hovid

Annual Report **2014**

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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirty-fourth (34th) Annual General Meeting ("AGM") of Hovid Berhad ("Hovid" or "the Company") will be held at the Ballroom, Impiana Hotel Ipoh, 18 Jalan Raja Dr Nazrin Shah, 30250 Ipoh, Perak Darul Ridzuan on Tuesday, 25 November 2014 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 2014 together with the Reports of the Directors and Independent Auditors thereon. **Please refer to Explanatory Note 1**

2. To approve the payment of Directors' fees of RM373,183 for the financial year ended 30 June 2014. **Resolution 1**

3. To re-elect the following directors who retire pursuant to Article 90 of the Company's Articles of Association:-

   (a) Mr Yuen Kah Hay **Resolution 2**

   (b) Mr Goh Tian Hock **Resolution 3**

   (c) Mr Chiam Tau Meng **Resolution 4**

4. To re-elect the following directors who retire pursuant to Article 83 of the Company's Articles of Association:-

   (a) Mr Chuah Chaw Teo **Resolution 5**

   (b) Dato' Che Mohd Zin Bin Che Awang **Resolution 6**

5. To re-appoint Messrs SJ Grant Thornton as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. **Resolution 7**

As Special Business:

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

6. **CONTINUING IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTORS**

   (a) "**THAT** subject to the passing of Resolution 5, approval be and is hereby given for Mr Chuah Chaw Teo who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company in accordance with the Malaysian Code of Corporate Governance 2012." **Resolution 8**

   (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." **Resolution 9**

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

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

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

   "**THAT** subject to Paragraph 10.09 Part E of the Main Market Listing Requirements of Bursa Securities, approval be and is hereby given to the Company and/or its subsidiaries to enter into recurrent related party transactions ("RRPT") of a revenue or trading nature with Carotech Group as set out in Section 2.1 of the Circular to Shareholders dated 3 November 2014, subject to the following: **Resolution 11**

   (i) the RRPT are:

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

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

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

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

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

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

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

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

whichever is earlier.

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

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

"**THAT** subject to Paragraph 10.09 Part E of the Main Market Listing Requirements of Bursa Securities, approval be and is hereby given to the Company and/or its subsidiaries to enter into recurrent related party transactions ("RRPT") of a revenue or trading nature with Future Express as set out in Section 2.1 of the Circular to Shareholders dated 3 November 2014, subject to the following: **Resolution 12**

(i) the RRPT are:

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

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

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

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

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

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

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

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

whichever is earlier.

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

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

10. **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: **Resolution 13**

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

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

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

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

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

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

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

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

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

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

whichever occurs first.

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

11. **PROPOSED EX-GRATIA PAYMENT FOR LONG SERVICE TO INDEPENDENT NON-EXECUTIVE DIRECTORS**

"**THAT** the proposed ex-gratia payment of RM150,000.00 each to the Independent Non-Executive Directors, namely YM Raja Shamsul Kamal Bin Raja Shahruzzaman and Mr Chuah Chaw Teo as a token of appreciation and recognition for their long service and contribution to the Company and/or its subsidiaries as Independent Non-Executive Directors ("Proposed Ex-Gratia Payment") be and is hereby approved; **Resolution 14**

AND THAT the Directors be and are hereby empowered to do all such acts and things to give full effect to the Proposed Ex-Gratia Payment with full powers to assent to any modifications, variations and/or amendments (if any) as the Directors may deem fit or necessary in connection with the Proposed Ex-Gratia Payment."

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
3 November 2014

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 17 November 2014. Only a depositor whose name appears on the General Meeting Record of Depositors as at 17 November 2014 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 2014 and the Reports of the Directors and Independent Auditors thereon

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

2. Resolutions 8 and 9 – Continuing in Office as Independent Non-Executive Directors

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

The Board of Directors has assessed the independence of Mr Chuah Chaw Teo and YM Raja Shamsul Kamal Bin Raja Shahruzzaman, who served as Independent Non-Executive Directors of the Company for a cumulative term of more than nine (9) years and has recommended them to continue to act as Independent Non-Executive Directors of the Company until the conclusion of the next AGM in accordance with the MCCG 2012, based on the following jurisdictions:-

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

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

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

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

3. Resolution 10 – Authority to Allot and Issue Shares pursuant to Section 132D of the Companies Act, 1965

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

4. Resolutions 11 and 12 – Proposed Renewal of RRPT Mandates with Carotech Group and Future Express

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

Details of the proposed Resolutions are contained in the Circular to Shareholders dated 3 November 2014 accompanying the Company's Annual Report 2014.

5. Resolution 13 – Proposed Renewal of SBB Mandate

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

Details of the proposed Resolution are contained in the Share Buy-Back Statement of this Annual Report.

6. Resolution 14 – Proposed Ex-Gratia Payment

The proposed Resolution, if passed, will give the Directors of the Company the authority to pay RM150,000.00 each to YM Raja Shamsul Kamal Bin Raja Shahruzzaman and Mr Chuah Chaw Teo, the Independent Non-Executive Directors of the Company as a token of appreciation and recognition of their long service and contribution to the Company and/or its subsidiaries as Independent Non-Executive Directors.

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

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

Chiam Tau Meng
Independent Non-Executive Director

Chuah Chaw Teo
Independent Non-Executive Director

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

Yuen Kah Hay
Executive Director

Goh Tian Hock
Executive Director

COMPANY SECRETARIES

Goh Tian Hock (MIA 8222)

Ng Yuet Seam (MAICSA 7005639)

REGISTERED OFFICE / PRINCIPAL PLACE OF BUSINESS

No. 121, Jalan Tunku Abdul Rahman
30010 Ipoh
Perak Darul Ridzuan
Telephone : +6 05 506 0690
Facsimile : +6 05 506 1215
Website : www.hovid.com
E-mail : info@hovid.com

SHARE REGISTRAR

Tricor Investor Services Sdn Bhd
Level 17, The Gardens North Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Telephone : +6 03 2264 3883
Facsimile : +6 03 2282 1886

AUDITORS

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

PRINCIPAL BANKERS

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

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

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

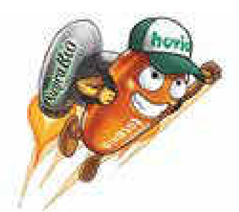
STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad

CORPORATE STRUCTURE
AS AT 23 SEPTEMBER 2014

HOVID BERHAD
(58476-A)

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



DIRECTORS' PROFILE

HO SUE SAN @ DAVID HO SUE SAN

A Malaysian, aged 65, is the Managing Director of the Company and was redesignated to Chairman & Managing Director on 31 January 2008. He was appointed to the Board, being the first Director since incorporation of the Company on 20 May 1980. He obtained a Bachelor of Pharmacy degree from the University of Otago in 1974. He later obtained a Master of Pharmacy degree from the University of Otago in 1976. He was registered as a pharmacist with the Pharmaceutical Society of New Zealand in 1974 and as a pharmaceutical chemist by the Pharmaceutical Society of Great Britain in 1977. He was registered as a pharmacist with the Malaysian Pharmacist Board in 1980. He has also completed the Applied International Management Programme organised by the Swedish Institute of Management in 1990 and the International Top Management Seminar in the field of Quality Leadership organised by ISO Swedish Management Group in 1996. From 1978 to 1979, he was a research pharmacist with Wyeth Laboratories Ltd. Thereafter, he formed and incorporated Hovid Berhad in 1980. He was on the Board of Malaysian Biotechnology Corporation Sdn. Bhd., a subsidiary of MOF Inc in Malaysia from 2006 to 2009.

Ho Sue San @ David Ho Sue San has attended all the five (5) Board meetings held during the financial year ended 30 June 2014. He neither has any family relationship with any Director and/or major shareholder of the Company, nor has he any conflict of interest with the Company. He has had no conviction for any offences within the past ten (10) years. Additionally, he is a major shareholder of the Company as at 30 June 2014.

YM RAJA SHAMSUL KAMAL BIN RAJA SHAHRUZZAMAN

A Malaysian, aged 53, was appointed to the Board of the Company on 22 December 2004 as the Non-Executive Director and redesignated to Independent Non-Executive Director on 13 August 2007. He was redesignated to Senior Independent Non-Executive Director of the Company on 30 May 2014. He obtained a Bachelor of Science degree with Honours in Civil Engineering from the University of Newcastle upon Tyne, England. He joined Shah Alam Properties Sdn. Bhd. as a project engineer in 1984 to 1987. He left in 1987 to join Bank of Commerce Bhd. before leaving as Vice President & Group Head of Corporate Banking Department in 1991 to join Bumiputra-Commerce Holdings Berhad. Since joining Bumiputra-Commerce Holdings Berhad, he has been in numerous positions including the General Manager & Chief Executive Officer of Commerce Asset Leasing Sdn. Bhd. (1991 to 1996), General Manager of Commerce Asset Fund Managers Sdn. Bhd. (1996 to 1997) and Executive Director and Chief Executive Officer of Commerce Asset Ventures Sdn. Bhd. before leaving in July 2007. He is currently the Senior Partner at the private equity management firm of Vida Partners Sdn. Bhd. based in Kuala Lumpur.

YM Raja Shamsul Kamal Bin Raja Shahruzzaman is the Chairman of the Nomination and Remuneration Committee and a member of the Audit Committee of the Company. He has attended all the five (5) Board meetings held during the financial year ended 30 June 2014. He neither has any family relationship with any Director and/or major shareholder of the Company, nor has he any conflict of interest with the Company. He has had no conviction for any offences within the past ten (10) years.

CHIAM TAU MENG

A Malaysian, aged 61, was appointed to the Board of the Company on 7 April 2014 as an Independent Non-Executive Director. He obtained a Bachelor of Commerce Degree majoring in Accountancy from University of Otago, Dunedin, New Zealand in 1976. He is an Associate Chartered Accountant of the Institute of Chartered Accountants of New Zealand; and a Chartered Accountant of the Malaysian Institute of Accountants. He started his career in 1976 as Finance Manager of Tolley Industries Ltd (New Zealand), a company listed on the New Zealand Stock Exchange. Upon returning to Malaysia in 1979, he joined Malaysian Containers (1974) Berhad, a company listed on the Kuala Lumpur Stock Exchange as Finance Manager cum Company Secretary. Malaysian Containers (1974) Berhad was then a subsidiary of Australian Consolidated Industries Limited, the largest manufacturing concern listed on the Australia Stock Exchange. In 1984, he joined Menang Corporation (M) Berhad as General Manager of Corporate Services and 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 on Kuala Lumpur Industries Berhad. Upon the successful completion of the said scheme in 1992, he joined the management consultancy practice of an international accounting organization and in 1994, he set up his own consulting practice namely CTM Consulting.

Mr Chiam has intimate knowledge of the local business environment and wide contact in the business community. His extensive experience in management and corporate/financial affairs is being put into practice in consultancy works involving IPO exercises, financial restructure, management/organization restructure, investors relations, mergers and acquisitions and other corporate advice.

Mr Chiam is a member of the Audit Committee of the Company since his appointment to the Board on 7 April 2014. He was appointed as Chairman of the Audit Committee with effect from 30 May 2014. He is also a member of the Nomination & Remuneration Committee of the Company. He has attended one (1) Board meeting held since his appointment to the Board. He neither has any family relationship with any Director and/or major shareholder of the Company, nor has he any conflict of interest with the Company. He has had no conviction for any offences within the past ten (10) years.

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

DIRECTORS' PROFILE (CONTINUED)

CHUAH CHAW TEO

A Malaysian, aged 63, is a chemist by profession. He was appointed to the Board of the Company on 22 December 2004 as an Independent Non-Executive Director. He obtained a Bachelor of Science degree with Honours in 1975 from the University of Otago, where he was also given the University of Otago Science Award for ranking first in the class. Thereafter, he obtained a Doctorate degree in Applied Organic Chemistry in 1979, also from the University of Otago. He has a Diploma in Management from the Malaysian Institute of Management, which he obtained with Merit in 1987. After he obtained his Doctorate degree in 1979, Dr. Chuah worked as a post-doctoral research associate with the College of Environmental Science and Forestry of the State University of New York, a position which he held for the next two (2) years. From 1982 to 1983, he served as a lecturer in the University of Malaya, Malaysia. After he left the University of Malaya, he was attached to Yee Lee Edible Oils Sdn. Bhd. as General Manager for Research and Development. He held this position for ten (10) years, from 1983 to 1993. Presently, he is an Executive Director of Spritzer Berhad, a position that he has held since 1994.

Chuah Chaw Teo is a member of the Nomination and Remuneration Committee as well as the Audit Committee of the Company. He has attended all the five (5) Board meetings held during the financial year ended 30 June 2014. He neither has any family relationship with any Director and/or major shareholder of the Company, nor has he any conflict of interest with the Company. He has had no conviction for any offences within the past ten (10) years.

DATO' CHE MOHD ZIN BIN CHE AWANG

A Malaysian, aged 65, is a Fellow member of Malaysian Pharmaceutical Society. He was appointed to the Board on 1 March 2012 as an Independent Non-Executive Director. Dato' Zin obtained a Bachelor of Pharmacy degree from University of Baghdad, Iraq, in 1972. In 1978 and 1984, he obtained a Master of Science degree in Radiopharmacy from University of Southern California, USA and a Master of Science degree in Pharmaceutical Sciences from University of Wales, United Kingdom, respectively. He started his career in 1974 as a Pharmacist of Perak Medical Store under the Ministry of Health of Malaysia (MOH). In 1977, he joined Tun Ismail Atomic Research Centre of Ministry of Science, Malaysia, as a Research Officer. From 1980 to 1984, he was a Production Pharmacist with the Government Medical Lab & Stores of MOH; before his appointment as the Head of Good Manufacturing Practice (GMP) Division in National Pharmaceutical Control Bureau (NPCB) of Ministry of Health, Malaysia in 1985. He took up the role as Chief Pharmacist of Regional Medical Stores in Penang in 1991 and Kelantan State Pharmacist in 1993. From 1998 to 2000, he was appointed as Deputy Director of NPCB as well as the Secretary of Drug Control Authority. He was promoted to the position of Director of NPCB in 2000 and subsequently as Senior Director of Pharmaceutical Services in 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.

Dato' Zin is a member of the Audit Committee and the Nomination and Remuneration Committee of the Company. He has attended all the five (5) Board meetings held during the financial year ended 30 June 2014. He neither has any family relationship with any Director and/or major shareholder of the Company, nor has he any conflict of interest with the Company. He has had no conviction for any offences within the past ten (10) years.

YUEN KAH HAY

A Malaysian, aged 60, 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.

He has attended two (2) Board meetings held since his appointment to the Board on 2 January 2014. He neither has any family relationship with any Director and/or major shareholder of the Company, nor has he any conflict of interest with the Company. He has had no conviction for any offences within the past ten (10) years.

GOH TIAN HOCK

A Malaysian, aged 47, 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.

He has attended two (2) Board meetings held since his appointment to the Board on 2 January 2014. He neither has any family relationship with any Director and/or major shareholder of the Company, nor has he any conflict of interest with the Company. He has had no conviction for any offences within the past ten (10) years.

CHAIRMAN'S STATEMENT

DEAR VALUED SHAREHOLDERS

On behalf of the Board of Directors ("the Board") of Hovid Berhad ("Hovid"), I am pleased to present the Annual Report and Audited Financial Statements for the financial year ended 30 June 2014.

Extending our reach, the theme of this year's report to the community, has never been more crucial as we plan for a future of growth in Hovid with a view towards enhancing our effectiveness as a leading pharmaceutical manufacturer across the country, and beyond our borders. We aim to extend our reach both geographically and to more population thorough operational excellence in manufacturing and distribution, and continuously increase our product portfolio while enhancing our sales and earnings growth.

FINANCIAL PERFORMANCE

Hovid's Group revenue for the financial year ended 30 June 2014 grew by 6.4% to RM183.5 million from RM172.5 million in last financial year. The higher revenue was mainly from increased demands for our pharmaceutical products. Hovid's profit after tax for the year decreased by 7.9% to RM18.3 million compared to RM19.9 million in the last financial year. The decrease in profit was largely due to lower sales mix margin, higher operational expenses and higher unscheduled repairs and maintenance, coupled with a higher tax expense partly due to under provision of tax in prior years and lower tax incentives.

Nevertheless, the group's financial position has strengthened significantly over the last few years, our gearing being only 4% at the end of the financial year. In view of this, I am proud to inform that we have paid a total interim dividend of 1 sen per share in respect of the current financial year.

CORPORATE DEVELOPMENT

Disposal of 51% Equity Interest in Biodeal Pharmaceuticals Private Limited

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

BPPL is a 51%-owned subsidiary of Hovid. It was incorporated in India on 30 December 2005. The principal activity is manufacturing of pharmaceutical and consumer products. Upon the completion of the disposal, BPPL will cease to be a subsidiary of Hovid. The Disposal will not have any effect on the issued and paid-up share capital and the shareholdings of the substantial shareholders of Hovid. Save for a one-off expected gain estimated at RM968,000 from the Disposal, the Disposal will not have any material effect on earnings and net assets of the Group. In addition, the gearing of the Group is expected to improve as BPPL's liabilities will no longer be included in the Group.

The Disposal is to streamline the Group's operations to concentrate on core profitable operations while divesting those that do not contribute significantly to the Group's operations and financial results.

OUTLOOK AND PROSPECTS

The population of Malaysia stood at 29.9 million in 2013. High birth rate, low mortality rate, life expectancy and improved healthcare services have aided a steady population growth over the past few years and are expected to continue in the future. The pharmaceutical industry in Malaysia is envisaged to sustain the momentum of growth. The government is targeting a 22 percent GNI (Gross National Income) growth rate that will deliver RM16.6 billion GNI by 2020. This is driven by higher exports of generic pharmaceuticals by means of enhanced generics and increased clinical research in Malaysia. The government continue to provide quality healthcare and medical services for the 'rakyat' in Budget 2015. A sum of RM23.3 billion has been allocated for the healthcare sector to implement a number of initiatives for health services and facilities. All these augur well for the prospect of Hovid's domestic market.

CHAIRMAN'S STATEMENT (CONTINUED)

On the global arena front, the healthcare industry is among the most dynamic and speedily growing industries. Many countries across the globe are facing challenge to deal with the rapidly escalating cost of healthcare. With aging populations, an increase in chronic ailments spending, government programs to expand access to healthcare, coupled with some heavy government debts and constraints on tax revenue, more countries are trimming their healthcare spending, health authorities are switching from the expensive patented medicines to the cheaper generic equivalents. On top of that, RM422 billion of prescription and pharmaceutical drug patents are about to expire in the next 10 years. This will open up an attractive global market opportunity for the Malaysian generics exports and allows Hovid, the Malaysia's largest exporter of independent branded generic drugs manufacturer with global presence, to aggressively participate in this global shift, expand its sales and become a major player in the region's healthcare arena.

There is increasing demand for our medicines. In 2014, Hovid continued the positive growth trend of the past few years. Revenue in the pharmaceutical segment of Hovid Group achieved another historical high of RM183.5 million in the recent financial year ended 2014 compared to RM172.5 million a year ago. Your Company persist to make good progress with our product pipeline. We supply medicines to over 50 countries worldwide with a total population of more than 1.0 billion. Our key export markets include numerous developing countries such as Nigeria, Ghana, Hong Kong, the Philippines, Cambodia and Singapore. The fastest-growing region in the coming years could be the Middle East and Africa, where spending is expected to rise by an average of 10 percent annually. Also, according to the industry information company IMS, emerging markets and Asia Pacific saw the largest sales growth at 10%, pushing the proportion of total sales from the region up to 22% for 2013. Forging ahead, the Group strive to establish stronger foothold in these territories.

Our overriding goal is to ensure that our customers receive consistent high quality products. Hovid apply rigorous standards irrespective of whether a product is manufactured or sourced from external producers. Additionally, we ensure that our quality management systems conform to all laws and regulations, as well as to current norms and standards such as Good Manufacturing Practice ("GMP") and International Standards of ISO (International Organization for Standardization). By virtue of our leading export business, our production facilities are relentlessly being audited by the health authorities of these export countries hence keeping our production team on their toes to produce constantly high quality products. On top of it, Hovid has dedicated lean projects to simplify and improve our work processes, accelerating cross-departmental collaboration, and focusing on stabilising and delivering high quality operations. We will continue to focus on improving our processes and reduce manufacturing defects and waste.

In meeting the increasing demand, Hovid will continue to reinvest in its business to enhance its capacity. Your Company has commenced the construction of new facility to expand its tablet and capsule production capacity. This new facility will focus on high value manufacturing, providing a strong foundation to deliver quality products to our customers as the plant is designed to meet the pharmaceutical production standards of Europe and the U.S. FDA (Food and Drug Administration), in addition to the Australian TGA (Therapeutic Goods Administration). As at the date of this report, the Company has completed the phase of foundation piling and proceeding with building structure. This new plant is targeted for completion in the middle of year 2015. With the new facilities and global recognised standards, we aim to extend our footprint into Australia, Europe and US in the future.

Further fuelling our growth over the next two years will be from another two projects named R&D centre and centralised warehouse. Research and Development ("R&D") of new products and technologies have been one of the main pillars behind the sustainable growth of Hovid. Your Company has continuously improved its R&D capabilities to maintain its competitive advantages over the years. The R&D activities are currently carried out within the campus of Universiti Sains Malaysia, Penang. Due to the constraint of space at our current facilities coupled with the need to expand our R&D capabilities, increasing the number of product development and space required for our bioequivalence ("BE") studies, we have commenced to build a new research facility in Penang. This R&D Building, costing approximately RM8.7 million, will have space for our BE studies, encompassing clinical, bio-analytical and statistical activities. BE studies are a pre-requisite for registration of new ethical products with the regulatory authorities. The R&D centre will also serve as a research service provider for both local and multinational companies to provide scientific or technical expertise and resources to perform R&D on behalf of these companies. Besides catering for the expansion of R&D, this building will also be our distribution centre for Penang and the northern states of Peninsular Malaysia. This project is expected to be completed by end of 2014.

CPhi Conference, Paris

NKEA Healthcare Event

Hovid's Dinner Night

Moreover, in the coming year, Hovid will embark to build a new warehouse, costing approximately RM19 million, to improve current storage efficiency, alleviate the current storage capacity constraint and cater for the new factory. With the new warehouse, our numerous warehouses around Peninsular Malaysia will be consolidated to achieve better inventory management, with a mechanised Automated Storage and Retrieval System ("ASRS") to minimise human error and damage of goods. This centralised warehouse will be located at our existing Chemor site.

R&D is always at the forefront of our business. Each year, your Company invest heavily in researching and developing products to maximise our output and ensure that our investment yields sustainable results. In the past one year, our product development ("PD") efforts have resulted in the addition of 16 new products to our product pipeline. Among these were 10 ethical products, 4 dietary supplements, 1 herbal product and 1 OTC product. 15 new products were successfully registered in Malaysia. Additionally, Hovid has obtained 73 marketing authorizations in overseas countries including the Philippines, Myanmar, Ethiopia, Uganda, Sri Lanka, UAE, Ghana, Brunei, Hong Kong, Botswana, Tanzania, Nigeria and Maldives.

Currently, there are 114 products under Hovid's PD pipeline of various categories including ethical, dietary supplement, food product, cosmetic, over-the-counter ("OTC") product, traditional product and disinfectant. Our research and development team continues to extend our pipeline of new innovative and improved products which has been underpinned with a focus on improving the rates of return in R&D.

Hovid has one of the largest and most established R&D team in Malaysia. We have thus far completed more than 45 bioequivalence studies and an additional 5 comparative bioavailability studies. In addition, there are more than 10 completed and ongoing clinical studies on Tocovid Suprabio, conducted in collaboration with various higher learning institutions, including Universiti Sains Malaysia in Penang and Ohio State University in Ohio, USA. A clinical trial which shows the neuroprotective properties of Tocovid Suprabio has been published in 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*.

Moving forward, we are confident about Hovid's future because we have a culture where innovation can thrive. Hovid is pursuing long term growth by maximising the returns from more sustainable sales growth, improving efficiency and productivity in manufacturing and warehousing, and leveraging its robust product portfolio via expansion of R&D activities. Your Company will continue to grow with the introduction of new products to the current product portfolio of around 400 products and extend our reach in both Malaysia and international markets.

Centralised Warehouse - preliminary layout

Construction Site of Plant A

CHAIRMAN'S STATEMENT (CONTINUED)

CORPORATE SOCIAL RESPONSIBILITY

Hovid strives to deliver sustainable growth in the value of stakeholders and continuous long-term corporate success. Corporate Social Responsibility ("CSR") is always an integral part of the Hovid's culture. Hovid continues to adopt the guidelines under the Securities Commission CSR Framework 2006 to achieve its sustainability objectives and undertaken various CSR activities focused on the four pillars of Community, Marketplace, Workplace and Environment.

Hovid is committed to improve the health and well-being of our communities by supporting programs that improve healthcare and assist in humanitarian relief. During the year, we continued our practice to extend a helping hand to various educational institutions and charitable societies to support their events. To name a few of the series of sponsorship events were International Conference on Industrial Pharmacy 2014, Blood Donation Campaign 2014 organized by First Aid Society of UTAR, MMF Humanitarian Mission 2014 organised by M'sian Medical Fellowship, Annual Public Health Campaign organized by UCSI University, 13th IPSF Asia Pacific Regional Pharmaceutical Symposium (APPS) orgainzed by Malaysian Pharmaceutical Society, Karnival Mesra Ubat 2014 (KaMU) organized by the Pharmacy Students Society of Cyberjaya University, Starwalk Ipoh 2014 etc. Hovid believes that improving education and basic health awareness systems are effective ways to build stronger and healthier communities. With alarming stroke incidences in Malaysia and throughout the world, Hovid is taking a leading role in championing the fight against stroke. Various initiatives in advocating awareness, education and neuroprotection are all part of Hovid's continuous effort in promoting stroke prevention and management. Recognizing the importance of partnerships to bring about the greater change and together with shared goals, Hovid collaborated the with the National Stroke Association of Malaysia (NASAM) in promoting stroke awareness.

Hovid applies a number of initiatives with the purpose of strengthening our talent pool. Some of the in-house key development programs to provide our employees with opportunities to refine their capabilities include safety and health requirements, GMP, Good Distribution Practices, contamination control in manufacturing, briefing on facility and microbiology and ISO awareness. On the other hand, we have also sent our employees for external courses in order to empower them within their scope of work and enhance their skills to meet the high performance demand. Few of the vital external courses conducted were Presentation Skills with Power Point, Kursus Pengenalan Pertolongan Cemas and CPR & Peperiksaan, Thinking in the Box and Lean Leadership Strategies. In an effort to take care of the wellbeing of our workforce and to foster teamwork, Hovid has its own Sports Club to organise activities such as Futsal Tournament, Yoga Classes and Badminton Sessions.

Talent development is a core pillar for Hovid, and the monthly "Best Employee Award" is an important platform where Hovid engages with its team members to motivate for employees' commitment and achievement. The award is to recognize and reward employees for not only their job performance but also for those who exemplify the core values of the Hovid Spirit which include Respect, Communication, Teamwork, Innovation and Be Ethical and Honest.

At Hovid, health and occupational safety is an essential part of our operations. We approach it with the same level of commitment as we do with any business-related activities. Hovid strives for continuous improvement wherever possible and economically viable, monitoring its performance regularly to meet all regulatory requirements in its operations and obtained all mandatory licenses every year. Hovid is

committed to promote a strong safety culture that empowers all of our employees to report and address safety. As an additional initiative to ensure that our employees are protected and ready with knowledge, the Company has established its own Qualified First Aided team trained by the Malaysian Red Crescent Society. In order to ensure the employees are well-prepared, we have regular firefighting drills at our premises. As an environmentally and socially responsible corporate citizen, Hovid meets all regulatory requirements. We work to cut our water effluent discharge and air emission levels, reduce energy consumption, reuse and recycle our materials for the preservation of the environment.

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

APPRECIATION

On behalf of the Board, I would like to express our gratitude to our loyal shareholders who have continued to place their confidence in Hovid and supported all our corporate initiatives. I would also like to acknowledge the unwavering support and commitment from our business associates to grow with the Group. I appreciate all Hovid employees for their professionalism, commitment and passion. To our financiers, government authorities and investors, I wish to thank them for their co-operation and guidance.

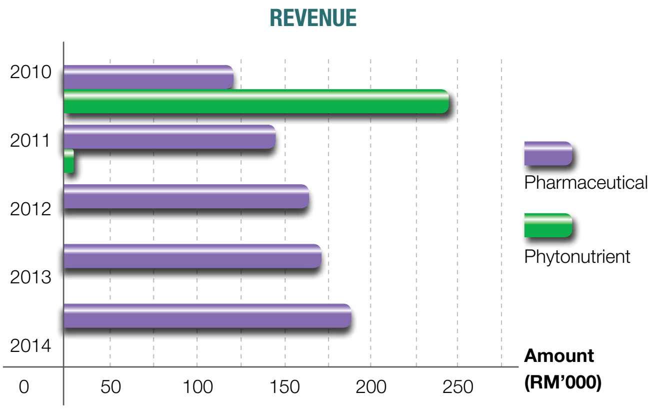
We look forward to achieving new milestones in 2015 with you.

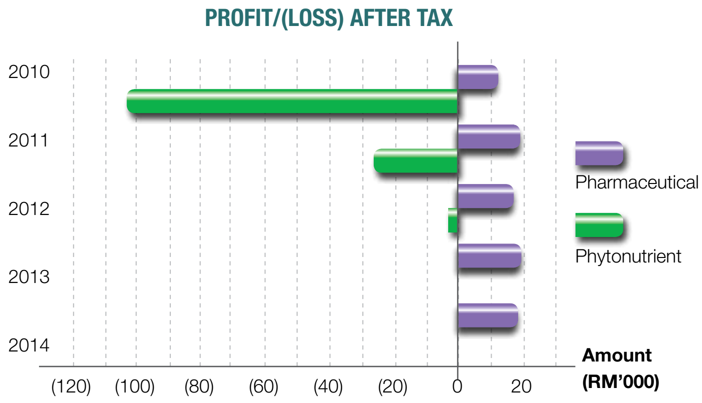
Ho Sue San @ David Ho Sue San
Chairman & Managing Director

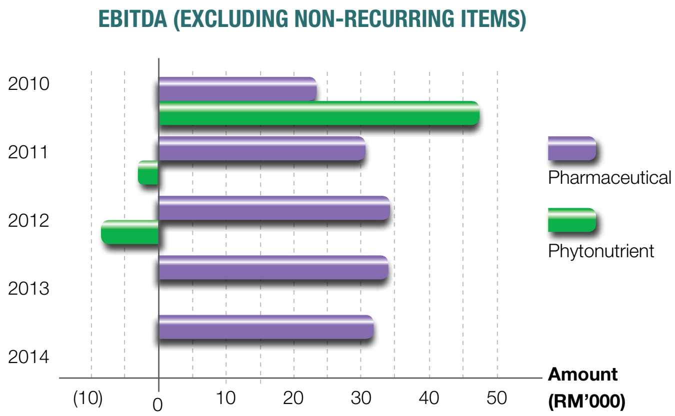
FINANCIAL HIGHLIGHTS

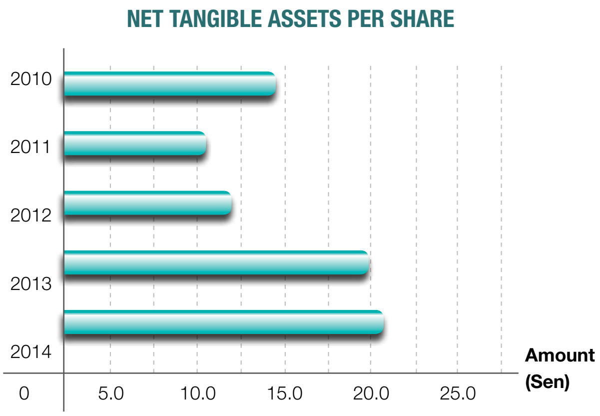
For the year ended 30 June	2010 RM'000	2011* RM'000	2012 RM'000	*Restated* 2013 RM'000	2014 RM'000
Statements of Profit or Loss and Other Comprehensive Income					
Pharmaceutical					
Revenue	123,255	145,189	164,808	172,510	183,542
EBITDA (excluding non-recurring items)	23,547	31,403	34,790	34,004	32,212
Profit after tax	12,353	19,490	17,804	19,880	18,302
Phytonutrient					
Revenue	241,911	8,267	-	-	-
EBITDA (excluding non-recurring items)	47,787	(3,214)	(9,106)	-	-
Loss after tax	(104,951)	(25,607)	(2,046)	-	-
Statements of Financial Position					
Pharmaceutical					
Total Assets	180,611	200,998	210,176	223,680	227,712
Total Liabilities	120,991	95,498	98,905	65,989	61,555
Phytonutrient					
Total Assets	376,262	-	-	-	-
Total Liabilities	309,247	-	-	-	-
Key Financial Ratios					
Basic earnings/(loss) per share	(6.94)	(0.79)	2.06	2.59	2.37
Diluted earnings/(loss) per share	(4.63)	(0.53)	1.37	2.34	1.89
Net tangible assets per share (sen)	14.2	10.7	12.0	20.1	21.1

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









STATEMENT ON CORPORATE GOVERNANCE

The Malaysian Code on Corporate Governance 2012 ("MCCG 2012") sets out the framework and processes by which companies, via their Board of Directors, direct and manage their business towards enhancing business prosperity and corporate accountability with the ultimate objective of realising long-term shareholder value, whilst taking into account the interests of other stakeholders.

The Board of Directors ("the Board") of Hovid Berhad ("the Company") recognises that overall business integrity and performance has to be grounded on a foundation of good governance to enhance shareholder value and building a sustainable business. The Board is pleased to provide the below statement specifying the Group's application of the principles of MCCG 2012 and the extent of compliance with the best practices throughout the financial year ended 30 June 2014.

PRINCIPLE 1 – ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

1.1 Clear Functions of the Board and Management

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

To ensure its effectiveness in the periodic monitoring, deliberating and safeguarding of long term shareholder value and provide a robust platform to realise the Group's strategy, the Board has established clear functions reserved for the Board and those delegated to Board Committees.

The Board is assisted by two (2) Board Committees, namely the Audit Committee and the Nomination and Remuneration Committee, each entrusted with specific tasks. The Audit Committee is assisted by the Risk Management Committee which forms the second layer of assistance to the Board. These Committees comprising members from the main Board itself and are empowered to deliberate and examine issues delegated to them and report back to the Board with their recommendations and comments. The ultimate responsibility for the final decision on all significant matters proposed by the Board Committees lies with the Board as a whole.

1.2 Clear Roles and Responsibilities

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

1.3 Formalised Ethical Standards through Code of Conduct

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

1.4 Strategies Promoting Sustainability

The Board recognises the importance of business sustainability and views the commitment to sustainability and environmental, social and governance performance as part of its broader responsibility to shareholders and the community. The Company's activities on corporate social responsibilities are revealed in the Chairman Statement of this Annual Report.

1.5 Access to Information and Advice

All Board Members are supplied with information concerning the Company and the Group. The Board deliberated and considered a variety of matters including the Group's financial results, strategic and business plan in the meetings held. In arriving at any decisions on recommendations by the Management, thorough discussion and consideration by the Board is pre-requisite.

Board Meetings are conducted in accordance to a structured agenda. The Board Members are provided with comprehensive Board papers containing relevant information in a timely manner prior to Board Meetings to enable the Directors to participate actively in the overall management of the Company and to discharge their duties and responsibilities. The Board is also kept up-to-date on legal, regulatory and governance matters through the Company Secretaries and presentations by internal and external advisers. Information provided to the Board is comprehensive and encompass both quantitative and qualitative factors of the matters on hand so that informed decisions could be made. All proceedings of Board Meetings were minuted and signed in accordance with the provision of Section 156 of the Companies Act, 1965, ("the Act").

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

1.6 Qualified and Competent Company Secretaries

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

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

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

1.7 Board Charter

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

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
Chuah Chaw Teo	Member	Independent Non-Executive Director
Dato' Che Mohd Zin Bin Che Awang (Appointed on 28 October 2013)	Member	Independent Non-Executive Director
Chiam Tau Meng (Appointed on 7 April 2014)	Member	Independent Non-Executive Director
Leong Kwok Yee (Resigned on 2 April 2014)	Member	Independent Non-Executive Director

The Committee met once during the financial year under review. The meeting was attended by all members during their tenure except for Dato' Che Mohd Zin Bin Che Awang and Mr Chiam Tau Meng who were appointed to the Committee on 28 October 2013 and 7 April 2014 respectively. The Chairman of Nomination and Remuneration Committee, YM Raja Shamsul Kamal Bin Raja Shahruzzaman was redesignated as Senior Independent Non-Executive Director of the Company on 30 May 2014.

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 skills and knowledge 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-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.

Gender Diversity Policy

The Board acknowledges the need for gender diversity for good governance practices and 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 Board new member is solely based on the candidates' competency, character, time commitment, knowledge and experience in meeting the needs of the Group.

Annual Assessment

The Nomination and Remuneration Committee had assisted the Board in carrying out an annual review on the balance and size of Non-Executive participation in the Board. This required a review of the required mix of skills and experience and other qualities including core competencies which the Non-Executive Directors should bring to the Board. Furthermore, the Nomination and Remuneration Committee establishes procedures and processes for the annual assessment of the effectiveness of the Board as a whole, the Committees of the Board and the contributions of each individual Director.

2.3 Remuneration Policies

The aggregate remuneration of Directors of the Company for the financial year ended 30 June 2014 are categorised into the following components:-

	Fees (RM)	Salaries & Other Emoluments (RM)	Benefit-in-kind (RM)	Total (RM)
Executive Directors	128,000	2,516,076	19,800	2,663,876
Non-Executive Directors	245,183	-	-	245,183

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

Remuneration Band	Executive Directors	Non-Executive Directors
Below RM50,000	-	2
RM50,001- RM100,000	2	3
RM600,001-RM650,000	1	-
RM1,850,001-RM1,900,000	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 namely, YM Raja Shamsul Kamal Bin Raja Shahruzzaman, Mr Chiam Tau Meng, Mr Chuah Chaw Teo, and Dato' Che Mohd Zin Bin Che Awang 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 years, an Independent Director may continue to serve the Board subject to the Director's re-designation as a Non-Independent Director. In the event the Board wishes to retain such Director as an Independent Director, the Board will need to justify and seek shareholders' approval.

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

YM Raja Shamsul Kamal Bin Raja Shahruzzaman and Mr 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 34th 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 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.

3.5 Composition of the Board

Currently, the Board consists of seven (7) members comprising four (4) Independent Non-Executive Directors, two (2) Executive Directors and one (1) Chairman & Managing Director. This 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 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 9 and 10.

PRINCIPLE 4 – FOSTER COMMITMENT

4.1 Time Commitment

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.

During the financial year ended 30 June 2014, the Board met five (5) times during the financial year ended 30 June 2014 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 2014 are as follows:-

Directors	Designation	Attendance
Ho Sue San @ David Ho Sue San	Chairman & Managing Director	5/5
YM Raja Shamsul Kamal Bin Raja Shahruzzaman	Senior Independent Non-Executive Director	5/5
Chiam Tau Meng (Appointed on 7 April 2014)	Independent Non-Executive Director	1/1
Chuah Chaw Teo	Independent Non-Executive Director	5/5
Dato' Che Mohd Zin Bin Che Awang	Independent Non-Executive Director	5/5
Yuen Kah Hay (Appointed on 2 January 2014)	Executive Director	2/2
Goh Tian Hock (Appointed on 2 January 2014)	Executive Director	2/2
Liong Kam Hon (Resigned on 29 November 2013)	Executive Director	1/3
Leong Kwok Yee (Resigned on 2 April 2014)	Independent Non-Executive Director	4/4

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

4.2 Directors' Training

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

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

Seminars and training programmes attended by the Directors during the financial year ended 30 June 2014 are as follows:

Name	Seminar/Training Programme
Ho Sue San @ David Ho Sue San	UOB Cross Currency Swap Presentation Seminar On The Use Of Generic Drugs The 7th World Bioenergy Symposium Global Oils & Fats Forum 2013 Malaysian International Palm Oil Congress 2013
Chiam Tau Meng	The New Landscape for Global Political Risk Management Risk Management & Internal Control
Chuah Chaw Teo	Management Leadership Succession Integrating Safety and Quality in Developing Excellence
Yuen Kah Hay	Mandatory Accreditation Programme
Goh Tian Hock	Customs Appeal Tribunal Talk MIDA Incentive Briefing Mandatory Accreditation Programme BioNexus Funding Seminar

During the financial year ended 30 June 2014, YM Raja Shamsul Kamal Bin Raja Shahruzzaman and Dato' Che Mohd Zin Bin Che Awang 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 Financial Reporting Standards and the provisions of the Act in Malaysia before the Financial Statements are recommended to the Board for approval and release to the public.

The Audit Committee also assists the Board in examining and reviewing information for disclosure to ensure accuracy, completeness and quality of reporting prior to official release to regulatory authorities and shareholders.

Statement of Directors' Responsibilities

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

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

In preparing the financial statements, the Directors have:

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

The Statement of Directors pursuant to the Act is set out on Page 90 in this Annual Report.

5.2 Assessment of Suitability and Independence of External Auditors

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

The Audit Committee is also responsible to assess the suitability and independence of external auditors. The external auditors are invited to attend the Audit Committee meetings when deem necessary. The Audit Committee meets the external auditors to review the scope and adequacy of the audit process, the financial statements and their audit findings.

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

During the financial year ended 30 June 2014, the Audit Committee met twice (2) with the external auditors without the presence of the management.

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

PRINCIPLE 6 – RECOGNISE AND MANAGE RISKS

6.1 Sound Framework to Manage Risks

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

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

6.2 Internal Audit Function

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

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

PRINCIPLE 7 – ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

7.1 Corporate Disclosure Policy

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

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

7.2 Leverage on Information Technology for Effective Dissemination of Information

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

PRINCIPLE 8 – STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

8.1 Encourage Shareholder Participant at General Meetings

The Company encourages all shareholders to attend the Company's AGM as AGM provides a forum for dialogue with shareholders where they may seek clarification on the major business developments and financial performance of the Company and the Group. Notice of the AGM and related papers are distributed to shareholders at least twenty one (21) days before the meeting to enable shareholders to go through the Annual Report and papers supporting the resolutions proposed. Shareholders who are unable to attend are allowed to appoint proxies to attend and vote on their behalf.

8.2 Encourage Poll Voting

At the AGM, shareholders have the right to demand a poll vote for resolutions and the detailed results showing the number of votes cast for and against each resolution will be announced through Bursa Securities. All resolutions put for the shareholders' approval at the 33rd AGM held last year were voted by a show of hands and duly passed.

8.3 Effective Communication and Proactive Engagement

At the AGM, shareholders have the opportunity to enquire on the Company's performance and operations and are invited to ask questions during the question and answer session. All members of the Board, as well as the Group's External Auditors, are available to respond to shareholders' queries raised at the AGM.

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

ADDITIONAL COMPLIANCE INFORMATION

- **Share Buy-Back**

  There was no share buy-back during the financial year ended 30 June 2014.

- **Options, Warrants or Convertible Securities**

  On 10 June 2013, Renounceable Rights Issue of 381,040,000 five (5)-year new warrants ("Warrants") were listed and quoted on Bursa Securities with an issue price of RM0.02 per warrant, on the basis of one (1) warrant for every two (2) existing ordinary shares of RM0.10 in the Company. During the financial year ended 30 June 2014, a total of 1,727,000 new ordinary shares of RM0.10 each were issued and allotted pursuant to the exercise of the Warrants.

- **American Depository Receipt ("ADR") or Global Depository Receipt ("GDR") Programme**

  The Company does not have ADR and GDR programme in place.

- **Sanctions and/or Penalties**

  There were no sanctions and/or penalties imposed on the Group, Directors or management by the relevant regulatory bodies during the financial year under review.

- **Non-Audit Fees**

  The amount of non-audit fees paid to external auditors by the Company and its subsidiary companies for the financial year ended 30 June 2014 was RM60,000.

- **Profit Forecast and Profit Guarantee**

  There were no profit forecast and profit guarantee given by the Company during the financial year.

- **Material Contracts**

  There were no material contracts (not being contracts entered into in the ordinary course of business) entered into by the Company and/or its subsidiaries involving Directors' and major shareholders' interest, either still subsisting at the end of the financial year ended 30 June 2014 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 2014 between the Company and its subsidiary companies are disclosed in Note 32 of the Financial Statements.

- **Revaluation Policy**

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

This Statement on Corporate Governance is made in accordance with a resolution of the Board dated 27 October 2014.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

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

BOARD RESPONSIBILITIES

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

RISK MANAGEMENT FRAMEWORK

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

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

OTHER COMPONENTS OF INTERNAL CONTROL SYSTEM

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

Board and Management Meetings

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

Audit Committee

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

Organisation Structure

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

Performance Management Framework

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

Operational Policies and Procedures

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

INTERNAL AUDIT FUNCTION

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

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

The cost incurred for the external independent internal audit services in respect of the financial year 2014 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 2014 and the External Auditors have reported to the Board that nothing has come to their attention that causes them to believe that the Statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and effectiveness of the system of risk management and internal control.

THE BOARD'S STATEMENT

The Board has received assurance from the Managing Director and Chief Financial Officer that the Company's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management framework adopted by the Group. There is an on-going process in identifying, evaluating and managing the significant risks faced by the Group and there were no material losses which occurred during the financial year ended 30 June 2014 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 27 October 2014.

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
Chuah Chaw Teo	Member	Independent Non-Executive Director
Dato' Che Mohd Zin Bin Che Awang	Member	Independent Non-Executive Director

MEETINGS AND ATTENDANCE

During the financial year ended 30 June 2014, the Committee convened five (5) meetings. The records of attendance of the Committee members are as follows:

Name	Attendance/ No. of Meetings Held
Chiam Tau Meng (Appointed on 7 April 2014) (Redesignated as Chairman of the Committee on 30 May 2014)	1/1
YM Raja Shamsul Kamal Bin Raja Shahruzzaman	5/5
Chuah Chaw Teo	5/5
Dato' Che Mohd Zin Bin Che Awang	5/5
Leong Kwok Yee (Resigned on 2 April 2014)	4/4

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

TERMS OF REFERENCE

Authority

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

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

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

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

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

(e) have direct communication channels with the external auditors, internal auditors and all employees of the Group;

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

(g) make recommendations for improvements of operating performance based on internal and external auditors' recommendations.

Composition

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

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

    (b) an alternate Director.

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

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

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

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

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

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

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

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

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

AUDIT COMMITTEE REPORT (CONTINUED)

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

Meetings

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

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

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

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

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

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

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

Responsibilities

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

External Audit

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

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

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

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

   (b) his audit report and audit plan;

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

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

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

   (f) the non-audit services provided by the external auditors to ensure there was no impairment of independence or objectivity.

Internal Audit

Where the internal audit function is concerned:

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

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

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

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

Financial Reporting

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

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

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

(c) significant and unusual events; and

(d) the going concern assumption.

Risk Management

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

Related Party Transactions

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

Others

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

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 2014 up to 27 October 2014 were as follows:

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

INTERNAL AUDIT FUNCTIONS

The Company has engaged an external independent internal audit service provider to carry out the internal audit function to assist the Committee. The internal audit functions are set out in the Statement on Risk Management and Internal Control on Page 22.

During the financial year ended 30 June 2014, 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 2014;
2. prepared and presented an internal audit plan, audit strategy and audit scope of work for the Group;
3. reported on reviews carried out in previous and current cycles of the financial year;
4. reviewed and reported on the internal audit observations from the assessment of adequacy and effectiveness of internal controls used in managing the related processes for achievement of the corporate strategic goals of (i) revenue growth; (ii) leader in GMP; and (iii) business driven through LEAN; and
5. reported on the follow-up of management's implementation status of the prior internal audit recommendations.

Financial Statements

DIRECTORS' REPORT

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the year ended 30 June 2014.

PRINCIPAL ACTIVITIES

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

FINANCIAL RESULTS

	GROUP RM'000	COMPANY RM'000
Profit for the year attributable to:		
Owners of the Company	18,084	18,213
Non-controlling interests	218	-
	18,302	18,213

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 13 September 2013, declared an interim dividend of 1.3 sen per ordinary share less 25% tax in respect of the financial year ended 30 June 2013, and paid on 20 November 2013;

ii. on 21 March 2014, declared an interim dividend 0.5 sen per ordinary share under the single tier system in respect of the financial year ended 30 June 2014, and paid on 18 April 2014; and

iii. on 26 August 2014, declared an interim dividend 0.5 sen per ordinary share under the single tier system in respect of the financial year ended 30 June 2014, and paid on 3 October 2014.

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 2015.

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
Chuah Chaw Teo
Dato' Che Mohd Zin Bin Che Awang
Goh Tian Hock (appointed on 2 January 2014)
Yuen Kah Hay (appointed on 2 January 2014)
Chiam Tau Meng (appointed on 7 April 2014)
Liong Kam Hon (resigned on 29 November 2013)
Leong Kwok Yee (resigned on 2 April 2014)

DIRECTORS' INTERESTS

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

	← - - - Number of ordinary shares of RM0.10 each - - - - →			
	Balance at 1.7.2013/ Date of appointment	**Bought**	**Sold**	**Balance at 30.6.2014**
Shareholdings in the Company				
Direct interests:				
Ho Sue San @ David Ho Sue San	313,041,400	-	26,265,000	286,776,400
Goh Tian Hock	1,765,830	-	-	1,765,830
Yuen Kah Hay	281,555	50,000	-	331,555

	← - - - - - *Number of Warrants over ordinary shares of RM0.10 each - - - - - →			
	Balance at 1.7.2013/ Date of appointment	**Allotment**	**Sold**	**Balance at 30.6.2014**
Warrant holdings in the Company				
Direct interests:				
Ho Sue San @ David Ho Sue San	169,597,720	-	11,168,600	158,429,120
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 32.

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

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company issued 1,727,000 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.

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").

WARRANTS (continued)

The salient terms of the Warrants are as follows:

(a) The issue date of the Warrants is 6 June 2013. 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, 1,727,000 shares have been issued by virtue of the exercise of Warrants to take up unissued shares of the Company. As at the end of the financial year, 379,313,000 Warrants remained unexercised.

OPTIONS GRANTED OVER UNISSUED SHARES

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

OTHER STATUTORY INFORMATION

Before the statements of profit or loss and other comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:

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

(ii) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

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

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

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

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

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

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

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

In the opinion of the Directors:

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

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

(iii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of operations of the Group and of the Company for the current financial year in which this report is made.

SIGNIFICANT EVENT

Details of such event are 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
27 October 2014

STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2014

	Note	GROUP 2014 RM'000	GROUP 2013 RM'000 Restated	COMPANY 2014 RM'000	COMPANY 2013 RM'000 Restated
Assets					
Non-current assets					
Property, plant and equipment	4	98,415	111,555	67,864	66,723
Intangible assets	5	18,008	18,860	18,404	19,395
Investment properties	6	2,400	2,000	-	-
Investment in subsidiaries	7	-	-	13,777	16,279
Other investment	8	-	-	-	-
Deferred tax assets	9	520	451	-	-
Total non-current assets		119,343	132,866	100,045	102,397
Current assets					
Inventories	10	26,494	26,337	15,276	13,519
Receivables, deposits and prepayments	11	40,480	37,672	61,829	51,877
Cash and deposits	12	22,670	26,805	9,482	18,043
Total current assets		89,644	90,814	86,587	83,439
Assets classified as held for sale	13	18,725	-	4,073	-
Total assets		227,712	223,680	190,705	185,836
Equity and liabilities					
Equity					
Share capital	14	76,381	76,208	76,381	76,208
Share premium	14	263	90	263	90
Reserves	14	32,489	31,995	19,383	19,428
Retained earnings	14	52,036	44,718	46,928	39,565
Total equity attributable to owners of the Company		161,169	153,011	142,955	135,291
Non-controlling interests	7	4,988	4,680	-	-
Total equity		166,157	157,691	142,955	135,291
Liabilities					
Non-current liabilities					
Deferred tax liabilities	9	11,956	13,998	12,479	12,729
Provision for retirement benefits	15	3,214	3,902	2,836	3,902
Loans and borrowings	16	2,142	4,215	833	2,321
Long term advances	17	-	6,067	-	-
Total non-current liabilities		17,312	28,182	16,148	18,952
Current liabilities					
Loans and borrowings	16	3,864	7,978	3,273	5,659
Payables and accruals	18	24,759	27,405	23,620	23,291
Tax payable		4,826	2,424	4,709	2,643
Total current liabilities		33,449	37,807	31,602	31,593
Liabilities classified as held for sale	13	10,794	-	-	-
Total liabilities		61,555	65,989	47,750	50,545
Total equity and liabilities		227,712	223,680	190,705	185,836

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2014

	Note	GROUP 2014 RM'000	GROUP 2013 RM'000 Restated	COMPANY 2014 RM'000	COMPANY 2013 RM'000 Restated
Revenue	19	183,542	172,510	135,899	128,942
Advertisement and promotions		(3,247)	(4,197)	(1,839)	(3,014)
Amortisation of intangible assets		(596)	(550)	(596)	(550)
Allowance for slow moving inventories		(545)	-	(128)	-
Changes in inventories of work-in-progress and finished goods		46	(702)	1,065	(950)
Depreciation of property, plant and equipment		(5,440)	(5,320)	(3,888)	(3,737)
Finance costs	20	(1,368)	(2,369)	(360)	(1,315)
Finance income	21	1	3	2,384	2,084
Impairment loss on receivables		(163)	(339)	-	-
Inventories written back		-	12	-	12
Inventories written down		(33)	(307)	(33)	(24)
Inventories written off		(521)	(428)	(366)	(319)
Other expenses		(15,657)	(13,159)	(15,616)	(13,513)
Other income		2,739	2,225	6,760	6,720
Purchase of trading goods		(3,948)	(3,533)	-	-
Raw materials and packing materials used		(65,729)	(58,357)	(59,485)	(54,843)
Reversal of impairment loss on receivables		115	718	-	726
Sales commission		(1,760)	(1,604)	-	-
Staff costs		(44,100)	(43,396)	(25,175)	(25,665)
Transportation and freight charges		(3,142)	(3,328)	(1,362)	(1,686)
Upkeep, repair and maintenance expenses		(7,427)	(5,739)	(6,780)	(4,950)
Utilities and fuel		(7,958)	(6,372)	(6,133)	(4,874)
Profit before tax	22	24,809	25,768	24,347	23,044
Income tax expense	23	(6,507)	(5,888)	(6,134)	(5,741)
Profit for the year		18,302	19,880	18,213	17,303
Other comprehensive (loss)/income, net of tax					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of retirement benefit liabilities		645	(2,461)	524	(2,461)
Revaluation of land and buildings		-	23,778	-	9,769
Tax effect on items that will not be reclassified to profit or loss		(162)	(1,728)	(125)	(1,159)
Item that will be reclassified subsequently to profit or loss:					
Foreign exchange translation differences for foreign operations		582	(781)	-	-
Total other comprehensive income for the year		1,065	18,808	399	6,149
Total comprehensive income for the year		19,367	38,688	18,612	23,452
Profit attributable to:					
Owners of the Company		18,084	19,734	18,213	17,303
Non-controlling interests		218	146	-	-
Profit for the year		18,302	19,880	18,213	17,303
Total comprehensive income attributable to:					
Owners of the Company		19,106	38,767	18,612	23,452
Non-controlling interests		261	(79)	-	-
Total comprehensive income for the year		19,367	38,688	18,612	23,452
Earnings per share					
Basic earnings per share (sen)	24	2.37	2.59		
Diluted earnings per share (sen)	24	1.89	2.34		

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2014

GROUP

	Note	Share capital RM'000	Share premium RM'000	Reserves classified as held for sale RM'000	Other reserves RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
		← Attributable to owners of the Company					→		
			← Non-distributable		→	Distributable			
At 1 July 2012, previously reported		76,208	90	-	11,029	19,459	106,786	4,485	111,271
Effect of adopting MFRS 119		-	-	-	-	145	145	-	145
At 1 July 2012, restated		76,208	90	-	11,029	19,604	106,931	4,485	111,416
Foreign exchange translation differences for foreign operations	14	-	-	-	(556)	-	(556)	(225)	(781)
Revaluation of land and buildings		-	-	-	21,459	-	21,459	-	21,459
Remeasurement of retirement benefit liabilities		-	-	-	-	(1,870)	(1,870)	-	(1,870)
Total other comprehensive income/(loss)		-	-	-	20,903	(1,870)	19,033	(225)	18,808
Profit for the year		-	-	-	-	19,734	19,734	146	19,880
Total comprehensive income/(loss)		-	-	-	20,903	17,864	38,767	(79)	38,688
Transactions with owners:									
Issuance of Warrants 2013/2018		-	-	-	7,621	-	7,621	-	7,621
Warrant issue expenses		-	-	-	(554)	-	(554)	-	(554)
Realisation of reserve upon expiry of Warrants 2008/2013		-	-	-	(7,004)	7,004	-	-	-
Issuance of shares to non-controlling interests		-	-	-	-	-	-	520	520
Dilution of interest in a subsidiary		-	-	-	-	246	246	(246)	-
		-	-	-	63	7,250	7,313	274	7,587
At 30 June 2013, restated		76,208	90	-	31,995	44,718	153,011	4,680	157,691
Foreign exchange translation differences for foreign operations	14	-	-	-	539	-	539	43	582
Remeasurement of retirement benefit liabilities		-	-	-	-	483	483	-	483
Total other comprehensive income		-	-	-	539	483	1,022	43	1,065
Profit for the year		-	-	-	-	18,084	18,084	218	18,302
Total comprehensive income		-	-	-	539	18,567	19,106	261	19,367
Reserve attributable to disposal group classified as held for sale	13	-	-	(618)	618	-	-	-	-
Transactions with owners:									
Conversion of warrants		173	173	-	(34)	-	312	-	312
Warrant issue expenses		-	-	-	(11)	-	(11)	-	(11)
Dividends to owners	25	-	-	-	-	(11,249)	(11,249)	-	(11,249)
Issuance of shares to non-controlling interests		-	-	-	-	-	-	47	47
		173	173	-	(45)	(11,249)	(10,948)	47	(10,901)
At 30 June 2014		76,381	263	(618)	33,107	52,036	161,169	4,988	166,157
		Note 14.1	Note 14.2	Note 14.3					

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

COMPANY	Note	← Non-distributable Share capital RM'000	Share premium RM'000	Reserves RM'000 →	Distributable Retained earnings RM'000	Total equity RM'000
At 1 July 2012, previously reported		76,208	90	11,346	16,983	104,627
Effect of adopting MFRS 119		-	-	-	145	145
At 1 July 2012, restated		76,208	90	11,346	17,128	104,772
Revaluation of land and buildings		-	-	8,019	-	8,019
Remeasurement of retirement benefit liability		-	-	-	(1,870)	(1,870)
Total other comprehensive income/(loss)		-	-	8,019	(1,870)	6,149
Profit for the year		-	-	-	17,303	17,303
Total comprehensive income		76,208	90	19,365	32,561	128,224
Transactions with owners:						
Issuance of Warrants 2013/2018		-	-	7,621	-	7,621
Warrant issue expenses		-	-	(554)	-	(554)
Realisation of reserve upon expiry of Warrants 2008/2013		-	-	(7,004)	7,004	-
		-	-	63	7,004	7,067
At 30 June 2013, restated		76,208	90	19,428	39,565	135,291
Remeasurement of retirement benefit liability, representing total other comprehensive income		-	-	-	399	399
Profit for the year		-	-	-	18,213	18,213
Total comprehensive income		76,208	90	19,428	58,177	153,903
Transactions with owners:						
Conversion of warrants		173	173	(34)	-	312
Warrant issue expenses		-	-	(11)	-	(11)
Dividends to owners	25	-	-	-	(11,249)	(11,249)
		173	173	(45)	(11,249)	(10,948)
At 30 June 2014		76,381	263	19,383	46,928	142,955
		Note 14.1	Note 14.2	Note 14.3	Note 14.4	

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2014

	Note	GROUP 2014 RM'000	GROUP 2013 RM'000 Restated	COMPANY 2014 RM'000	COMPANY 2013 RM'000 Restated
Cash flows from operating activities					
Profit before tax		24,809	25,768	24,347	23,044
Adjustments for:					
Amortisation of intangible assets		596	550	596	550
Allowance for slow moving inventories		545	-	128	-
Bad debts written off		13	80	13	-
Changes in fair value of investment properties		(400)	(320)	-	-
Provision for retirement benefits		(43)	201	(542)	201
Depreciation of property, plant and equipment		5,440	5,320	3,888	3,737
(Gain)/Loss on disposal of property, plant and equipment		(3)	(60)	-	1
Impairment loss on receivables		163	339	-	-
Revaluation deficit of land and buildings		-	12	-	-
Interest expense		1,368	2,369	360	1,315
Interest income		(1)	(3)	(2,384)	(2,084)
Inventories written down		33	307	33	24
Inventories written off		521	428	366	319
Inventories written back		-	(12)	-	(12)
Product development expenditure written off		2,570	2,545	2,570	2,545
Property, plant and equipment written off		19	42	1	23
Reversal of impairment loss on receivables		(115)	(718)	-	(726)
Unrealised loss/(gain) on foreign exchange		96	323	305	(51)
Operating profit before changes in working capital		35,611	37,171	29,681	28,886
Change in inventories		(2,618)	2,483	(2,284)	3,422
Change in receivables, deposits and prepayments		(4,966)	7,470	(4,275)	5,956
Change in payables and accruals		(618)	(7,380)	(1,282)	(6,891)
Inter-company balances		-	-	(8,244)	88
Bankers' acceptance		(972)	(15,393)	(972)	(15,393)
Revolving credit		-	(6,000)	-	(6,000)
Cash generated from operations		26,437	18,351	12,624	10,068
Tax paid		(4,761)	(5,537)	(4,443)	(4,877)
Net cash from operating activities		21,676	12,814	8,181	5,191
Cash flows from investing activities					
Acquisition of property, plant and equipment	(i)	(6,280)	(3,229)	(5,034)	(2,406)
Additional investment in a subsidiary		-	-	(150)	-
Repayment from subsidiaries		-	-	750	295
Interest received		1	3	2,384	2,084
Proceeds from disposal of property, plant and equipment		25	118	4	8
Product development expenditure incurred		(2,314)	(2,292)	(2,175)	(2,338)
Net cash used in investing activities		(8,568)	(5,400)	(4,221)	(2,357)

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

	Note	GROUP 2014 RM'000	GROUP 2013 RM'000 Restated	COMPANY 2014 RM'000	COMPANY 2013 RM'000 Restated
Cash flows from financing activities					
Advances from subsidiaries		-	-	1,679	1,353
Interest paid		(2,420)	(1,879)	(349)	(1,206)
Withdrawal/(Placement) of pledged deposits with licensed banks		495	(1,014)	537	(16)
Dividends paid		(11,249)	-	(11,249)	-
Payment of warrants expenses		(11)	-	(11)	-
Proceeds from warrants conversion		312	-	312	-
Proceeds from issuance of warrants		-	7,067	-	7,067
Proceeds from issuance of shares to non-controlling interests		47	520	-	-
Repayments of finance lease liabilities		(490)	(1,179)	(357)	(1,025)
Repayments of term loans		(2,658)	(3,037)	(2,190)	(1,596)
Drawdown on term loans		-	62	-	-
Acquisition of a subsidiary		-	*	-	-
Net cash (used in)/from financing activities		(15,974)	540	(11,628)	4,577
Cash and cash equivalents					
Change in cash and cash equivalents		(2,866)	7,954	(7,668)	7,411
Effect of exchange rates fluctuation on cash held		(17)	96	(1)	-
At 1 July		23,139	15,089	17,094	9,683
At 30 June	(ii)	20,256	23,139	9,425	17,094

NOTES TO THE STATEMENTS OF CASH FLOWS

(i) Acquisition of property, plant and equipment

Analysis of acquisition of property, plant and equipment:

	GROUP 2014 RM'000	GROUP 2013 RM'000	COMPANY 2014 RM'000	COMPANY 2013 RM'000
Finance lease liabilities	-	106	-	-
Cash outright acquisition	6,280	3,229	5,034	2,406
	6,280	3,335	5,034	2,406

(ii) Cash and cash equivalents

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

	GROUP 2014 RM'000	GROUP 2013 RM'000	COMPANY 2014 RM'000	COMPANY 2013 RM'000
Cash and deposits (Note 12)	21,570	25,206	9,425	17,449
Bank overdrafts	-	(2,067)	-	(355)
	21,570	23,139	9,425	17,094
Less: Classified as held for sale (Note 13)				
Cash and deposits	347	-	-	-
Bank overdrafts	(1,661)	-	-	-
	(1,314)	-	-	-
	20,256	23,139	9,425	17,094

* less than RM1

NOTES TO THE FINANCIAL STATEMENTS
- 30 JUNE 2014

1. GENERAL INFORMATION

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

Registered office/Principal place of business

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

The consolidated financial statements of the Company as at and for the year ended 30 June 2014 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities").

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

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Board of Directors on 27 October 2014.

2. BASIS OF PREPARATION

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

(a) Basis of Measurement

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

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

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

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

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

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

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

Level 1 - Quote (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 determines 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.

(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.

2. BASIS OF PREPARATION (continued)

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

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

In the current financial year, the Group and the Company have applied a number of new and revised MFRSs and amendments to MFRSs that are mandatorily effective for accounting periods that begin on or after 1 July 2013.

The nature and the impact of these new standards and amendments to standards which are prospectively applicable to the Group and the Company are disclosed below, except for the MFRS 119 which is retrospectively applicable to the Group and the Company.

MFRS 10 Consolidated Financial Statements and MFRS 127 Separate Financial Statements

As a result of MFRS 10, the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. MFRS 10 introduces a new control model that focuses on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns.

Management has reviewed its control assessments in accordance with MFRS 10 and has concluded that there is no effect on the classification (as subsidiaries or otherwise) of any of the Group’s investees held during the period or comparative periods covered by these financial statements.

MFRS 12 Disclosure of Interests in Other Entities

MFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of MFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.

MFRS 13 Fair Value Measurement

The Group and the Company have applied MFRS 13 for the first time in the current period. MFRS 13 established a single source of guidance and disclosure for fair value measurements. The scope of MFRS 13 is broad. The fair value measurement requirements of MFRS 13 apply to both financial instrument items and non-financial instrument items for which other MFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of MFRS 2 Share-based Payment, leasing transaction that are within the scope of MFRS 117 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

MFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under MFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, MFRS 13 includes extensive disclosure requirements.

MFRS 13 requires prospective application from 1 January 2013. In addition, specific transition provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Group has not made any new disclosures required by MFRS 13 for the comparative period. Other than the additional disclosures, the application of MFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Amendments to MFRS 101 Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income

The Group and the Company adopted amendments to MFRS 101 on 1 July 2013. The amendments to MFRS 101 introduce a grouping of items presented in other comprehensive income. Items that will be reclassified or recycled to profit or loss at a future point in time (e.g. gain or loss on available-for-sale financial assets) have to be presented separately from items that will not be reclassified or recycled to profit or loss at a future point in time (e.g. revaluation of land and buildings). The amendments affect presentation only and have no impact on the Group’s and the Company’s financial position or performance.

MFRS 119 Employee Benefits

In the current year, the Group has applied MFRS 119 Employee Benefits and the related consequential amendments for the first time.

2. BASIS OF PREPARATION (continued)

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

MFRS 119 Employee Benefits (continued)

MFRS 119 changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the "corridor approach" permitted under the previous version of MFRS 119 and accelerate the recognition of past service cost. All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of MFRS 119 are replaced with a "net interest" amount under MFRS 119, which is calculated by applying the discount rate to the net defined benefit liability or asset.

The adoption of new/revised standards does not have material impact on the Group's and Company's financial statements, except for MFRS 119.

(d) Standards issued but not yet effective

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

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

MFRS 9 Financial Instruments

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

The Group and the Company are in the process of making assessment of the impact of the adoption of MFRS 9.

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

Revaluation of investment properties

The Group carries its investment properties at fair value, with changes in fair values being recognised in the statement of profit or loss. The Group engaged independent professional valuer to determine fair value as at 30 June 2014. The relevant valuation bases are disclosed in Note 6.

2. BASIS OF PREPARATION (continued)

(e) Use of estimates and judgements (continued)

Estimation uncertainty (continued)

Impairment of intangible assets

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

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

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

Defined benefit liabilities

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

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

Significant management judgement

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

Classification between investment properties and owner-occupied properties

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

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

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

Leases

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

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently by the Group and the Company to the periods presented in these financial statements, unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiaries

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

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

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

(ii) Business combinations and Goodwill

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

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

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

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

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

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

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

(iii) Non-controlling interests

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

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

NOTES TO THE FINANCIAL STATEMENTS
- 30 JUNE 2014 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of consolidation (continued)

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

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

(v) Loss of control

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

(vi) Transactions eliminated on consolidation

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

(b) Foreign currencies

(i) Transactions and balances

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

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

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

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

(ii) Operations denominated in functional currencies other than RM

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

(c) Financial instruments

(i) Initial recognition and measurement

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

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

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.

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

Available-for-sale financial assets

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

Financial liabilities

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

(iii) Derecognition

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

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

(d) Property, plant and equipment

(i) Recognition and measurement

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Property, plant and equipment (continued)

(i) Recognition and measurement (continued)

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

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

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

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

(e) Leased assets

(i) Finance lease

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Leased assets (continued)

(ii) Operating lease

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

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

(f) Intangible assets

(i) Goodwill

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

(ii) Product development expenditure

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

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

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

(iii) Other intangible assets

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

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

(iv) Subsequent expenditure

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

(v) Amortisation

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Investment properties

(i) Investment properties carried at fair value

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

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

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

(ii) Reclassification to/from investment property

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

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

(iii) Determination of fair value

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

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

(h) Inventories

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

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

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

(i) Non-current assets held for sale

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

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

(j) Cash and cash equivalents

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS
- 30 JUNE 2014 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Equity instruments

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

(i) Issue expenses

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

(ii) Repurchase of share capital

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

(iii) Dividend payments

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

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

(iv) Warrants reserve

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

(m) Employee benefit

(i) Short-term employee benefits

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

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

(ii) Defined contribution plans

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

(iii) Defined benefits plan

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

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Provisions and contingent liabilities

(i) Provisions

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

(ii) Contingent liabilities

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

(o) Revenue and other income

(i) Goods sold

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

(ii) Services

Revenue from services is recognised upon services rendered.

(iii) Rental income

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

(iv) Dividend income

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

(v) Interest income

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

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Income tax

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

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

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

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

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

(r) Earnings per share

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

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

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise warrants issued by the Company.

(s) Operating segment

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

(t) Related parties

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

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

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

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

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

4. PROPERTY, PLANT AND EQUIPMENT

GROUP

Cost/Valuation	Land and buildings (Note 4.1) RM'000	Plant, machinery and electrical equipment RM'000	Motor vehicles RM'000	Furniture, fittings, office, laboratory and factory equipment, electrical installation and renovation RM'000	Capital work-in-progress RM'000	Total RM'000
At 1 July 2012	46,450	59,393	5,212	26,446	1,080	138,581
Additions	218	706	265	1,718	428	3,335
Transfer	18	532	-	-	(550)	-
Revaluation	23,766	-	-	-	-	23,766
Transfer from accumulated depreciation on revaluation	(2,477)	-	-	-	-	(2,477)
Write off	-	(34)	-	(325)	-	(359)
Disposals	-	(6)	(173)	(20)	-	(199)
Exchange differences	(544)	(843)	(34)	(55)	-	(1,476)
At 30 June 2013	67,431	59,748	5,270	27,764	958	161,171
Additions	454	1,767	40	2,335	1,684	6,280
Transfer	122	3	-	108	(233)	-
Write off	-	-	-	(49)	-	(49)
Disposals	-	-	(46)	(14)	-	(60)
Exchange differences	523	155	4	20	-	702
Transfer to assets held for sale (Note 13)	(4,918)	(13,612)	(126)	(796)	-	(19,452)
At 30 June 2014	63,612	48,061	5,142	29,368	2,409	148,592
Representing items at:						
Cost	576	48,061	5,142	29,368	2,409	85,556
Valuation	63,036	-	-	-	-	63,036
	63,612	48,061	5,142	29,368	2,409	148,592
Accumulated depreciation/ impairment losses						
At 1 July 2012						
Accumulated depreciation	1,949	28,912	3,295	13,252	-	47,408
Accumulated impairment losses	-	110	-	9	-	119
	1,949	29,022	3,295	13,261	-	47,527
Transfer to cost/valuation on revaluation	(2,477)	-	-	-	-	(2,477)
Charge for the year	546	2,796	469	1,509	-	5,320
Write off	-	(30)	-	(287)	-	(317)
Disposals	-	(4)	(131)	(6)	-	(141)
Exchange differences	(18)	(234)	(19)	(25)	-	(296)
At 30 June 2013						
Accumulated depreciation	-	31,440	3,614	14,443	-	49,497
Accumulated impairment losses	-	110	-	9	-	119
	-	31,550	3,614	14,452	-	49,616

NOTES TO THE FINANCIAL STATEMENTS
- 30 JUNE 2014 (CONTINUED)

4. PROPERTY, PLANT AND EQUIPMENT (continued)

GROUP

Accumulated depreciation/ impairment losses (continued)	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 2013	-	31,550	3,614	14,452	-	49,616
Charge for the year	762	2,694	372	1,612	-	5,440
Write off	-	-	-	(30)	-	(30)
Disposals	-	-	(31)	(7)	-	(38)
Exchange differences	-	45	-	6	-	51
Transfer to assets held for sale (Note 13)	(74)	(4,319)	(84)	(385)	-	(4,862)
At 30 June 2014						
Accumulated depreciation	688	29,860	3,871	15,639	-	50,058
Accumulated impairment losses	-	110	-	9	-	119
	688	29,970	3,871	15,648	-	50,177
Carrying amounts						
At 30 June 2014	62,924	18,091	1,271	13,720	2,409	98,415
At 30 June 2013	67,431	28,198	1,656	13,312	958	111,555

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 2012	29,453	44,626	3,213	19,319	1,080	97,691
Transfer	-	532	-	-	(532)	-
Additions	92	627	-	1,291	396	2,406
Revaluation	9,769	-	-	-	-	9,769
Transfer from accumulated depreciation on revaluation	(1,953)	-	-	-	-	(1,953)
Write off	-	(34)	-	(269)	-	(303)
Disposals	-	(5)	-	(11)	-	(16)
At 30 June 2013	37,361	45,746	3,213	20,330	944	107,594
Transfer	109	3	-	107	(219)	-
Additions	290	1,099	-	1,961	1,684	5,034
Write off	-	(1)	-	(2)	-	(3)
Disposals	-	-	-	(7)	-	(7)
At 30 June 2014	37,760	46,847	3,213	22,389	2,409	112,618
Representing items at:						
Cost	399	46,847	3,213	22,389	2,409	75,257
Valuation	37,361	-	-	-	-	37,361
	37,760	46,847	3,213	22,389	2,409	112,618

NOTES TO THE FINANCIAL STATEMENTS
- 30 JUNE 2014 (CONTINUED)

4. PROPERTY, PLANT AND EQUIPMENT (continued)

COMPANY

Accumulated depreciation/ impairment losses	Land and buildings (Note 4.1) RM'000	Plant, machinery and electrical equipment RM'000	Motor vehicles RM'000	Furniture, fittings, office, laboratory and factory equipment, electrical installation and renovation RM'000	Capital work-in-progress RM'000	Total RM'000
At 1 July 2012						
Accumulated depreciation	1,526	25,075	2,397	10,257	-	39,255
Accumulated impairment losses	-	110	-	9	-	119
	1,526	25,185	2,397	10,266	-	39,374
Charge for the year	427	2,120	158	1,032	-	3,737
Transfer to cost/valuation on revaluation	(1,953)	-	-	-	-	(1,953)
Write off	-	(30)	-	(250)	-	(280)
Disposals	-	(3)	-	(4)	-	(7)
At 30 June 2013						
Accumulated depreciation	-	27,162	2,555	11,035	-	40,752
Accumulated impairment losses	-	110	-	9	-	119
	-	27,272	2,555	11,044	-	40,871
Charge for the year	604	2,013	132	1,139	-	3,888
Write off	-	(1)	-	(1)	-	(2)
Disposals	-	-	-	(3)	-	(3)
At 30 June 2014						
Accumulated depreciation	604	29,174	2,687	12,170	-	44,635
Accumulated impairment losses	-	110	-	9	-	119
	604	29,284	2,687	12,179	-	44,754
Carrying amounts						
At 30 June 2014	37,156	17,563	526	10,210	2,409	67,864
At 30 June 2013	37,361	18,474	658	9,286	944	66,723

NOTES TO THE FINANCIAL STATEMENTS
- 30 JUNE 2014 (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	Building RM'000	Total RM'000
At 1 July 2012	15,141	6,661	870	23,778	46,450
Additions	73	-	-	145	218
Transfer	-	-	-	18	18
Revaluation	13,912	6,599	890	2,365	23,766
Transfer from accumulated depreciation on revaluation	-	(219)	(210)	(2,048)	(2,477)
Exchange differences	(406)	-	-	(138)	(544)
At 30 June 2013	28,720	13,041	1,550	24,120	67,431
Additions	163	-	-	291	454
Transfer	-	-	-	122	122
Exchange differences	495	-	-	28	523
Transfer to assets held for sale	(2,610)	-	-	(2,308)	(4,918)
At 30 June 2014	26,768	13,041	1,550	22,253	63,612
Representing items at:					
Cost	163	-	-	400	563
Valuation	26,605	13,041	1,550	21,853	63,049
	26,768	13,041	1,550	22,253	63,612
Accumulated depreciation					
At 1 July 2012	-	180	187	1,582	1,949
Transfer to cost/valuation on revaluation	-	(219)	(210)	(2,048)	(2,477)
Charge for the year	-	39	23	484	546
Exchange differences	-	-	-	(18)	(18)
At 30 June 2013	-	-	-	-	-
Charge for the year	-	94	60	608	762
Transfer to assets held for sale	-	-	-	(74)	(74)
At 30 June 2014	-	94	60	534	688
Carrying amounts					
At 30 June 2014	26,768	12,947	1,490	21,719	62,924
At 30 June 2013	28,720	13,041	1,550	24,120	67,431

NOTES TO THE FINANCIAL STATEMENTS
- 30 JUNE 2014 (CONTINUED)

4. PROPERTY, PLANT AND EQUIPMENT (continued)

4.1 Land and buildings (continued)

COMPANY

Cost/Valuation	Freehold land RM'000	Long-term leasehold land RM'000	Short-term leasehold land RM'000	Building RM'000	Total RM'000
At 1 July 2012	3,075	5,280	870	20,228	29,453
Additions	-	-	-	92	92
Revaluation	2,770	4,997	889	1,113	9,769
Transfer from accumulated depreciation on revaluation	-	(76)	(209)	(1,668)	(1,953)
At 30 June 2013	5,845	10,201	1,550	19,765	37,361
Additions	-	-	-	290	290
Transfer	-	-	-	109	109
At 30 June 2014	5,845	10,201	1,550	20,164	37,760
Representing items at:					
Cost	-	-	-	399	399
Valuation	5,845	10,201	1,550	19,765	37,361
	5,845	10,201	1,550	20,164	37,760
Accumulated depreciation					
At 1 July 2012	-	53	186	1,287	1,526
Charge for the year	-	23	23	381	427
Transfer to cost/valuation on revaluation	-	(76)	(209)	(1,668)	(1,953)
At 30 June 2013	-	-	-	-	-
Charge for the year	-	56	60	488	604
At 30 June 2014	-	56	60	488	604
Carrying amounts					
At 30 June 2014	5,845	10,145	1,490	19,676	37,156
At 30 June 2013	5,845	10,201	1,550	19,765	37,361

(i) Land and buildings of the Group and of the Company were revalued on 30 June 2013 based on valuation carried out by external independent professional valuers. The surpluses arising from the revaluations, net of deferred taxation, have been credited to other comprehensive income and accumulated in equity under the revaluation reserve.

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

Level 2 2014	GROUP RM'000	COMPANY RM'000
Freehold land	26,768	5,845
Long-term leasehold land	12,947	10,145
Short-term leasehold land	1,490	1,490
Buildings	21,719	19,676
	62,924	37,156

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

Comparative fair value information is not presented by virtue of the exemption given in MFRS 13.

4. PROPERTY, PLANT AND EQUIPMENT (continued)

(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	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Freehold land	6,661	8,691	826	826
Leasehold land	6,710	6,770	5,819	5,864
Buildings	13,648	15,851	12,784	13,045

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

	GROUP		COMPANY	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Plant, machinery and electrical equipment				
- carrying amounts at end of the year	-	1,023	-	1,023
Motor vehicles				
- additions during the year	-	106	-	-
- carrying amounts at end of the year	466	743	102	258
Furniture, fittings, office, laboratory and factory equipment				
- carrying amounts at end of the year	-	175	-	175

(iv) Carrying amounts of property, plant and equipment pledged as securities for credit facilities granted to the Group and the Company amounted to RM32,954,000 (2013:RM53,909,000) and RM22,529,000 (2013:RM34,850,000) respectively.

5. INTANGIBLE ASSETS

GROUP

Cost	Note	Goodwill RM'000	Product development expenditure RM'000	Acquired trademark RM'000	Total RM'000
At 1 July 2012		4,407	25,364	770	30,541
Additions		-	2,292	-	2,292
Write off		-	(2,885)	-	(2,885)
At 30 June 2013		4,407	24,771	770	29,948
Additions		-	2,314	-	2,314
Write off		-	(2,697)	-	(2,697)
Classified as held for sale	13	(4,212)	-	-	(4,212)
At 30 June 2014		195	24,388	770	25,353
Accumulated amortisation/impairment losses					
At 1 July 2012					
Accumulated amortisation		-	6,166	489	6,655
Accumulated impairment losses		4,223	-	-	4,223
		4,223	6,166	489	10,878
Amortisation for the year		-	520	30	550
Write off		-	(340)	-	(340)
At 30 June 2013					
Accumulated amortisation		-	6,346	519	6,865
Accumulated impairment losses		4,223	-	-	4,223
		4,223	6,346	519	11,088

NOTES TO THE FINANCIAL STATEMENTS
- 30 JUNE 2014 (CONTINUED)

5. INTANGIBLE ASSETS (continued)

GROUP

	Note	Goodwill RM'000	Product development expenditure RM'000	Acquired trademark RM'000	Total RM'000
Accumulated amortisation/impairment losses (continued)					
At 1 July 2013		4,223	6,346	519	11,088
Amortisation for the year		-	566	30	596
Write off		-	(127)	-	(127)
Classified as held for sale	13	(4,212)	-	-	(4,212)
At 30 June 2014					
Accumulated amortisation		-	6,785	549	7,334
Accumulated impairment losses		11	-	-	11
		11	6,785	549	7,345
Carrying amounts					
At 30 June 2014		184	17,603	221	18,008
At 30 June 2013		184	18,425	251	18,860

COMPANY

	Product development expenditure RM'000	Acquired trademark RM'000	Total RM'000
Cost			
At 1 July 2012	26,038	770	26,808
Additions	2,338	-	2,338
Write off	(2,885)	-	(2,885)
At 30 June 2013	25,491	770	26,261
Additions	2,175	-	2,175
Write off	(2,697)	-	(2,697)
At 30 June 2014	24,969	770	25,739
Accumulated amortisation			
At 1 July 2012	6,167	489	6,656
Amortisation for the year	520	30	550
Write off	(340)	-	(340)
At 30 June 2013	6,347	519	6,866
Amortisation for the year	564	32	596
Write off	(127)	-	(127)
At 30 June 2014	6,784	551	7,335
Carrying amounts			
At 30 June 2014	18,185	219	18,404
At 30 June 2013	19,144	251	19,395

5. INTANGIBLE ASSETS (continued)

Goodwill

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

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

- The discount rate of 14.25% (2013: 14.25%) was used by the management as their expected internal rate of return for a foreign subsidiary.
- Cash flows were projected based on actual operating results in the year immediately before the projected years whereby there are expected efficiency improvements with an assumption of revenue growth of 4% (2013: 4%) per annum.

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

Product development expenditure and acquired trademark

The recoverable amount of the product development expenditure and acquired trademark of the Group and of the Company are based on their value in use calculations and where recoverable amounts are higher than the carrying amounts of the intangibles, no impairment loss was recognised. However, during the year, carrying amounts of product development expenditure of the Group and of the Company of RM2,570,000 (2013: RM2,545,000) was written off as the products are no longer viable.

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

- 10-year cash flows were projected based on past actual operating results and management's assessment of future trends in the consumer market based on both external and internal sources of the product itself or product of its similar nature and its ability to launch to the market in future.
- The average discount rate of 8.5% (2013: 9.0%) used was the management's expected internal rate of return.
- The size of operation will remain, and not be lower than the current operations.
- Approvals from the regulatory bodies in Malaysia on the products are granted, at the stipulated timelines.
- Close monitoring on the timelines and development costs by the management.

6. INVESTMENT PROPERTIES

	GROUP	
	2014 RM'000	2013 RM'000
At fair value		
Brought forward	2,000	1,680
Change in fair value recognised in profit or loss	400	320
Carried forward	2,400	2,000
Included in the above are:		
Freehold land	1,130	1,030
Leasehold land	650	440
Buildings	620	530
	2,400	2,000

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

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

(iii) The investment properties were revalued by independent professional qualified valuers using comparison method on 11 June 2014 and 13 June 2014, have been categorised as Level 2.

NOTES TO THE FINANCIAL STATEMENTS
- 30 JUNE 2014 (CONTINUED)

7. INVESTMENT IN SUBSIDIARIES

	COMPANY 2014 RM'000	2013 RM'000
At cost		
Unquoted shares in Malaysia	6,604	6,454
Less: Accumulated impairment losses		
Brought/Carried forward	(1,750)	(1,750)
	4,854	4,704
Unquoted shares outside Malaysia	4,537	10,141
Less: Accumulated impairment losses	-	(5,604)
Less: Classified as held for sale (Note 13)	(4,073)	-
	464	4,537
Total investment in subsidiaries	5,318	9,241
Amount due from subsidiaries	8,459	7,038
	13,777	16,279

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 (%) 2014	2013	Principal activities
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.
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.
Hovid Limited *	Hong Kong Special Administrative Region, China	60.00	60.00	Trading of pharmaceutical products.
Hovid Life Science Pte. Ltd. *^	India	100.00	100.00	Inactive.
Hovid International Limited ˣ	British Virgin Islands	100.00	100.00	Inactive.

7. INVESTMENT IN SUBSIDIARIES (continued)

Details of subsidiaries are as follows: (continued)

Name of company	Country of incorporation	Effective Group's interest (%) 2014	2013	Principal activities
Hovid Research Sdn. Bhd.	Malaysia	100.00	100.00	Establishing, maintaining and operating laboratories and shops, for the purpose of carrying on chemical, physical and other research and developments in medicine, chemistry, industry and other unrelated or related fields.
Best Practice International Sdn. Bhd.	Malaysia	100.00	100.00	Inactive.
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. Inactive.
Biodeal Pharmaceuticals Private Limited *	India	51.00	51.00	Manufacturing of pharmaceutical and consumer products.
Hovid (Hong Kong) Limited *	Hong Kong Special Administrative Region, China	100.00	100.00	Inactive.

* *Not audited by SJ Grant Thornton.*

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

^ *The latest audited financial statements for this subsidiary are for the year ended 31 March 2014. The Directors have consolidated the results of this subsidiary based on its audited 9 months and unaudited 3 months management financial statements as at 30 June 2014.*

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

	Profit/(Loss) Allocated to NCI 2014 RM'000	2013 RM'000	Accumulated NCI 2014 RM'000	2013 RM'000
Biodeal Pharmaceuticals Private Limited ("BPPL")	(5)	(54)	3,581	3,542
Hovid Limited ("H Ltd")	199	200	1,061	863
Agrovid S.A.S ("Agrovid")	24	*	346	275
	218	146	4,988	4,680

* represents RM489

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

	2014 BPPL RM'000	2014 H Ltd RM'000	2014 Agrovid RM'000	2013 BPPL RM'000	2013 H Ltd RM'000	2013 Agrovid RM'000
Financial position						
Non-current assets	14,590	102	13,059	14,975	86	12,498
Current assets	4,135	6,127	1,825	3,959	5,578	1,005
Non-current liabilities	(7,696)	(7)	-	(7,497)	(282)	(23)
Current liabilities	(3,098)	(3,568)	(1,076)	(3,588)	(3,237)	(528)
Net assets	7,931	2,654	13,808	7,849	2,145	12,952

NOTES TO THE FINANCIAL STATEMENTS
- 30 JUNE 2014 (CONTINUED)

7. INVESTMENT IN SUBSIDIARIES (continued)

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

	2014			2013		
	BPPL RM'000	H Ltd RM'000	Agrovid RM'000	BPPL RM'000	H Ltd RM'000	Agrovid RM'000
Financial performance						
Revenue	12,555	9,440	-	8,959	8,011	-
Profit/(Loss) for the year	(10)	497	(306)	(109)	498	(31)
Other comprehensive income	91	-	-	159	-	-
Total comprehensive income/(loss)	81	497	(306)	50	498	(31)
Cash flows						
Net cash flows from/(used in) operating activities	1,143	923	306	1,937	(496)	(16)
Net cash flows used in investing activities	(228)	(33)	(130)	(132)	(17)	(272)
Net cash flows (used in)/from financing activities	(794)	-	(27)	(1,991)	-	270
Net increase/(decrease) in cash and cash equivalents	121	890	149	(186)	(513)	(18)

8. OTHER INVESTMENT

	GROUP		COMPANY	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 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)
	-	-	-	-

9. DEFERRED TAX ASSETS AND LIABILITIES

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	GROUP		COMPANY	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Deferred tax assets	520	451	-	-
Deferred tax liabilities:				
Property, plant and equipment	(8,900)	(10,959)	(9,423)	(9,690)
Intangible assets	(3,737)	(3,975)	(3,737)	(3,975)
Retirement benefit	681	936	681	936
	(11,956)	(13,998)	(12,479)	(12,729)
Net deferred tax liabilities	(11,436)	(13,547)	(12,479)	(12,729)

Unrecognised deferred tax assets

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

	GROUP	
	2014 RM'000	2013 RM'000
Unabsorbed capital allowances	706	728
Unutilised tax losses	5,350	5,350
	6,056	6,078

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

9. DEFERRED TAX ASSETS AND LIABILITIES (continued)

Movement in temporary differences during the year

GROUP	At 1 July 2012 RM'000	Recognised in profit or loss (Note 23) RM'000	Recognised in equity RM'000	Exchange differences RM'000	At 30 June 2013 RM'000	Recognised in profit or loss (Note 23) RM'000	Recognised in equity RM'000	Exchange differences RM'000	Transferred to liabilities held for sale (Note 13) RM'000	At 30 June 2014 RM'000
Deferred tax liabilities										
- Property, plant and equipment	(6,495)	(2,247)	(2,319)	102	(10,959)	283	-	(23)	1,799	(8,900)
- Intangible assets	(5,038)	1,063	-	-	(3,975)	238	-	-	-	(3,737)
- Others	19	326	591	-	936	(130)	(125)	-	-	681
Deferred tax assets										
- Others	186	276	-	(11)	451	53	17	(1)	-	520
	(11,328)	(582)	(1,728)	91	(13,547)	444	(108)	(24)	1,799	(11,436)
COMPANY										
Deferred tax liabilities										
- Property, plant and equipment	(5,813)	(2,127)	(1,750)	-	(9,690)	267	-	-	-	(9,423)
- Intangible assets	(5,038)	1,063	-	-	(3,975)	238	-	-	-	(3,737)
- Retirement benefit	298	47	591	-	936	(130)	(125)	-	-	681
	(10,553)	(1,017)	(1,159)	-	(12,729)	375	(125)	-	-	(12,479)

10. INVENTORIES

	GROUP 2014 RM'000	GROUP 2013 RM'000	COMPANY 2014 RM'000	COMPANY 2013 RM'000
Raw materials	6,559	8,053	6,559	6,852
Work-in-progress	3,270	1,214	3,270	1,214
Finished goods	9,045	11,273	2,579	3,570
Trading goods	4,752	3,529	-	-
Packing materials	2,868	2,268	2,868	1,883
	26,494	26,337	15,276	13,519
Recognised in profit or loss				
Inventories recognised as cost of sales	87,073	77,925	75,862	71,125
Inventories written off	521	428	366	319
Inventories written down	33	307	33	24
Inventories written back	-	12	-	12
Allowance for slow moving inventories	545	-	128	-

11. RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Note	GROUP 2014 RM'000	GROUP 2013 RM'000	COMPANY 2014 RM'000	COMPANY 2013 RM'000
Trade					
Trade receivables		31,146	30,754	7,181	4,989
Less: Accumulated impairment losses	28.3(i)	(894)	(847)	-	-
		30,252	29,907	7,181	4,989
Amount due from subsidiaries					
- interest bearing		-	-	38,928	30,499
- non-interest bearing		-	-	3,334	3,428
		-	-	42,262	33,927
Less: Accumulated impairment losses	28.3(i)	-	-	(871)	(871)
		-	-	41,391	33,056
Total trade		30,252	29,907	48,572	38,045

NOTES TO THE FINANCIAL STATEMENTS
- 30 JUNE 2014 (CONTINUED)

11. RECEIVABLES, DEPOSITS AND PREPAYMENTS

	GROUP		COMPANY	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Non-trade				
Other receivables	18,085	18,563	17,267	17,934
Less: Accumulated impairment losses	(17,073)	(17,073)	(17,073)	(17,073)
	1,012	1,490	194	861
Amount due from subsidiaries				
- interest bearing	-	-	4,287	6,832
- non-interest bearing	-	-	3,832	3,957
	-	-	8,119	10,789
Less: Accumulated impairment losses	-	-	(3,710)	(3,710)
	-	-	4,409	7,079
	1,012	1,490	4,603	7,940
Prepayments	3,667	1,727	3,275	1,491
Deposits	5,549	4,548	5,379	4,401
Total non-trade	10,228	7,765	13,257	13,832
Total trade and non-trade	40,480	37,672	61,829	51,877

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

	GROUP		COMPANY	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
At 1 July	17,073	17,725	17,073	17,725
Impairment loss reversed	-	(652)	-	(652)
At 30 June	17,073	17,073	17,073	17,073

The amount due from subsidiaries is unsecured, non-interest bearing and has no fixed terms of repayment except for interest bearing portion which is subject to an interest at 9.00% (2013: 9.00%) per annum.

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

	2014 RM'000	2013 RM'000
Trade receivables	-	21
Other receivables	-	614

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

12. CASH AND DEPOSITS

	GROUP		COMPANY	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Deposits with licensed banks	1,100	1,599	57	594
Cash and bank balances	21,570	25,206	9,425	17,449
	22,670	26,805	9,482	18,043

All deposits with licensed banks are pledged for bank facilities granted to the Company. In previous year, all deposits with licensed banks are pledged for bank facilities granted to the Company and a subsidiary.

NOTES TO THE FINANCIAL STATEMENTS
- 30 JUNE 2014 (CONTINUED)

13. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

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

The disposal is expected to be completed by 30 November 2014.

Further details are disclosed in Note 33 to the financial statements.

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

Assets classified as held for sale	**GROUP 2014 RM'000**
Property, plant and equipment	14,590
Inventories	1,362
Trade receivables	2,058
Others receivables, deposits and prepayments	39
Tax recoverable	325
Cash and bank balances	347
Deposits with a licensed bank	4
	18,725
Goodwill on acquisition	4,212
Less: Impairment of goodwill	(4,212)
Total assets classified as held for sale	18,725
Liabilities classified as held for sale	
Trade payables	1,204
Other payables & accruals	233
Bank overdrafts	1,661
Deferred tax liabilities	1,799
Long term advances	5,897
Total liabilities classified as held for sale	10,794
Reserves in BPPL	
Revaluation reserve	622
Exchange Fluctuation Reserve	(1,240)
	(618)

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

Assets classified as held for sale	**COMPANY 2014 RM'000**
Investment in a subsidiary	4,073

14. CAPITAL AND RESERVES

14.1 Share capital

	Par Value RM	**GROUP AND COMPANY 2014 Number of shares ('000)**	**2013 Number of shares ('000)**	**2014 RM'000**	**2013 RM'000**
Authorised					
Brought/Carried forward	0.10	2,000,000	2,000,000	200,000	200,000
Issued and fully paid ordinary shares					
At 1 July	0.10	762,080	762,080	76,208	76,208
Add: Conversion of warrants		1,727	-	173	-
At 30 June		763,807	762,080	76,381	76,208

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

NOTES TO THE FINANCIAL STATEMENTS
- 30 JUNE 2014 (CONTINUED)

14. CAPITAL AND RESERVES (continued)

14.2 Share premium

	GROUP AND COMPANY	
Non-distributable	**2014 RM'000**	**2013 RM'000**
At 1 July	90	90
Add: Conversion of warrants	173	-
At 30 June	263	90

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

14.3 Reserves

	GROUP		COMPANY	
Non-distributable	**2014 RM'000**	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Exchange fluctuation reserve				
Brought forward	(1,239)	(683)	-	-
Foreign exchange translation differences for foreign operations	539	(556)	-	-
Reserve classified as held for sale (Note 13)	1,240	-	-	-
Carried forward	540	(1,239)	-	-
Warrant reserve				
Brought forward	7,067	7,004	7,067	7,004
Issuance of Warrants 2013/2018	-	7,621	-	7,621
Warrants issue expenses	(11)	(554)	(11)	(554)
Conversion of warrants	(34)	-	(34)	-
Realised upon expiry of Warrants 2008/2013	-	(7,004)	-	(7,004)
Carried forward	7,022	7,067	7,022	7,067
Revaluation reserve				
Brought forward	30,311	6,533	15,906	6,137
Reserve classified as held for sale (Note 13)	(744)	-	-	-
Revaluation of land and buildings	-	23,778	-	9,769
Carried forward	29,567	30,311	15,906	15,906
Less: Deferred taxation				
Brought forward	(4,144)	(1,825)	(3,545)	(1,795)
Revaluation of land and buildings (Note 9)	-	(2,319)	-	(1,750)
Reserve classified as held for sale (Note 13)	122	-	-	-
Carried forward	(4,022)	(4,144)	(3,545)	(3,545)
Revaluation reserve, net of tax	25,545	26,167	12,361	12,361
Reserve classified as held for sale				
Brought forward	-	-	-	-
Reserve classified as held for sale (Note 13)	(618)	-	-	-
Carried forward	(618)	-	-	-
Total reserves	32,489	31,995	19,383	19,428

NOTES TO THE FINANCIAL STATEMENTS
- 30 JUNE 2014 (CONTINUED)

14. CAPITAL AND RESERVES (continued)

14.3 Reserves (continued)

(i) Exchange fluctuation reserve

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

(ii) Warrant reserve

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

Salient terms of the Warrants

The salient terms of the Warrants are as follows:

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

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

(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 year, 1,727,000 of the Warrants issued were converted to ordinary shares.

(iii) Revaluation reserve

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

14.4 Retained earnings

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

15. PROVISION FOR RETIREMENT BENEFITS

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

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

Interest rate risk

The present value of the Company's defined benefit liability 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 liability.

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

15. PROVISION FOR RETIREMENT BENEFITS (continued)

Longevity and salary risk

The present value of the defined benefit obligation 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 obligation.

Inflation risk

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

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

	GROUP		COMPANY	
	2014 RM'000	2013 RM'000 Restated	2014 RM'000	2013 RM'000 Restated
Defined benefit obligation at 1 July 2013/2012	1,584	1,385	1,584	1,385
Effect of adoption of MFRS 119	2,318	(145)	2,318	(145)
At 1 July 2013/2012, restated	3,902	1,240	3,902	1,240
Current service cost	506	131	401	131
Settlement gain	(773)	-	(1,144)	-
Net interest cost on defined benefit	224	70	201	70
Remeasurement (gain)/loss recognised in other comprehensive income	(645)	2,461	(524)	2,461
Defined benefit obligation at 30 June	3,214	3,902	2,836	3,902

Actuarial assumptions

Significant actuarial assumptions for the determination of the defined benefit obligation 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 obligation increase/ (decrease) RM'000	Effect on defined benefit obligation increase/ (decrease)
Rate of salary increase	6.0% - 7.0%	1% increase	321	10.0%
Discount rate	5.6% - 6.1%	1% increase	(485)	(15.1%)
COMPANY				
Rate of salary increase	6.0%	1% increase	238	8.4%
Discount rate	6.1%	1% increase	(416)	(14.7%)

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation 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 obligation has 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 obligation liability recognised in the statements of financial position.

NOTES TO THE FINANCIAL STATEMENTS
- 30 JUNE 2014 (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 plan are as follows:

	GROUP 2014 RM'000	GROUP 2013 RM'000 Restated	COMPANY 2014 RM'000	COMPANY 2013 RM'000 Restated
The expense recognised in the profit or loss:				
Current service cost	506	131	401	131
Settlement gain	(773)	-	(1,144)	-
Net interest cost on defined benefit	224	70	201	70
Retirement benefits recognised in profit or loss	(43)	201	(542)	201
The expense recognised in other comprehensive income:				
Plan experience	(230)	2,185	(72)	2,185
Changes in financial assumptions	(415)	276	(452)	276
Retirement benefits recognised in other comprehensive income	(645)	2,461	(524)	2,461

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

16. LOANS AND BORROWINGS

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

	GROUP 2014 RM'000	GROUP 2013 RM'000 Restated	COMPANY 2014 RM'000	COMPANY 2013 RM'000 Restated
Non-current liabilities				
Secured term loans	1,990	3,904	833	2,304
Unsecured term loan	-	22	-	-
Finance lease liabilities	152	289	-	17
	2,142	4,215	833	2,321
Current liabilities				
Secured term loans	765	1,480	317	1,036
Unsecured term loan	23	30	-	-
Secured bank overdrafts	-	2,051	-	355
Unsecured bank overdrafts	-	16	-	-
Secured bankers' acceptance	2,939	3,911	2,939	3,911
Finance lease liabilities	137	490	17	357
	3,864	7,978	3,273	5,659
Total loans and borrowings	6,006	12,193	4,106	7,980

Securities

GROUP

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

(i) fixed charge over freehold land and buildings of the Company;

(ii) fixed charge over the leasehold land of the Company;

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

(iv) fixed charge over the freehold land of a subsidiary;

16. LOANS AND BORROWINGS (continued)

Securities (continued)

GROUP

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

(v) facility agreements;

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

(vii) corporate guarantee by a subsidiary; and

(viii) fixed deposits of the Company and a subsidiary pledged.

During the year, the followings securities have been discharged upon full settlement of the banking facilities or with the consent of the lender banks:

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

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

COMPANY

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

(i) fixed charge over freehold land and buildings of the Company;

(ii) fixed charge over the leasehold land of the Company;

(iii) fixed charge over freehold land of a subsidiary;

(iv) facility agreements;

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

(vi) corporate guarantee by a subsidiary; and

(vii) fixed deposits of the Company and a subsidiary pledged.

During the year, the followings securities have been discharged upon fully settlement of the banking facilities or with the consent of the lender banks:

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

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

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 times;

(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 taxation.

NOTES TO THE FINANCIAL STATEMENTS
- 30 JUNE 2014 (CONTINUED)

16. LOANS AND BORROWINGS (continued)

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
2014						
Less than 1 year	149	12	137	17	*	17
Between 1 and 5 years	159	7	152	-	-	-
	308	19	289	17	*	17
2013						
Less than 1 year	519	29	490	367	10	357
Between 1 and 5 years	307	18	289	17	-	17
	826	47	779	384	10	374

* Less than RM1,000

17. LONG TERM ADVANCES

GROUP

2013
Long term advances as at 30 June 2013 were granted by certain shareholders of the subsidiaries. These amounts were non-trade in nature, unsecured, had no fixed terms of repayment and interest free, except for an amount RM5,789,000 which was subject to an interest rate at 10% per annum.

18. PAYABLES AND ACCRUALS

	GROUP		COMPANY	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Trade				
Trade payables	12,181	11,687	11,880	9,731
Non-trade				
Other payables	10,499	13,864	7,614	11,139
Accrued expenses	2,079	1,854	836	735
Amount due to subsidiaries	-	-	3,290	1,686
	12,578	15,718	11,740	13,560
	24,759	27,405	23,620	23,291

Trade payables are non-interest bearing and are generally on 30 to 150 (2013: 30 to 120) days term.

NOTES TO THE FINANCIAL STATEMENTS
- 30 JUNE 2014 (CONTINUED)

18. PAYABLES AND ACCRUALS (continued)

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

	GROUP		COMPANY	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
(i) Amount owing to a company in which a person connected with a Director has substantial financial interest	52	33	34	32
(ii) Amount owing to a company in which a Director has substantial financial interest	451	-	451	-
(iii) Amount owing to shareholders of a subsidiary	281	-	-	-

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

19. REVENUE

	GROUP		COMPANY	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Revenue comprises:				
Goods sold	183,532	172,414	135,899	128,942
Services	10	96	-	-
	183,542	172,510	135,899	128,942

20. FINANCE COSTS

	GROUP		COMPANY	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Interest expense:				
- bank overdrafts	235	574	20	342
- term loans	277	475	144	245
- other borrowings	856	1,320	196	728
	1,368	2,369	360	1,315

21. FINANCE INCOME

	GROUP		COMPANY	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Interest income recognised in profit or loss	1	3	2,384	2,084

22. PROFIT BEFORE TAX

	GROUP		COMPANY	
	2014 RM'000	2013 RM'000 Restated	2014 RM'000	2013 RM'000 Restated
Profit before tax is arrived at after charging:				
Allowance for slow moving inventories	545	-	128	-
Amortisation of intangible assets	596	550	596	550
Auditors' remuneration:				
- Audit services:				
- Auditors of the Company	86	72	48	40
- Member firm of Grant Thornton International Ltd	48	23	-	-
- Other auditors	13	15	-	-
- Other services:				
- Auditors of the Company	45	25	45	25
- Other auditors	4	4	-	-
Bad debts written off	13	80	13	-
Depreciation of property, plant and equipment	5,440	5,320	3,888	3,737
Direct operating expenses of investment properties				
- generating income	6	6	-	-
Impairment loss on receivables	163	339	-	-
Inventories written down	33	307	33	24
Inventories written off	521	428	366	319
Loss on foreign exchange:				
- realised	135	11	-	-
- unrealised	305	323	305	-
Retirement benefit expense	-	201	-	201
Revaluation deficit of land and buildings	-	12	-	-
Personnel expenses (including key management personnel):				
- Contributions to Employees' Provident Fund	4,104	3,753	2,608	2,330
- Wages, salaries and others	39,996	39,643	22,567	23,335
Product development expenditure written off	2,570	2,545	2,570	2,545
Property, plant and equipment written off	19	42	1	23
Rental expense of equipment	25	30	18	21
Rental expense of premises	669	598	188	142
Loss on disposal of property, plant and equipment	-	-	-	1
and after crediting:				
Changes in fair value of investment properties	400	320	-	-
Gain on disposal of property, plant and equipment	3	60	-	-
Gain on foreign exchange:				
- realised	1,770	1,457	1,749	1,394
- unrealised	209	-	-	51
Inventories written back	-	12	-	12
Rental income from investment properties	80	52	-	-
Rental income from premises	9	8	267	266
Rental income from equipment	-	-	306	306
Reversal of impairment loss on receivables	115	718	-	726
Retirement benefit credit	43	-	542	-

NOTES TO THE FINANCIAL STATEMENTS
- 30 JUNE 2014 (CONTINUED)

23. INCOME TAX EXPENSE

(i) Recognised in profit or loss:

	GROUP		COMPANY	
	2014 RM'000	2013 RM'000 Restated	2014 RM'000	2013 RM'000 Restated
Income tax expense	6,507	5,888	6,134	5,741
Major components of income tax expense include:				
Current tax expense				
Malaysia - current year	6,403	5,085	6,509	4,724
- prior years	339	(11)	-	-
Overseas - current year	209	232	-	-
	6,951	5,306	6,509	4,724
Deferred tax expense				
Origination and reversal of temporary differences (Note 9)	(444)	582	(375)	1,017
	6,507	5,888	6,134	5,741

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

	GROUP		COMPANY	
	2014 RM'000	2013 RM'000 Restated	2014 RM'000	2013 RM'000 Restated
Profit for the year	18,302	19,880	18,213	17,303
Income tax expense	6,507	5,888	6,134	5,741
Profit before tax	24,809	25,768	24,347	23,044

	GROUP		COMPANY	
	2014 %	2013 %	2014 %	2013 %
Statutory income tax rate of Malaysia	25	25	25	25
Non-deductible expenses	6	2	5	3
Non-taxable income	(1)	(2)	-	(3)
Tax incentives	(3)	(6)	(1)	(2)
Changes in unrecognised temporary differences	(1)	2	(1)	-
Allowable expenses not included in profit or loss	(2)	-	(2)	-
Differential in tax rates	(1)	2	-	-
Over provision of deferred taxation in prior years	(1)	(1)	(1)	(1)
Unrecognised tax losses in a subsidiary	4	-	-	-
	26	22	25	22
Under/(Over) provision in prior years	1	(1)	1	-
Average effective tax rate	27	21	26	22

NOTES TO THE FINANCIAL STATEMENTS
- 30 JUNE 2014 (CONTINUED)

23. INCOME TAX EXPENSE (continued)

(iii) Recognised in other comprehensive income:

	GROUP		COMPANY	
	2014 RM'000	2013 RM'000 Restated	2014 RM'000	2013 RM'000 Restated
Remeasurement of defined benefit obligations	162	(591)	125	(591)
Revaluation of land and buildings	-	2,319	-	1,750
	162	1,728	125	1,159

The Group's unabsorbed capital allowances and unutilised tax losses amounted to approximately RM706,000 (2013: RM728,000) and RM5,350,000 (2013: RM5,350,000) respectively.

The above amount is subject to approval of the Inland Revenue Board of Malaysia.

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.

	2014	2013 Restated
Profit attributable to ordinary equity holders of the Company (RM'000)	18,084	19,734
Weighted average number of ordinary shares in issue (unit'000):		
Issued ordinary shares at 1 July	762,080	762,080
Effect of ordinary shares issued during the financial year	511	-
Weighted average number of ordinary shares at 30 June	762,591	762,080
Basic earnings per ordinary share ("EPS") (sen)	2.37	2.59

The comparative basic earnings per share have been restated to take into account the effect of the changes in accounting policies on profit for the financial year.

Diluted earnings per share

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

	2014	2013 Restated
Profit attributable to ordinary equity holders of the Company (RM'000)	18,084	19,734
Weighted average number of ordinary shares in issue (unit'000)	762,591	762,080
Effect of Warrants (unit'000)	192,255	82,835
Adjusted weighted average number of ordinary shares (unit'000)	954,846	844,915
Diluted EPS (sen)	1.89	2.34

The comparative diluted earnings per share have been restated to take into account the effect of the changes in accounting policies on profit for the financial year.

25. DIVIDENDS

On 26 August 2014, the Directors declared an interim dividend of 0.5 sen per ordinary share under the single tier system in respect of the financial year ended 30 June 2014, which is paid on 3 October 2014.

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 2015.

Dividends recognised during the financial year are as follows:

	Sen per share	Total amount RM'000	Date of payment
2014			
Interim dividend, less 25% tax	1.3	7,430	20 November 2013
Interim dividend, single tier system	0.5	3,819	18 April 2014
		11,249	

26. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensations are as follows:

	GROUP		COMPANY	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Directors' remuneration				
- Fees	373	210	373	210
- Emoluments	3,856	2,549	2,516	1,269
Total short-term employee benefits	4,229	2,759	2,889	1,479
Post-employment benefits				
- Defined benefit plan expenses for a Director	(542)	199	(542)	199
	3,687	2,958	2,347	1,678
Other key management personnel				
- Short-term employee benefits	2,525	2,702	2,357	2,496
- Other long-term benefits	325	341	325	341
	6,537	6,001	5,029	4,515

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

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

In addition to their salaries, the Group also provides non-cash benefits to Directors amounted to RM19,800 (2013: RM32,300).

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 Statement of Financial Position and Statement of Profit or Loss and Other Comprehensive Income.

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

27. OPERATING SEGMENTS (continued)

Geographical segments

2014		Revenue RM'000	Total assets RM'000	Capital expenditure RM'000
(i)	Asia	150,899	212,827	6,150
(ii)	Africa	29,874	-	-
(iii)	North and South America	1,984	14,885	130
(iv)	Europe	378	-	-
(v)	Pacific Island	407	-	-
		183,542	227,712	6,280
2013				
(i)	Asia	139,553	210,177	3,063
(ii)	Africa	30,838	-	-
(iii)	North and South America	1,605	13,503	272
(iv)	Pacific Island	514	-	-
		172,510	223,680	3,335

Customers

During the financial year, revenue from one single customer amounted to RM24,693,000 (2013:RM24,897,000) contributed to approximately 13.5% (2013: 10%) of the Group's revenue.

28. FINANCIAL INSTRUMENTS

28.1 Categories of financial instruments

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

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

	Carrying amount RM'000	L&R/ (OL) RM'000
2014		
Financial assets		
GROUP		
Receivables and deposits	36,813	36,813
Cash and deposits	22,670	22,670
	59,483	59,483
COMPANY		
Receivables and deposits	58,554	58,554
Cash and deposits	9,482	9,482
	68,036	68,036
Financial liabilities		
GROUP		
Loans and borrowings	(6,006)	(6,006)
Payables and accruals	(24,759)	(24,759)
	(30,765)	(30,765)
COMPANY		
Loans and borrowings	(4,106)	(4,106)
Payables and accruals	(23,620)	(23,620)
	(27,726)	(27,726)

NOTES TO THE FINANCIAL STATEMENTS
- 30 JUNE 2014 (CONTINUED)

28. FINANCIAL INSTRUMENTS (continued)

28.1 Categories of financial instruments (continued)

	Carrying amount RM'000	L&R/ (OL) RM'000
2013		
Financial assets		
GROUP		
Receivables and deposits	35,945	35,945
Cash and deposits	26,805	26,805
	62,750	62,750
COMPANY		
Receivables and deposits	50,386	50,386
Cash and deposits	18,043	18,043
	68,429	68,429
Financial liabilities		
GROUP		
Loans and borrowings	(18,260)	(18,260)
Payables and accruals	(27,405)	(27,405)
	(45,665)	(45,665)
COMPANY		
Loans and borrowings	(7,980)	(7,980)
Payables and accruals	(23,291)	(23,291)
	(31,271)	(31,271)

28.2 Net gains/(losses) arising from financial instruments

	GROUP		COMPANY	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Net gains/(losses) arising on:				
- Loans and receivables	1,539	1,123	1,444	1,343
- Financial liabilities	(1,368)	(2,369)	(360)	(1,315)

28.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

(i) Credit risk

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

28. FINANCIAL INSTRUMENTS (continued)

28.3 Financial risk management (continued)

(i) Credit risk (continued)

Receivables

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk, credit quality and collateral

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

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

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

	GROUP		COMPANY	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Malaysia	19,632	18,688	36,164	28,288
Africa	2,501	687	2,501	687
Asia	6,365	10,012	8,154	8,550
Others	1,754	520	1,753	520
	30,252	29,907	48,572	38,045

Impairment losses

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

GROUP 2014	Gross RM'000	Individually impaired RM'000	Net RM'000
Not past due	23,683	2	23,681
Past due 0-30 days	4,773	-	4,773
Past due 31-60 days	1,364	-	1,364
Past due 61-90 days	361	60	301
Past due more than 90 days	965	832	133
	31,146	894	30,252
2013			
Not past due	24,701	-	24,701
Past due 0-30 days	2,966	-	2,966
Past due 31-60 days	996	-	996
Past due 61-90 days	446	39	407
Past due more than 90 days	1,645	808	837
	30,754	847	29,907

28. FINANCIAL INSTRUMENTS (continued)

28.3 Financial risk management (continued)

(i) Credit risk (continued)

Receivables (continued)

Impairment losses (continued)

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

COMPANY	Gross RM'000	Individually impaired RM'000	Net RM'000
2014			
Not past due	45,996	-	45,996
Past due 0-30 days	1,884	-	1,884
Past due 31-60 days	639	-	639
Past due 61-90 days	-	-	-
Past due more than 90 days	924	871	53
	49,443	871	48,572
2013			
Not past due	37,701	-	37,701
Past due 0-30 days	256	5	251
Past due 31-60 days	5	5	-
Past due 61-90 days	1	-	1
Past due more than 90 days	953	861	92
	38,916	871	38,045

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

	GROUP	
	2014 RM'000	2013 RM'000
At 1 July	847	763
Impairment loss recognised	163	339
Impairment loss reversed	(115)	(66)
Impairment loss written off	-	(181)
Foreign exchange translation	(1)	(8)
At 30 June	894	847

As at 30 June 2014, trade receivables of the Group and of the Company amounting to approximately RM6,571,000 (2013: RM5,206,000) and RM2,576,000 (2013: RM344,000) respectively were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default.

Inter-company balances

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk, credit quality and collateral

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

Impairment losses

As at the end of the reporting period, 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.

28. FINANCIAL INSTRUMENTS (continued)

28.3 Financial risk management (continued)

(i) Credit risk (continued)

Inter-company balances (continued)

Impairment losses (continued)

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

	COMPANY	
	2014 RM'000	2013 RM'000
At 1 July	4,581	4,655
Impairment loss reversed	-	(74)
At 30 June	4,581	4,581

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

(ii) Liquidity risk

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

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

Maturity analysis

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

2014 GROUP	Carrying amounts RM'000	Contractual annual interest rate %	Contractual cash flows RM'000	Within 1 year RM'000	1 – 2 years RM'000	2 – 5 years RM'000	More than 5 years RM'000
Non-derivative financial liabilities							
Secured term loans	2,755	3.28% -10.52%	2,885	827	732	1,326	-
Unsecured term loans	23	10.62%	23	23	-	-	-
Secured bankers' acceptance	2,939	1.33% - 5.00%	2,939	2,939	-	-	-
Finance lease liabilities	289	2.46% - 6.45%	307	148	119	40	-
Payables and accruals	24,759	-	24,759	24,759	-	-	-
	30,765		30,913	28,696	851	1,366	-
COMPANY							
Non-derivative financial liabilities							
Secured term loans	1,150	3.28% - 3.34%	1,151	317	220	614	-
Secured bankers' acceptance	2,939	1.33% - 5.00%	2,939	2,939	-	-	-
Finance lease liabilities	17	4.24% - 5.01%	17	17	-	-	-
Payables and accruals	23,620	-	23,620	23,620	-	-	-
	27,726		27,727	26,893	220	614	-

28. FINANCIAL INSTRUMENTS (continued)

28.3 Financial risk management (continued)

(ii) Liquidity risk (continued)

Maturity analysis (continued)

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

2013 GROUP	Carrying amounts RM'000	Contractual annual interest rate %	Contractual cash flows RM'000	Within 1 year RM'000	1 – 2 years RM'000	2 – 5 years RM'000	More than 5 years RM'000
Non-derivative financial liabilities							
Secured term loans	5,384	5.00% - 14.25%	5,808	1,702	1,641	2,291	174
Unsecured term loans	52	10.52%	52	30	22	-	-
Secured bank overdrafts	2,051	7.85% - 14.25%	2,051	2,051	-	-	-
Unsecured bank overdrafts	16	27.00% - 28.00%	16	16	-	-	-
Secured bankers' acceptance	3,911	3.35% - 4.95%	3,911	3,911	-	-	-
Finance lease liabilities	779	3.40% - 7.30%	826	519	148	159	-
Payables and accruals	27,405	-	27,405	27,405	-	-	-
Long term advances	6,067	10.03%	6,067	-	-	-	6,067
	45,665		46,136	35,634	1,811	2,450	6,241
COMPANY							
Non-derivative financial liabilities							
Secured term loans	3,340	5.05% - 6.60%	3,501	1,137	1,123	1,067	174
Secured bank overdrafts	355	7.85% - 9.10%	355	355	-	-	-
Secured bankers' acceptance	3,911	3.35% - 4.95%	3,911	3,911	-	-	-
Finance lease liabilities	374	4.24% - 5.01%	384	367	17	-	-
Payables and accruals	23,291	-	23,291	23,291	-	-	-
	31,271		31,442	29,061	1,140	1,067	174

(iii) Market risk

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

Currency risk

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

Risk management objectives, policies and processes for managing the risk

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

Exposure to foreign currency risk

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

	GROUP		COMPANY	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Cash and deposits	2,934	2,760	2,934	2,717
Receivables	4,298	3,121	4,298	3,121
Payables	(4,715)	(3,533)	(4,715)	(3,533)
Exposure in the statements of financial position	2,517	2,348	2,517	2,305

28. FINANCIAL INSTRUMENTS (continued)

28.3 Financial risk management (continued)

(iii) Market risk (continued)

Currency risk (continued)

Currency risk sensitivity analysis

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

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

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

	GROUP Profit or loss		COMPANY Profit or loss	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
USD Impact	25	23	25	23

Interest rate risk

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

Risk management objectives, policies and processes for managing the risk

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

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

Exposure to interest rate risk

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

	GROUP		COMPANY	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Fixed rate instruments				
Financial assets	-	4	43,215	37,331
Financial liabilities	(3,430)	(6,520)	(2,956)	(6,116)
	(3,430)	(6,516)	40,259	31,215
Floating rate instruments				
Financial assets	57	594	57	594
Financial liabilities	(2,576)	(11,109)	(1,150)	(1,864)
	(2,519)	(10,515)	(1,093)	(1,270)

28. FINANCIAL INSTRUMENTS (continued)

28.3 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 Profit or loss		COMPANY Profit or loss	
	100bp increase RM'000	100bp decrease RM'000	100bp increase RM'000	100bp decrease RM'000
2014				
Floating rate instruments	(25)	25	(11)	11
2013				
Floating rate instruments	(105)	105	(13)	13

28.4 Fair value of financial instruments

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

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

		Fair value of financial instruments not carried at fair value	
GROUP	**Note**	**Level 2 RM'000**	**Carrying amount RM'000**
2014			
Financial liabilities			
Finance lease liabilities	16	274	289
Loans and borrowings	16	5,626	5,717

		Fair value of financial instruments not carried at fair value*	
	Note	**RM'000**	**Carrying amount RM'000**
2013			
Financial liabilities			
Finance lease liabilities	16	743	779
Loans and borrowings	16	11,258	11,414

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- 30 JUNE 2014 (CONTINUED)

28. FINANCIAL INSTRUMENTS (continued)

28.4 Fair value of financial instruments (continued)

		Fair value of financial instruments not carried at fair value	
COMPANY	**Note**	**Level 2 RM'000**	**Carrying amount RM'000**
2014			
Financial liabilities			
Finance lease liabilities	16	17	17
Loans and borrowings	16	4,089	4,089

		Fair value of financial instruments not carried at fair value*	
	Note	**RM'000**	**Carrying amount RM'000**
2013			
Financial liabilities			
Finance lease liabilities	16	374	374
Loans and borrowings	16	7,606	7,606

* Comparative figures have not been analysed by level, by virtue of transitional provision given in Appendix C2 of MFRS 13.

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.

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. CAPITAL MANAGEMENT

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

The Directors monitor and determine to maintain an optimal debt-to-equity ratio that complies with financial covenants and regulatory requirements as disclosed in Note 16. The debt-to-equity ratio is calculated as net debt (total interest-bearing borrowings less cash and cash equivalents) divided by total equity. The Company has complied with this requirement.

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

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

29. CAPITAL MANAGEMENT (continued)

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

30. OPERATING LEASES

Leases as lessee

Non-cancellable operating lease rentals are payables as follows:

	GROUP	
	2014 RM'000	2013 RM'000
Less than 1 year	441	322
Between 1 and 5 years	678	585
	1,119	907

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

31. CAPITAL COMMITMENTS

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

	GROUP		COMPANY	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Authorised and contracted for:				
- Purchase of property, plant and equipment	4,154	515	4,015	515
Authorised but not contracted for:				
- Purchase of property, plant and equipment	42,162	37,370	42,162	37,370
	46,316	37,885	46,177	37,885

32. 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:

	2014 RM'000	2013 RM'000
GROUP		
(i) Transactions with related parties		
Sales	468	58
Reallocation of common cost	151	180
Purchases	(458)	(725)
Administration charges	(1)	-
Steam services (expense)/ income	(699)	66
Rental expense	(18)	(21)
(ii) Transactions with a company in which a person connected with a Director has substantial financial interest		
Purchase of computer equipment accessories	(133)	(114)

32. RELATED PARTIES (continued)

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: (continued)

COMPANY	2014 RM'000	2013 RM'000
(i) Transactions with subsidiaries		
Sales	69,885	62,832
Interest income	2,384	2,085
Reallocation of common cost	4,301	4,539
Rental income	564	564
Rental expense	(75)	(72)
Purchases	-	(23)
Services rendered	(6,146)	(5,812)
(ii) Transactions with related parties		
Sales	482	33
Reallocation of common cost	151	180
Purchases	(458)	(725)
Steam services (expense)/income	(699)	66
Rental expense	(18)	(21)
(iii) Transaction with a company in which a person connected with a Director has substantial financial interest		
Purchase of computer equipment and accessories	(122)	(114)

33. SIGNIFICANT EVENT

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

(i) Rs.200,000,000 towards the entire paid up Equity Share Capital of BPPL held by the Sellers ("Purchase Consideration Equity Component"); and

(ii) Rs.100,000,000 towards the unsecured loans granted to BPPL by the Sellers cum Unsecured Lenders ("Purchase Consideration Loan Component").

The Purchase Consideration Equity Component shall be subject to following adjustments to arrive at the final Purchase Consideration Equity Component ("Adjusted Purchase Consideration Equity Component") on the Closing Date, a date not later than 3 months from the date of the Agreement unless mutually agreed to be extended, which currently has been extended to 30 November 2014:

(i) Difference in current assets minus current liabilities as on Closing Date. If the difference is a positive figure, the Purchase Consideration Equity Component will be increased to that extent, and if the said difference is a negative figure, the Purchase Consideration Equity Component will reduce to that extent; and

(ii) In addition, missing assets amounting to Rs.974,640 will be deducted directly from Purchase Consideration Equity Component.

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

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

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

34. EFFECTS OF ADOPTION OF NEW MFRS 119

Reconciliation of financial statement

	GROUP			COMPANY		
	As previously reported 2013 RM'000	Effect of adoption MFRS 119 RM'000	As restated 2013 RM'000	As previously reported 2013 RM'000	Effect of adoption MFRS 119 RM '000	As restated 2013 RM'000
Statements of financial position						
Equity						
Retained earnings	47,036	(2,318)	44,718	41,883	(2,318)	39,565
Liabilities						
Non-current liabilities						
Provision for retirement benefits	1,584	2,318	3,902	1,584	2,318	3,902
Statements of profit or loss						
Other expenses	(13,157)	(2)	(13,159)	(13,511)	(2)	(13,513)
Profit before tax	25,770	(2)	25,768	23,046	(2)	23,044
Income tax expense	(5,297)	(591)	(5,888)	(5,150)	(591)	(5,741)
Profit for the year	20,473	(593)	19,880	17,896	(593)	17,303
Other comprehensive (loss)/income, net of tax						
Items that will not be reclassified subsequently to profit or loss:						
Remeasurement of retirement benefit liabilities	-	(2,461)	(2,461)	-	(2,461)	(2,461)
Tax effect on items that will not be reclassified to profit or loss	(2,319)	591	(1,728)	(1,750)	591	(1,159)
Profit attributable to:						
Owners of the Company	20,327	(593)	19,734	17,896	(593)	17,303
Non-controlling interests	146	-	146	-	-	-
Profit for the year	20,473	(593)	19,880	17,896	(593)	17,303

The Group and the Company have adopted the amended MFRS 119 Employee Benefits, which is applicable to the Group and the Company effective from 1 July 2013.

Under the previous version of MFRS 119, the net actuarial gains and losses arising from experience-based adjustment and changes in actuarial assumptions have been recognised in profit or loss, as the case may be, over the expected average remaining service lives of the participating employees. In accordance with the amended MFRS 119, actuarial gains and losses are to be recognised in other comprehensive income in the financial period in which they occur and no longer deferred using the corridor approach.

The adoption of amended MFRS 119 has been accounted for as a Prior Year Adjustment in accordance with MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors due to the changes in accounting policy as explained above.

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	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Total retained earnings of the Company and its subsidiaries:				
- Realised	55,675	50,840	59,170	53,167
- Unrealised	(14,389)	(17,388)	(12,242)	(13,602)
	41,286	33,452	46,928	39,565
Consolidation adjustments	10,750	11,266	-	-
Total group retained earnings as per consolidated financial statements	52,036	44,718	46,928	39,565

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.

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 31 to 87 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 2014 and of their financial performance and cash flows for the year then ended.

In the opinion of the Directors, the information set out on page 88 has been compiled 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, 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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....)
CHIAM TAU MENG

Ipoh
27 October 2014

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 31 to 87 and the supplementary information set out on page 88 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)
27 October 2014) ....
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 at 30 June 2014 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as enumerated in Notes 1 to 34 and set out on pages 37 to 87.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 June 2014 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Report on Other Legal and Regulatory Requirements

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

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

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

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

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

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

Other Reporting Responsibilities

The supplementary information set out on page 88 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

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

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

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

Kuala Lumpur
27 October 2014

LIST OF PROPERTIES

The following landed properties are owned by the Group.

Postal address / Location / Title details of the Properties	Description / Existing use	Tenure of Lease / Approximate age of building	Land Area / Gross Built-up Area	Date of acquisition / Valuation	Net Book Value as at 30 June 2014 RM'000
No. 121, Jalan Tunku Abdul Rahman, 30010 Ipoh, Perak Darul Ridzuan. Lot 8811N, Title Pajakan Negeri 68053, Town of Ipoh, District of Kinta, Perak Darul Ridzuan.	Comprising a parcel of industrial land and erected upon with a pharmaceutical factory complex together with administrative office and ancillary buildings.	Tenure: 999 years leasehold interest expiring on 14 June 2895 Approximate age: The ages of the buildings are between 15 to 50 years old	Land area: 123,915 sq. ft. Gross built-up area: 88,876 sq. ft.	Date of valuation: 30 June 2013	12,190
No. 1, Jalan Bijeh Timah, 30000 Ipoh, Perak Darul Ridzuan. Lot 117N, Title Geran 29785, Town of Ipoh, District of Kinta, Perak Darul Ridzuan.	Comprising a 2-storey pre-war shophouse.	Tenure: Freehold Approximate age: More than 69 years	Land area: 1,331 sq. ft. Gross built-up area: 2,320 sq. ft.	Date of valuation: 30 June 2013	349
No. 19, Laluan Kangsar 7, Vaiva Light Industrial Park, Jalan Tunku Abdul Rahman, 30010 Ipoh, Perak Darul Ridzuan. Lot 7238N, Title Geran 141109, Town of Ipoh, District of Kinta, Perak Darul Ridzuan.	Comprising a 1½ storey terrace industrial factory.	Tenure: Freehold Approximate age: 15 years	Land area: 2,045 sq. ft. Gross built-up area: 2,974 sq. ft.	Date of valuation: 30 June 2013	354
Lot P.T. 232229, 7½ mile, Jalan Ipoh/Chemor, 31200 Chemor, Perak Darul Ridzuan. Lot P.T. 232229, Title H.S.(D) 200004, Mukim of Hulu Kinta, District of Kinta, Perak Darul Ridzuan.	Comprising an industrial land and erected upon with a modern specialised pharmaceutical plant, laboratories for research and development and quality control and ancillary buildings.	Tenure: Freehold Approximate age: The ages of the buildings are between 10 to 12 years old	Land area: 254,965 sq. ft. Gross built-up area: 87,486 sq. ft.	Date of valuation: 17 April 2013	19,877
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: 44 years	Land area: 1,740 sq. ft. Gross built-up area: 3,439 sq. ft.	Date of valuation: 30 June 2013	692

Postal address / Location / Title details of the Properties	Description / Existing use	Tenure of Lease / Approximate age of building	Land Area / Gross Built-up Area	Date of acquisition / Valuation	Net Book Value as at 30 June 2014 RM'000
Nos. 64 & 64A-C, Jalan Leong Sin Nam, 30300 Ipoh, Perak Darul Ridzuan. Lot P.T. 17980, Title H.S.(D)KA 67801, Town of Ipoh, District of Kinta, Perak Darul Ridzuan.	Comprising an intermediate 4-storey shopoffice.	Tenure: 99 years leasehold interest expiring on 20 December 2078 Approximate age: 33 years	Land area: 1,336 sq. ft. Gross built-up area: 4,361 sq. ft.	Date of valuation: 13 June 2014	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: 15 years	Land area: 1,400 sq. ft. Gross built-up area: 2,722 sq. ft.	Date of valuation: 30 June 2013	177
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: 32 years	Land area: 1,750 sq. ft. Gross built-up area: 5,250 sq. ft.	Date of valuation: 11 June 2014	1,400
No. 79, Jalan Sungai Palas, Cameron Highlands, Pahang Darul Makmur. Lot 96, Title Pajakan Negeri 2988, Mukim of Ulu Telom, District of Cameron Highlands, Pahang Darul Makmur.	Comprising a detached house.	Tenure: Leasehold interest expiring on 13 September 2039 Approximate age: More than 59 years	Land area: 52,925 sq. ft. Gross built-up area: 3,428 sq. ft.	Date of valuation: 30 June 2013	1,734
Nos. 36, 38, 40 and 42, Jalan TPJ 10 (Jalan PJU 1A/11), Taman Perindustrian Jaya, 47200 Petaling Jaya, Selangor Darul Ehsan. Lots 312, 313, 314 and 315, all within Prima Subang Industrial Park, Mukim of Damansara, District of Petaling, Selangor Darul Ehsan.	Comprising 4 adjoining 1½ storey terrace light industrial factories being used as stores and offices.	Tenure: 99 years leasehold interest expiring on 13 October 2072 Approximate age: The ages of the buildings are between 13 to 15 years old	Total land area: 8,000 sq. ft. (or 2,000 sq. ft. per lot) Gross built-up area: 11,500 sq. ft. (or 2,875 sq. ft. per unit)	Date of valuation: 30 June 2013	2,837

LIST OF PROPERTIES (CONTINUED)

Postal address / Location / Title details of the Properties	Description / Existing use	Tenure of Lease / Approximate age of building	Land Area / Gross Built-up Area	Date of acquisition / Valuation	Net Book Value as at 30 June 2014 RM'000
Nos. 52A, B & C, Lintang Angsana, Bandar Baru Ayer Itam, 11500 Pulau Pinang. Lot 8265, Title Geran No. Pendaftaran 57174, Mukim of 13, District of North-East, Pulau Pinang.	Comprising a 3-storey shophouse being used as stores and offices.	Tenure: 99 years sublease interest created by way of Agreement dated 23 March, 1992 between Registered Proprietors, Trustees of Leong San Toong Khoo Kongsi (Penang) and Vendor, Perumahan Farlim (Malaysia) Sdn. Bhd. Approximate age: 23 years	Land area: 1,776 sq. ft. Gross built-up area: 4,312 sq. ft.	Date of valuation: 30 June 2013	1,130
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: 22 years	Land area: 1,540 sq. ft. Gross built-up area: 3,016 sq. ft.	Date of valuation: 30 June 2013	571
8th m.s. Jalan Tunku Abdul Rahman, Ipoh, Perak Darul Ridzuan. Lots 371465 to 371538, Titles Geran 105067 to 105114, 105122 to 105123, 105131 to 105143 and 105145 to 105155, Mukim of Hulu Kinta, District of Kinta, Perak Darul Ridzuan.	Plots 1 to 8 consisting 7 approved subdivisional detached industrial lots and a TNB sub-station site.	Tenure: Freehold Approximate age: N/A	Land area: 515,710 sq. ft.	Date of valuation: 30 June 2013	7,663
Lot 16030, Title PN 6972, Taman Perindustrian Bayan Lepas, Fasa IV, Mukim 12, South West District, Pulau Pinang.	Industrial land acquired for research and development.	Tenure: 60 years leasehold interest expiring on 26 March 2069 Approximate age: N/A	Land area: 54,413 sq. ft.	Date of valuation: 30 June 2013	2,652
Alto Manacacias, Puerto Gaitan, Meta. (Registration No.: 234-0005.596)	Vacant agricultural land for agricultural purposes.	Tenure: Freehold Approximate age: N/A	Land area: 322,917,312 sq. ft.	Date of valuation: 2 September 2013	12,660
Vill. Saini Majra, Nalagarh Ropar Road, Nalagarh, Distt. Solan (HP).	Comprising of joint parcels of land and erected upon with pharmaceutical factory complex together with administrative office and ancillary buildings.	Tenure: Freehold Approximate age: The ages of the buildings are above 7 years old	Land area: 224,770 sq. ft. Gross built-up area: 44,188.49 sq. ft.	Date of valuation: 15 October 2013	4,844

ANALYSIS OF SHAREHOLDINGS
AS AT 23 SEPTEMBER 2014

SHARE CAPITAL

Authorised Share Capital	RM200,000,000.00
Issued and Fully Paid Share Capital	RM76,381,450.00 comprising 763,814,500 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	12	0.14	189	0.00
100 – 1,000 shares	411	4.77	294,840	0.04
1,001 – 10,000 shares	3,832	44.45	25,651,940	3.36
10,001 – 100,000 shares	3,711	43.04	136,499,116	17.87
100,001 – 38,190,724	653	7.57	342,572,015	44.85
38,190,725 and above	3	0.03	258,796,400	33.88
Total	**8,622**	**100.00**	**763,814,500**	**100.00**

DIRECTORS' SHAREHOLDINGS AS PER REGISTER OF DIRECTORS AS AT 23 SEPTEMBER 2014

	No. of Shares Held			
Name	Direct	%	Indirect	%
Ho Sue San @ David Ho Sue San	286,796,400	37.55	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	331,555	0.04	0	0
Goh Tian Hock	1,765,830	0.23	0	0

SUBSTANTIAL SHAREHOLDERS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 23 SEPTEMBER 2014

	No. of Shares Held			
Name	Direct	%	Indirect	%
Ho Sue San @ David Ho Sue San	286,796,400	37.55	0	0

LIST OF TOP THIRTY (30) SHAREHOLDERS/DEPOSITORS

No	Name of Securities Account Holders	No. of Shares Held	%
1	EB NOMINEES (TEMPATAN) SENDIRIAN BERHAD PLEDGED SECURITIES ACCOUNT FOR HO SUE SAN @ DAVID HO SUE SAN (IPO)	111,000,000	14.53
2	HO SUE SAN @ DAVID HO SUE SAN	105,296,400	13.79
3	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HO SUE SAN @ DAVID HO SUE SAN (32531 IPOH)	42,500,000	5.56
4	AFFIN HWANG NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HO SUE SAN @ DAVID HO SUE SAN (IB)	23,000,000	3.01
5	LIONG KAM HON	7,495,360	0.98
6	HONG LEONG ASSURANCE BERHAD AS BENEFICIAL OWNER (UNITLINKED GF)	7,019,800	0.92
7	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR SKANDINAVISKA ENSKILDA BANKEN AB (SWEDISH CLIENTS)	6,957,700	0.91
8	CIMSEC NOMINEES (TEMPATAN) SDN BHD BANK OF SINGAPORE LTD FOR CHONG MEE FAH @ FREDERICK CHONG	6,750,000	0.88

ANALYSIS OF SHAREHOLDINGS AS AT 23 SEPTEMBER 2014 (CONTINUED)

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

No	Name of Securities Account Holders	No. of Shares Held	%
9	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR GOH SIN BONG (MP0081)	6,500,000	0.85
10	AMANAHRAYA TRUSTEES BERHAD MIDF AMANAH STRATEGIC FUND	6,260,000	0.82
11	GOLDEN FRESH SDN BHD	6,013,100	0.79
12	HO SUE SAN @ DAVID HO SUE SAN	5,000,000	0.65
13	MALACCA EQUITY NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR PHILLIP CAPITAL MANAGEMENT SDN BHD (EPF)	4,327,700	0.57
14	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR PERTUBUHAN KESELAMATAN SOSIAL (PACIFIC6939-407)	4,245,400	0.56
15	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KOK YOON LIM	4,214,200	0.55
16	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM CHEE SING (R01-MARGIN)	3,699,000	0.48
17	CARTABAN NOMINEES (TEMPATAN) SDN BHD RHB TRUSTEES BERHAD FOR MANULIFE INVESTMENT SHARIAH PROGRESSFUND	3,410,000	0.45
18	HLIB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM CHEE SING (M)	3,100,000	0.41
19	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR MALAYSIAN AGENTS PROVIDENT FUND (SAM AIA-031)	2,988,100	0.39
20	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD MIDF AMANAH ASSET MANAGEMENT BERHAD FOR TAKAFUL IKHLAS SDN BHD (JS487)	2,826,300	0.37
21	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR LIM KAI SWEE (MY1585)	2,800,000	0.37
22	AMSEC NOMINEES (TEMPATAN) SDN BHD AMTRUSTEE BERHAD FOR PACIFIC PEARL FUND (UT-PM-PPF)	2,790,500	0.37
23	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR SINGULAR VALUE FUND	2,762,900	0.36
24	CHOW SONG KUANG	2,751,100	0.36
25	TAN KUAN HAI	2,600,000	0.34
26	HONG LEONG ASSURANCE BERHAD AS BENEFICIAL OWNER (UNITLINKED MF)	2,438,000	0.32
27	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR EMERGING MARKET CORE EQUITY PORTFOLIO DFA INVESTMENT DIMENSIONS GROUP INC	2,422,500	0.32
28	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR DFA EMERGING MARKETS SMALL CAP SERIES	2,411,700	0.32
29	M & A NOMINEE (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SOH CHOH PIAU (M&A)	2,400,000	0.31
30	MALACCA EQUITY NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR PHILLIP CAPITAL MANAGEMENT SDN BHD	2,307,500	0.30
		388,287,260	50.84

ANALYSIS OF WARRANT HOLDINGS
AS AT 23 SEPTEMBER 2014

No. of Warrants	379,305,500
No. of Warrant Holders	2,452

WARRANT HOLDERS DISTRIBUTION

	No. of Warrant Holders	% of Warrant Holders	No. of Warrants Held	% of Warrant Holdings
Less than 100 warrants	10	0.41	430	0.00
100 – 1,000 warrants	71	2.90	43,450	0.01
1,001 – 10,000 warrants	848	34.58	5,151,450	1.36
10,001 – 100,000 warrants	1,190	48.53	46,272,600	12.20
100,001 – 18,965,274 warrants	330	13.46	185,042,350	48.78
18,965,275 warrants and above	3	0.12	142,795,220	37.65
Total	**2,452**	**100.00**	**379,305,500**	**100.00**

DIRECTORS' WARRANT HOLDINGS AS PER REGISTER OF DIRECTORS AS AT 23 SEPTEMBER 2014

	No. of Warrants Held			
Name	**Direct**	**%**	**Indirect**	**%**
Ho Sue San @ David Ho Sue San	152,795,220	40.28	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	0	0

SUBSTANTIAL WARRANT HOLDERS AS PER REGISTER OF SUBSTANTIAL WARRANT HOLDERS AS AT 23 SEPTEMBER 2014

	No. of Warrants Held			
Name	**Direct**	**%**	**Indirect**	**%**
Ho Sue San @ David Ho Sue San	152,795,220	40.28	0	0

LIST OF TOP THIRTY (30) WARRANTS HOLDERS

No	Name of Securities Account Holders	No. of Shares Held	%
1	HO SUE SAN @ DAVID HO SUE SAN	92,795,220	24.46
2	UOBM NOMINEES (TEMPATAN) SDN BHD TAEL TWO PARTNERS LTD FOR HO SUE SAN @ DAVID HO SUE SAN	30,000,000	7.91
3	AFFIN HWANG NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HO SUE SAN @ DAVID HO SUE SAN (IB)	20,000,000	5.27
4	HO SUE SAN @ DAVID HO SUE SAN	10,000,000	2.64
5	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HO YOCK MAIN (REM857-MARGIN)	7,485,900	1.97
6	HSBC NOMINEES (ASING) SDN BHD TNTC FOR APS FUND	7,000,000	1.85
7	WENDY POH AI LIN	4,023,000	1.06
8	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR TAN SOON LAI (MY0871)	4,000,000	1.05
9	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR LIM KAI SWEE (MY1585)	4,000,000	1.05

ANALYSIS OF WARRANT HOLDINGS AS AT 23 SEPTEMBER 2014 (CONTINUED)

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

No	Name of Securities Account Holders	No. of Shares Held	%
10	CHONG MEE FAH @ FREDERICK CHONG	3,854,100	1.02
11	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KOK YOON LIM	3,796,650	1.00
12	ONG WEE TING	3,520,000	0.93
13	YONG LOY HUAT	3,500,000	0.92
14	HSBC NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR BNP PARIBAS WEALTH MANAGEMENT SINGAPORE BRANCH (LOCAL)	3,492,000	0.92
15	LIEW MEI HIN @ LIEW MEE HIN	3,475,000	0.92
16	HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LOKE YUNG YUNG	3,450,000	0.91
17	GAN LUCY	2,850,000	0.75
18	HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN CHING LING	2,500,000	0.66
19	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR PUNEET KUMAR A/L MOHAN LAL	2,170,000	0.57
20	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR CHEN YAT LEE (MM1133)	2,000,000	0.53
21	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YOON PECK LIAN	1,850,000	0.49
22	LOH CHOON HOCK	1,700,000	0.45
23	OOI TEK KIANG	1,700,000	0.45
24	ROLAND JAMES READ	1,600,000	0.42
25	OU KWEE HUA	1,545,400	0.41
26	OTHMAN BIN MOHD SAID	1,500,000	0.40
27	MOHAN LAL A/L PARS RAM	1,458,000	0.38
28	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM HSIU YEN (REM191)	1,300,000	0.34
29	TAN KUAN HAI	1,285,000	0.34
30	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MOHAMED ADZMAN BIN MOHAMED S URA	1,279,700	0.34
		229,129,970	60.41

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

1. INTRODUCTION

On 27 October 2014, 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-fourth ("34th") 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 34th AGM. A notice of the 34th 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-third AGM held on 2 December 2013, 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 34th AGM of the Company, which will be held on 25 November 2014.

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 34th AGM until:

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

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

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

whichever occurs first.

In accordance with Section 67A of the Act, the Directors are able to deal with any Hovid Shares bought pursuant to the Proposed Renewal of SBB Mandate in the following manner:

(i) To cancel the Hovid Shares so purchased; or

(ii) To retain the Hovid Shares so purchased as treasury shares for distribution as dividends to the shareholders of the Company and/or resell on Bursa Securities in accordance with the relevant rules of Bursa Securities; or

(iii) To retain part of the Hovid Shares so purchased as treasury shares and cancel the remainder.

Upon each purchase of the Hovid Shares, an immediate announcement will be made to Bursa Securities in respect of the intention of the Board on the treatment of the Hovid Shares purchased pursuant to the Proposed Renewal of SBB Mandate ("Purchased Shares"). An immediate announcement will also be made to Bursa Securities of any resale or cancellation of Hovid Shares. As at the date of this Statement, the Board has yet to make any decision with regards to the treatment of the Hovid Shares so purchased in the future.

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

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

3. RATIONALE FOR THE PROPOSED RENEWAL OF SBB MANDATE

The Directors of the Company are of the opinion that empowering the Company to undertake the Proposed Renewal of SBB Mandate is in the best interest of the Company. The Proposed Renewal of SBB Mandate will enable the Company to utilise its surplus financial resources to purchase Hovid Shares through Bursa Securities. It may stabilise the supply and demand of Hovid Shares traded on Bursa Securities, thereby supporting its fundamental value.

In addition, the Purchased Shares, whether to be held as treasury shares or subsequently cancelled, will effectively reduce the number of Hovid Shares carrying voting and participation rights. Therefore, the shareholders of the Company may enjoy an increase in the value of their investment in Hovid due to the increase in the Company's Earnings Per Share ("EPS").

The purchased Hovid Shares can be held as treasury shares and resold on Bursa Securities at a higher price with the intention of realising potential gain without affecting the total issued and paid-up share capital of the Company. Should any treasury shares be distributed as share dividends, this would serve to reward the shareholders of the Company.

4. EVALUATION OF THE PROPOSED RENEWAL OF SBB MANDATE

4.1 Advantages

The potential advantages of the Proposed Renewal of SBB Mandate are as follows:

(i) allows the Company to take preventive measures against excessive speculation, in particular when the Company's shares are undervalued;

(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 and as a result increase the working capital and net assets of the Company; and

(vii) in the event that the treasury shares are distributed as dividend by the Company, it may then serve to reward the shareholders of the Company.

4.2 Disadvantages

The potential disadvantages of the Proposed Renewal of SBB Mandate are as follows:

(i) the Proposed Renewal of SBB Mandate, if implemented, will reduce the financial resources of the Company. This may result in the Company's foregoing future investment opportunities and/or any income that may be derived from the deposit of such funds in interest bearing instruments;

(ii) the cashflow of the Company may be affected if the Company decides to utilise bank borrowing to finance the Proposed Renewal of SBB Mandate;

(iii) the Proposed Renewal of SBB Mandate may reduce the consolidated Net Assets ("NA") of the Company if the purchase price of Hovid Shares is higher than the consolidated NA of the Company at the time of purchase; and

(iv) as the Proposed Renewal of SBB Mandate can only be made out of the distributable reserves, it may reduce the financial resources available for the distribution to the shareholders of the Company in the immediate future.

Nevertheless, the Proposed Renewal of SBB Mandate is not expected to have any potential material disadvantages to the Company and its shareholders as the Company would purchase Hovid Shares only after the Board has given due consideration to its potential impact on the Company's earnings and financial position and the Board is of the opinion that it would be in the best interest of the Company and its shareholders to do so.

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 2014, the retained profits and share premium accounts of the Company were approximately RM52.04 million and RM0.26 million, respectively.

The Proposed Renewal of SBB Mandate will allow the Board to exercise the power of the Company to purchase and hold Hovid Shares at any time within the abovementioned time period using internal funds of the Company and/or external borrowings. The amount of internally generated funds and/or external borrowings to be utilised will only be determined later depending on, amongst others, the availability of internally generated funds, actual number of Hovid Shares to be purchased and other relevant cost factors. The actual number of Hovid Shares to be purchased and/or held, and the timing of such purchases will depend on, amongst others, the market conditions and sentiments of the stock market as well as the retained profits, share premium account and financial resources available to the Company.

If the Company purchases and holds Hovid Shares using external borrowings, the Board will ensure that the Company has sufficient funds to repay the external borrowings.

Section 67A (3A) of the Act allows the Company to cancel the purchased Hovid Shares or to hold the purchased Hovid Shares as treasury shares or a combination of both. The purchased Hovid Shares held as treasury shares may either be distributed to the shareholders of the Company as share dividends, which then may be applied as a reduction of the retained profits or the share premium account of the Company, or resold on Bursa Securities in accordance with the relevant rules of Bursa Securities, or subsequently cancelled. The decision whether to retain the purchased Hovid Shares as treasury shares, or to cancel the Hovid Shares purchased or a combination of both, will be made by the Board at the appropriate time.

6. EFFECTS OF THE PROPOSED RENEWAL OF SBB MANDATE

6.1 Share Capital

The effects of the Proposed Renewal of SBB Mandate on the issued and paid-up share capital of Hovid will depend on whether the Purchased Shares are cancelled or retained as treasury share(s). Based on the issued and paid-up share capital of the Company as at 7 October 2014, 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 7 October 2014	763,814,500	76,381,450	763,814,500	76,381,450
To be issued pursuant to the exercise of Warrants 2013/2018[i]	-	-	379,305,500	37,930,550
Enlarged issued and paid-up share capital	763,814,500	76,381,450	1,143,120,000	114,312,000
Assuming cancellation of Hovid Shares purchased pursuant to the Proposed Renewal of SBB Mandate[ii]	(76,381,450)	(7,638,145)	(114,312,000)	(11,431,200)
Resultant issued and paid-up share capital	687,433,050	68,743,305	1,028,808,000	102,880,800

Notes:

[i] *Assuming that the 379,305,500 outstanding Warrants 2013/2018 as at 7 October 2014 are fully exercised.*

[ii] *Based on the maximum number 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. EFFECTS OF THE PROPOSED RENEWAL OF SBB MANDATE (CONTINUED)

6.2 Net Assets

The Proposed Renewal of SBB Mandate is likely to reduce the NA per share of the Group if the purchase price exceeds the audited NA per share of the Group at the time of purchase and will increase the NA per share of the Group if the purchase price is less than the audited NA per share of the Group at the time of purchase.

For shares bought back which are kept as treasury shares, upon resale of such shares, the NA of the Group will increase assuming that a gain has been realised. The quantum of the increase in NA will depend on the actual selling price of the treasury shares and the number of treasury shares resold.

6.3 Working Capital and Cash Flow

The Proposed Renewal of SBB Mandate will result in outflow of cash and thereby reduce the working capital of the Group, the quantum of which is dependent on actual number of shares bought back and actual purchase prices of the Hovid Shares and the funding cost, if any. However, the working capital and cash flow of the Group will increase upon reselling the Purchased Shares which are retained as treasury shares. Again, the quantum of the increase in the working capital and cash flow will depend on the actual selling price of the treasury shares and the number of treasury shares resold.

6.4 Earnings

The effect of the Proposed Renewal of SBB Mandate on the earnings of the Group will depend on the actual purchase prices of Hovid Shares, the number of shares purchased and the effective funding cost of the purchases. Generally, a lesser share capital subsequent to the cancellation of the shares bought back or either kept as treasury shares will have a positive impact, all else being equal, on the Group's EPS.

6.5 Dividends

The Proposed Renewal of SBB Mandate is not expected to have any material effect on the dividends to be declared by the Company, if any, in the future. The level of dividends to be declared in the future would be determined by the Board after taking into consideration the performance, cash flow position and financing requirements of the Group.

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

The effect of the Proposed Renewal of SBB Mandate on the shareholdings of our Directors, Substantial Shareholders and Persons Connected to them based on the Register of Substantial Shareholders' and Directors' Shareholdings as at 7 October 2014 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 7 October 2014				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 Shareholder								
Ho Sue San @ David Ho Sue San	286,803,400	37.55	-	-	286,803,400	41.72	-	-
Directors								
Ho Sue San @ David Ho Sue San	286,803,400	37.55	-	-	286,803,400	41.72	-	-
Goh Tian Hock	1,765,830	0.23	-	-	1,765,830	0.26	-	-
Yuen Kah Hay	331,555	0.04	-	-	331,555	0.05	-	-
Chiam Tau Meng	-	-	-	-	-	-	-	-
Chuah Chaw Teo	-	-	-	-	-	-	-	-
YM Raja Shamsul Kamal Bin Raja Shahruzzaman	-	-	-	-	-	-	-	-
Dato' Che Mohd Zin Bin Che Awang	-	-	-	-	-	-	-	-
Person connected to Directors/Substantial Shareholder								
Ho Sue Cheong	161,000	0.02	-	-	161,000	0.02	-	-

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 7 October 2014				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 Shareholder												
Ho Sue San @ David Ho Sue San	286,803,400	37.55	-	-	439,598,620	38.46	-	-	439,598,620	42.73	-	-
Directors												
Ho Sue San @ David Ho Sue San	286,803,400	37.55	-	-	439,598,620	38.46	-	-	439,598,620	42.73	-	-
Goh Tian Hock	1,765,830	0.23	-	-	2,739,830	0.24	-	-	2,739,830	0.27	-	-
Yuen Kah Hay	331,555	0.04	-	-	331,555	0.03	-	-	331,555	0.03	-	-
Chiam Tau Meng	-	-	-	-	-	-	-	-	-	-	-	-
Chuah Chaw Teo	-	-	-	-	-	-	-	-	-	-	-	-
YM Raja Shamsul Kamal Bin Raja Shahruzzaman	-	-	-	-	-	-	-	-	-	-	-	-
Dato' Che Mohd Zin Bin Che Awang	-	-	-	-	-	-	-	-	-	-	-	-
Person connected to Directors / Substantial Shareholder												
Ho Sue Cheong	161,000	0.02	-	-	241,500	0.02	-	-	241,500	0.02	-	-

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

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) months' period.

Based on the issued and paid-up ordinary share capital of Hovid as at 7 October 2014, the total shareholdings of Mr Ho Sue San @ David Ho Sue San ("Major Shareholder") and Mr Ho Sue Cheong ("Person Acting in Concert") in Hovid is approximately 37.57% of the issued and paid-up ordinary share capital of the Company. If the Proposed Renewal of SBB Mandate is carried out in full (whether shares are cancelled or treated as treasury shares), the total shareholdings of the Major Shareholder and Person Acting in Concert in Hovid would increase to approximately 41.74% and 42.75% of the issued and paid-up ordinary share capital of the Company based on the Minimum Scenario and Maximum Scenario respectively.

Accordingly, if the shareholdings of the Major Shareholder and Person Acting in Concert in Hovid increase by two per cent (2%) or more in any six (6) months' period as a result of the Proposed Renewal of SBB Mandate, there is an obligation for the Major Shareholder and Person Acting in Concert to undertake a MGO for the remaining shares not held by them. However, under Practice Note 2.9.10 of the Code, they may apply for an exemption from a MGO obligation arising from the purchase of a company's own shares subject to the Major Shareholder and Person Acting in Concert complying with certain conditions.

As at the date of this Statement, the Company has yet to decide on the percentage of its own shares to be purchased pursuant to the Proposed Renewal of SBB Mandate. In any case, it is not the intention of the Company to cause any shareholder to trigger an obligation to undertake a MGO under the Code and Company will be mindful of the above implication of the Code in making any purchase of its own shares under the Proposed Renewal of SBB Mandate.

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

9. PUBLIC SHAREHOLDING SPREAD

According to the Company's Record of Depositors as at 7 October 2014, there were 8,637 public shareholders with a total shareholding of 61.18% of the Company's issued and paid-up share capital.

Assuming that the Proposed Renewal of SBB Mandate of up to 76,381,450 ordinary shares of RM0.10 each representing ten per cent (10%) of the share capital as at 7 October 2014 is carried out in full, Hovid's shareholding spread would be reduced to approximately 56.22%.

10. PURCHASES, RESALE OR CANCELLATION OF SHARES IN THE FINANCIAL YEAR ENDED 30 JUNE 2014

Information on the purchase of Hovid Shares during the financial year ended 30 June 2014 is set out in the Additional Compliance Information of the Statement On Corporate Governance in Hovid's Annual Report 2014.

During the financial year ended 30 June 2014, the Company has not made any purchase of Hovid Shares. As such, the Company does not have any treasury shares and has not resold, cancelled and/or distributed any treasury shares as dividends in the same period.

11. DIRECTORS', MAJOR SHAREHOLDERS', PERSONS CONNECTED WITH DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

Save for the proportionate increase in the percentage shareholdings as a consequence of the Proposed Renewal of SBB Mandate, none of the Directors and/or major shareholder(s) of Hovid and/or persons connected to the Directors and/or major shareholder(s) of Hovid has any interest, directly or indirectly, in the Proposed Renewal of SBB Mandate and the subsequent resale of treasury shares, if any.

12. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors of Hovid have seen and approved the contents of this Statement and they collectively and individually accept full responsibility for the accuracy of the information given herein and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

13. APPROVALS REQUIRED

The Proposed Renewal of SBB Mandate is conditional upon approval from the shareholders at the forthcoming AGM.

14. DIRECTORS' RECOMMENDATION

The Directors, having considered all aspects of the Proposed Renewal of SBB Mandate, are of the opinion that the Proposed Renewal of SBB Mandate is in the best interest of the Hovid Group. Accordingly, the Directors recommend that you vote in favour of the ordinary resolution for the Proposed Renewal of SBB Mandate to be tabled at the forthcoming 34th AGM.

15. BURSA SECURITIES

Bursa Securities takes no responsibility for the contents of this Statement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or reliance upon the whole or any part of the contents of this Statement.

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hovid
Continuous Innovation & Quality

HOVID BERHAD
(58476-A)

CDS Account No. of authorised nominee

PROXY FORM
THIRTY-FOURTH (34TH) ANNUAL GENERAL MEETING

I/We, ____
(Full name in block capitals)

NRIC No./Company No. ____________________ of ______________________________
(Address)

____ being a Member of

HOVID BERHAD, hereby appoint ____
(Full name in block capitals)

(NRIC No.) ______________________ of ______________________________
(Address)

______________________ or failing him/her, ______________________________
(Full name in block capitals)

(NRIC No.) ______________________ of ______________________________
(Address)

______________________ or failing him/her, *the Chairman of the meeting as *my/our proxy to vote for *me/us and on *my/our behalf at the Thirty-fourth (34th) Annual General Meeting of the Company, to be held at the Ballroom, Impiana Hotel Ipoh, 18 Jalan Raja Dr Nazrin Shah, 30250 Ipoh, Perak Darul Ridzuan on Tuesday, 25 November 2014, at 10.30 a.m. and, at every adjournment thereof.

*My/Our proxy is to vote as indicated below:

RESOLUTIONS	FOR	AGAINST
Ordinary Resolution 1		
Ordinary Resolution 2		
Ordinary Resolution 3		
Ordinary Resolution 4		
Ordinary Resolution 5		
Ordinary Resolution 6		
Ordinary Resolution 7		
Ordinary Resolution 8		
Ordinary Resolution 9		
Ordinary Resolution 10		
Ordinary Resolution 11		
Ordinary Resolution 12		
Ordinary Resolution 13		
Ordinary Resolution 14		

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 ______________ 2014

____
Signature/Common Seal of Member

____
Telephone Number of Member

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		

Notes:

1. *A member of the Company entitled to attend and vote at the meeting is entitled to appoint more than two (2) proxies to attend and vote in his/her stead at the same meeting. A proxy may but need not be a member of the Company and Section 149(1)(a) and (b) of the Act shall not apply to the Company.*
2. *Where a member appoints two (2) or more proxies, the appointment shall be invalid unless the member specifies the proportion of his shareholdings to be represented by each proxy. Each proxy appointed, shall represent a minimum of 100 shares held by the member.*
3. *Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each securities account in holds with ordinary shares of the Company standing to the credit of the said securities account.*
4. *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.*
5. *The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or if the appointor is a corporation, either under its common seal or under the hand of its attorney duly authorised.*
6. *The instrument appointing a proxy shall be deposited at the Registered Office of the Company at No. 121, Jalan Tunku Abdul Rahman, 30010 Ipoh, Perak Darul Ridzuan not less than forty-eight (48) hours before the time appointed for holding the meeting or at any adjournment thereof.*
7. *For the purpose of determining a member who shall be entitled to attend the meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd., in accordance with Article 60(c) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositors as at 17 November 2014. Only a depositor whose name appears on the General Meeting Record of Depositors as at 17 November 2014 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote in his/her stead.*

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AFFIX
STAMP

Continuous Innovation & Quality

THE COMPANY SECRETARY

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

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HOVID BERHAD (58476-A)

No. 121, Jalan Tunku Abdul Rahman,
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