-

	Fees (RM'000)	Salaries & Other Emoluments (RM'000)	Benefit-in-kind (RM'000)	Total (RM'000)
<u>Group</u>				
Executive Directors	156	4,968	30	5,154
Non-Executive Directors	246	-	-	246
<u>Company</u>				
Executive Directors	156	3,784	30	3,970
Non-Executive Directors	246	-	-	246

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

Remuneration Band RM'000	Executive Directors		Non-Executive Directors	
	Company	Group	Company	Group
50 -100	-	-	4	4
150 - 200	1	1	-	-
1,350 - 1,400	1	1	-	-
2,400 - 2,450	1	-	-	-
3,600 - 3,650	-	1	-	-

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

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

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 MCCG 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 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 years as recommended in the principle of Reinforce Independence of MCCG 2012. Upon completion of the nine (9) years, an Independent Director may continue to serve the Board subject to the Director's re-designation as a Non-Independent Director. In the event the Board wishes to retain such Director as an Independent Director, the Board will need to justify and seek shareholders' approval.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

PRINCIPLE 3 – REINFORCE INDEPENDENCE (continued)

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 36th AGM of the Company based on the following:-

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

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 and Managing Director. This is in line with the MCG 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 Pages 14 and 15.

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)

PRINCIPLE 4 – FOSTER COMMITMENT (continued)

4.1 Time Commitment and Number of Directorships (continued)

During the financial year ended 30 June 2016, 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 2016 are as follows:-

Directors	Designation	Attendance
Ho Sue San @ David Ho Sue San	Chairman and Managing Director	5/5
YM Raja Shamsul Kamal Bin Raja Shahrizzaman	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 accordance with Article 121 of the Articles of Association of the Company, a signed and approved resolution by the majority of the Directors shall be valid and effectual as if it had been passed at a meeting of the Directors.

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

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.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

PRINCIPLE 4 – FOSTER COMMITMENT (continued)

4.2 Directors' Training (continued)

Seminars and training programmes attended by the Directors during the financial year ended 30 June 2016 are as follows:-

Name	Seminar/Training Programme
Ho Sue San @ David Ho Sue San	MPOB International Palm Oil Congress Global Transformation Forum MATRADE NCII (National Corporation Innovation Index) Workshop Cross Border E-Commerce Conference World Orphan Drug Congress, USA
Chiam Tau Meng	The Interplay between CG, Non-Financial Information (NFI) and Investment Decision
Dato' Che Mohd Zin Bin Che Awang	The Interplay between CG, Non-Financial Information (NFI) and Investment Decision
Chuah Chaw Teo	FMM Institute Penang: CEO Forum 2015 Building World Class Organisation SERC Global Economic Conference 2016
Goh Tian Hock	Persuasion & Influence Intellectual Property Training Potential Impact of TPPA on the Malaysian Economy GST Update

During the financial year ended 30 June 2016, YM Raja Shamsul Kamal Bin Raja Shahruzzaman and Professor Yuen Kah Hay were 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.

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 Malaysian 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 Malaysian 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 of the Group and of their financial performance and cash flows for that year.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

PRINCIPLE 5 – UPHOLD INTEGRITY IN FINANCIAL REPORTING (continued)

5.1 Compliance with Applicable Financial Reporting Standards (continued)

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 109 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 Groups'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 2016, the Audit Committee met twice 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 determines 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 as it 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 33.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

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.

PRINCIPLE 8 – STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

8.1 Encourage Shareholder Participation 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

A new requirement from the Listing Requirements requiring that any resolution set out in the notice of any general meeting (including any addendum, errata or amendment to the earlier notice of general meeting) or notice of resolution be voted by poll. The new requirement is applicable to all the general meetings to be held on or after 1 July 2016. Hence, all the resolutions as set out in the notice of the Company's forthcoming AGM will be voted by poll.

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.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

ADDITIONAL COMPLIANCE INFORMATION

- **Audit Fees**
The audit fees incurred for services rendered to Company and the Group by SJ Grant Thornton during the financial year ended 30 June 2016 was RM53,500 and RM95,500 respectively.
- **Non-Audit Fees**
The non-audit fee incurred for service rendered to Company and the Group by SJ Grant Thornton during the financial year ended 30 June 2016 was RM5,000.
- **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 2016 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 2016 between the Company and its subsidiary companies are disclosed in Note 31 of the Financial Statements.

COMPLIANCE STATEMENT

Other than as disclosed and/or explained in the Statement on Corporate Governance, the Board is satisfied that the Group has, in material aspects, complied with the principles and recommendations of the MCCG 2012 during the financial year ended 30 June 2016.

This Statement on Corporate Governance is made in accordance with a resolution of the Board dated 11 October 2016.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

Paragraph 15.26(b) and Practice Note 9 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) requires a listed issuer to prepare a statement on about the state of risk management and internal control of the listed issuer as a group. The Board of Directors (“the Board”) is committed in 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”) based on the guidelines stipulated in the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers issued by Bursa Securities and the Principles and Best Practices in the Malaysian Code on Corporate Governance issued by Securities Commission Malaysia.

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 to safeguard shareholders’ investments and the Group’s assets. 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 Audit Committee 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 (“AC”) 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 AC also ensures there are continuous efforts by management to address and resolve areas with control weaknesses. Further details on the AC are elaborated in the AC Report.

Organisation structure

The Board exercise control through an 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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

OTHER COMPONENTS OF INTERNAL CONTROL SYSTEM (continued)

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

The Internal Audit function of the Group is outsourced to Axcelasia Columbus Sdn. Bhd. that reports to the AC, and by extension, the Board, by providing independent assurance on the Group's system of internal control. The scope of the internal audit function covers the business units and operations as approved by the AC. 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 AC meeting. Reports to the AC 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 2016 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 2016 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. Any areas for improvement identified during the course of audit are articulated at the AC meetings. The AC also hold private meetings with the external auditors to have exchange of views on any areas that may require their attention.

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 2016 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 11 October 2016.

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 Shahruzzaman	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 2016, the Committee convened five (5) meetings. Details 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 Shahruzzaman	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. Minutes of meeting were recorded and subsequently presented to the Board for notation.

TERMS OF REFERENCE

The Terms of Reference of the Committee is made available on the Company’s website at www.hovid.com.

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 2016 up to 11 October 2016 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;

AUDIT COMMITTEE REPORT (CONTINUED)

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 financial and operational performance as well as corporate development of the Group on quarterly basis;
9. Reviewed the progress of any legal suits the Company is engaged on quarterly basis;
10. Reviewed the recurrent related party transactions entered into by the Group;
11. Reviewed the Risk Management Committee's reports and assessments;
12. Reviewed and updated the terms of reference of the Audit Committee and recommend any amendments, where necessary to the Board for approval; and
13. 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 34.

During the financial year ended 30 June 2016, the internal auditors undertook the following activities:-

1. Reported to the Committee and attended two (2) out of five (5) Committee meetings held during the financial year 2016;
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) strategic management;
 - (ii) marketing & branding; and
 - (iii) Good Manufacturing Practice (GMP); and
4. Reported on the follow-up of management's implementation status of the prior internal audit recommendations.

FINANCIAL STATEMENTS

38	Directors' Report
42	Statements of Financial Position
43	Statements of Profit or Loss And Other Comprehensive Income
44	Statements of Changes in Equity
46	Statements of Cash Flows
48	Notes to the Financial Statements
109	Statement by Directors
109	Statutory Declaration
110	Independent Auditors' Report

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 2016.

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 to the financial statements. 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 financial year attributable to:		
Owners of the Company	17,896	25,058
Non-controlling interests	254	-
	<hr/> 18,150	<hr/> 25,058

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 28 August 2015, declared an interim single-tier dividend of 0.50 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;
- ii. 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; and
- iii. on 30 August 2016, declared an interim single-tier dividend of 0.50 sen per ordinary share in respect of the financial year ended 30 June 2016, amounting to RM4,089,210, which was paid on 11 October 2016.

The financial statements for the current year do not reflect the dividend as mentioned in (iii) above. This dividend will be accounted for in the equity as an appropriation of retained earnings in the financial year ending 30 June 2017.

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 30.6.2016
	Balance at 1.7.2015	Bought	Sold	
Shareholdings in the Company				
Direct interests:				
Ho Sue San @ David Ho Sue San	281,803,400	-	(2,500,000)	279,303,400
Goh Tian Hock	1,765,830	-	-	1,765,830
Yuen Kah Hay	281,555	-	-	281,555

	← *Number of Warrants over ordinary shares of RM0.10 each →			Balance at 30.6.2016
	Balance at 1.7.2015	Bought	Sold	
Warrant holdings in the Company				
Direct interests:				
Ho Sue San @ David Ho Sue San	144,795,220	-	(2,000,000)	142,795,220
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 33,465,600 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, 33,465,600 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, 328,301,429 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.

DIRECTORS' REPORT (CONTINUED)

OTHER STATUTORY INFORMATION (continued)

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

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

In the opinion of the Directors:

- (i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due;
- (ii) the results of operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (iii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of operations of the Group and of the Company for the current financial year in which this report is made.

EVENT AFTER THE REPORTING PERIOD

The event after the reporting period is disclosed in Note 33.

AUDITORS

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

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

.....)
HO SUE SAN @ DAVID HO SUE SAN)
)
)
) DIRECTORS
)
)
.....)
CHIAM TAU MENG)

Ipoh
11 October 2016

STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2016

	Note	GROUP		COMPANY	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Assets					
Non-current assets					
Property, plant and equipment	4	169,507	128,808	127,449	90,559
Intangible assets	5	20,472	19,410	21,660	20,214
Investment properties	6	2,600	2,600	-	-
Investment in subsidiaries	7	-	-	20,195	16,760
Other investment	8	-	-	-	-
Deferred tax assets	9	926	787	-	-
Total non-current assets		193,505	151,605	169,304	127,533
Current assets					
Inventories	10	34,181	27,123	17,577	16,434
Receivables, deposits and prepayments	11	61,404	50,001	93,917	73,509
Tax recoverable		309	-	544	-
Cash and deposits	12	23,350	22,922	8,845	9,226
Total current assets		119,244	100,046	120,883	99,169
Assets classified as held for sale	13	-	-	-	-
Total assets		312,749	251,651	290,187	226,702
Equity and liabilities					
Equity					
Share capital	14.1	81,482	78,135	81,482	78,135
Share premium	14.2	5,364	2,018	5,364	2,018
Reserves	14.3	38,428	38,298	22,073	21,293
Retained earnings	14.4	76,426	65,250	78,697	60,334
Total equity attributable to owners of the Company		201,700	183,701	187,616	161,780
Non-controlling interests	7	2,623	2,310	-	-
Total equity		204,323	186,011	187,616	161,780
Liabilities					
Non-current liabilities					
Deferred tax liabilities	9	13,912	11,128	15,057	11,890
Provision for retirement benefits	15	4,246	3,617	3,742	3,275
Loans and borrowings	16	35,645	9,282	32,504	8,252
Total non-current liabilities		53,803	24,027	51,303	23,417
Current liabilities					
Loans and borrowings	16	25,659	7,494	24,763	6,827
Payables and accruals	17	28,964	30,292	26,505	31,110
Tax payable		-	3,827	-	3,568
Total current liabilities		54,623	41,613	51,268	41,505
Total liabilities		108,426	65,640	102,571	64,922
Total equity and liabilities		312,749	251,651	290,187	226,702

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

	Note	GROUP		COMPANY	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Revenue	18	189,026	188,406	151,916	144,181
Advertisement and promotions		(4,886)	(4,665)	(2,939)	(3,372)
Amortisation of intangible assets		(628)	(582)	(627)	(582)
Change in inventories of work-in-progress and finished goods		6,358	2,761	942	2,852
Depreciation of property, plant and equipment		(5,075)	(5,400)	(4,111)	(3,923)
Finance costs	19	(745)	(848)	(572)	(514)
Finance income	20	70	164	3,438	2,973
Gain on disposal of investment in a subsidiary		-	1,365	-	1,782
Impairment loss on receivables		(103)	(239)	-	-
Inventories written down		(525)	(255)	(387)	(212)
Inventories written off		(429)	(407)	(277)	(167)
Other expenses	21.2	(18,719)	(13,551)	(19,428)	(14,379)
Other income	21.3	4,045	6,739	16,352	11,478
Purchase of trading goods		(4,679)	(4,234)	-	-
Raw materials and packing materials used		(67,669)	(66,881)	(67,585)	(63,161)
Reversal of impairment loss on receivables		62	73	-	-
Sales commission		(2,383)	(2,240)	-	-
Staff costs		(52,271)	(52,991)	(32,519)	(33,550)
Transportation and freight charges		(3,979)	(4,172)	(1,803)	(2,272)
Upkeep, repair and maintenance expenses		(8,317)	(7,428)	(7,794)	(6,874)
Utilities and fuel		(6,459)	(8,576)	(5,621)	(7,003)
Profit before tax	21.1	22,694	27,039	28,985	27,257
Income tax expense	22	(4,544)	(6,154)	(3,927)	(6,213)
Profit for the financial year		18,150	20,885	25,058	21,044
Other comprehensive income/(loss), net of tax	23				
<i>Items that will not be reclassified subsequently to profit or loss:</i>					
Remeasurement of retirement benefit liabilities		(25)	173	-	-
Revaluation of land and buildings		2,207	8,951	1,449	2,261
<i>Item that will be reclassified subsequently to profit or loss:</i>					
Foreign exchange translation differences for foreign operations		(1,565)	(2,025)	-	-
Total other comprehensive income for the financial year		617	7,099	1,449	2,261
Total comprehensive income for the financial year		18,767	27,984	26,507	23,305
Profit attributable to:					
Owners of the Company		17,896	20,909	25,058	21,044
Non-controlling interests		254	(24)	-	-
Profit for the financial year		18,150	20,885	25,058	21,044
Total comprehensive income attributable to:					
Owners of the Company		18,670	27,012	26,507	23,305
Non-controlling interests		97	972	-	-
Total comprehensive income for the financial year		18,767	27,984	26,507	23,305
Earnings per share					
Basic earnings per share (sen)	24	2.24	2.73		
Diluted earnings per share (sen)	24	1.80	2.15		

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

STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

GROUP	← Attributable to owners of the Company →				Total RM'000	Non- controlling interests RM'000	Total equity RM'000	
	Share capital RM'000	Share premium RM'000	Reserves RM'000	Retained earnings RM'000				← Non-distributable →
Note	Share capital RM'000	Share premium RM'000	Reserves RM'000	Retained earnings RM'000	Total RM'000	Non- controlling interests RM'000	Total equity RM'000	
At 1 July 2014	76,381	263	32,489	52,036	161,169	4,988	166,157	
Foreign exchange translation differences for foreign operations	14	-	-	(2,080)	-	(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	23	-	-	6,160	(57)	6,103	996	7,099
Profit for the financial year	-	-	-	20,909	20,909	(24)	20,885	
Total comprehensive income	-	-	6,160	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	25	-	-	(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	
Foreign exchange translation differences for foreign operations	14	-	-	(1,408)	-	(1,408)	(157)	(1,565)
Revaluation of land and buildings	-	-	2,207	-	2,207	-	2,207	
Remeasurement of retirement benefit liabilities	-	-	-	(25)	(25)	-	(25)	
Total other comprehensive income	23	-	-	799	(25)	774	(157)	617
Profit for the financial year	-	-	-	17,896	17,896	254	18,150	
Total comprehensive income	-	-	799	17,871	18,670	97	18,767	
<i>Transactions with owners:</i>								
Conversion of warrants	3,347	3,346	(669)	-	6,024	-	6,024	
Dividends to owners	25	-	-	(6,695)	(6,695)	-	(6,695)	
Issuance of shares to non-controlling interests	-	-	-	-	-	216	216	
	3,347	3,346	(669)	(6,695)	(671)	216	(455)	
At 30 June 2016	81,482	5,364	38,428	76,426	201,700	2,623	204,323	

Note 14.1 Note 14.2 Note 14.3 Note 14.4

**STATEMENTS OF CHANGES IN EQUITY
 FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016 (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 2014		76,381	263	19,383	46,928	142,955
Revaluation of land and buildings, representing total other comprehensive income	23	-	-	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	25	-	-	-	(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
Revaluation of land and buildings, representing total other comprehensive income	23	-	-	1,449	-	1,449
Profit for the financial year		-	-	-	25,058	25,058
Total comprehensive income		-	-	1,449	25,058	26,507
<i>Transactions with owners:</i>						
Conversion of warrants		3,347	3,346	(669)	-	6,024
Dividends to owners	25	-	-	-	(6,695)	(6,695)
		3,347	3,346	(669)	(6,695)	(671)
At 30 June 2016		81,482	5,364	22,073	78,697	187,616
		Note 14.1	Note 14.2	Note 14.3	Note 14.4	

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

STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

Note	← GROUP →		← COMPANY →	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cash flows from operating activities				
Profit before tax	22,694	27,039	28,985	27,257
Adjustments for:				
Amortisation of intangible assets	628	582	627	582
Bad debts written off	3	2	-	-
Changes in fair value of investment properties	-	(200)	-	-
Provision for retirement benefits	577	598	467	439
Depreciation of property, plant and equipment	5,075	5,400	4,111	3,923
Gain on disposal of investment in a subsidiary	-	(1,365)	-	(1,782)
Gain on disposal of property, plant and equipment	(3)	(3)	(1)	(4)
Impairment loss on receivables	103	239	-	-
Interest expense	745	848	572	514
Interest income	(70)	(164)	(3,438)	(2,973)
Inventories written down	525	255	387	212
Inventories written off	429	407	277	167
Product development expenditure written off	1,169	279	1,169	279
Property, plant and equipment written off	95	128	31	115
Reversal of impairment loss on receivables	(62)	(73)	-	-
Unrealised gain on foreign exchange	(539)	(3,618)	(1,088)	(3,840)
Operating profit before changes in working capital	31,369	30,354	32,099	24,889
Changes in inventories	(8,012)	(2,155)	(1,807)	(1,537)
Changes in receivables, deposits and prepayments	(11,447)	(9,258)	(3,981)	(5,511)
Changes in payables and accruals	(1,374)	7,716	(2,206)	2,767
Inter-company balances	-	-	(11,375)	2,768
Bankers' acceptance	11,937	3,592	11,937	3,592
Cash generated from operations	22,473	30,249	24,667	26,968
Tax paid	(6,109)	(8,524)	(5,608)	(8,078)
Net cash from operating activities	16,364	21,725	19,059	18,890
Cash flows from investing activities				
Acquisition of property, plant and equipment (i)	(44,256)	(27,267)	(38,839)	(23,782)
Investment in a subsidiary	-	-	(2)	-
Advances to subsidiaries	-	-	(7,337)	(6,175)
Interest received	70	164	3,438	2,973
Proceeds from disposal of property, plant and equipment	116	66	103	64
Proceeds from disposal of a subsidiary	-	-	-	5,855
Disposal of a subsidiary, net of cash 7	-	7,824	-	-
Product development expenditure incurred 5	(2,859)	(2,263)	(3,242)	(2,671)
Net cash used in investing activities	(46,929)	(21,476)	(45,879)	(23,736)

STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016 (CONTINUED)

Note	← GROUP →		← COMPANY →	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cash flows from financing activities				
(Repayments to)/Advances from subsidiaries	-	-	(2,426)	2,812
Interest paid	(778)	(843)	(605)	(509)
(Placement)/Withdrawal of deposits pledged with licensed banks	(335)	24	-	57
Dividends paid	(6,695)	(7,638)	(6,695)	(7,638)
Proceeds from warrants conversion	6,024	3,158	6,024	3,158
Proceeds from issuance of shares to non-controlling interests	216	67	-	-
Repayments of finance lease liabilities	(190)	(156)	(77)	(36)
Repayments of term loans	(1,045)	(427)	(544)	(316)
Drawdowns of term loans	33,690	7,119	30,760	7,119
Net cash from financing activities	30,887	1,304	26,437	4,647
Cash and cash equivalents				
Change in cash and cash equivalents	322	1,553	(383)	(199)
Effect of exchange rates fluctuation on cash held	(229)	38	2	-
At 1 July	21,847	20,256	9,226	9,425
At 30 June	21,940	21,847	8,845	9,226

NOTES TO THE STATEMENTS OF CASH FLOWS

(i) Acquisition of property, plant and equipment

Analysis of acquisition of property, plant and equipment:

	← GROUP →		← COMPANY →	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Finance lease liabilities	110	614	110	614
Cash outright acquisition	44,256	27,267	38,839	23,782
	44,366	27,881	38,949	24,396

(ii) Cash and cash equivalents

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

	← GROUP →		← COMPANY →	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cash and deposits (Note 12)	23,350	22,922	8,845	9,226
Less: Deposits with licensed banks pledged	(1,410)	(1,075)	-	-
	21,940	21,847	8,845	9,226

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

NOTES TO THE FINANCIAL STATEMENTS

- 30 JUNE 2016

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 30 June 2016 and for the financial year then ended 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 to the financial statements.

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 11 October 2016.

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 of 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.

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2016 (CONTINUED)

2. BASIS OF PREPARATION (continued)

(a) Basis of measurement (continued)

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.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of fair value hierarchy as explained above.

(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.

At the beginning of the current financial year, the Group and the Company adopted amendments to MFRSs and IC Int which are mandatory for the financial periods beginning on or after 1 July 2015.

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.

NOTES TO THE FINANCIAL STATEMENTS

- 30 JUNE 2016 (CONTINUED)

2. BASIS OF PREPARATION (continued)

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

MFRS 9 Financial Instruments

MFRS 9 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 within 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. Upon adoption of MFRS 9, financial assets will be measured at either fair value or amortised cost. It is also expected that the Group’s and the Company’s investments in unquoted shares will be measured at fair value through other comprehensive income.

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

MFRS 15 Revenue from Contracts with Customers

MFRS 15 presents new requirements for the recognition of revenue, replacing the guidance of MFRS 111 Construction Contracts, MFRS 118 Revenue, IC Int 13 Customer Loyalty Programmes, IC Int 15 Agreements for Construction of Real Estate, IC Int 18 Transfers of Assets from Customers and IC Int 131 Revenue - Barter Transaction Involving Advertising Services. The principles in MFRS 15 provide a more structured approach to measuring and recognising revenue. It establishes a new five-step model that will apply to revenue arising from contracts with customers. Under MFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The adoption of MFRS 15 will result in a change in accounting policy. The Group and the Company are currently assessing the impact of MFRS 15 and plans to adopt the new standards on the required effective date of 1 January 2018.

MFRS 16 Leases

The scope of MFRS 16 includes leases of all assets, with certain exceptions. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

MFRS 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under MFRS 117. The standard include two recognition exemptions for lessees - leases of “low-value” assets (i.e. personal computers) and short-term leases (i.e. leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the term (i.e. the right-of-use asset).

Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be required to remeasure the lease liability upon the occurrence of certain events (i.e. a change of lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting is substantially unchanged from today’s accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2019 with early adoption permitted. The Group and the Company are currently assessing the impact of MFRS 16.

NOTES TO THE FINANCIAL STATEMENTS

- 30 JUNE 2016 (CONTINUED)

2. BASIS OF PREPARATION (continued)

(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 values as at 30 June 2016. The carrying amounts of the land and buildings at the end of the reporting period, and the relevant revaluation bases, are disclosed in Note 4 to the financial statements.

Useful lives of depreciable assets

Management estimates the useful lives of the property, plant and equipment to be within 5 to 999 years and reviews the useful lives of depreciable assets at end each of the reporting period. At 30 June 2016 management assesses that the useful lives represent the expected utility of the assets to the Group. Actual results, however, may vary due to change in the expected level of usage and technological developments, which resulting the adjustment to the Group's assets.

The carrying amounts of the Group's property, plant and equipment at the end of the reporting period are disclosed in Note 4 to the financial statements.

Management anticipates that the expected useful lives of the property, plant and equipment would not have material difference from their estimates and hence it would not result in material variance in the Group's and the Company's profit for the financial year.

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 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

- 30 JUNE 2016 (CONTINUED)

2. BASIS OF PREPARATION (continued)

(e) Use of estimates and judgements (continued)

Estimation uncertainty (continued)

Inventories

Inventories are measured at the lower of cost and net realisable value. In estimating net realisable values, management takes into account the most reliable evidence available at the time the estimates are made. The Group's core business is subject to economic and technology changes which may cause selling prices to change rapidly, and the Group's profit to change.

The carrying amount of the Group's inventories at the end of the reporting period is disclosed in Note 10 to the financial statements.

The management expects that the expected net realisable value of the inventories would not have material difference from the management's estimation of net realisable values hence it would not result in material variance in the Group's and the Company's profit for the financial year.

Impairment of loans and receivables

The Group assesses at end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience of assets with similar credit risk characteristics.

The carrying amount of the Group's and of the Company's loans and receivables at the end of the reporting period are disclosed in Note 11 to the financial statements.

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.

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2016 (CONTINUED)

2. BASIS OF PREPARATION (continued)

(e) Use of estimates and judgements (continued)

Significant management judgement (continued)

Leases

In applying the classification of leases in MFRS 117, management considers the leases of long-term leasehold 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, whether the lease term is for the major part of the economic life of the asset even if title is not transferred and others in accordance with MFRS 117 Leases.

Internally generated research costs

Management monitors progress of internal research and development projects by using a project management system. Significant judgement is required in distinguishing research from the development phase. Development costs are recognised as an asset when all the criteria are met, whereas research costs are expensed as incurred.

To distinguish any research-type project phase from the development phase, it is the Group's accounting policy to also require a detailed forecast of sales or cost savings expected to be generated by the intangible asset. The forecast is incorporated into the Group's overall budget forecast as the capitalisation of development costs commences. This ensures that managerial accounting, impairment testing procedures and accounting for internally-generated intangible assets are based on the same data.

The Group's management also monitors whether the recognition requirements for development costs continue to be met. This is necessary as the economic success of any product development is uncertain and may be subject to future technical problems after the time of recognition.

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 Company. Control exists when the Company 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.

NOTES TO THE FINANCIAL STATEMENTS

- 30 JUNE 2016 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of consolidation (continued)

(ii) Business combinations and goodwill (continued)

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.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if that results in a deficit balance.

(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.

NOTES TO THE FINANCIAL STATEMENTS

- 30 JUNE 2016 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of consolidation (continued)

(v) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary and the other components of equity related to the subsidiary. Any surplus or deficit arising from 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

Intragroup balances and transactions, and any unrealised income and expenses arising from intragroup 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2016 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Financial instruments (continued)

(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, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. Gains or losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the end of the reporting period which are classified as non-current.

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

Financial liabilities

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

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(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.

(iv) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

NOTES TO THE FINANCIAL STATEMENTS

- 30 JUNE 2016 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Property, plant and equipment

(i) Recognition, measurement and derecognition

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.

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. 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.

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2016 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Property, plant and equipment (continued)

(iii) Depreciation (continued)

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

- 30 JUNE 2016 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Intangible assets (continued)

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

- 30 JUNE 2016 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Investment properties (continued)

(i) Investment properties carried at fair value (continued)

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

- 30 JUNE 2016 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 2016 (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 remeasured 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 Group reviews the carrying amount of the dividend payable, with any changes in the fair value of the dividend payable recognised in equity. When the Group 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.

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2016 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(ii) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions to independent entities of funds and will have no legal or constructive obligation to pay further contribution if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years.

Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF"). Some of the Group's foreign subsidiaries also make contributions to their respective countries' statutory pension schemes.

(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.

NOTES TO THE FINANCIAL STATEMENTS

- 30 JUNE 2016 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(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 prior 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.

NOTES TO THE FINANCIAL STATEMENTS

- 30 JUNE 2016 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Income tax (continued)

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) Goods and Services Tax

Goods and Services Tax ("GST") is a consumption tax based on value-added concept. GST is imposed on goods and services at every production and distribution stage in the supply chain including importation of goods and services, at the applicable tax rate of 6%. Input GST that the Group and the Company paid on purchases of business inputs can be deducted from output GST.

Revenues, expenses and assets are recognised net of the amount of GST except:

- Where the GST incurred in a purchase of assets or services is not recoverable from the authority, in which case the GST is recognised as part of the cost of acquisition of the assets or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

(s) 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.

(t) 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 2016 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) 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).
 - (h) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group.

NOTES TO THE FINANCIAL STATEMENTS

- 30 JUNE 2016 (CONTINUED)

4. PROPERTY, PLANT AND EQUIPMENT

GROUP

Cost/Valuation	Land and buildings (Note 4.1) RM'000	Bearer plants RM'000	Plant, machinery and electrical equipment RM'000	Motor vehicles RM'000	Furniture, fittings, office, laboratory and factory equipment, electrical installation and renovation RM'000	Capital work-in- progress RM'000	Total RM'000
At 1 July 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)	-
Written off	(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
Additions	2,532	2,123	760	322	2,935	35,694	44,366
Transfers	7,183	1,552	4,245	-	702	(13,682)	-
Written off	-	-	(195)	-	(211)	-	(406)
Disposals	-	-	(83)	(1,028)	(67)	-	(1,178)
Revaluation surplus	2,597	-	-	-	-	-	2,597
Transfer from accumulated depreciation on revaluation	(237)	-	-	-	-	-	(237)
Exchange differences	(881)	-	-	52	13	(120)	(936)
At 30 June 2016	81,121	3,675	54,922	5,423	34,947	45,488	225,576
Representing items at:							
Cost	1,944	3,675	54,922	5,423	34,947	45,488	146,399
Valuation	79,177	-	-	-	-	-	79,177
	81,121	3,675	54,922	5,423	34,947	45,488	225,576

NOTES TO THE FINANCIAL STATEMENTS
- 30 JUNE 2016 (CONTINUED)

4. PROPERTY, PLANT AND EQUIPMENT (continued)

GROUP

Accumulated depreciation/ impairment losses	Land and buildings (Note 4.1) RM'000	Bearer plants RM'000	Plant, machinery and electrical equipment RM'000	Motor vehicles RM'000	Furniture, fittings, office, laboratory and factory equipment, electrical installation and renovation RM'000	Capital work-in- progress RM'000	Total RM'000
At 1 July 2014							
Accumulated depreciation	688	-	29,860	3,871	15,639	-	50,058
Accumulated impairment losses	-	-	110	-	9	-	119
Charge for the financial year	688	-	29,970	3,871	15,648	-	50,177
Written off	(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
Charge for the financial year	3	-	31,644	4,037	16,878	-	52,562
Written off	670	10	2,054	521	1,820	-	5,075
Disposals	-	-	(176)	-	(135)	-	(311)
Disposals	-	-	(75)	(932)	(58)	-	(1,065)
Transfer to cost/valuation on revaluation	(237)	-	-	-	-	-	(237)
Exchange differences	-	-	-	32	13	-	45
At 30 June 2016							
Accumulated depreciation	436	10	33,337	3,658	18,509	-	55,950
Accumulated impairment losses	-	-	110	-	9	-	119
	436	10	33,447	3,658	18,518	-	56,069
Carrying amounts							
At 30 June 2016	80,685	3,665	21,475	1,765	16,429	45,488	169,507
At 30 June 2015	69,924	-	18,551	2,040	14,697	23,596	128,808

NOTES TO THE FINANCIAL STATEMENTS

- 30 JUNE 2016 (CONTINUED)

4. PROPERTY, PLANT AND EQUIPMENT (continued)

COMPANY

Cost/Valuation	Land and buildings (Note 4.1) RM'000	Plant, machinery and electrical equipment RM'000	Motor vehicles RM'000	Furniture, fittings, office, laboratory and factory equipment, electrical installation and renovation RM'000	Capital work-in-progress RM'000	Total RM'000
At 1 July 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)	-
Written off	(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
Additions	147	721	216	2,445	35,420	38,949
Transfers	6,846	4,245	-	702	(11,793)	-
Written off	-	(195)	-	(57)	-	(252)
Disposals	-	(83)	(986)	(19)	-	(1,088)
Revaluation surplus	2,185	-	-	-	-	2,185
Transfer from accumulated depreciation on revaluation	(145)	-	-	-	-	(145)
At 30 June 2016	48,163	53,612	2,826	26,667	45,435	176,703
Representing items at:						
Cost	-	53,612	2,826	26,667	45,435	128,540
Valuation	48,163	-	-	-	-	48,163
	48,163	53,612	2,826	26,667	45,435	176,703
Accumulated depreciation/ impairment losses						
At 1 July 2014						
Accumulated depreciation	604	29,174	2,687	12,170	-	44,635
Accumulated impairment losses	-	110	-	9	-	119
Charge for the financial year	604	29,284	2,687	12,179	-	44,754
Written off	(1)	1,996	157	1,166	-	3,923
Disposals	(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
Charge for the financial year	-	30,903	2,570	13,022	-	46,495
Written off	559	2,000	208	1,344	-	4,111
Disposals	-	(177)	-	(44)	-	(221)
Disposals	-	(75)	(892)	(19)	-	(986)
Transfer to cost/valuation on revaluation	(145)	-	-	-	-	(145)
At 30 June 2016						
Accumulated depreciation	414	32,541	1,886	14,294	-	49,135
Accumulated impairment losses	-	110	-	9	-	119
	414	32,651	1,886	14,303	-	49,254
Carrying amounts						
At 30 June 2016	47,749	20,961	940	12,364	45,435	127,449
At 30 June 2015	39,130	18,021	1,026	10,574	21,808	90,559

**NOTES TO THE FINANCIAL STATEMENTS
- 30 JUNE 2016 (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 2014	26,768	13,041	1,550	22,253	63,612
Additions	-	-	-	7	7
Transfers	-	-	-	181	181
Written off	-	-	-	(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
Additions	1,575	-	-	957	2,532
Transfers	-	-	-	7,183	7,183
Revaluation surplus	690	1,611	178	118	2,597
Transfer from accumulated depreciation on revaluation	-	(111)	(78)	(48)	(237)
Exchange differences	(878)	-	-	(3)	(881)
At 30 June 2016	33,380	15,490	2,050	30,201	81,121
Representing items at:					
Cost	1,575	-	-	369	1,944
Valuation	31,805	15,490	2,050	29,832	79,177
	33,380	15,490	2,050	30,201	81,121
Accumulated depreciation					
At 1 July 2014	-	94	60	534	688
Charge for the financial year	-	95	51	542	688
Written off	-	-	-	(2)	(2)
Transfer to cost/valuation on revaluation	-	(189)	(111)	(1,071)	(1,371)
At 30 June 2015	-	-	-	3	3
Charge for the financial year	-	111	78	481	670
Transfer to cost/valuation on revaluation	-	(111)	(78)	(48)	(237)
At 30 June 2016	-	-	-	436	436
Carrying amounts					
At 30 June 2016	33,380	15,490	2,050	29,765	80,685
At 30 June 2015	31,993	13,990	1,950	21,991	69,924

NOTES TO THE FINANCIAL STATEMENTS

- 30 JUNE 2016 (CONTINUED)

4. PROPERTY, PLANT AND EQUIPMENT (continued)

4.1 Land and buildings (continued)

COMPANY

Valuation	Freehold land RM'000	Long-term leasehold land RM'000	Short-term leasehold land RM'000	Buildings RM'000	Total RM'000
At 1 July 2014	5,845	10,201	1,550	20,164	37,760
Additions	-	-	-	6	6
Transfers	-	-	-	181	181
Written off	-	-	-	(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
Additions	-	-	-	147	147
Transfers	-	-	-	6,846	6,846
Revaluation surplus	440	1,567	178	-	2,185
Transfer from accumulated depreciation on revaluation	-	(67)	(78)	-	(145)
At 30 June 2016	7,150	12,201	2,050	26,762	48,163
Accumulated depreciation					
At 1 July 2014	-	56	60	488	604
Charge for the financial year	-	58	51	495	604
Written off	-	-	-	(1)	(1)
Transfer to valuation on revaluation	-	(114)	(111)	(982)	(1,207)
At 30 June 2015	-	-	-	-	-
Charge for the financial year	-	67	78	414	559
Transfer to valuation on revaluation	-	(67)	(78)	-	(145)
At 30 June 2016	-	-	-	414	414
Carrying amounts					
At 30 June 2016	7,150	12,201	2,050	26,348	47,749
At 30 June 2015	6,710	10,701	1,950	19,769	39,130

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2016 (CONTINUED)

4. PROPERTY, PLANT AND EQUIPMENT (continued)

- (i) Land and buildings of the Group and of the Company were revalued in March, May and June 2016 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.

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

Level 2	← GROUP →		← COMPANY →	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Freehold land	33,380	31,993	7,150	6,710
Long-term leasehold land	15,490	13,990	12,201	10,701
Short-term leasehold land	2,050	1,950	2,050	1,950
Buildings	29,765	21,991	26,348	19,769
	80,685	69,924	47,749	39,130

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 →	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Freehold land	8,236	15,926	826	826
Leasehold land	6,588	6,649	5,718	5,767
Buildings	15,041	13,908	13,414	13,062

NOTES TO THE FINANCIAL STATEMENTS

- 30 JUNE 2016 (CONTINUED)

4. PROPERTY, PLANT AND EQUIPMENT (continued)

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

	← GROUP →		← COMPANY →	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Motor vehicles				
- additions during the financial year	124	717	124	717
- carrying amounts at end of the financial year	776	927	653	663

(iv) Carrying amounts of property, plant and equipment pledged as securities for credit facilities granted to the Group and the Company amounted to RM82,802,000 (2015: RM42,018,000) and RM65,294,000 (2015: RM27,485,000) respectively.

5. INTANGIBLE ASSETS

GROUP

Cost	Goodwill RM'000	Product development expenditure RM'000	Acquired trademark RM'000	Total RM'000
At 1 July 2014	195	24,388	770	25,353
Additions	-	2,263	-	2,263
Written off	-	(279)	-	(279)
At 30 June 2015	195	26,372	770	27,337
Additions	-	2,859	-	2,859
Written off	-	(1,226)	-	(1,226)
At 30 June 2016	195	28,005	770	28,970
Accumulated amortisation/impairment losses				
At 1 July 2014	-	6,783	551	7,334
Accumulated amortisation	11	-	-	11
Accumulated impairment losses	-	-	-	-
Amortisation for the financial year	-	551	31	582
At 30 June 2015	-	7,334	582	7,916
Accumulated amortisation	11	-	-	11
Accumulated impairment losses	-	-	-	-
Amortisation for the financial year	-	598	30	628
Written off	-	(57)	-	(57)
At 30 June 2016	-	7,875	612	8,487
Accumulated amortisation	11	-	-	11
Accumulated impairment losses	-	-	-	-
Carrying amounts	11	7,875	612	8,498
At 30 June 2016	184	20,130	158	20,472
At 30 June 2015	184	19,038	188	19,410

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2016 (CONTINUED)

5. INTANGIBLE ASSETS (continued)

COMPANY	Product development expenditure RM'000	Acquired trademark RM'000	Total RM'000
Cost			
At 1 July 2014	24,969	770	25,739
Additions	2,671	-	2,671
Written off	(279)	-	(279)
At 30 June 2015	27,361	770	28,131
Additions	3,242	-	3,242
Written off	(1,226)	-	(1,226)
At 30 June 2016	29,377	770	30,147
Accumulated amortisation			
At 1 July 2014	6,784	551	7,335
Amortisation for the financial year	551	31	582
At 30 June 2015	7,335	582	7,917
Amortisation for the financial year	597	30	627
Written off	(57)	-	(57)
At 30 June 2016	7,875	612	8,487
Carrying amounts			
At 30 June 2016	21,502	158	21,660
At 30 June 2015	20,026	188	20,214

Goodwill

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

The recoverable amount of the subsidiary was higher than the carrying amount of the investment. Thus, there is no impairment loss recognised for the financial year ended 30 June 2016.

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 RM1,169,000 (2015: RM279,000) were written off as the products are no longer viable.

NOTES TO THE FINANCIAL STATEMENTS

- 30 JUNE 2016 (CONTINUED)

5. INTANGIBLE ASSETS (continued)

Product development expenditure and acquired trademark (continued)

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% (2015: 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, within the stipulated timelines.
- Close monitoring on the timelines and development costs by the management.

6. INVESTMENT PROPERTIES

	← GROUP →	
	2016	2015
	RM'000	RM'000
At fair value		
Brought forward	2,600	2,400
Change in fair value recognised in profit or loss	-	200
	<hr/>	<hr/>
Carried forward	2,600	2,600
	<hr/>	<hr/>
Included in the above are:		
Freehold land	1,150	1,150
Building on freehold land	450	450
Leasehold land with unexpired lease period of 62 years (2015: 63 years)	650	650
Building on leasehold land	350	350
	<hr/>	<hr/>
	2,600	2,600
	<hr/>	<hr/>

The rental income and direct operating expenses in respect of an investment property are disclosed in Note 21 to the financial statements.

Investment properties of the Group have been charged to secure term loans and bank guarantee facilities granted to a subsidiary as disclosed in Note 16 to the financial statements.

The investment properties were revalued by independent professional qualified valuers using comparison method and assets depreciated replacement cost method on 25 May 2016 and 27 May 2016, respectively. They have been categorised as Level 2.

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2016 (CONTINUED)

7. INVESTMENT IN SUBSIDIARIES

	← COMPANY →	
	2016 RM'000	2015 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	466	464
	5,320	5,318
Total investment in subsidiaries	14,875	11,442
Amount due from subsidiaries	20,195	16,760

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
		2016	2015	
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.

NOTES TO THE FINANCIAL STATEMENTS

- 30 JUNE 2016 (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
		2016	2015	
Direct subsidiaries (continued)				
Hovid Pte. Ltd. *	Singapore	100.00	-	Research and development.
Hovid (Hong Kong) Limited *	Hong Kong Special Administrative Region, China	100.00	100.00	Inactive.
Hovid International Limited *	British Virgin Islands	100.00	100.00	Investment holding.
Attest Research Sdn. Bhd.	Malaysia	100.00	100.00	Establishing, maintaining and operating laboratories, 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.

Incorporation of a new subsidiary during the financial year ended 30 June 2016

On 14 July 2015, the Company incorporated a wholly-owned subsidiary in Singapore, namely Hovid Pte. Ltd. with a paid up capital of Singapore Dollar ("SGD") 1,000 comprising 1,000 ordinary shares of SGD1.00 each.

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2016 (CONTINUED)

7. INVESTMENT IN SUBSIDIARIES (continued)

Disposal of a subsidiary during the financial year ended 30 June 2015

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.

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)
	<u>8,207</u>
Non-controlling interests	(3,717)
	<u>4,490</u>
Gain on disposal	1,365
Total consideration	<u>5,855</u>
Cash and cash equivalent	<u>1,969</u>
Net cash inflows from disposal	<u>7,824</u>

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	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
BPPL	-	(237)	-	-
Hovid Limited ("H Ltd")	311	255	1,648	1,318
Agrovid S.A.S ("Agrovid")	(57)	(42)	975	992
	<u>254</u>	<u>(24)</u>	<u>2,623</u>	<u>2,310</u>

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2016 (CONTINUED)

7. INVESTMENT IN SUBSIDIARIES (continued)

Non-controlling interests in subsidiaries (continued)

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:

	← 2016 →		← 2015 →		
	H Ltd RM'000	Agrovid RM'000	BPPL RM'000	H Ltd RM'000	Agrovid RM'000
Financial position					
Non-current assets	123	16,666	-	117	15,311
Current assets	8,528	1,489	-	7,035	949
Non-current liabilities	(8)	(452)	-	(7)	-
Current liabilities	(3,702)	(1,968)	-	(3,328)	(1,508)
Net assets	4,941	15,735	-	3,817	14,752
Financial performance					
Revenue	13,593	3	7,300	10,976	-
Profit/(loss) for the financial year/period	776	(784)	(484)	637	(576)
Other comprehensive income	-	-	760	-	-
Total comprehensive income/(loss)	776	(784)	276	637	(576)
Cash flows					
Net cash flows (used in)/from operating activities	(841)	2,684	-	25	1,030
Net cash flows used in investing activities	(16)	(2,469)	-	(15)	(932)
Net cash flows from/(used in) financing activities	-	660	-	-	(57)
Net (decrease)/increase in cash and cash equivalents	(857)	875	-	10	41

8. OTHER INVESTMENT

	← GROUP →		← COMPANY →	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 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 2016 (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 →	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Deferred tax assets:				
Others	926	787	-	-
Deferred tax liabilities:				
Property, plant and equipment	(9,612)	(7,062)	(10,757)	(7,824)
Intangible assets	(5,198)	(4,852)	(5,198)	(4,852)
Retirement benefit	898	786	898	786
	(13,912)	(11,128)	(15,057)	(11,890)

Unrecognised deferred tax assets

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

	← GROUP →	
	2016 RM'000	2015 RM'000
Temporary differences arising from:		
Property, plant and equipment	(132)	(130)
Unabsorbed capital allowances	567	574
Unutilised tax losses	5,357	5,353
	5,792	5,797

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	Recognised	Recognised	Exchange	At	Recognised	Recognised	Exchange	At
	1 July	in profit			in equity	differences			30 June
	2014	or loss	RM'000	RM'000	2015	or loss	RM'000	RM'000	2016
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Deferred tax liabilities									
- Property, plant and equipment	(8,900)	2,155	(317)	-	(7,062)	(2,159)	(390)	(1)	(9,612)
- Intangible assets	(3,737)	(1,115)	-	-	(4,852)	(346)	-	-	(5,198)
- Retirement benefits	681	105	-	-	786	112	-	-	898
	(11,956)	1,145	(317)	-	(11,128)	(2,393)	(390)	(1)	(13,912)
Deferred tax assets									
- Others	520	182	-	85	787	90	11	38	926
COMPANY									
Deferred tax liabilities									
- Property, plant and equipment	(9,423)	1,735	(136)	-	(7,824)	(2,197)	(736)	-	(10,757)
- Intangible assets	(3,737)	(1,115)	-	-	(4,852)	(346)	-	-	(5,198)
- Retirement benefit	681	105	-	-	786	112	-	-	898
	(12,479)	725	(136)	-	(11,890)	(2,431)	(736)	-	(15,057)

NOTES TO THE FINANCIAL STATEMENTS

- 30 JUNE 2016 (CONTINUED)

10. INVENTORIES

	GROUP		COMPANY	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
At cost				
Raw materials	5,562	5,686	5,562	5,687
Work-in-progress	1,874	2,646	1,874	2,645
Finished goods	18,002	12,314	6,268	5,333
Trading goods	4,870	3,708	-	-
Packing materials	2,673	2,348	2,673	2,348
	32,981	26,702	16,377	16,013
At net realisable value				
Finished goods	1,200	421	1,200	421
	34,181	27,123	17,577	16,434
Recognised in profit or loss				
Inventories recognised as cost of sales	88,694	92,803	89,347	84,154
Inventories written off	429	407	277	167
Inventories written down	525	255	387	212

11. RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Note	GROUP		COMPANY	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Trade					
Trade receivables		40,844	36,014	9,458	12,434
Less: Accumulated impairment losses	28.2(i)	(1,017)	(990)	-	-
		39,827	35,024	9,458	12,434
Amount due from subsidiaries					
- interest bearing		-	-	48,996	37,281
- non-interest bearing		-	-	3,515	3,295
Less: Accumulated impairment losses	28.2(i)	-	-	52,511	40,576
		-	-	(871)	(871)
		-	-	51,640	39,705
Total trade		39,827	35,024	61,098	52,139
Non-trade					
Other receivables		19,737	19,822	18,827	18,257
Less: Accumulated impairment losses		(17,217)	(17,210)	(17,073)	(17,073)
		2,520	2,612	1,754	1,184
Amount due from subsidiaries					
- interest bearing		-	-	12,834	8,613
- non-interest bearing		-	-	4,006	3,699
Less: Accumulated impairment losses	28.2(i)	-	-	16,840	12,312
		-	-	(3,710)	(3,710)
		-	-	13,130	8,602
Prepayments		2,520	2,612	14,884	9,786
Deposits		4,725	3,063	3,953	2,552
		14,332	9,302	13,982	9,032
Total non-trade		21,577	14,977	32,819	21,370
Total trade and non-trade		61,404	50,001	93,917	73,509

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2016 (CONTINUED)

11. RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

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

	← GROUP →		← COMPANY →	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
At 1 July	17,210	17,073	17,073	17,073
Impairment loss recognised	-	128	-	-
Foreign exchange translation	7	9	-	-
At 30 June	17,217	17,210	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% (2015: 9.00%) per annum.

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

	← GROUP →		← COMPANY →	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Amount due from a company in which a Director is also the Director of the company	9	-	9	-

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

12. CASH AND DEPOSITS

	← GROUP →		← COMPANY →	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Deposits with licensed banks	1,410	1,075	-	-
Cash and bank balances	21,940	21,847	8,845	9,226
	23,350	22,922	8,845	9,226

The deposits with licensed banks are pledged for bank facilities granted to the Company, except for an amount of RM300,000 (2015: RM10,000) pledged to Malaysian Biotechnology Corporation Sdn. Bhd. for Biotechnology Commercialisation Fund facility granted to a subsidiary and for the bank guarantee facility on the application for import duty exemption.

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 form and subject to the fulfillment of the conditions precedent and other terms and conditions set out in the Agreement.

NOTES TO THE FINANCIAL STATEMENTS

- 30 JUNE 2016 (CONTINUED)

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

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.

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

	← COMPANY →	
	2016 RM'000	2015 RM'000
Assets classified as held for sale		
Investment in a subsidiary		
At 1 July	-	4,073
Less: Disposal	-	(4,073)
	<hr/>	<hr/>
At 30 June	-	-
	<hr/>	<hr/>

14. CAPITAL AND RESERVES

14.1 Share capital

	Par Value RM	← GROUP AND COMPANY →			
		2016 Number of shares ('000)	2015	2016 RM'000	2015 RM'000
Authorised					
Brought/Carried forward	0.10	2,000,000	2,000,000	200,000	200,000
		<hr/>	<hr/>	<hr/>	<hr/>
Issued and fully paid ordinary shares					
At 1 July	0.10	781,353	763,807	78,135	76,381
Add: Conversion of warrants		33,466	17,546	3,347	1,754
		<hr/>	<hr/>	<hr/>	<hr/>
At 30 June		814,819	781,353	81,482	78,135
		<hr/>	<hr/>	<hr/>	<hr/>

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.

14.2 Share premium

	GROUP AND COMPANY	
	2016 RM'000	2015 RM'000
Non-distributable		
At 1 July	2,018	263
Add: Conversion of warrants	3,346	1,755
	<hr/>	<hr/>
At 30 June	5,364	2,018
	<hr/>	<hr/>

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.

NOTES TO THE FINANCIAL STATEMENTS
- 30 JUNE 2016 (CONTINUED)

14. CAPITAL AND RESERVES (continued)

14.3 Reserves

	← GROUP →		← COMPANY →	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Non-distributable				
Exchange fluctuation reserve				
Brought forward	(1,928)	540	-	-
Foreign exchange translation differences for foreign operations	(1,408)	(2,468)	-	-
Carried forward	(3,336)	(1,928)	-	-
Warrant reserve				
Brought forward	6,671	7,022	6,671	7,022
Conversion of warrants	(669)	(351)	(669)	(351)
Carried forward	6,002	6,671	6,002	6,671
Revaluation reserve				
Brought forward	37,894	29,567	18,303	15,906
Revaluation of land and buildings	2,597	8,327	2,185	2,397
Carried forward	40,491	37,894	20,488	18,303
Less: Deferred taxation				
Brought forward	(4,339)	(4,022)	(3,681)	(3,545)
Revaluation of land and buildings (Note 9)	(390)	(317)	(736)	(136)
Carried forward	(4,729)	(4,339)	(4,417)	(3,681)
Revaluation reserve, net of tax	35,762	33,555	16,071	14,622
Reserve classified as held for sale				
Brought forward	-	(618)	-	-
Foreign exchange translation differences for foreign operation	-	388	-	-
Realisation of reserve upon disposal of assets held for sale	-	230	-	-
Carried forward	-	-	-	-
Total reserves	38,428	38,298	22,073	21,293

(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.

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2016 (CONTINUED)

14. CAPITAL AND RESERVES (continued)

14.3 Reserves (continued)

(ii) Warrant reserve (continued)

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, 33,465,600 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 entire retained earnings of the Company is available for distribution as single-tier dividends.

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. The Group's retirement benefits provision includes 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 plans expose 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.

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 obligations. Generally, a decrease in the interest rate of a reference government bonds will increase the post-employment defined benefit obligations.

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2016 (CONTINUED)

15. PROVISION FOR RETIREMENT BENEFITS (continued)

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 of the Company's defined benefit obligations presented in the statements of financial position for each reporting period:

	← GROUP →		← COMPANY →	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Defined benefit obligations at 1 July	3,617	3,214	3,275	2,836
Current service cost	361	401	268	266
Net interest cost on defined benefit	216	197	199	173
Remeasurement loss/(gain) recognised in other comprehensive income	36	(247)	-	-
Exchange differences	16	52	-	-
Defined benefit obligations at 30 June	4,246	3,617	3,742	3,275

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	6.0%	1% increase	420	9.9%
Discount rate	4.3% - 6.1%	1% increase	(578)	(13.6%)
COMPANY				
Rate of salary increase	6.0%	1% increase	319	8.5%
Discount rate	6.1%	1% increase	(497)	(13.3%)

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 2016 (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	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
The expense recognised in the profit or loss:				
Current service cost	361	401	268	266
Net interest cost on defined benefit	216	197	199	173
Retirement benefits recognised in profit or loss	577	598	467	439
The expense recognised in other comprehensive income:				
Plan experience	78	(132)	-	-
Changes in financial assumptions	112	(83)	-	-
Changes in demographic assumptions	(154)	(32)	-	-
Retirement benefits recognised in other comprehensive income	36	(247)	-	-

The amounts recognised in other comprehensive income were included within items 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	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Non-current liabilities				
Secured term loans	35,106	8,725	31,976	7,733
Finance lease liabilities	539	557	528	519
	35,645	9,282	32,504	8,252
Current liabilities				
Secured term loans	7,063	773	6,194	220
Secured bankers' acceptance	18,468	6,531	18,468	6,531
Finance lease liabilities	128	190	101	76
	25,659	7,494	24,763	6,827
Total loans and borrowings	61,304	16,776	57,267	15,079

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 and buildings 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;
- (vi) specific debentures incorporating fixed charges over certain plant, machinery and equipment of the Company; and
- (vii) deposits of subsidiaries pledged with licensed banks.

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2016 (CONTINUED)

16. LOANS AND BORROWINGS (continued)

Securities (continued)

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 and buildings of the Company;
- (iii) fixed charge over freehold land of a subsidiary;
- (iv) facility agreements;
- (v) specific debentures incorporating fixed charges over certain plant, machinery and equipment of the Company; and
- (vi) deposit of a subsidiary pledged with a licensed bank.

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) Gearing ratio defined as Company's total bank borrowings against total shareholders' fund, shall not exceed 1.2 times;
- (iii) Debt service coverage ratio of no less than 2.0 times; and
- (iv) Consent to be obtained for dividend payments exceeding 50% of net profit after tax.

During the financial year, there is no breach of financial covenants by the Group and the Company.

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
2016						
Less than 1 year	157	(28)	129	128	(27)	101
Between 1 and 5 years	521	(55)	466	510	(54)	456
More than 5 years	73	(1)	72	73	(1)	72
	751	(84)	667	711	(82)	629
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

NOTES TO THE FINANCIAL STATEMENTS

- 30 JUNE 2016 (CONTINUED)

17. PAYABLES AND ACCRUALS

	← GROUP →		← COMPANY →	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Trade				
Trade payables	11,219	11,248	10,617	10,940
Non-trade				
Other payables	13,550	13,604	11,624	10,419
Accrued expenses	4,195	5,440	925	3,986
Amount due to subsidiaries	-	-	3,339	5,765
	17,745	19,044	15,888	20,170
Total trade and non-trade	28,964	30,292	26,505	31,110

Trade payables are non-interest bearing and are generally on 30 to 120 (2015: 30 to 150) days' term.

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

	← GROUP →		← COMPANY →	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
(i) Amount due to companies in which a person connected with a Director has substantial financial interest	40	9	39	9
(ii) Amounts due to companies in which a Director has substantial financial interest	851	855	851	855

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.

18. REVENUE

	← GROUP →		← COMPANY →	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Revenue comprises:				
Goods sold	188,773	188,162	151,916	144,181
Services rendered	253	244	-	-
	189,026	188,406	151,916	144,181

19. FINANCE COSTS

	← GROUP →		← COMPANY →	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Interest expense on:				
- bank overdrafts	4	144	-	1
- term loans	207	186	46	53
- other borrowings	534	518	526	460
	745	848	572	514

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2016 (CONTINUED)

20. FINANCE INCOME

	← GROUP →		← COMPANY →	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Interest income recognised in profit or loss	70	164	3,438	2,973

21. PROFIT BEFORE TAX

21.1 Profit before tax is arrived at:

	← GROUP →		← COMPANY →	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
After charging:				
Amortisation of intangible assets	628	582	627	582
Auditors' remuneration:				
- Audit services:				
- Auditors of the Company	96	89	54	50
- Member firms of Grant Thornton International Ltd	50	27	-	-
- Other auditors	57	46	-	-
- Other services:				
- Auditors of the Company	5	5	5	5
- Other auditors	13	4	-	-
Bad debts written off	3	2	-	-
Depreciation of property, plant and equipment	5,075	5,400	4,111	3,923
Direct operating expenses of investment properties	6	6	-	-
Impairment loss on receivables	103	239	-	-
Retirement benefit expense	577	598	467	439
Personnel expenses (including key management personnel):				
- Contributions to Employees Provident Fund	5,021	4,394	3,026	2,913
- Wages, salaries and others	46,673	47,999	29,026	30,198
Property, plant and equipment written off	95	128	31	115
Rental expense of equipment	17	19	17	18
Rental expense of premises	882	751	275	219
After crediting:				
Gain on disposal of investment in a subsidiary	-	1,365	-	1,782
Gain on disposal of property, plant and equipment	3	3	1	4
Reversal of impairment loss on receivables	62	73	-	-

21.2 Other expenses

Other expenses comprise the following:

	← GROUP →		← COMPANY →	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Analysis and analytical materials	3,263	2,081	4,036	2,927
Bioavailability and analysis studies	542	824	5,011	5,033
General and administrative expenses	3,832	3,282	1,631	1,224
Insurance	1,966	1,750	1,654	1,472
Legal and professional fees	3,291	1,199	2,948	766
Printing, postage and stationery	1,407	1,330	981	933
Product development expenditure written off	1,169	279	1,169	279
Product registration and intellectual properties	821	593	743	550
Others	2,428	2,213	1,255	1,195
Total	18,719	13,551	19,428	14,379

NOTES TO THE FINANCIAL STATEMENTS

- 30 JUNE 2016 (CONTINUED)

21. PROFIT BEFORE TAX (continued)

21.3 Other income

Other income comprise the following:

	← GROUP →		← COMPANY →	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Changes in fair value of investment properties	-	200	-	-
Commission	66	77	32	7
Dividend income from subsidiary	-	-	6,250	-
Gain on foreign exchange:				
- Realised	3,075	1,907	3,259	1,999
- Unrealised	539	3,618	1,088	3,840
Reallocation of common costs	-	-	4,947	4,504
Rental income:				
- Investment properties	71	73	-	-
- Premises	10	5	268	263
- Equipment	-	-	306	306
Sundry income	284	859	202	559
Total	4,045	6,739	16,352	11,478

22. INCOME TAX EXPENSE

(i) Recognised in profit or loss:

	← GROUP →		← COMPANY →	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Income tax expense	4,544	6,154	3,927	6,213
Major components of income tax expense include:				
Current tax expense				
Malaysia – current year	3,721	7,252	3,312	6,938
Malaysia – prior years	(1,803)	36	(1,816)	-
Overseas – current year	323	193	-	-
	2,241	7,481	1,496	6,938
Deferred tax expense				
Origination and reversal of temporary differences	2,303	(1,327)	2,431	(725)
	4,544	6,154	3,927	6,213

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2016 (CONTINUED)

22. INCOME TAX EXPENSE (continued)

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

	← GROUP →		← COMPANY →	
	2016 %	2015 %	2016 %	2015 %
Statutory income tax rate of Malaysia	24	25	24	25
Non-deductible expenses	5	6	9	4
Non-taxable income	(8)	(2)	(26)	(2)
Reinvestment allowances utilised	(6)	-	(20)	-
Tax incentives	(5)	(6)	(1)	(3)
Changes in unrecognised temporary differences	(2)	(4)	-	(3)
Allowable expenses not included in profit or loss	-	(2)	-	(2)
Differential in tax rates	-	1	-	-
Others	9	-	-	-
Unrecognised tax losses in a subsidiary	5	1	-	-
	22	19	(14)	19
Under/(Over) provision in prior years:				
- Current tax	(8)	7	(26)	7
- Deferred tax	6	(3)	20	(3)
Average effective tax rate	20	23	(20)	23

(iii) Recognised in other comprehensive income:

	← GROUP →		← COMPANY →	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Remeasurement of defined benefit obligations	(11)	74	-	-
Revaluation of land and buildings	390	317	736	136
	379	391	736	136

The Group's unabsorbed capital allowances and unutilised tax losses amounted to approximately RM567,000 (2015: RM574,000) and RM5,357,000 (2015: RM5,353,000) respectively.

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

NOTES TO THE FINANCIAL STATEMENTS

- 30 JUNE 2016 (CONTINUED)

23. OTHER COMPREHENSIVE INCOME

GROUP	← 2016 →			← 2015 →		
	Gross RM'000	Tax (expense)/ benefit RM'000	Net RM'000	Gross RM'000	Tax (expense)/ benefit RM'000	Net RM'000
Items that will not be reclassified subsequently to profit or loss:						
Remeasurement of retirement benefit liabilities	(36)	11	(25)	247	(74)	173
Revaluation of land and buildings	2,597	(390)	2,207	9,268	(317)	8,951
	<u>2,561</u>	<u>(379)</u>	<u>2,182</u>	<u>9,515</u>	<u>(391)</u>	<u>9,124</u>
Item that will be reclassified subsequently to profit or loss:						
Foreign exchange translation differences for foreign operations	(1,565)	-	(1,565)	(2,025)	-	(2,025)
Total	<u>996</u>	<u>(379)</u>	<u>617</u>	<u>7,490</u>	<u>(391)</u>	<u>7,099</u>
COMPANY						
Item that will not be reclassified subsequently to profit or loss:						
Revaluation of land and buildings	2,185	(736)	1,449	2,397	(136)	2,261

24. EARNINGS PER SHARE

Basic earnings per share

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

	2016	2015
Profit attributable to owners of the Company (RM'000)	17,896	20,909
Weighted average number of ordinary shares in issue (unit'000):		
Issued ordinary shares at 1 July	781,353	763,807
Effect of ordinary shares issued during the financial year	16,982	1,417
Issued ordinary shares at 30 June	<u>798,335</u>	<u>765,224</u>
Basic earnings per ordinary share ("EPS") (sen)	<u>2.24</u>	<u>2.73</u>

NOTES TO THE FINANCIAL STATEMENTS

- 30 JUNE 2016 (CONTINUED)

24. 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 financial year have been adjusted for the dilutive effects of all potential ordinary shares, i.e., warrants in issue.

	2016	2015
Profit attributable to owners of the Company (RM'000)	17,896	20,909
Weighted average number of ordinary shares in issue (unit'000)	798,335	765,224
Effect of Warrants (unit'000)	195,849	207,852
Adjusted weighted average number of ordinary shares (unit'000)	994,184	973,076
Diluted EPS (sen)	1.80	2.15

25. DIVIDENDS

On 30 August 2016, the Directors declared an interim single-tier dividend of 0.50 sen per ordinary share in respect of the financial year ended 30 June 2016, amounting to RM4,089,210, which was paid on 11 October 2016.

The financial statements for current year do not reflect this dividend. Such dividend will be accounted for in equity as an appropriation of retained earnings in the financial year ending 30 June 2017.

Dividends recognised during the financial year are as follows:

	Sen per share	Total amount RM'000	Date of payment
2016			
Interim dividend, single-tier system	0.50	3,938	2 October 2015
Special interim dividend, single-tier system	0.35	2,757	2 October 2015
		<u>6,695</u>	
2015			
Interim dividend, less 25% tax	0.50	3,819	3 October 2014
Interim dividend, single-tier system	0.50	3,819	27 March 2015
		<u>7,638</u>	

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2016 (CONTINUED)

26. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensations are as follows:

	← GROUP →		← COMPANY →	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Directors' remuneration				
Fees	402	702	402	702
Emoluments	5,270	4,349	2,918	2,882
Defined contribution plan	712	693	399	394
Defined benefit plan expenses for a Director	467	440	467	439
Other key management personnel				
Emoluments	2,059	1,973	1,806	1,747
Defined contribution plan	278	240	278	240
Defined benefit plan expenses	17	22	-	-
	9,205	8,419	6,270	6,404

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 RM30,425 (2015: RM19,800).

27. 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 Statements of Financial Position and Statements 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

2016	Revenue RM'000	Total assets RM'000	Capital expenditure RM'000
(i) Asia	156,802	294,594	41,897
(ii) Africa	29,888	-	-
(iii) North and South America	1,841	18,155	2,469
(iv) Europe	184	-	-
(v) Pacific Island	311	-	-
	189,026	312,749	44,366

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2016 (CONTINUED)

27. OPERATING SEGMENTS (continued)

Geographical segments (continued)

2015	Revenue RM'000	Total assets RM'000	Capital expenditure RM'000
(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

Customers

During the financial year, revenue from one single customer amounted to RM20,380,000 (2015: RM30,399,000) contributed to approximately 10.8% (2015: 16.1%) of the Group's revenue.

28. FINANCIAL INSTRUMENTS

28.1 Categories of financial instruments

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

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

2016	Carrying amounts RM'000	L&R/ (OFL) RM'000
Financial assets		
GROUP		
Receivables and deposits	56,679	56,679
Cash and deposits	23,350	23,350
	80,029	80,029
COMPANY		
Receivables and deposits	89,964	89,964
Cash and deposits	8,845	8,845
	98,809	98,809
Financial liabilities		
GROUP		
Loans and borrowings	(61,304)	(61,304)
Payables and accruals	(28,964)	(28,964)
	(90,268)	(90,268)
COMPANY		
Loans and borrowings	(57,267)	(57,267)
Payables and accruals	(26,505)	(26,505)
	(83,772)	(83,772)

NOTES TO THE FINANCIAL STATEMENTS

- 30 JUNE 2016 (CONTINUED)

28. FINANCIAL INSTRUMENTS (continued)

28.1 Categories of financial instruments (continued)

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

	Carrying amounts RM'000	L&R/ (OFL) RM'000
2015		
Financial assets		
GROUP		
Receivables and deposits	46,938	46,938
Cash and deposits	22,922	22,922
	69,860	69,860
COMPANY		
Receivables and deposits	70,957	70,957
Cash and deposits	9,226	9,226
	80,183	80,183
Financial liabilities		
GROUP		
Loans and borrowings	(16,776)	(16,776)
Payables and accruals	(30,292)	(30,292)
	(47,068)	(47,068)
COMPANY		
Loans and borrowings	(15,079)	(15,079)
Payables and accruals	(31,110)	(31,110)
	(46,189)	(46,189)

28.2 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.

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2016 (CONTINUED)

28. FINANCIAL INSTRUMENTS (continued)

28.2 Financial risk management (continued)

(i) Credit risk (continued)

Receivables (continued)

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.

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
2016			
Not past due	33,863	-	33,863
Past due 0-30 days	3,984	(20)	3,964
Past due 31-60 days	984	(163)	821
Past due 61-90 days	1,118	(121)	997
Past due more than 90 days	895	(713)	182
	40,844	(1,017)	39,827
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
COMPANY			
2016			
Not past due	58,806	-	58,806
Past due 0-30 days	1,140	-	1,140
Past due 31-60 days	291	-	291
Past due 61-90 days	803	-	803
Past due more than 90 days	929	(871)	58
	61,969	(871)	61,098
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

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2016 (CONTINUED)

28. FINANCIAL INSTRUMENTS (continued)

28.2 Financial risk management (continued)

(i) Credit risk (continued)

Receivables (continued)

Impairment losses (continued)

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

	← GROUP →	
	2016 RM'000	2015 RM'000
At 1 July	990	894
Impairment loss recognised	103	111
Impairment loss reversed	(62)	(73)
Impairment loss written off	(39)	-
Foreign exchange translation	25	58
	<hr/>	<hr/>
At 30 June	1,017	990

As at 30 June 2016, trade receivables of the Group and of the Company amounting to approximately RM5,964,000 (2015: RM10,047,000) and RM2,292,000 (2015: RM5,102,000) respectively were past due but not impaired. These relate to a number of independent customers from whom there are no recent history of default.

Inter-company balances

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statements 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 →	
	2016 RM'000	2015 RM'000
At 1 July 2015/30 June 2015/30 June 2016	4,581	4,581

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

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2016 (CONTINUED)

28. FINANCIAL INSTRUMENTS (continued)

28.2 Financial risk management (continued)

(ii) Liquidity risk

Liquidity risk is the risk that the Group and the Company will not be able to meet their financial obligations when 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 of the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

2016	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	42,169	2.81 - 13.18	43,415	7,191	10,345	21,775	4,104
Secured bankers' acceptance	18,468	1.17 - 5.91	18,468	18,468	-	-	-
Finance lease liabilities	667	2.46 - 6.45	751	156	139	383	73
Payables and accruals	28,964	-	28,964	28,964	-	-	-
	<u>90,268</u>		<u>91,598</u>	<u>54,779</u>	<u>10,484</u>	<u>22,158</u>	<u>4,177</u>
COMPANY							
Non-derivative financial liabilities							
Secured term loans	38,170	2.81 - 7.94	38,170	6,194	9,626	20,824	1,526
Secured bankers' acceptance	18,468	1.17 - 5.91	18,468	18,468	-	-	-
Finance lease liabilities	629	4.56 - 5.03	711	128	128	382	73
Payables and accruals	26,505	-	26,505	26,505	-	-	-
	<u>83,772</u>		<u>83,854</u>	<u>51,295</u>	<u>9,754</u>	<u>21,206</u>	<u>1,599</u>

NOTES TO THE FINANCIAL STATEMENTS

- 30 JUNE 2016 (CONTINUED)

28. FINANCIAL INSTRUMENTS (continued)

28.2 Financial risk management (continued)

(ii) Liquidity risk (continued)

Maturity analysis (continued)

The table below summarises the maturity profile of the Group's and of 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
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	848	222	131	320	175
Payables and accruals	30,292	-	30,292	30,292	-	-	-
	47,068		47,241	37,863	2,563	5,248	1,567
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	-	-	-
	46,189		46,284	37,964	1,963	4,790	1,567

(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 currencies giving rise to this risk are primarily US Dollar ("USD"), Singapore Dollar ("SGD"), EURO ("EUR"), and Japanese Yen ("JPY").

Risk management objectives, policies and processes for managing the risk

The availability of both inflow and outflow of foreign currency 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 2016 (CONTINUED)

28. FINANCIAL INSTRUMENTS (continued)

28.2 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 the foreign currency risk, based on carrying amounts at the end of the reporting period were:

	← Denominated in →			
	USD RM'000	SGD RM'000	EUR RM'000	JPY RM'000
GROUP				
2016				
Cash and deposits	6,107	36	1	-
Receivables	10,022	2,923	1,814	869
Payables	(6,591)	(8)	(298)	-
Borrowings	(11,525)	(1,878)	-	-
Exposure in the statement of financial position	(1,987)	1,073	1,517	869
2015				
Cash and deposits	1,868	42	-	-
Receivables	17,019	2,335	1,981	-
Payables	(4,192)	(26)	(7)	-
Borrowings	(1,974)	(1,503)	-	-
Exposure in the statement of financial position	12,721	848	1,974	-
COMPANY				
2016				
Cash and deposits	5,057	36	1	-
Receivables	40,428	3,149	1,814	869
Payables	(6,151)	(8)	(298)	-
Borrowings	(11,525)	(1,878)	-	-
Exposure in the statement of financial position	27,809	1,299	1,517	869
2015				
Cash and deposits	1,693	42	-	-
Receivables	38,174	2,335	1,981	-
Payables	(4,000)	(26)	(7)	-
Borrowings	(1,974)	(1,503)	-	-
Exposure in the statement of financial position	33,893	848	1,974	-

Currency risk sensitivity analysis

The Group and the Company are mainly exposed to the currency of USD, SGD, EUR and JPY. 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 currencies. 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.

NOTES TO THE FINANCIAL STATEMENTS

- 30 JUNE 2016 (CONTINUED)

28. FINANCIAL INSTRUMENTS (continued)

28.2 Financial risk management (continued)

(iii) Market risk (continued)

Currency risk (continued)

Currency risk sensitivity analysis (continued)

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/negative number below indicates an increase/decrease in profit where RM strengthening/weakening by 1% against the respective currencies. 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	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
USD	(20)	127	278	339
SGD	11	8	13	8
EUR	15	20	15	20
JPY	9	-	9	-

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.

Exposure to interest rate risk

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

	← GROUP →		← COMPANY →	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Fixed rate instruments				
Financial assets	1,110	1,075	61,830	45,894
Financial liabilities	(19,135)	(7,278)	(19,097)	(7,126)
	(18,025)	(6,203)	42,733	38,768
Floating rate instruments				
Financial assets	300	-	-	-
Financial liabilities	(42,169)	(8,981)	(38,170)	(7,953)
	(41,869)	(8,981)	(38,170)	(7,953)

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2016 (CONTINUED)

28. FINANCIAL INSTRUMENTS (continued)

28.2 Financial risk management (continued)

(iii) Market risk (continued)

Interest rate risk (continued)

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		Profit or loss	
	100bp increase RM'000	100bp decrease RM'000	100bp increase RM'000	100bp decrease RM'000
2016				
Floating rate instruments	(419)	419	(382)	382
2015				
Floating rate instruments	(90)	90	(80)	80

28.3 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 not carried at fair value for which fair value is disclosed, together with their carrying amounts shown in the statements of financial position.

	Note	Fair value Level 2 RM'000	Carrying amounts RM'000
GROUP			
Financial liabilities			
2016			
Finance lease liabilities	16	751	667
2015			
Finance lease liabilities	16	848	747
COMPANY			
Financial liabilities			
2016			
Finance lease liabilities	16	711	629
2015			
Finance lease liabilities	16	689	595

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 charge in circumstances that caused the transfer.

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2016 (CONTINUED)

28. FINANCIAL INSTRUMENTS (continued)

28.3 Fair value of financial instruments (continued)

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.

29. OPERATING LEASES

Leases as lessee

Non-cancellable operating lease rentals are payables as follows:

	← GROUP →		← COMPANY →	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Less than 1 year	440	418	78	33
Between 1 and 5 years	131	551	39	-
	<u>571</u>	<u>969</u>	<u>117</u>	<u>33</u>

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

30. CAPITAL COMMITMENTS

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

	← GROUP →		← COMPANY →	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Authorised and contracted for:				
- Purchase of property, plant and equipment	28,913	16,562	28,680	16,493
Authorised but not contracted for:				
- Purchase of property, plant and equipment	4,653	32,492	4,653	32,492
	<u>33,566</u>	<u>49,054</u>	<u>33,333</u>	<u>48,985</u>

NOTES TO THE FINANCIAL STATEMENTS

- 30 JUNE 2016 (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:

	2016 RM'000	2015 RM'000
GROUP		
(i) Transactions with related parties		
Sales	7	79
Reallocation of common costs	41	86
Product development services rendered	-	306
Purchases	(1,729)	(706)
Research services	10	-
Steam services expense	(74)	(589)
Rental expense	(14)	(11)
(ii) Transactions with companies in which a person connected with a Director has substantial financial interests		
Purchase of computer equipment accessories	(316)	(360)
COMPANY		
(i) Transactions with subsidiaries		
Sales	80,639	71,613
Dividend income	6,250	-
Interest income	3,408	2,811
Reallocation of common costs	4,869	4,375
Rental income	564	564
Rental expense	(83)	(79)
Services rendered	(8,722)	(7,721)
(ii) Transactions with related parties		
Sales	-	26
Reallocation of common costs	41	86
Product development services rendered	-	306
Purchases	(1,729)	(706)
Steam services expense	(74)	(589)
Rental expense	(14)	(11)
(iii) Transactions with companies in which a person connected with a Director has substantial financial interests		
Purchase of computer equipment and accessories	(255)	(350)

32. 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.

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2016 (CONTINUED)

32. CAPITAL MANAGEMENT (continued)

The debt-to-equity ratios of the Group and of the Company at the end of the reporting period are as follow:

	← GROUP →		← COMPANY →	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Total loans and borrowings	61,304	16,776	57,267	15,079
Less : Cash and cash equivalents	(21,940)	(21,847)	(8,845)	(9,226)
Net debt/(Excess Fund)	39,364	(5,071)	48,422	5,853
Total equity	204,323	186,011	187,616	161,780
Debt-to-equity ratios	0.19	*	0.26	0.04

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.

* Debt-to-equity ratio is not presented as the Group is in net cash position as at 30 June 2015.

33. EVENT AFTER THE REPORTING PERIOD

On 24 December 2014, the Company's competitor ("Plaintiffs") took action against the Company for patent infringement for manufacturing and selling one of the Company's products. The Company had defended the suit and counterclaimed against the Plaintiffs to invalidate the subject patent.

On 21 July 2016, the High Court of Kuala Lumpur had decided in favour of the Company and granted, inter alia, an order invalidating the subject patent and accordingly decided that there is no patent infringement. The claim against the Company for patent infringement was dismissed with costs by the High Court.

On 30 August 2016, the High Court awarded the Company total costs including disbursements of RM656,853.03, with interest of 5% per annum calculated on the total costs from 30 August 2016 until the date of full payment by the Plaintiffs.

On 29 September 2016, the Plaintiffs filed a notice of appeal to the Court of Appeal of Malaysia against the decision of the High Court. The Company is defending the appeal by the Plaintiffs.

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 →	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Total retained earnings of the Company and its subsidiaries:				
- Realised	91,675	72,703	92,667	68,382
- Unrealised	(14,172)	(8,280)	(13,970)	(8,048)
	<hr/>	<hr/>	<hr/>	<hr/>
	77,503	64,423	78,697	60,334
Consolidation adjustments	(1,077)	827	-	-
Total group retained earnings as per consolidated financial statements	<hr/>	<hr/>	<hr/>	<hr/>
	76,426	65,250	78,697	60,334

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.

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

STATEMENT BY DIRECTORS/STATUTORY DECLARATION

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

In the opinion of the Directors, the financial statements set out on pages 42 to 107 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2016 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the information set out on page 108 has been compiled in accordance with the 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, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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

.....)
HO SUE SAN @ DAVID HO SUE SAN)
)
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)
)
)
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)
.....)
CHIAM TAU MENG

Ipoh
11 October 2016

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

I, Ho Sue San @ David Ho Sue San, being the Director primarily responsible for the financial management of Hovid Berhad, do solemnly and sincerely declare that the financial statements set out on pages 42 to 107 and the supplementary information set out on page 108 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by)
the abovenamed at Ipoh in the State)
of Perak Darul Ridzuan on)
11 October 2016)
HO SUE SAN @ DAVID HO SUE SAN

Before me:

Commissioner for Oaths

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

Report on the Financial Statements

We have audited the financial statements of Hovid Berhad which comprise the statements of financial position as of 30 June 2016 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 42 to 107.

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 2016 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Report on Other Legal and Regulatory Requirements

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

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 7 to the financial statements.
- (c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174 (3) of the Act.

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

Other Reporting Responsibilities

The supplementary information set out on page 108 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 members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

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

NG CHEE HOONG
(No.: 2278/10/16(J))
CHARTERED ACCOUNTANT

Kuala Lumpur
11 October 2016

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 2016 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 17 to 52 years old</p>	<p>Land area: 123,915 sq. ft.</p> <p>Gross built-up area: 88,876 sq. ft.</p>	Date of valuation: 27 June 2016	13,222
<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 71 years</p>	<p>Land area: 1,331 sq. ft.</p> <p>Gross built-up area: 2,320 sq. ft.</p>	Date of valuation: 29 June 2016	718
<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: 17 years</p>	<p>Land area: 2,045 sq. ft.</p> <p>Gross built-up area: 2,974 sq. ft.</p>	Date of valuation: 29 June 2016	375
<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 1 to 14 years old</p>	<p>Land area: 254,965 sq. ft.</p> <p>Gross built-up area: 87,486 sq. ft.</p>	Date of valuation: 29 June 2016	27,150

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 2016 RM'000
No. 29, Jalan Yang Kalsom, 30250 Ipoh, Perak Darul Ridzuan. Lot 2056S, Title Geran 120, Town of Ipoh, District of Kinta, Perak Darul Ridzuan.	Comprising an intermediate 3-storey shopoffice being used as a pharmacy retail outlet at the ground floor and offices at the upper floors.	Tenure: Freehold Approximate age: 46 years	Land area: 1,740 sq. ft. Gross built- up area: 3,439 sq. ft.	Date of valuation: 30 June 2016	1,000
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: 35 years	Land area: 1,336 sq. ft. Gross built- up area: 4,361 sq. ft.	Date of valuation: 25 May 2016	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: 17 years	Land area: 1,400 sq. ft. Gross built- up area: 2,722 sq. ft.	Date of valuation: 29 June 2016	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: 34 years	Land area: 1,750 sq. ft. Gross built- up area: 5,250 sq. ft.	Date of valuation: 27 May 2016	1,600

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 2016 RM'000
<p>No. 79, Jalan Sungai Palas, Cameron Highlands, Pahang Darul Makmur.</p> <p>Lot 96, Title Pajak Negeri 2988, Mukim of Ulu Telom, District of Cameron Highlands, Pahang Darul Makmur.</p>	<p>Comprising a detached house.</p>	<p>Tenure: Leasehold interest expiring on 13 September 2039</p> <p>Approximate age: More than 61 years</p>	<p>Land area: 52,925 sq. ft.</p> <p>Gross built- up area: 3,428 sq. ft.</p>	<p>Date of valuation: 30 June 2016</p>	<p>2,290</p>
<p>Nos. 36, 38, 40 and 42, Jalan TPJ 10 (Jalan PJU 1A/11), Taman Perindustrian Jaya, 47200 Petaling Jaya, Selangor Darul Ehsan.</p> <p>Lots 312, 313, 314 and 315, all within Prima Subang Industrial Park, Mukim of Damansara, District of Petaling, Selangor Darul Ehsan.</p>	<p>Comprising 4 adjoining 1½ storey terrace light industrial factories being used as stores and offices.</p>	<p>Tenure: 99 years leasehold interest expiring on 13 October 2072</p> <p>Approximate age: The ages of the buildings are between 15 to 17 years old</p>	<p>Total land area: 8,000 sq. ft. (or 2,000 sq. ft. per lot)</p> <p>Gross built- up area: 11,500 sq. ft. (or 2,875 sq. ft. per unit)</p>	<p>Date of valuation: 30 June 2016</p>	<p>3,300</p>
<p>Nos. 52A, B & C, Lintang Angsana, Bandar Baru Ayer Itam, 11500 Pulau Pinang.</p> <p>Lot 8265, Title Geran No. Pendaftaran 57174, Mukim of 13, District of North-East, Pulau Pinang.</p>	<p>Comprising a 3-storey shophouse being used as stores and offices.</p>	<p>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.</p> <p>Approximate age: 25 years</p>	<p>Land area: 1,776 sq. ft.</p> <p>Gross built- up area: 4,312 sq. ft.</p>	<p>Date of valuation: 30 June 2016</p>	<p>1,300</p>

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 2016 RM'000
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: 24 years	Land area: 1,540 sq. ft. Gross built- up area: 3,016 sq. ft.	Date of valuation: 30 June 2016	700
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: 29 June 2016	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 March 2016	4,000
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: 25 May 2016	12,205
No. 2, Jalan Kempas Utama 3/8, Kempas Utama Industrial Park, 81200 Johor Bahru, Johor. Lot PTD 170272 Title H.S.(D) 527511 Plot no: 33 Mukim of Tebrau, District of Johor Bahru, Johor Darul Takzim.	1½ storey cluster factory being used as stores and offices.	Tenure: Freehold Approximate age: 1 year	Land area: 9,925 sq. ft.	Date of acquisition: 9 September 2015	2,373

ANALYSIS OF SHAREHOLDINGS AS AT 4 OCTOBER 2016

Share Capital

Authorised Share Capital	RM200,000,000.00
Issued and Fully Paid Share Capital	RM81,789,207.10 comprising 817,892,071 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	23	0.22	369	0.00
100 – 1,000 shares	585	5.57	407,556	0.05
1,001 – 10,000 shares	4,823	45.95	31,932,143	3.90
10,001 – 100,000 shares	4,403	41.94	158,378,982	19.37
100,001 – 40,894,602	660	6.29	311,471,321	38.08
40,894,603 and above	3	0.03	315,701,700	38.60
Total	10,497	100.00	817,892,071	100.00

DIRECTORS' SHAREHOLDINGS AS PER REGISTER OF DIRECTORS AS AT 4 OCTOBER 2016

Name	No. of Shares Held			
	Direct	%	Indirect	%
Ho Sue San @ David Ho Sue San	279,303,400	34.15	0	0
YM Raja Shamsul Kamal Bin Raja Shahruzzaman	0	0	0	0
Chiam Tau Meng	0	0	0	0
Chuah Chaw Teo	0	0	0	0
Dato' Che Mohd Zin Bin Che Awang	0	0	0	0
Yuen Kah Hay	281,555	0.03	0	0
Goh Tian Hock	1,765,830	0.22	0	0

SUBSTANTIAL SHAREHOLDERS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 4 OCTOBER 2016

Name	No. of Shares Held			
	Direct	%	Indirect	%
HO SUE SAN @ DAVID HO SUE SAN	279,303,400	34.15	0	0
KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	41,398,300	5.06	3,490,000	0.43

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	19.97
2	EB NOMINEES (TEMPATAN) SENDIRIAN BERHAD PLEGDED SECURITIES ACCOUNT FOR HO SUE SAN @ DAVID HO SUE SAN (IPO)	111,000,000	13.57
3	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	41,398,300	5.06
4	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR CITIBANK NEW YORK (NORGES BANK 14)	11,525,400	1.41
5	MAYBANK NOMINEES (TEMPATAN) SDN BHD ETIQA INSURANCE BERHAD (DANA EKT PRIMA)	7,000,000	0.85
6	MAYBANK NOMINEES (TEMPATAN) SDN BHD ETIQA INSURANCE BERHAD (LIFE NON-PAR FD)	6,105,000	0.75
7	YONG LOY HUAT	6,100,000	0.74

ANALYSIS OF SHAREHOLDINGS AS AT 4 OCTOBER 2016 (CONTINUED)

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

No	Name of Securities Account Holders	No. of Shares Held	%
8	HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN CHING LING	5,980,000	0.73
9	HO SUE SAN @ DAVID HO SUE SAN	5,000,000	0.61
10	MAYBANK NOMINEES (TEMPATAN) SDN BHD ETIQA INSURANCE BERHAD (LIFE PAR FUND)	4,575,000	0.56
11	LIONG KAM HON	4,542,760	0.56
12	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR SINGULAR VALUE FUND	4,322,000	0.53
13	CIMB ISLAMIC NOMINEES (TEMPATAN) SDN BHD MIDF AMANAH ASSET MANAGEMENT BERHAD FOR TAKAFUL IKHLAS BERHAD (JS487)	3,977,000	0.49
14	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KONG MAH REALTY (M) SDN BHD	3,866,500	0.47
15	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM CHEE SING (R01-MARGIN)	3,699,000	0.45
16	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR DFA EMERGING MARKETS SMALL CAP SERIES	3,670,800	0.45
17	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (MYBK AM SC E)	3,490,000	0.43
18	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR MALAYSIAN AGENTS PROVIDENT FUND (SAM AIA-031)	3,386,200	0.41
19	MAYBANK NOMINEES (TEMPATAN) SDN BHD ETIQA INSURANCE BERHAD (SHAREHLDR'S FD)	3,301,400	0.40
20	AMSEC NOMINEES (TEMPATAN) SDN BHD MTRUSTEE BERHAD FOR PACIFIC PEARL FUND (UT-PM-PPF)	3,239,100	0.40
21	MALACCA EQUITY NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR PHILLIP CAPITAL MANAGEMENT SDN BHD (EPF)	3,200,071	0.39
22	MAYBANK NOMINEES (TEMPATAN) SDN BHD ETIQA TAKAFUL BERHAD (FT-EQUITY)	3,030,100	0.37
23	MAYBANK NOMINEES (TEMPATAN) SDN BHD ETIQA INSURANCE BERHAD (BALANCE FUND)	3,000,000	0.37
24	TAN KUAN HAI	2,650,000	0.32
25	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD MIDF AMANAH ASSET MANAGEMENT BERHAD FOR UNIVERSITI MALAYA (JG488)	2,577,300	0.32
26	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR EMERGING MARKET CORE EQUITY PORTFOLIO DFA INVESTMENT DIMENSIONS GROUP INC	2,361,900	0.29
27	AMANAHRAYA TRUSTEES BERHAD MIDF AMANAH STRATEGIC FUND	2,250,000	0.28
28	MALACCA EQUITY NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR PHILLIP CAPITAL MANAGEMENT SDN BHD	2,187,500	0.27
29	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KOK YOON LIM	2,151,700	0.26
30	CHEN CHIN PENG	2,150,000	0.26
		425,040,431	51.97

ANALYSIS OF WARRANT HOLDINGS AS AT 4 OCTOBER 2016

No. of Warrants	325,227,929
No. of Warrant Holders	2,418

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	11	0.45	403	0.00
100 – 1,000 warrants	81	3.35	48,777	0.01
1,001 – 10,000 warrants	835	34.53	5,193,850	1.60
10,001 – 100,000 warrants	1,226	50.70	49,334,100	15.17
100,001 – 16,261,395 warrants	262	10.84	112,103,179	34.47
16,261,396 warrants and above	3	0.13	158,547,620	48.75
Total	2,418	100.00	325,227,929	100.00

DIRECTORS' WARRANT HOLDINGS AS PER REGISTER OF DIRECTORS AS AT 4 OCTOBER 2016

Name	No. of Warrants Held			
	Direct	%	Indirect	%
Ho Sue San @ David Ho Sue San	142,795,220	43.91	0	0
YM Raja Shamsul Kamal Bin Raja Shahruzzaman	0	0	0	0
Chiam Tau Meng	0	0	0	0
Chuah Chaw Teo	0	0	0	0
Dato' Che Mohd Zin Bin Che Awang	0	0	0	0
Yuen Kah Hay	0	0	0	0
Goh Tian Hock	974,000	0.30	0	0

SUBSTANTIAL WARRANT HOLDERS AS PER REGISTER OF SUBSTANTIAL WARRANT HOLDERS AS AT 4 OCTOBER 2016

Name	No. of Warrants Held			
	Direct	%	Indirect	%
HO SUE SAN @ DAVID HO SUE SAN	142,795,220	43.91	0	0
UOB KAY HIAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR UOB KAY HIAN PTE LTD (A/C CLIENTS)	25,752,400	7.92	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	31.61
2	UOBM NOMINEES (TEMPATAN) SDN BHD TREL TWO PARTNERS LTD FOR HO SUE SAN @ DAVID HO SUE SAN	30,000,000	9.22
3	UOB KAY HIAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR UOB KAY HIAN PTE LTD (A/C CLIENTS)	25,752,400	7.92
4	HO SUE SAN @ DAVID HO SUE SAN	10,000,000	3.07
5	HSBC NOMINEES (ASING) SDN BHD TNTC FOR APS FUND	5,000,000	1.54
6	LIONG KAM HON	4,850,000	1.49
7	HLB NOMINEES (TEMPATAN) SDN BHD PLEGDED SECURITIES ACCOUNT FOR TAN CHING LING	3,975,000	1.22

**ANALYSIS OF WARRANT HOLDINGS
AS AT 4 OCTOBER 2016 (CONTINUED)**

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

No	Name of Warrant Holders	No. of Warrants Held	%
8	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KOK YOON LIM	3,966,850	1.22
9	HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LOKE YUNG YUNG	3,101,900	0.95
10	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MOHAMED ADZMAN BIN MOHAMED S URA	2,160,300	0.66
11	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR LIM KAI SWEE (MY1585)	1,700,000	0.52
12	CHEUNG SENG YEW	1,658,200	0.51
13	CHONG KIAN SENG	1,550,000	0.48
14	OOI TEK KIANG	1,500,000	0.46
15	NG BOO KEE @ NG BOO CHEE	1,400,000	0.43
16	TAN KUAN HAI	1,285,000	0.39
17	LIM CHEE SING	1,160,000	0.35
18	OU KWEE HUA	1,150,000	0.35
19	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LING YOKE TEK (10MG00001)	1,050,000	0.32
20	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR THOONG LYE CHAN (THO0039C)	1,000,000	0.31
21	LOKE YUNG YUNG	1,000,000	0.31
22	GOH TIAN HOCK	974,000	0.30
23	LEE NYIT KEAN	847,750	0.26
24	HLIB NOMINEES (TEMPATAN) SDN BHD HONG LEONG BANK BHD FOR SAW HEAN YEOW	830,000	0.26
25	CHONG KHIM WONG	821,000	0.25
26	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR KONG CHONG SOON @ CHI SUIM (PB)	800,000	0.25
27	HENRY LAM KIM SING	800,000	0.25
28	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WONG WOAN YIING (03MG00002)	800,000	0.25
29	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITES ACCOUNT FOR TAI SHIH CHAU	800,000	0.25
30	WUI CHIN HUA	800,000	0.25
		213,527,620	65.65

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

1. INTRODUCTION

On 11 October 2016, 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-sixth ("36th") 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 36th AGM. A notice of the 36th 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-fifth (35th) AGM held on 26 November 2015, 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 36th AGM of the Company, which will be held on 22 November 2016.

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 36th 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.

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

2. DETAILS OF THE PROPOSED RENEWAL OF SBB MANDATE (continued)

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.

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.

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

4. EVALUATION OF THE PROPOSED RENEWAL OF SBB MANDATE (continued)

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.

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 2016, the retained profits and share premium accounts of the Company were approximately RM78.70 million and RM5.36 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.

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

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 4 October 2016, 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 4 October 2016	817,892,071	81,789,207	817,892,071	81,789,207
To be issued pursuant to the exercise of Warrants 2013/2018(i)	-	-	325,227,929	32,522,793
Enlarged issued and paid-up share capital	817,892,071	81,789,207	1,143,120,000	114,312,000
Assuming cancellation of Hovid Shares purchased pursuant to the Proposed Renewal of SBB Mandate(ii)	(81,789,207)	(8,178,921)	(114,312,000)	(11,431,200)
Resultant issued and paid-up share capital	736,102,864	73,610,286	1,028,808,000	102,880,800

Notes:

- (i) Assuming that the 325,227,929 outstanding Warrants 2013/2018 as at 4 October 2016 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.

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.

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)

6.3 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 4 October 2016 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 4 October 2016				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	34.15	-	-	279,303,400	37.94	-	-
Kumpulan Wang Persaraan (Diperbadankan)	41,398,300	5.06	3,490,000	0.43	41,398,300	5.62	3,490,000	0.47
Directors								
Ho Sue San @ David Ho Sue San	279,303,400	34.15	-	-	279,303,400	37.94	-	-
Goh Tian Hock	1,765,830	0.22	-	-	1,765,830	0.24	-	-
Yuen Kah Hay	281,555	0.03	-	-	281,555	0.04	-	-
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	-	-	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 4 October 2016				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	279,303,400	34.15	-	-	422,098,620	36.93	-	-	422,098,620	41.03	-	-
Kumpulan Wang Persaraan (Diperbadankan)	41,398,300	5.06	3,490,000	0.43	41,398,300	3.62	3,490,000	0.31	41,398,300	4.02	3,490,000	0.34
Directors												
Ho Sue San @ David Ho Sue San	279,303,400	34.15	-	-	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	0.03	-	-	281,555	0.02	-	-	281,555	0.03	-	-
Chiam Tau Meng	-	-	-	-	-	-	-	-	-	-	-	-
Chuah Chaw Teo	-	-	-	-	-	-	-	-	-	-	-	-
YM Raja Shamsul Kamal Bin Raja Shahrzaman	-	-	-	-	-	-	-	-	-	-	-	-
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 4 October 2016, 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 39.66% 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 44.06% and 45.42% of the issued and paid-up ordinary share capital of the Company based on the Minimum Scenario and Maximum Scenario respectively.

Accordingly, if the shareholdings of the Major Shareholder and Persons Acting in Concert in Hovid increase by two per cent (2%) or more in any six (6) month period as a result of the Proposed Renewal of SBB Mandate, there is an obligation for the Major Shareholder 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 Shareholder 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 4 October 2016, there were 10,490 public shareholders with a total shareholding of 59.96% of the Company's issued and paid-up share capital.

Assuming that the Proposed Renewal of SBB Mandate of up to 81,789,207 ordinary shares of RM0.10 each representing ten per cent (10%) of the share capital as at 4 October 2016 is carried out in full, Hovid's shareholding spread would be reduced to approximately 55.51%.

10. PURCHASES, RESALE OR CANCELLATION OF SHARES IN THE FINANCIAL YEAR ENDED 30 JUNE 2016

During the financial year ended 30 June 2016, the Company did not purchase any 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 shareholders of Hovid and/or persons connected to the Directors and/or major shareholders 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 36th 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.



Continuous Innovation & Quality

HOVID BERHAD

(58476-A)

PROXY FORM

THIRTY-SIXTH (36TH) 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-sixth (36th) 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 Tuesday, 22 November 2016, at 10.30 a.m. and, at any 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		
Special Resolution 1		
Special Resolution 2		

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 _____ 2016

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

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

Signature/Common Seal of Member

Telephone Number of Member

Notes:-

- 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.
- 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.
- 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.
- 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.
- 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.
- 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.
- 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 14 November 2016. Only a depositor whose name appears on the General Meeting Record of Depositors as at 14 November 2016 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
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hovid

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THE COMPANY SECRETARY

HOVID BERHAD (58476-A)

No. 121, Jalan Tunku Abdul Rahman

30010 Ipoh

Perak Darul Ridzuan

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