www.hovid.com

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

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HOVID BERHAD (58476-A) Annual Report 2007

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GLOBAL REACH
Annual Report 2007

Contents

Notice Of **Annual General Meeting**

NOTICE IS HEREBY GIVEN that the Twenty-seventh (27th) Annual General Meeting ("AGM") of Hovid Berhad ("the Company") will be held at Bonzai A - Level 4, Syuen Hotel, No. 88, Jalan Sultan Abdul Jalil, 30300 Ipoh, Perak Darul Ridzuan on Tuesday, 27 November 2007, at 11.00 a.m. for the following purposes:

AGENDA

1. To receive and adopt the Audited Financial Statements for the financial year ended 30 June 2007 together with the Reports of the Directors and Auditors thereon. **Ordinary Resolution 1**

2. To approve the payment of Directors' fees of RM198,000.00 for the financial year ended 30 June 2007 to be divided amongst the Directors in such manner as the Directors may determine. **Ordinary Resolution 2**

3. To re-elect the following retiring Directors:

   (a) Datuk Haji Ibrahim Bin Haji Ahmad who retires pursuant to Article 83 of the Company's Articles of Association. **Ordinary Resolution 3**

   (b) Mr Leong Kwok Yee who retires pursuant to Article 83 of the Company's Articles of Association. **Ordinary Resolution 4**

4. To re-appoint Messrs KPMG as Auditors of the Company for the ensuing year and authorise the Directors to fix their remuneration. **Ordinary Resolution 5**

As Special Business:

5. To consider and, if thought fit, pass the following Ordinary Resolution:

   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, the Directors be and are hereby empowered to allot and issue shares in the capital of the Company from time to time at such price, upon such terms and conditions, for such purposes and to such person or persons whomsoever as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares to be issued pursuant to this Resolution does not exceed ten per centum (10%) of the total issued share capital of the Company for the time being, AND THAT subject to the Companies Act, 1965 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 the Bursa Malaysia Securities Berhad and other relevant authorities where such approval is necessary AND THAT such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company." **Ordinary Resolution 6**

6. To consider any other business of which due notice shall have been given in accordance with the Companies Act, 1965.

By Order of the Board

Goh Tian Hock
Ng Yuet Seam
Secretaries

Ipoh, Perak Darul Ridzuan
Date: 5 November 2007

Notice Of **Annual General Meeting** (cont'd)

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 Companies Act, 1965 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. 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.

4. 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.

Explanatory Note on Special Business

Explanatory note on Ordinary Resolution 6 of the Agenda -

The proposed Ordinary Resolution 6, if passed, will empower the Directors of the Company, from the date of the above Annual General Meeting, to allot and issue new shares of the Company up to an amount not exceeding in total ten per centum (10%) of the issued share capital of the Company for the time being for such purposes as the Directors consider would be in the best interest of the Company. This authority, unless earlier revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company.

Statement Accompanying Notice of Annual General Meeting

(Pursuant to Para 8.28(2) of the Listing Requirements of Bursa Malaysia Securities Berhad)

1. Directors standing for re-election at the forthcoming Twenty-seventh (27th) Annual General Meeting

Pursuant to Article 83 of the Company's Articles of Association

(a) Datuk Haji Ibrahim Bin Haji Ahmad
(b) Mr Leong Kwok Yee

2. Directors' Profile

The Directors' Profile are set out in Page 6 to 7 of the Annual Report.

3. Details of attendance of Directors at Board Meetings

Five (5) Board Meetings were held during the financial year ended 30 June 2007. Details of attendance of the Directors are set out in the Directors' Profile appearing on Page 6 to 7 of the Annual Report.

4. Place, date and time of the Annual General Meeting

The forthcoming Twenty-seventh (27th) Annual General Meeting will be held at Bonzai A - Level 4, Syuen Hotel, No. 88, Jalan Sultan Abdul Jalil, 30300 Ipoh, Perak Darul Ridzuan on Tuesday, 27 November 2007, at 11.00 a.m.

5. Individual seeking election as Director

No individual is seeking election as a Director at the forthcoming Twenty-seventh (27th) Annual General Meeting of the Company.

Corporate Information

Board Of Directors

- **Datuk Haji Ibrahim Bin Haji Ahmad**
  Independent Non-Executive Chairman
- **Ho Sue San @ David Ho Sue San**
  Managing Director
- **Liong Kam Hon**
  Executive Director
- **Chuah Chaw Teo**
  Independent Non-Executive Director
- **Leong Kwok Yee**
  Independent Non-Executive Director
- **YM Raja Shamsul Kamal Bin Raja Shahruzzaman**
  Independent Non-Executive Director

Company Secretaries

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

Registered Office / Business Address

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

Tenaga Koperat Sdn Bhd
G-01, Ground Floor, Plaza Permata
Jalan Kampar
Off Jalan Tun Razak
50400 Kuala Lumpur
Telephone : +6 03 4047 3883
Facsimile : +6 03 4042 6352

Auditor

KPMG
C-1-03, 1st Floor
No. 2, Persiaran Greentown 3
Greentown Business Centre
30450 Ipoh
Perak Darul Ridzuan
Telephone : +6 05 253 1188
Facsimile : +6 05 255 8818

Principal Bankers

OCBC Bank (M) Berhad
No. 2, Jalan Dato' Maharaja Lela
30000 Ipoh
Perak Darul Ridzuan

Malayan Banking Berhad
Bangunan Mayban Trust
No. 28, Jalan Tun Sambanthan
30000 Ipoh
Perak Darul Ridzuan

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

EON Bank Berhad
No. 44, 46 & 48, Persiaran Greentown 1
Greentown Business Centre
30450 Ipoh
Perak Darul Ridzuan

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

Stock Exchange Listing

Main Board of
Bursa Malaysia Securities Berhad

Corporate **Structure**

As at 12 October 2007

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HOVID BERHAD

(58476-A)

- Hovid Pharmacy Sdn Bhd — 100%
- Hovid Marketing Sdn Bhd — 100%
- Javid Sdn Bhd — 100%
- Ho Yan Hor (S) Pte Ltd — 80%
- Hovid International Limited — 100%
  - Hovid Limited — 60%
- Hovid Inc. — 100%
- Hovid Nutriworld Sdn Bhd — 100%
- Hovid Life Science Pte Ltd — 100%
- Carotech Berhad — 58%
  - Khard Carotech Private Limited — 50%
  - Carotech Yangzhou Biofuel Company Limited — 100%
  - Carotech Inc. — 100%
  - Carotech Bio-Fuel Sdn Bhd — 100%
  - Yingkou Carotech Bio Energy Company Limited — 100%

Directors' **Profile**

Datuk Haji Ibrahim Bin Haji Ahmad

A Malaysian aged 60, is a food technologist and entrepreneur. He was appointed to the Board of the Company on 22 December 2004 as the Non-Executive Chairman. He obtained a Diploma in Agriculture in 1969 from Universiti Putra Malaysia and a Master in Food Technology in 1974 from Louisiana State University, United States of America. He returned to be a lecturer in Universiti Putra Malaysia in the Faculty of Food and Biotechnology from 1975 to 1980. From 1980 to 1986, he was the Head of Corporate Research and Development at Kumpulan FIMA Bhd. He left Kumpulan FIMA Bhd to venture into other businesses and has been the Executive Chairman and Group Managing Director of the Dewina Group of companies since 1986 until to date. He was redesignated from Non-Executive Chairman to Independent Non-Executive Chairman on 4 January 2007. He is also sitting on the Board of Carotech Berhad as the Independent Non-Executive Chairman and Kawan Food Berhad as the Non-Independent Non-Executive Director.

Datuk Haji Ibrahim Bin Haji Ahmad is the Chairman of the Nomination and Remuneration Committee of the Company. He has attended four out of five (4/5) Board meetings held during the financial year ended 30 June 2007. He does not have any family relationship with any Director and/or major shareholder of the Company, nor he has any conflict of interest with the Company. He has had no conviction for any offences within the past ten (10) years.

Ho Sue San @ David Ho Sue San

A Malaysian aged 58, is the Managing Director of the Company. He was appointed to the Board, being the first Director since incorporation of the Company on 20 May 1980. 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 is also the Managing Director of Carotech Berhad. On 1 January 2006, he has been appointed as a Director on the Board of Malaysian Biotechnology Corporation Sdn Bhd, a subsidiary of MOF Inc in Malaysia.

Ho Sue San @ David Ho Sue San is 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 2007. He does not have any family relationship with any Director and/or major shareholder of the Company, nor he has 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 2007.

Liong Kam Hon

A Malaysian aged 61, is the Executive Director of the Company and was appointed to the Board of the Company on 11 February 1999. He joined the Company and its subsidiaries ("the Group") on 16 June 1981 as a Manager in Hovid Pharmacy Sdn Bhd. Prior to that, he served as a manager with Public Medical Supplies from 1978 to 1980. Between 1967 and 1977, he was the chief dispenser with Georgetown Dispensary Ltd.

Liong Kan Hon has attended all the five (5) Board meetings held during the financial year ended 30 June 2007. He does not have any family relationship with any Director and/or major shareholder of the Company, nor he has any conflict of interest with the Company. He has had no conviction for any offences within the past ten (10) years.

Directors' Profile (cont'd)

Chuah Chaw Teo

A Malaysian aged 56, 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. He is also an Independent Non-Executive Director of Carotech Berhad since 1991.

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 2007. He does not have any family relationship with any Director and/or major shareholder of the Company, nor he has any conflict of interest with the Company. He has had no conviction for any offences within the past ten (10) years.

Leong Kwok Yee

An Australian aged 57, is an accountant by profession. He was appointed to the Board of the Company on 22 December 2004 as an Independent Non-Executive Director. He obtained a Bachelor of Commerce degree in 1974 from the University of Otago and a Master in Business Administration from University of Macquarie in 1989. He is a Fellow Member of both the New Zealand Institute of Chartered Accountants and Australian Institute of Chartered Accountants, having trained at Ernst & Young in Wellington, New Zealand and Sydney, Australia. He left Ernst & Young in 1981 to join Encyclopaedia Britannica (Sydney) as their Financial Controller before joining Hunter Douglas Ltd (Sydney) in 1988 as their Treasurer/Management Accountant. He subsequently joined Dodwell, Inchcape Buying Services (Hong Kong) as their Financial Controller in 1990 and became the Finance Director in 1993. He left in 1995 to be the Chief Financial Officer of Li & Fung, Ltd (Hong Kong) and retired from 1 September 2004. From 1 May 2006 to 31 August 2007, he was appointed as Head of Middle Office of Li & Fung (Trading) Ltd, Hong Kong. He has been appointed to the Board and Chief Financial Officer of LiFung Trinity Ltd., Hong Kong since 1 September 2007. He is also an Independent Non-Executive Director of Carotech Berhad.

Leong Kwok Yee is the Chairman of Audit Committee and a member of the Nomination & Remuneration Committee of the Company. He has attended all the five (5) Board meetings held during the financial year ended 30 June 2007. He does not have any family relationship with any Director and/or major shareholder of the Company, nor he has any conflict of interest with the Company. He has had no conviction for any offences within the past ten (10) years.

YM Raja Shamsul Kamal Bin Raja Shahruzzaman

A Malaysian aged 46, was appointed to the Board of the Company on 22 December 2004 as the Non-Executive Director. 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 (Formerly known as Commerce-Asset Holding Bhd). 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 was redesignated from Non-Executive Director to Independent Non-Executive Director on 13 August 2007. He also sits on the Board of Carotech Berhad as the Independent Non-Executive Director and SCAN Associates Berhad as Non-Independent Non-Executive Director.

YM Raja Shamsul Kamal Bin Raja Shahruzzaman has attended four out of five (4/5) Board meetings held during the financial year ended 30 June 2007. He does not have any family relationship with any Director and/or major shareholder of the Company, nor he has 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 of Hovid Berhad, I have the contentment in presenting the Annual Report and Financial Statements for the financial year ended 30 June 2007.

Corporate Development

The Hovid Berhad Group of companies ("Group") have continued to show positive achievements and has kept making progress on all fronts. We have developed new markets and new customers, expanded our portfolio of products and continue improving our margins maximising our profits. We maintain our pursuit towards expanding our reach overseas and develop new businesses to be closer to our customers.

New subsidiaries and businesses

We incorporated three new wholly-owned subsidiaries and two new joint venture companies to further expand our reach overseas.

• Yingkou Carotech Bio Energy Company Limited

The Group had on 14 September 2006 added a new wholly-owned subsidiary in The People's Republic of China, Yingkou Carotech Bio Energy Company Limited ("YCB") with a registered capital of USD12 million as a wholly-owned subsidiary of Carotech Berhad. YCB was incorporated to evaluate and consider the feasibility of the setting up of a plant in the extraction and production of bio-fuel, oloechemicals and phytonutrients from crude palm oil ("CPO") in the Liaoning Province in The People's Republic of China that has a population of more than 9 million.

• Carotech Yangzhou Biofuel Company Limited

Carotech Yangzhou Biofuel Company Limited ("CYB") was incorporated on 21 December 2006 in The People's Republic of China, as another wholly-owned subsidiary of Carotech Berhad. CYB was incorporated with a registered capital of USD30 million. CYB was incorporated to facilitate and contemplate the feasibility of setting up of a plant in the extraction and production of bio-fuel, oleochemicals and phytonutrients from CPO for the Jiangsu Province in The People's Republic of China that has a population of more than 5 million.

• Hovid International Limited

The Hovid Group continued with the incorporation of Hovid International Limited ("HIL") in the British Virgin Island on 11 May 2007, as a wholly-owned subsidiary of Hovid Berhad. HIL has an authorised issued share capital of USD1,000 divided into 1,000 ordinary shares of USD1.00 each. HIL was incorporated to be the holding company for Hovid's future venture overseas.

• Hovid Limited

Consequently, on 22 August 2007, HIL entered into a joint venture agreement with Wellgo Pharmaceutical Co. Ltd. ("WPC"), our distributor in Hong Kong and Macau, to establish and operate a joint venture company. This led to HIL subscribing, on 1 July 2007, for 600,000 new shares with a par value of HK$1.00 each, accounting for 60% of the total paid up share capital, in Hovid Limited, a company that was incorporated in Hong Kong Special Administrative Region. WPC subscribed for the balance 40% of shares in Hovid Limited.

Hovid Limited was incorporated on 16 March 2001 in the name of Ho Yan Hor Company Limited and changed to its current name on 8 May 2007. The principal activity of Hovid Limited is the distribution, marketing, trading and sales in Hong Kong and Macau, of pharmaceutical products manufactured by Hovid and any other products complementary thereto.

• Khard Carotech Private Limited

In addition to our pursuit overseas, Carotech Berhad entered into a joint venture agreement with an India-incorporated private limited company, Khard Soaps Private Limited ("KSP") on 7 September 2007. Pursuant to this, Khard Carotech Private Limited ("KCP") was incorporated, on 14 September 2007, with a registered capital of 10,000,000 ordinary shares of Indian Rupees (INR)1.00 each. Carotech Berhad has subscribed for 1,050,000 ordinary shares of INR1.00 each in KCP representing 50% of the paid-up capital as at todate. KCP was established to supply biodiesel and/or palm oil to institutional customers and the open market in India.

Share Split

In January 2007, the Company implemented the subdivision of 152,416,000 existing ordinary shares of RM0.50 each into 762,080,000 new ordinary shares of RM0.10 each pursuant to a share split exercise. The new ordinary shares of RM0.10 each in the Company were quoted on the Bursa Malaysia Securities Berhad ("Bursa Securities") on 22 January 2007.

Chairman's Statement (cont'd)

Dividends

The Company declared an interim tax exempt dividend of 3.0 sen per share and 0.5 sen per share less 27% tax in respect of the financial year ended 30 June 2007 which was paid on 22 January 2007. Simultaneously, its subsidiary company, Carotech Berhad also declared an interim tax exempt dividend of 0.75 sen per share for the financial year ended 30 June 2007 which was also paid on 22 January 2007.

Financial Performance

This has been another record setting year for the Hovid Group with record high revenue of RM187 million and profit for the year of RM21 million. These represent a corresponding growth of 27.5% in revenue and 25.3% in profit for the year growth.

The Pharma division has recorded an increase of 8.4% in revenue but more importantly, the Pharma division has increased its' profit for the year by 20.0%. This was achieved through having more efficient & lean operations with more innovative sale strategies.

The Phytonutrient division generated the major increase in revenue by 55.1% and an improvement of 35.9% in profit for the year. The commissioning of the new plant in the division increased our production capacity by 100% during the year. Nevertheless, the increase in profit was moderated by the higher cost of raw materials used in the division.

The Group's EBITDA grew 8.2% for Pharmaceutical division and 61.5% for Phytonutrient division respectively with the increase in revenue and improved capacity utilisation.

Consequent to the increase in production capacity in the Phytonutrient division, we have increased our investment in property, plant and equipment by 52.9% to RM242.2 million. This plant expansion and the increased working capital requirement were financed substantially by borrowings from financial institutions, resulting in an increase in borrowings by 106% or RM90.0 million. The increase in plant capacity has also resulted in an increase of our inventories to RM78.9 million, largely caused by the plant capacity being increased over two stages during the year. The inventories in our Phytonutrients division is expected to increase further next year (financial year ending 30 June 2008) as a result of the new capacities being commissioned before it stabilises in the following financial year (financial year ending 30 June 2009). Nevertheless, the Hovid Group generated net cash of RM30.2 million from its' operations during the financial year.

Outlook and Prospects

We expect an upward trend for our Pharma division domestically under the Ninth Malaysia Plan whereby our Government will continuously invest in and improve the healthcare sector. This will assists the Malaysian pharmaceutical industries to grow locally. Additionally, with greater awareness on the need for a healthier lifestyle, the demand for supplements and pharmaceutical products has increased as consumers seek to improve the quality of their lives.

We continue to widen and deepen the reach of our range of products overseas with new markets, such as Kuwait and Thailand, being added every year. Subsequent to the financial year end, our Pharma division has entered into a joint venture with our distributor to further develop and market our pharmaceutical products in Hong Kong and Macau to be closer to our end consumers. The contribution from our export division has increased by 17% compared to last financial year and we are confident this will continue to grow as we increase the number of products and markets overseas.

Our research and development efforts have continued to allow us bring new and improved products to our customers with more than 60 products still in the pipeline and more than 10 products to be launched over the next 12 months.

In addition to developing new products and markets, we continue our efforts in improving the efficiency and effectiveness of our operations. This has resulted in the increased production capacities at some of our plants by more than 20% through better and lean operations. We will continue to pursue these improvements to improve the return of our investments.

Pursuant to the objective of improving the returns on our investments, we now have more than 30 outsourced products. These products encompass new products for our markets overseas and high volume products that are not competitive for us to produce from Malaysia. This outsourcing activity will continue to improve our product range and allow better us of our production facilities for higher margin products.

We continue to explore and pursue our plans to have a presence in India to gain from the highly skilled and developed pharmaceutical industry. Technologically strong and totally self-reliant, the pharmaceutical industry in India has low costs of production, low research and development costs, innovative scientific manpower with numerous national research laboratories. We believe having a presence in India would allow us to benefit from these resources and the Group will possess a greater edge to compete in the increasing competitive global pharmaceutical industry.

Chairman's **Statement** (cont'd)

Outlook and Prospects (cont'd)

Our Phytonutrients segment has continued to grow at a stellar pace and we expect it to continue with the imminent increase in our CPO production capacity from the current 32,000 metric tonne to 120,000 metric tonne per annum in the coming financial year. This would allow us more capacity to meet the increasing demand for palm methyl ester (biodiesel) and natural full spectrum palm tocotrienol complex and mixed carotene complex extracted from CPO.

We go on to maintain our leading position as the largest producer of palm Vitamin E or tocotrienols (Tocomin®) and mixed carotene concentrates (Caromin®), and supplies to approximately 80% of the present global tocotrienols market through its branded Tocomin® natural palm tocotrienol complex.

Together with other found health and therapeutic benefits of stroke and cancer prevention, protection against cardiovascular system damage, maintenance of healthy nervous system and helps reduce age-related hypertension and enhances the body enzymatic antioxidant defense system, the continued awareness and the consumption of palm tocotrienols as a prominent nutraceutical product is increasingly positive.

Tocotrienols could also provide the human body immune system with antioxidants as well as improve blood circulation and nervous system function. All these functions are vital for brain activity. Tocotrienols also has the ability to halt the production of cancerous cells, a researcher at East Tennessee State University's James H. Quillen College of Medicine has found.

These newly discovered therapeutic and health properties would continue to create market opportunities in the USA, the United Kingdom, Germany, France and Japan, which has a sizeable nutraceutical market.

Continuous clinical studies supporting the health claims of phytonutrients, in addition to demonstrating their efficacy,

will also help to raise the current level of consumer awareness about their health benefits. These studies can also be used to verify the safety features of these products and emphasize their long-term beneficial effects.

CaroDiesel™ has been fast gaining acceptance as an alternative fuel to fossil diesel due to its environmental friendly properties. This established position will enable the Group to readily tap into the new markets that are emerging.

Despite the positive development of the bio-fuel industry, recent spate of allegations from several environmental groups based in Europe and the United States that oil palm cultivation in Malaysia and Indonesia lead to a list of ills such as deforestation, climate change and the decline of the orang utan population negated the positive development of palm biodiesel somewhat.

The rising CPO price in tandem with the increase of global commodity prices also does not help in promoting palm biodiesel as the renewable energy fuel. The higher CPO price has affected the margin of the Group during the financial year, albeit to a small extent.

The Group is taking the following measures to mitigate the impact of the unfavourable CPO and the anti-oil palm campaign:

- Achieving economy of scale by increasing production capacity to lower the production cost per unit output together with its phytonutrient production.

- Participate in the Roundtable on Sustainable Palm Oil ("RSPO") membership and dialogue. This allowed the Group's biodiesel to be certified as acceptable product contributing to the enviromentally sustainable renewable energy fuel.

In summary, your Board is optimistic of a better performance for the Group in the coming financial year spurred by the increasing capacity at its' subsidiary, the new overseas ventures that has happened since 30 June 2007 and the number of new products to be launched in the coming year.

Chairman's **Statement** (cont'd)

Awards and Achievements

During the year under review, our subsidiary, Carotech Berhad had achieved the ISO/ IEC 17025 Accreditation certified by the International Organization for Standardization and the International Electrotechnical Commission for its laboratory facilities, in the development of management system for quality, administrative and technical operations.

In addition to the above, I am swollen with pride with the numerous awards and achievements of companies within our Group during the financial year. The more notable accolades that we have received include the following:

Technology Business Review Award 2006

This is an award aimed at recognising companies operating in Malaysia for achieving a leadership position through consistency of service and product quality, innovations, customer service relationship, and overall competency. Hovid was awarded based on its ability to assimilate new technologies to innovate and become more competitive on a global scale.

SMB Achievers Award 2006

This is an award resulting from professional assessment and benchmarking for Malaysian small and medium business (SMB) based on merits in five core evaluation areas, which are the core business overview, management philosophies, products and services, operation and technologies as well as financial performance. Our subsidiary, Carotech Berhad, was acknowledged as achiever in these core areas in the SMB business community.

Process Innovation Award 2007

This is an annual award conducted by our Ministry of Plantation Industries and Commodities among all the primary resources and agriculture commodities in Malaysia, including rubber, cocoa, pepper, palm oil, tobacco and timber. Our subsidiary, Carotech Berhad won the Process innovation Award in 2007 on our innovative process for the extraction and concentration of natural full spectrum palm tocotrienol complex and mixed carotene complex from CPO. This is towering recognition and a further testimony of our unique patented process and technology. The award was presented at the recently held International Commodity Conference & Showcase 2007.

Best Small Cap Company 2006

This is an award resulting from the annual poll of investors and analysts in Malaysia for the best managed companies by Finance Asia. Carotech Berhad was ranked as the Best Managed Company under the small capitalised company section for 2006 in Malaysia. This is a great acknowledgment by the investment community on how well the company has been managed in 2006.

These accolades are further testimony of our Group's competitive strength, technology, the dedication and hard work of our personnel, and meticulous manufacturing standards, thereby assuring our customers that our products are produced with the highest standards. These achievements would continue to propel the growth of our company with continuous emphasis on quality, innovation and science.

Appreciation

On behalf of the Board of Directors, I would like to take this opportunity to extend my sincere thanks and appreciation to the management and staffs for their dedicated service and loyalty towards the Group in the past year. My heartfelt appreciation also goes out to our shareholders, customers and business associates for their confidence and support. To our financiers, government authorities and investors, I thank them for their continuous support and co-operation. My gratitude also goes out to my fellow Board of Directors for their invaluable dedication and support to the Group.

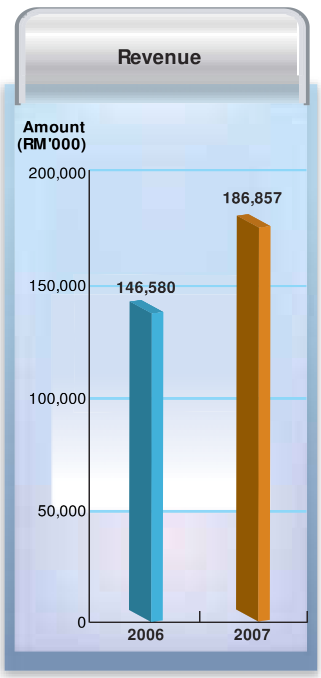
I look forward to your continuous support for the coming year.

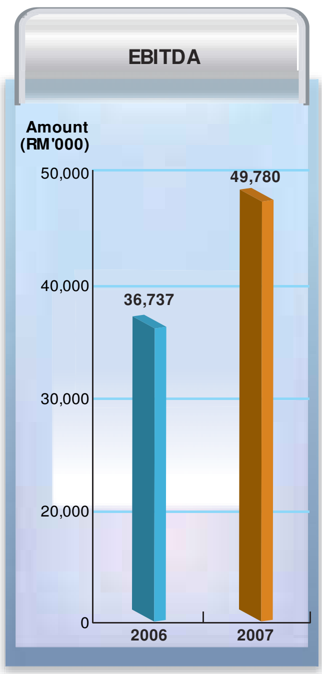
Datuk Haji Ibrahim Bin Haji Ahmad
Independent Non-Executive Chairman

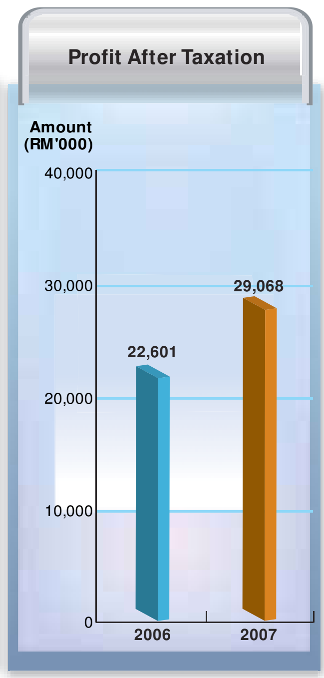
Group **Financial Highlights**

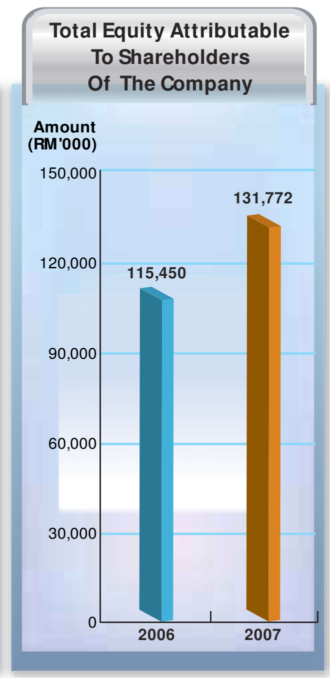
Financial Year Ended 30 June	2007 RM'000	2006 RM'000	Difference %
Revenue	186,857	146,580	27.5
EBITDA	49,780	36,737	35.5
Profit after taxation	29,068	22,601	28.6
Total Equity Attributable to Shareholders of the Company	131,772	115,450	14.1
Basic earnings per share	2.8 sen	2.2 sen*	27.3
Net tangible assets per share	18.9 sen	16.1 sen*	17.4

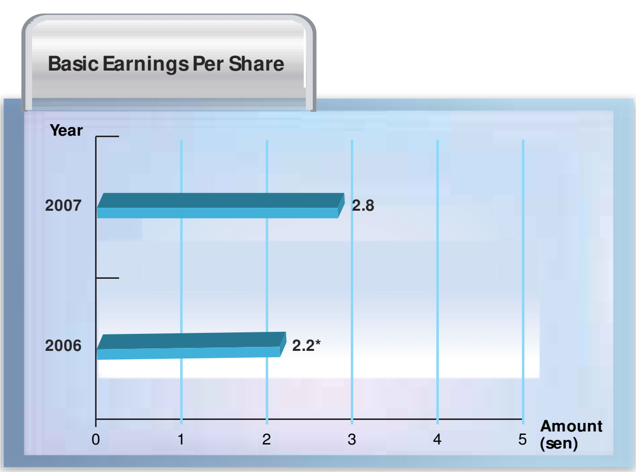
* **Note:** The basic earnings per share and net tangible assets per share for financial year ended 30 June 2006 have been restated to reflect the share split of RM0.50 par value per share to RM0.10.

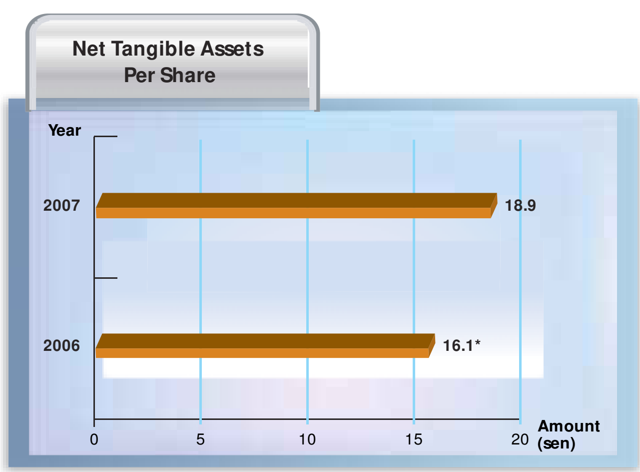












* 2006 figures have been restated to reflect the share split of RM0.50 par value per share to RM0.10.

Statement Of **Corporate Governance**

The Code

The Board appreciates the importance of good corporate governance within the Group, as it is a fundamental part of discharging its responsibilities to enhance shareholders' value and financial performance of the Group. The Board will undertake steps as far as practical, towards compliance with the recommendations in the Malaysian Code on Corporate Governance as tabulated below.

The Board Of Directors

The Board retains full and effective control of the Group. The Board currently consists of six (6) members comprising four (4) Independent Non-Executive Directors (including the Chairman), one (1) Executive Director and one (1) Managing Director. Together, the Directors bring a wide range of experience and expertise in various industries to enable the Board to effectively lead and control the Group. Profiles of each Director are presented in the Directors' Profile of this Annual Report on Page 6 to 7.

The Board continued to be well balanced, in which the substantial shareholders are adequately represented, whilst the interest of the minority shareholders are represented by the Independent Directors. The Board has met five (5) times during the financial year ended 30 June 2007. All Board members bring an independent judgment to bear on issues of strategy, performance, resources and standards of conduct.

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.

There is a clear division of responsibility between the Chairman and the Managing Director to ensure that there is a balance of power and authority.

Board Meetings

A total of five (5) Board meetings were held during the financial year ended 30 June 2007. The attendance of each Director to the Board meetings held during the year are summarised as follows:

Directors	Status	No. of Meetings Held	No. of Meetings Attended
Datuk Haji Ibrahim Bin Haji Ahmad	Independent Non-Executive Chairman	5	4
Ho Sue San @David Ho Sue San	Managing Director	5	5
Liong Kam Hon	Executive Director	5	5
Chuah Chaw Teo	Independent Non-Executive Director	5	5
Leong Kwok Yee	Independent Non-Executive Director	5	5
YM Raja Shamsul Kamal Bin Raja Shahruzzaman	Independent Non-Executive Director	5	4

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

Supply of Information

The Board deliberated and considered a variety of matters including the Group's financial results, strategic and business plan in the meeting held. In arriving at any decisions on recommendations by the Management, thorough discussion and consideration by the Board is pre-requisite. Five (5) Board Meetings were held during the financial year. Proceedings of the Board Meetings were minuted and signed by the Chairman of the meeting in accordance with the provision of Section 156 of the Companies Act, 1965.

All Directors have access to the advice and services of the Company Secretaries, who are responsible for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.

Statement Of **Corporate Governance** (cont'd)

Nomination and Remuneration Committee

The Nomination and Remuneration Committee currently comprises the following members:

Name	Position
Datuk Haji Ibrahim Bin Haji Ahmad	Chairman (Independent Non-Executive Chairman)
Chuah Chaw Teo	Member (Independent Non-Executive Director)
Leong Kwok Yee	Member (Independent Non-Executive Director)

The objectives of the Nomination and Remuneration Committee are to review and assess the composition of the Board to ensure that there is an appropriate balance of skills, experience and expertise among the Board members. The Nomination and Remuneration Committee is also empowered to make recommendations in regards to appointment of new Directors besides assisting in carrying out an annual review on the balance and size of non-executive participation in the Board as well as establishing procedures and processes for the annual assessment of the Board as a whole.

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.

During the financial year ended 30 June 2007, two (2) Nomination and Remuneration Committee Meetings were held and were attended by all the members.

Directors' Training

All Directors have attended and successfully completed the Mandatory Accreditation Programme ("MAP") 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 continuosly provide pertinent educational program 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 evalute and determine the training needs of its Directors on a continous basis.

Re-election

In accordance with the Articles of Association of the Company, one third (1/3) of the Directors retire from office every year at the AGM and subsequently offer themselves for re-election. Directors who are appointed by the Board are subject to election by the shareholders at the AGM held following their appointments.

Statement Of **Corporate Governance** (cont'd)

Directors' Remuneration

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

Remuneration Band	Executive Directors	Non-Executive Directors
Below RM50,000	-	1
RM 50,001 - RM 100,000	-	3
RM 100,001 - RM 150,000	-	-
RM 150,001 - RM 200,000	-	-
RM 200,001 - RM 250,000	-	-
RM 250,001 - RM 300,000	-	-
RM 300,001 - RM 350,000	-	-
RM 350,001 - RM 400,000	-	-
RM 400,001 - RM 450,000	-	-
RM 450,001 - RM 500,000	1	-
RM 500,001 - RM 550,000	-	-
RM 550,001 - RM 600,000	-	-
RM 600,001 - RM 650,000	-	-
RM 650,001 - RM 700,000	-	-
RM 700,001 - RM 750,000	-	-
RM 750,001 - RM 800,000	-	-
RM 800,001 - RM 850,000	-	-
RM 850,001 - RM 900,000	-	-
RM 900,001 - RM 950,000	-	-
RM 950,001 - RM 1,000,000	-	-
RM 1,000,001 - RM 1,050,000	-	-
RM 1,050,001 - RM 1,100,000	-	-
RM 1,100,001 - RM 1,150,000	-	-
RM 1,150,001 - RM 1,200,000	-	-
RM 1,200,001 - RM 1,250,000	-	-
RM 1,250,001 - RM 1,300,000	-	-
RM 1,300,001 - RM 1,350,000	-	-
RM 1,350,001 - RM 1,400,000	1	-

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.

Statement Of **Corporate Governance** (cont'd)

Dialogue between the Company and Investors

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

The Company has a website at http://www.hovid.com which the shareholders can access for information which includes corporate information, announcements, press releases, financial news and products information.

The Company encourages all shareholders to attend the Company's AGM and to participate in the question and answer session to seek further clarification on the business and financial performance of the Company. Notice of the AGM and related papers are distributed to shareholders within a reasonable and sufficient time frame. All members of the Board 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.

Accountability and Audit

Financial Reporting

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

Statement of Directors' Responsibility for preparing the Financial Statements

Directors are required by the Companies Act, 1965 to prepare financial statements for each year which gives a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the results and cash flow of the Company and the Group for the year thereat.

The Directors are required to select appropriate accounting policies and apply them consistently and at the same time to make reasonable and prudent judgements cum estimates, and to state all accounting standards which they consider to be applicable have been followed in preparing the financial statements. The Directors are also required to prepare the financial statements on going concern basis unless it is inappropriate to do so.

Directors have responsibilities for ensuring that the Group keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and enables them to ensure that the financial statements comply with the Companies Act, 1965 and the applicable approved accounting standards in Malaysia. The Directors also have responsibility for taking such steps that are reasonable to safeguard the assets of the Company and the Group and for the prevention and detection of fraud and other irregularities.

Internal Control

The Directors are fully aware of the responsibilities to maintain a sound system of internal control to safeguard shareholders' investment and the Group's assets. The Directors' responsibilities for the Group's system of internal controls cover not only financial aspects but also compliance and operational controls as well as risks management matters.

The Statement on Internal Control is presented in this Annual Report on Page 18 to provide an overview of the state of internal controls within the Group.

Statement Of **Corporate Governance** (cont'd)

Relationship with the External Auditors

The Company has established and maintained a professional and transparent relationship with the Company's external auditors, Messrs KPMG through the Audit Committee. The report of the Audit Committee is set out on pages 20 to 22.

Additional Compliance Information

In compliance with Listing Requirements, the followings have been provided:

- **Utilisation of Proceeds raised from Corporate Proposals**

  There was no corporate proposal to raise funds during the financial year ended 30 June 2007.

- **Share Buy-Back**

  There was no share buy-back during the financial year ended 30 June 2007.

- **Issue of Shares**

  The Company did not issue any new shares.

  The subdivision of 152,416,000 existing ordinary shares of RM0.50 each into 762,080,000 new ordinary shares of RM0.10 each pursuant to the share split on 22 January 2007.

- **Options, Warrants or Convertible Securities**

  The Company did not issue any options, warrants or convertible securities.

- **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.

- **Non-Audit Fees**

  There was no non-audit fees paid to external auditors of the Company for the financial year ended 30 June 2007.

- **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 involving Directors' and major shareholders' interests, either still subsisting at the end of the financial year ended 30 June 2007 or entered into since the end of the previous financial year.

- **Related Party Transactions**

  The details of the recurrent related party transactions of a revenue and trading nature conducted pursuant to the Shareholders' Mandate during the financial year ended 30 June 2007 between the Company and its subsidiary companies are disclosed in Note 26 of the Financial Statements.

- **Revaluation Policy**

  During the year, a piece of land and building of a subsidiary of the Group were revalued based on valuations carried out by an external independent professional valuer are disclosed in Note 3 of the Financial Statements.

This statement is made in accordance with a resolution of the Board dated 22 October 2007.

Statement On **Internal Control**

Introduction

The Principles and Best Practices in the Malaysian Code on Corporate Governance states that the Board should maintain a sound system of internal control to safeguard shareholders' investment and the Company's assets. The Board is committed to maintain a sound system of internal control in the Group and is pleased to provide the following Statement on Internal Control ("Statement") pursuant to paragraph 15.27(b) of the Listing Requirements.

Board Responsibilities

The Board acknowledges its responsibility as well as in reviewing the adequacy and the integrity of the Group's system of internal control. It should be appreciated that such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The system of internal controls cover financial, organisational, operational and compliance controls to safeguard shareholders' investment and the Group's assets.

Risk Management Framework

The Board recognises that management of principal risks faced by the Group plays an important role and integral part of the Group's operations. This process involves the establishment of an appropriate risk management framework and functions embed risk management in the activities of the Group. This includes identifying the principal business risks in critical areas, assessing the likelihood and impact of material exposures and managing significant risks faced by the Group during the year.

The risk assessment report is reviewed by the Board on a quarterly basis in accordance with Bursa Securities's Statement on Internal Control: Guidance for Directors of Public Listed Companies to ensure that significant risks are continuously identified and that instituted controls are appropriate and effectively applied.

Other Components of Internal Control System

The other key components of the Group's internal control systems are described below:

Board and management meetings

The Group's management team carries out weekly meetings with specific agendas on matters for discussions. The Group's management team 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 of 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 on quarterly basis the activities of the internal audit function, significant changes and the necessary recommendations in relation 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.

Organisation structure

The Group has in place an organisation structure with clearly defined lines of responsibilities and delegation of authorities which promotes appropriate levels of accountability for risk management and control procedures. Capital and non-capital expenditures are subject to appropriate approval procedures as well.

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 periodically updated and when needs arise to meet the changing environment requirements.

Statement On **Internal Control** (cont'd)

Other Components of Internal Control System (cont'd)

Internal Audit Functions

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

Reports on risk and control issues are submitted to the Audit Committee and discussed during the Audit Committee meetings on a quarterly basis. The internal audit work plan, which reflects the risk profile of the Group's major business sectors is reviewed in accordance to audit plan and approved by the Audit Committee.

Issues highlighted by the external independent internal auditor are reviewed and discussed. Quarterly 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.

Weaknesses in Internal Controls

There were no material losses which occurred during the financial year ended 30 June 2007 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 internal control and risk management to meet its corporate objectives and to support all types of businesses and operations within the Group.

This statement is made in accordance with a resolution of the Board dated 22 October 2007.

Audit **Committee Report**

The Audit Committee ("Committee") was established to assist the Board in the effective discharge of its fiduciary responsibilities for corporate governance, financial reporting to shareholders, the public and internal control.

Members of the Audit Committee

The Committee consists of:

Name	Position	Directorship
Leong Kwok Yee	Chairman	Independent Non-Executive Director
Ho Sue San @David Ho Sue San	Member	Managing Director
Chuah Chaw Teo	Member	Independent Non-Executive Director

Meetings and Attendance

During the financial year ended 30 June 2007, five (5) meetings were held by the Committee. The attendance of the Committee members are as follows:

Name	No. of Meetings Held	No. of Meetings Attended
Leong Kwok Yee	5	5
Ho Sue San @David Ho Sue San	5	5
Chuah Chaw Teo	5	5

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

Terms of Reference

Authority

The Committee shall have the authority to:

(1) consider and investigate any matter within its terms of reference; and

(2) full access to information, obtain external professional advice and may invite outsiders with relevant experience to attend their meetings, if necessary.

Composition

1. The Committee shall consist of at least three (3) Directors, a majority of whom shall be Independent Non-Executive 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 Chairman of the Committee 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 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 may be prescribed by Bursa Securities; or
   (d) has been granted a waiver or approval by the Bursa Securities from otherwise having to comply with any of its prescribed qualification under 3(a)-(c) above.

Audit **Committee Report** (cont'd)

Terms of Reference (cont'd)

Composition (cont'd)

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

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

Meetings

1. A quorum shall consist of a minimum of two (2) Independent Non-Executive Director members. 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, at least once a year the Committee shall meet with the internal and external auditors independently.

Responsibility

External Audit

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

2. To discuss with the external auditors before the audit commences, the audit plan, the nature and scope of the audit, 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;
   (c) the assistance given by the employees to him;
   (d) problems and reservations arising from the interim and final audits, and any matter he may wish to discuss (in the absence of management where necessary); and
   (e) his management letter and management's response.

Audit **Committee Report** (cont'd)

Terms of Reference (cont'd)

Responsibility (cont'd)

Internal Audit

Where the internal audit function is concerned:

(a) review the adequacy of the scope, functions 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 and processes and results of the internal audit process and where necessary ensure that appropriate action is taken on the recommendations of the internal audit function;

(c) review any appraisal or assessment of the performance of members of the internal audit function.

Financial Reporting

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

(a) any changes in accounting policies and practices;

(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 fulfils the Group's strategic objectives and is for the practice of good governance 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 Audit Committee considers appropriate or as authorised by the Board of Directors.

Summary of Activities during the Financial Year

The Committee carried out its duties in accordance with its terms of reference and the activities undertaken during the financial year ended 30 June 2007 up to 22 October 2007 were as follows:

1. reviewed external auditors' scope of work and audit plan for the year and the external auditors presented their audit strategy and plan;
2. reviewed the results of the audit, audit report and the Committee report containing internal control recommendations including the responses with the external auditors;
3. reviewed the audited financial statements of the Group prior submission to the Board for consideration and approval;
4. reviewed the quarterly unaudited financial results before recommending to the Board for approval;
5. reviewed the recurrent related party transactions by the Group;
6. reviewed the terms of reference of the audit committee and recommend any amendments, where necessary to the Board for approval;
7. reviewed reports from external auditors and internal auditors to access the effectiveness of the internal control systems; and
8. reviewed the annual report before submission to the Board for approval.

Internal Audit Function

The Company has engaged an external independant internal audit service provider to carry out the internal audit function to assist the Audit Committee and as well as the Risk Management Committee. The internal audit functions are as set out in the Statement on Internal Control in Pages 18 to 19.

Financial Statements

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2007

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 30 June 2007.

PRINCIPAL ACTIVITIES

The principal activity of the Company is the manufacture of pharmaceutical and herbal products. The principal activities of the subsidiaries are shown in Note 6. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	GROUP RM'000	COMPANY RM'000
Profit for the year	21,326	13,377

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the year except as disclosed in the financial statements.

DIVIDENDS

An interim dividend in respect of the financial year ended 30 June 2007, of 3.5 sen where 3.0 sen are tax exempt and 0.5 sen less 27% tax on 152,416,000 ordinary shares of RM0.50 each totalling RM5,128,798 (3.4 sen net per share) was paid on 22 January 2007.

The Directors do not recommend the payment of any final dividend for the financial year ended 30 June 2007.

DIRECTORS

The Directors who have held office since the date of the last report are as follows:

Ho Sue San @ David Ho Sue San
Liong Kam Hon
Datuk Haji Ibrahim Bin Haji Ahmad
YM Raja Shamsul Kamal Bin Raja Shahruzzaman
Chuah Chaw Teo
Leong Kwok Yee

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2007 (cont'd)

DIRECTORS' INTEREST IN SHARES

The holdings and deemed holdings in the ordinary shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at year end as recorded in the Register of Directors' Shareholdings are as follows:

	<- Number of ordinary shares of RM0.50 each ->			<- Number of ordinary shares of RM0.10 each ->		
Shareholdings in Hovid Berhad (the Company)	Balance at 1.7.2006	Bought/(Sold)	Balance before share split	Share split	Bought/(Sold)	Balance at 30.6.2007
Direct interests:						
Ho Sue San @ David Ho Sue San	76,391,136	61,400	76,452,536	305,810,144	-	382,262,680
Liong Kam Hon	1,579,072	-	1,579,072	6,316,288	-	7,895,360
Datuk Haji Ibrahim Bin Haji Ahmad	7,500,000	-	7,500,000	30,000,000	-	37,500,000
Leong Kwok Yee	58,080	-	58,080	232,320	-	290,400

	<- Number of ordinary shares of RM0.10 each ->		
Shareholdings in Carotech Berhad (subsidiary)	Balance at 1.7.2006	Bought/(Sold)	Balance at 30.6.2007
Direct interests:			
Ho Sue San @David Ho Sue San	67,680	-	67,680
Liong Kam Hon	1,910,320	-	1,910,320
Chuah Chaw Teo	641,248	-	641,248
Datuk Haji Ibrahim Bin Haji Ahmad	14,464,000	-	14,464,000
Leong Kwok Yee	233,600	-	233,600
YM Raja Shamsul Kamal Bin Raja Shahruzzaman	-	100,000	100,000
Indirect interests:			
Ho Sue San @David Ho Sue San (via Hovid Berhad)	254,407,920	-	254,407,920

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

None of the other Directors holding office at 30 June 2007 had any interest in the ordinary shares of the Company or of its related corporations during the financial year.

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, except as disclosed in Note 26.

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.

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2007 (cont'd)

ISSUE OF SHARES

During the financial year, the authorised number of ordinary shares of the Company was increased from 200,000,000 to 1,000,000,000 ordinary shares by way of subdivision of 200,000,000 shares of RM0.50 each into 1,000,000,000 ordinary shares of RM0.10 each on the basis of five (5) new ordinary shares of RM0.10 each for every one (1) existing ordinary share of RM0.50 each ("share split"). Accordingly, the issued and paid-up number of ordinary shares of the Company was split from 152,416,000 ordinary shares of RM0.50 each to 762,080,000 ordinary shares of RM0.10 each.

OPTIONS GRANTED OVER UNISSUED SHARES

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

OTHER STATUTORY INFORMATION

Before the balance sheets and income statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

(i) all known bad debts have been written off and adequate allowance made for doubtful debts, and

(ii) all current assets have been stated at the lower of cost and net realisable value.

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

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

(ii) that would render the value attributed to the current assets in the Group and in the Company financial statements misleading, or

(iii) which have arisen which 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, that 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 that has arisen since the end of the financial year and which secures the liabilities of any other person, or

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

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2007 (cont'd)

OTHER STATUTORY INFORMATION (cont'd)

In the opinion of the Directors, except for the effects arising from the change in accounting policies as disclosed in Note 27 to the financial statements, the results of the operations of the Group and of the Company for the financial year ended 30 June 2007 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

AUDITORS

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

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

....

Ho Sue San @ David Ho Sue San
Director

....

Liong Kam Hon
Director

Ipoh

Date: 22 October 2007

STATEMENT BY DIRECTORS/ STATUTORY DECLARATION

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

In the opinion of the Directors, the financial statements set out on pages 30 to 86 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standards Board so as to give a true and fair view of the state of affairs of the Group and of the Company at 30 June 2007 and of the results of their operations and cash flows for the year ended on that date.

Signed in accordance with a resolution of the Directors:

....	....
Ho Sue San @ David Ho Sue San	Liong Kam Hon
Director	Director

Ipoh

Date: 22 October 2007

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

I, Ho Sue San @ David Ho Sue San, the Director primarily responsible for the financial management of Hovid Berhad, do solemnly and sincerely declare that the financial statements set out on pages 30 to 86 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 provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the)
above named Ho Sue San @ David Ho)
Sue San at Ipoh in the State of Perak)
Darul Ridzuan on 22 October 2007)

Before me:

REPORT OF THE AUDITORS TO THE MEMBERS

We have audited the financial statements set out on pages 30 to 86. The preparation of the financial statements is the responsibility of the Company's Directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statements presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion:

(a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standards Board so as to give a true and fair view of:

i) the state of affairs of the Group and of the Company at 30 June 2007 and the results of their operations and cash flows for the year ended on that date; and

ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company;

and

(b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and the subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

The subsidiaries in respect of which we have not acted as auditors are identified in Note 6 to the financial statements and we have considered their financial statements and the auditors' reports thereon.

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 the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The audit reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under subsection (3) of Section 174 of the Act.

KPMG
Firm Number: AF-0758
Chartered Accountants

LEE KEAN TEONG
Partner
Approval Number: 1857/02/08(J)

Ipoh

Date: 22 October 2007

BALANCE SHEETS AS AT 30 JUNE 2007

		GROUP		COMPANY	
			Restated		
		2007	2006	2007	2006
	Note	RM'000	RM'000	RM'000	RM'000
Assets					
Property, plant and equipment	3	242,177	158,357	51,291	47,541
Intangible assets	4	27,729	26,122	20,249	18,655
Investment property	5	800	839	-	-
Investment in subsidiaries	6	-	-	32,825	32,821
Deferred tax assets	7	365	327	-	-
Rights to reimbursement under insurance policies	8	240	195	240	195
Total non-current assets		271,311	185,840	104,605	99,212
Inventories	9	78,868	44,198	9,302	9,127
Receivables, deposits and prepayments	10	29,944	37,108	29,443	31,728
Tax recoverable		266	774	-	462
Cash and cash equivalents	11	24,094	8,583	10,856	5,657
Total current assets		133,172	90,663	49,601	46,974
Total assets		404,483	276,503	154,206	146,186
Equity					
Share capital	12	76,208	76,208	76,208	76,208
Share premium	12	90	90	90	90
Revaluation and other reserves	12	3,492	8,285	1,623	1,623
Retained earnings		51,982	30,867	20,538	12,290
Total equity attributable to shareholders of the Company		131,772	115,450	98,459	90,211
Minority interest		39,815	33,586	-	-
Total equity		171,587	149,036	98,459	90,211

BALANCE SHEETS AS AT 30 JUNE 2007 (cont'd)

		GROUP		COMPANY	
			Restated		
		2007	2006	2007	2006
	Note	RM'000	RM'000	RM'000	RM'000
Liabilities					
Deferred tax liabilities	7	16,751	12,232	8,245	8,245
Loans and borrowings	13	93,901	39,173	6,718	7,471
Provision for retirement benefits	8	737	551	737	551
Total non-current liabilities		111,389	51,956	15,700	16,267
Payables and accruals	14	39,645	29,371	9,536	11,728
Loans and borrowings	13	81,242	45,976	29,891	27,980
Taxation		620	164	620	-
Total current liabilities		121,507	75,511	40,047	39,708
Total liabilities		232,896	127,467	55,747	55,975
Total equity and liabilities		404,483	276,503	154,206	146,186

The notes on pages 38 to 86 are an integral part of these financial statements.

INCOME STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

		GROUP		COMPANY	
		2007	2006	2007	2006
	Note	RM'000	RM'000	RM'000	RM'000
Revenue	15	186,857	146,580	72,486	65,996
Other operating income		1,954	922	6,235	4,504
Changes in inventories of work-in-progress and finished goods		33,446	10,639	(12)	(1,290)
Raw materials and packing materials used		(103,077)	(63,407)	(32,516)	(29,306)
Purchase of trading goods		(2,908)	(5,453)	-	-
Staff costs		(26,649)	(23,953)	(11,932)	(11,757)
Depreciation of property, plant and equipment	3	(10,228)	(6,812)	(3,266)	(3,138)
Amortisation of intangible assets	4	(179)	(485)	(164)	(469)
Utilities and fuel		(13,372)	(9,523)	(3,284)	(2,723)
Transportation and freight charges		(5,645)	(3,993)	(1,222)	(1,239)
Advertisement and promotions		(2,994)	(3,335)	(2,279)	(2,710)
Upkeep, repair and maintenance expenses		(3,559)	(3,570)	(1,742)	(1,691)
Research expenditure		(1,309)	(664)	-	-
Sales commission		(1,073)	(492)	-	-
Allowance for doubtful debts		(214)	(356)	(16)	(34)
Other operating expenses		(11,677)	(6,658)	(6,948)	(3,355)
Finance costs	16	(4,322)	(1,984)	(814)	(970)
Profit before tax	17	35,051	27,456	14,526	11,818
Tax expense	18	(5,983)	(4,855)	(1,149)	(2,005)
Profit for the year		29,068	22,601	13,377	9,813
Attributable to:					
Shareholders of the Company		21,326	17,020	13,377	9,813
Minority interest		7,742	5,581	-	-
Profit for the year		29,068	22,601	13,377	9,813
Basic earnings per share (sen)	19	2.8	2.2*		
Gross dividends per share (sen)	20	3.5	-		

* The comparative basic earnings per share has been recomputed to reflect the share subdivision exercise in the current year and bonus issue exercise in previous financial year.

The notes on pages 38 to 86 are an integral part of these financial statements.

CONSOLIDATED STATEMENT

OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2007

		<---- Attributable to shareholders of the Company ---->						
		<---- Non-distributable ---->			Distributable			
	Note	Share capital RM'000	Share premium RM'000	Revaluation and other reserves RM'000	Retained earnings RM'000	Total RM'000	Minority interest RM'000	Total equity RM'000
At 1 July 2005		47,630	14,553	8,095	28,072	98,350	31,184	129,534
Loss on foreign exchange translation		-	-	(5)	-	(5)	-	(5)
Share issue expenses		-	(110)	-	-	(110)	-	(110)
Profit for the year		-	-	-	17,020	17,020	5,581	22,601
Total recognised income and expense for the year		-	(110)	(5)	17,020	16,905	5,581	22,486
Reclassification to goodwill		-	-	195	-	195	-	195
Purchase of shares in a subsidiary		-	-	-	-	-	(3,179)	(3,179)
Bonus issue		28,578	(14,353)	-	(14,225)	-	-	-
At 30 June 2006		76,208	90	8,285	30,867	115,450	33,586	149,036
		Note 12	Note 12	Note 12				
At 30 June 2006, before opening balance adjustment		76,208	90	8,285	30,867	115,450	33,586	149,036
- effect of adopting FRS 3		-	-	(4,918)	4,918	-	-	-
At 1 July 2006, restated		76,208	90	3,367	35,785	115,450	33,586	149,036
Gain on foreign exchange translation		-	-	72	-	72	-	72
Reversal of deferred tax on revaluation surplus upon abolishment of Real Property Gains Tax ("RPGT")		-	-	27	-	27	-	27
Surplus on revaluation of land and building		-	-	26	-	26	-	26
Profit for the year		-	-	-	21,326	21,326	7,742	29,068
Total recognised income and expense for the year		-	-	125	21,326	21,451	7,742	29,193
Dividends to shareholders	20	-	-	-	(5,129)	(5,129)	(1,513)	(6,642)
At 30 June 2007		76,208	90	3,492	51,982	131,772	39,815	171,587
		Note 12	Note 12	Note 12				

The notes on pages 38 to 86 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2007

	Note	<---------------- Non-distributable		---------------->	Distributable	
		Share capital RM'000	Share premium RM'000	Revaluation and other reserves RM'000	Retained earnings RM'000	Total equity RM'000
At 1 July 2005		47,630	14,553	1,623	16,702	80,508
Bonus issue		28,578	(14,353)	-	(14,225)	-
Share issue expenses		-	(110)	-	-	(110)
Profit for the year		-	-	-	9,813	9,813
At 30 June 2006/ 1 July 2006		76,208	90	1,623	12,290	90,211
Dividends to shareholders	20	-	-	-	(5,129)	(5,129)
Profit for the year		-	-	-	13,377	13,377
At 30 June 2007		76,208	90	1,623	20,538	98,459
		Note 12	Note 12	Note 12		

The notes on pages 38 to 86 are an integral part of these financial statements.

CASH FLOW STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	GROUP		COMPANY	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities				
Profit before tax	35,051	27,456	14,526	11,818
Adjustments for:				
Amortisation of intangible assets	179	485	164	469
Product development expenditure written off	2,576	-	2,498	-
Depreciation of property, plant and equipment	10,228	6,812	3,266	3,138
Interest expense	4,476	2,120	1,652	1,613
Property, plant and equipment written off	117	34	87	3
Gain on disposals of property, plant and equipment	(5)	(216)	(3)	(180)
Interest income	(154)	(136)	(838)	(643)
Defined benefit plan expense for a Director	141	129	141	129
Change in fair value of investment property	39	-	-	-
Operating profit before changes in working capital	52,648	36,684	21,493	16,347
Change in inventories	(34,602)	(10,911)	(175)	2,152
Change in receivables, deposits and prepayments	6,038	2,387	4,895	2,639
Change in payables and accruals	10,839	10,200	(1,790)	475
Inter-company balances	-	-	(786)	(2,691)
Cash generated from operations	34,923	38,360	23,637	18,922
Interest received	147	779	838	643
Interest paid	(4,361)	(2,880)	(1,736)	(1,712)
Tax paid	(489)	(268)	(68)	(667)
Net cash generated from operating activities	30,220	35,991	22,671	17,186

CASH FLOW STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007 (cont'd)

	Note	GROUP 2007 RM'000	GROUP 2006 RM'000	COMPANY 2007 RM'000	COMPANY 2006 RM'000
Cash flows from investing activities					
Acquisition of property, plant and equipment	(ii)	(88,420)	(64,832)	(5,122)	(2,306)
Proceeds from disposals of property, plant and equipment		20	468	15	393
Product development expenditure incurred		(3,849)	(3,670)	(3,743)	(3,210)
Advances to subsidiaries		-	-	(2,023)	(2,943)
Acquisition of additional shares in a subsidiary		-	(10,016)	-	(10,007)
Incorporation of subsidiaries		(3)	-	(3)	(259)
Net cash used in investing activities		(92,252)	(78,050)	(10,876)	(18,332)
Cash flows from financing activities					
Payments of share issue expenses		-	(110)	-	(110)
Dividends to shareholders		(6,642)	-	(5,129)	-
Repayments to subsidiaries		-	-	(375)	(1,551)
Proceeds from short term bank borrowings		29,115	13,840	4,827	3,037
Term loans drawdown		58,827	31,548	-	-
Repayments of term loans		(1,720)	(1,564)	(1,720)	(1,564)
Repayments of hire purchase liabilities		(2,589)	(846)	(1,811)	(688)
Net cash generated from/ (used in) financing activities		76,991	42,868	(4,208)	(876)
Change in cash and cash equivalents		14,959	809	7,587	(2,022)
Effect of exchange rate fluctuation on cash held		53	(5)	-	-
Cash and cash equivalents at 1 July	(i)	5,779	4,975	3,261	5,283
Cash and cash equivalents at 30 June	(i)	20,791	5,779	10,848	3,261

The notes on pages 38 to 86 are an integral part of these financial statements.

CASH FLOW STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007 (cont'd)

NOTES TO THE CASH FLOW STATEMENTS

(i) Cash and cash equivalents

Cash and cash equivalents included in the cash flow statements comprise the following balance sheet amounts:

	GROUP		COMPANY	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Cash and bank balances	24,094	8,583	10,856	5,657
Bank overdrafts	(3,303)	(2,804)	(8)	(2,396)
	20,791	5,779	10,848	3,261

(ii) Acquisition of property, plant and equipment

Analysis of acquisition of property, plant and equipment:

	GROUP		COMPANY	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Hire purchase liabilities	5,708	5,326	2,250	4,594
Change in other payables	471	53	165	29
Cash outright acquisition	88,420	64,832	5,122	2,306
	94,599	70,211	7,537	6,929

The notes on pages 38 to 86 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2007

Hovid Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Board of the Bursa Malaysia Securities Berhad. The address of its registered office and principal place of business 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 as at and for the year ended 30 June 2007 comprise the Company and its subsidiaries (together referred to as the Group). The financial statements of the Company as at and for the year ended 30 June 2007 do not include other entities.

The Company is principally engaged in the manufacturer of pharmaceutical and herbal products while the principal activities of the other Group entities are shown in Note 6.

1. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with applicable financial reporting standards ("FRSs"), accounting principles generally accepted and the provisions of the Companies Act, 1965 in Malaysia. These financial statements also comply with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad.

The Malaysian Accounting Standards Board has issued the following FRSs and Interpretations that are effective for annual periods beginning after 1 January 2006, and that have not been applied in preparing these financial statements:

Standard/Interpretation	Effective date
FRS 117, *Leases*	*1 October 2006*
FRS 124, *Related Party Disclosures*	*1 October 2006*
FRS 139, Financial Instruments: *Recognition and Measurement*	To be announced
Amendment to FRS 119 2004, *Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures*	1 January 2007
FRS 6, *Exploration for and Evaluation of Mineral Resources*	1 January 2007
Amendment to FRS 121, *The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation*	1 July 2007
IC Interpretation 1, *Changes in Existing Decommissioning, Restoration and Similar Liabilities*	1 July 2007
IC Interpretation 2, *Members' Shares in Co-operative Entities and Similar Instruments*	1 July 2007
IC Interpretation 5, *Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*	1 July 2007
IC Interpretation 6, *Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment*	1 July 2007
IC Interpretation 7, *Applying the Restatement Approach under FRS 129 2004, Financial Reporting in Hyperinflationary Economies*	1 July 2007
IC Interpretation 8, *Scope of FRS 2*	1 July 2007
FRS 107, *Cash Flow Statements*	1 July 2007

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2007 (cont'd)

1. BASIS OF PREPARATION (cont'd)

(a) Statement of compliance (cont'd)

Standard/Interpretation	Effective date
FRS 111, *Construction Contracts*	1 July 2007
FRS 112, *Income Taxes*	1 July 2007
FRS 118, *Revenue*	1 July 2007
FRS 120, *Accounting for Government Grants and Disclosure of Government Assistance*	1 July 2007
FRS 134, *Interim Financial Reporting*	1 July 2007
FRS 137, *Provisions, Contingent Liabilities and Contingent Assets*	1 July 2007

The Group and the Company plan to apply FRS 117, Amendment to FRS 119$_{2004}$, Amendment to FRS 121 and FRS 124 initially for the annual period beginning 1 July 2007.

The impact of applying FRS 117, FRS 124 and FRS 139 on the financial statements upon first adoption of this standard as required by paragraph 30(b) of FRS 108, Accounting Policies, Changes in *Accounting Estimates and Errors* is not disclosed by virtue of the exemptions given in the respective standards.

FRS 6, FRS 111, FRS 120 and the Interpretations listed above are not applicable to the Group and the Company. Hence, no further disclosure is warranted.

FRS 112 addresses the accounting treatment for income taxes. However, FRS 112 does not prescribe the accounting treatment for reinvestment allowance and investment tax allowance. In the current accounting policy for income taxes, reinvestment allowance or investment tax allowance is treated as the tax base of an asset. The Group and the Company have not yet determined whether this accounting policy needs to be changed.

The initial application of the other standards and interpretations are not expected to have any material impact on the financial statements of the Group and the Company.

The effects of adopting the new/revised FRSs in 2007 are set out in Note 27.

The financial statements were approved by the Board of Directors on 22 October 2007.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for certain property, plant and equipment and investment property as explained in Note 2(d)(i) and 2(h) respectively.

(c) Functional and presentation currency

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

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2007 (cont'd)

1. BASIS OF PREPARATION (cont'd)

(d) Use of estimates and judgements

The preparation of financial statements 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 underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 4 – Measurement of the recoverable amounts of cash-generating units
- Note 25 – Contingencies

2. SIGNIFICANT ACCOUNTING POLICIES

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

Certain comparative amounts have been reclassified to conform to the current period's presentation (see Note 28).

(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.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Subsidiaries are consolidated using the acquisition method of accounting.

Investments in subsidiaries are stated in the Company's balance sheet at cost less impairment losses, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(ii) Changes in Group composition

Where a subsidiary issues new equity shares to minority interest for cash consideration and the issue price has been established at fair value, the reduction in the Group's interest in the subsidiary is accounted for as a disposal of equity interest with the corresponding gain or loss recognised in the income statement.

When a group purchases a subsidiary's equity shares from minority interest for cash consideration and the purchase price has been established at fair value, the accretion of the Group's interest in the subsidiary is accounted for as a purchase of equity interest for which the acquisition accounting method of accounting is applied.

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2007 (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Basis of consolidation (cont'd)

(ii) Changes in Group composition (cont'd)

The Group treats all other changes in group composition as equity transactions between the Group and its minority shareholders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

(iii) Minority interest

Minority interest at the balance sheet date, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet and statement of changes in the equity within equity, separately from equity attributable to the equity shareholders of the Company. Minority interest in the results of the Group is presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interest and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has 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 minority's share of losses previously absorbed by the Group has been recovered.

(iv) Transactions eliminated on consolidation

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

(b) Foreign currency

(i) Foreign currency transactions

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

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies 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 income statement.

(ii) Operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the balance sheet date, except for goodwill and fair value adjustments arising from business combinations before 1 January 2006 which are reported using the exchange rates at the dates of the acquisitions. The income and expenses of foreign operations, are translated to RM at exchange rates at the dates of the transactions. Foreign exchange differences arising on translation are recognised directly to equity.

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2007 (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Foreign currency (cont'd)

(ii) Operations denominated in functional currencies other than Ringgit Malaysia (cont'd)

On disposal, accumulated translation differences are recognised in the consolidated income statement as part of the gain or loss on sale.

The closing rates used in the translation of foreign currency monetary assets and liabilities and the financial statements of foreign operations are as follows:

1 USD	:	RM3.45	(2006: 1 USD	:	RM3.63)
1 SGD	:	RM2.25	(2006: 1 SGD	:	RM2.28)
1 EURO	:	RM4.64	(2006: 1 EURO	:	RM4.59)
100 Philippines PESO	:	RM7.06	(2006: 100 Philippines PESO	:	RM6.47)

(c) Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency and raw material cost fluctuation risk exposures.

Forward foreign exchange contracts and raw material price fluctuation hedging used are accounted for on an equivalent basis as the underlying assets, liabilities or net positions. Any profit or loss arising is recognised on the same basis as that arising from the related assets, liabilities or net positions.

(d) Property, plant and equipment

(i) Recognition and measurement

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

The Group revalues its property comprising of land and building at least once every 5 years by external independent professional valuers.

Surpluses 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 charged to the income statement.

Cost includes expenditures that are directly attributable to the acquisition of the asset, 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. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2007 (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(d) Property, plant and equipment (cont'd)

(i) Recognition and measurement (cont'd)

The cost of capital work-in-progress comprises the directly attributable cost includes costs of testing whether the asset is functioning properly, including raw materials and machinery spare parts, after deducting the net proceeds from selling any items produced while bringing the asset to that location and condition; costs of employee benefits arising directly from the construction or acquisition of the item of property, plant and equipment; costs of site preparation; initial delivery and handling costs; installation and assembly costs; and professional fees.

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.

(ii) Reclassification to investment property

Property that is being constructed for future use as investment property is accounted for as property, plant and equipment until construction or development is complete, at which time it is remeasured to fair value and reclassified as investment property. Any gain or loss arising on remeasurement is recognised in the income statement.

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified as investment property. Any gain arising on remeasurement is recognised directly in equity. Any loss is recognised immediately in the income statement.

(iii) 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 and its cost can be measured reliably. The carrying amount of those parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

(iv) Depreciation

Depreciation is recognised in the income statement on a reducing balance basis over the estimated useful lives of each part of an item of property, plant and equipment. Leasehold land is amortised in equal instalments over its remaining lease period that ranges from 35 to 891 years. Freehold land is not depreciated. Property, plant and equipment under construction 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:

	%
• Buildings	2 - 3
• Plant, machinery and electrical equipment	10 - 20
• Motor vehicles	20
• Furniture, fittings, office, laboratory and factory equipment, electrical installation and renovation	10 - 20

The depreciable amount is determined after deducting the residual value.

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2007 (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(e) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon 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.

Other leases are operating leases and, except for leasehold land classified as investment property, the leased assets are not recognised on the Group's balance sheet. 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.

(f) Intangible assets

(i) Goodwill

Goodwill (negative goodwill) arises on the acquisition of subsidiaries. For acquisitions prior to 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the fair values of the net identifiable assets and liabilities.

With the adoption of FRS 3 beginning 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

Goodwill is allocated to cash-generating units and is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired.

With the adoption of FRS 3, the carrying amount of negative goodwill at 1 July 2006 is derecognised with a corresponding adjustment to the opening balance in retained earnings.

Acquisition of minority interest

Goodwill arising on the acquisition of a minority interest in a subsidiary represents the excess of the cost of the additional investment over the carrying amount of the net assets acquired at the date of exchange.

(ii) Product development expenditure

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement 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 is 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 income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses.

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2007 (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(f) Intangible assets (cont'd)

(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 income statement 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 expensed as incurred.

(v) Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Goodwill with indefinite useful lives are tested for impairment annually and whenever there is an indication that they may be impaired. Other intangible assets such as capitalised development costs and trademarks are amortised based on estimated useful life of 20 years from the date of production commences.

(vi) Change in estimates

Estimates in respect of certain items of intangibles were revised in 2007 (see Note 4).

(g) Investments in equity securities

Investments in equity securities are recognised initially at fair value plus attributable transaction costs.

Subsequent to initial recognition:

- Investments in non-current equity securities other than investments in subsidiaries are stated at cost less allowance for diminution in value; and
- All current investments are carried at the lower of cost and market value, determined on an aggregate portfolio basis by category of investments.

Where in the opinion of the Directors, there is a decline other than temporary in the value of non-current equity securities other than investment in subsidiaries, the allowance for diminution in value is recognised as an expense in the financial year in which the decline is identified.

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in the income statement.

All investments in equity securities are accounted for using settlement date accounting. Settlement date accounting refers to:

(i) the recognition of an asset on the day it is received by the entity; and

(ii) the derecognition on an asset and recognition of any gain or loss on disposal on the date it is delivered.

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2007 (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(h) Investment property

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both. 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.

In the previous years, all investment property were stated at revalued amount less accumulated depreciation and are classified in property, plant and equipment. Following the adoption of FRS 140, Investment Property, all investment property are now classified separately and measured initially and subsequently at fair value with any change therein recognised in the income statement.

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 directly in equity as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the income statement. Upon disposal of the investment property, any surplus previously recorded in equity is transferred to retained earnings, the transfer is not made through the income statement.

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 five years. 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.

(i) 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 selling expenses.

(j) Receivables

Receivables are initially recognised at their cost when the contractual right to receive cash or another financial asset from another entity is established.

Subsequent to initial recognition, receivables are stated at cost less allowance for doubtful debts.

Receivables are not held for the purpose of trading.

(k) Cash and cash equivalents

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

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2007 (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(l) Impairment of assets

The carrying amounts of assets except for inventories, deferred tax assets, investment property that is measured at fair value and financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that are not yet available for use, recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount unless the asset is carried at a revalued amount, in which case the impairment loss is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the income statement. 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.

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 the 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 in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date 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. 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 the income statement in the year in which the reversals are recognised, unless it reverses an impairment loss on a revalued asset in which case it is credited directly to revaluation surplus. Where an impairment loss on the same revalued asset was previously recognised in the income statement, a reversal of that impairment loss is also recognised in the income statement.

(m) Share capital

(i) Share issue expenses

Incremental costs directly attributable to issue of shares and share options classified as equity 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. Repurchased shares that are not subsequently cancelled are classified as treasury shares and are presented as a deduction from total equity.

(n) Loans and borrowings

Loans and borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the loans and borrowings using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2007 (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(o) Hire purchase

Property, plant and equipment acquired under hire purchase arrangements are capitalised at their purchase cost and depreciated in accordance with the policy set out in Note 2(d). The finance charges are charged to the income statement over the period of the agreements. The total amount payable less undue interests under hire purchase agreements are included under hire purchase liabilities.

(p) Employee benefits

(i) Short term employee benefits

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

A provision 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.

The Group's contribution to the Employees' Provident Fund are charged to the income statement in the year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

(ii) Retirement benefits

The liability in respect of a defined benefit plan is the present value of the defined benefit obligations at the balance sheet date, together with adjustments for actuarial gains/losses and past service cost. The Company 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 balance sheet 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 balance sheet 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 income statement over the average remaining service lives of the related employee participating in the unfunded retirement benefit plan.

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

(q) 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 obligations 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.

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2007 (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(q) Provisions and contingent liabilities (cont'd)

(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.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements, and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

(r) Payables

Payables are measure initially and subsequently at cost. Payables are recognised when there is a contractual obligation to deliver cash or another financial asset to another entity.

(s) Revenue

(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) Rental income

Rental income from investment property is recognised in the income statement 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.

(iii) Dividend income

Dividend income is recognised when the right to receive payment is established.

(t) Interest income and borrowing costs

Interest income is recognised as it accrues, using the effective interest method.

All borrowing costs are recognised in the income statement 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, 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.

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2007 (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(u) Tax expense

Tax expense comprises current and deferred tax. Tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet 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 be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax liability is recognised for all taxable temporary differences.

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 each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

(v) Earnings per share

The Group presents basic earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

(w) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products (business segment), or in providing products within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2007 (cont'd)

3. PROPERTY, PLANT AND EQUIPMENT

GROUP

Cost/Valuation	Land and buildings (Note 3.1) 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 2005	39,756	55,622	3,004	15,217	3,302	116,901
Additions	102	4,551	2,834	1,723	61,001	70,211
Transfer	-	3,900	-	161	(4,061)	-
Write off	-	(4)	-	(94)	-	(98)
Disposals	-	-	(1,068)	-	-	(1,068)
At 30 June 2006/1 July 2006						
- as previously reported	39,858	64,069	4,770	17,007	60,242	185,946
- effect of adopting FRS 140	(850)	-	-	-	-	(850)
At 30 June 2006/1 July 2006, restated	39,008	64,069	4,770	17,007	60,242	185,096
Additions	4,018	54,296	546	3,397	32,342	94,599
Reclassification	-	143	-	(143)	-	-
Transfer	-	148	-	25	(173)	-
Write off	-	(280)	(49)	(244)	-	(573)
Disposals	-	-	(86)	(13)	-	(99)
Exchange differences	-	-	-	8	-	8
At 30 June 2007	43,026	118,376	5,181	20,037	92,411	279,031
Representing restated items at:						
Cost	28,106	118,376	5,181	20,037	92,411	264,111
Valuation	14,920	-	-	-	-	14,920
	43,026	118,376	5,181	20,037	92,411	279,031
Accumulated depreciation						
At 1 July 2005	307	13,979	1,429	4,730	-	20,445
Charge for the year	424	4,875	677	1,208	-	7,184
Write off	-	(4)	-	(59)	-	(63)
Disposals	-	-	(816)	-	-	(816)
At 30 June 2006/1 July 2006						
- as previously reported	731	18,850	1,290	5,879	-	26,750
- effect of adopting FRS 140	(11)	-	-	-	-	(11)
At 30 June 2006/1 July 2006, restated	720	18,850	1,290	5,879	-	26,739
Charge for the year	461	7,913	734	1,546	-	10,654
Write off	-	(238)	(43)	(175)	-	(456)
Disposals	-	-	(72)	(12)	-	(84)
Exchange differences	-	-	-	1	-	1
At 30 June 2007	1,181	26,525	1,909	7,239	-	36,854
Carrying amounts						
At 1 July 2005	39,449	41,643	1,575	10,487	3,302	96,456
At 30 June 2006/1 July 2006, restated	38,288	45,219	3,480	11,128	60,242	158,357
At 30 June 2007	41,845	91,851	3,272	12,798	92,411	242,177

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2007 (cont'd)

3. PROPERTY, PLANT AND EQUIPMENT (cont'd)

COMPANY

Cost/Valuation	Land and buildings (Note 3.1) 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 2005	18,880	27,830	2,013	12,529	1,813	63,065
Additions	19	2,568	2,027	1,160	1,155	6,929
Transfer	-	1,379	-	161	(1,540)	-
Write off	-	(4)	-	(12)	-	(16)
Disposals	-	-	(889)	-	-	(889)
At 30 June 2006/1 July 2006	18,899	31,773	3,151	13,838	1,428	69,089
Additions	62	1,326	546	2,273	3,330	7,537
Reclassification	-	143	-	(143)	-	-
Transfer	-	148	-	26	(174)	-
Write off	-	(280)	-	(212)	-	(492)
Disposals	-	-	(52)	-	-	(52)
At 30 June 2007	18,961	33,110	3,645	15,782	4,584	76,082
Representing items at:						
Cost	8,901	33,110	3,645	15,782	4,584	66,022
Valuation	10,060	-	-	-	-	10,060
	18,961	33,110	3,645	15,782	4,584	76,082
Accumulated depreciation						
At 1 July 2005	250	12,640	1,310	4,551	-	18,751
Charge for the year	241	1,948	421	876	-	3,486
Write off	-	(4)	-	(9)	-	(13)
Disposals	-	-	(676)	-	-	(676)
At 30 June 2006/1 July 2006	491	14,584	1,055	5,418	-	21,548
Charge for the year	249	2,031	467	941	-	3,688
Write off	-	(238)	-	(167)	-	(405)
Disposals	-	-	(40)	-	-	(40)
At 30 June 2007	740	16,377	1,482	6,192	-	24,791
Carrying amounts						
At 1 July 2005	18,630	15,190	703	7,978	1,813	44,314
At 30 June 2006/1 July 2006	18,408	17,189	2,096	8,420	1,428	47,541
At 30 June 2007	18,221	16,733	2,163	9,590	4,584	51,291

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2007 (cont'd)

3. PROPERTY, PLANT AND EQUIPMENT (cont'd)

3.1 Land and buildings

GROUP Cost/Valuation	Freehold land RM'000	Long term leasehold land RM'000	Short term leasehold land RM'000	Buildings RM'000	Total RM'000
At 1 July 2005	13,939	5,756	871	19,190	39,756
Additions	-	-	-	102	102
At 30 June 2006/1 July 2006					
- as previously reported	13,939	5,756	871	19,292	39,858
- effect of adopting FRS 140	(560)	-	-	(290)	(850)
At 30 June 2006/1 July 2006, restated	13,379	5,756	871	19,002	39,008
Additions	33	-	-	3,985	4,018
At 30 June 2007	13,412	5,756	871	22,987	43,026
Representing restated items at:					
Cost	6,662	5,756	871	14,817	28,106
Valuation	6,750	-	-	8,170	14,920
	13,412	5,756	871	22,987	43,026
Accumulated depreciation					
At 1 July 2005	-	14	15	278	307
Charge for the year	-	38	26	360	424
At 30 June 2006/1 July 2006					
- as previously reported	-	52	41	638	731
- effect of adopting FRS 140	-	-	-	(11)	(11)
At 30 June 2006/1 July 2006, restated	-	52	41	627	720
Charge for the year	-	12	25	424	461
At 30 June 2007	-	64	66	1,051	1,181
Carrying amounts					
At 1 July 2005	13,939	5,742	856	18,912	39,449
At 30 June 2006/1 July 2006, restated	13,379	5,704	830	18,375	38,288
At 30 June 2007	13,412	5,692	805	21,936	41,845

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2007 (cont'd)

3. PROPERTY, PLANT AND EQUIPMENT (cont'd)

3.1 Land and buildings (cont'd)

COMPANY Cost/Valuation	Freehold land RM'000	Long term leasehold land RM'000	Short term leasehold land RM'000	Buildings RM'000	Total RM'000
At 1 July 2005	2,730	3,960	870	11,320	18,880
Additions	-	-	-	19	19
At 30 June 2006/1 July 2006	2,730	3,960	870	11,339	18,899
Additions	-	-	-	62	62
At 30 June 2007	2,730	3,960	870	11,401	18,961
Representing items at:					
Cost	160	3,960	870	3,911	8,901
Valuation	2,570	-	-	7,490	10,060
	2,730	3,960	870	11,401	18,961
Accumulated depreciation					
At 1 July 2005	-	3	15	232	250
Charge for the year	-	4	26	211	241
At 30 June 2006/1 July 2006	-	7	41	443	491
Charge for the year	-	4	25	220	249
At 30 June 2007	-	11	66	663	740
Carrying amounts					
At 1 July 2005	2,730	3,957	855	11,088	18,630
At 30 June 2006/1 July 2006	2,730	3,953	829	10,896	18,408
At 30 June 2007	2,730	3,949	804	10,738	18,221

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2007 (cont'd)

3. PROPERTY, PLANT AND EQUIPMENT (cont'd)

(i) Depreciation charge for the financial year includes:

	GROUP 2007 RM'000	GROUP 2006 RM'000	COMPANY 2007 RM'000	COMPANY 2006 RM'000
Charged to income statement	10,228	6,812	3,266	3,138
Capitalised as product development expenditure	426	372	422	348
	10,654	7,184	3,688	3,486

(ii) A piece of land and building of a subsidiary of the Group which were revalued on 19 June 2007 based on valuations carried out by an external independent professional valuer and recognised in the financial statements during the current financial year are as follows:

Description of property	Valuation method	Valuation amount RM'000
Leasehold land	Comparative / Investment	410
Building	Comparative / Investment	240
		650

The external independent professional valuer is as follows:

Yap Tian Sing, Registered valuer (V-600)
JS Valuers Property Consultants (Perak) Sdn Bhd
Lot 114A-1, (Ground Floor), Kaying Association Building,
114 Jalan Sultan Yussuf, 30000 Ipoh, Perak Darul Ridzuan

(iii) The carrying amounts of revalued freehold and 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 amortisation and impairment losses are as follows:

	GROUP 2007 RM'000	GROUP Restated 2006 RM'000	COMPANY 2007 RM'000	COMPANY 2006 RM'000
Freehold land	1,789	1,789	666	666
Leasehold land	975	987	-	-
Buildings	5,258	5,333	3,889	3,969

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2007 (cont'd)

3. PROPERTY, PLANT AND EQUIPMENT (cont'd)

(iv) Details of assets being financed under hire purchase arrangements are as follows:

	GROUP		COMPANY	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Plant, machinery and electrical equipment				
- additions during the financial year	4,181	2,286	433	2,286
- assets acquired in the previous financial year	-	318	-	318
- carrying amounts at end of the financial year	6,612	4,163	3,213	4,163
Motor vehicles				
- additions during the financial year	644	3,131	546	2,027
- carrying amounts at end of the financial year	2,932	3,064	2,017	1,920
Furniture, fittings, office, laboratory and factory equipment				
- additions during the financial year	1,996	676	1,564	676
- assets acquired in the previous financial year	-	720	-	720
- carrying amounts at end of the financial year	3,461	2,191	3,093	2,191

(v) The land titles of the freehold and leasehold land acquired by the Company in the previous financial years are in the process of being transferred into the name of the Company.

(vi) The land title of the freehold land acquired by a subsidiary from the Company in the previous financial years is in the process of being transferred into the name of the subsidiary.

(vii) Carrying amounts of property, plant and equipment pledged as securities for credit facilities granted to the Group and the Company amounted to RM133,357,108 (2006: RM54,519,822) and RM16,897,515 (2006: RM12,040,867) respectively.

4. INTANGIBLE ASSETS

GROUP Cost	Goodwill RM'000	Product development expenditure RM'000	Acquired trademark RM'000	Total RM'000
At 1 July 2005	-	19,443	770	20,213
Reclassification from negative goodwill	195	-	-	195
Additions	6,828	4,063	-	10,891
At 30 June 2006/1 July 2006	7,023	23,506	770	31,299
Additions	-	4,362	-	4,362
Write off	-	(2,857)	-	(2,857)
At 30 June 2007	7,023	25,011	770	32,804

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2007 (cont'd)

4. INTANGIBLE ASSETS (cont'd)

GROUP Accumulated amortisation	Goodwill RM'000	Product development expenditure RM'000	Acquired trademark RM'000	Total RM'000
At 1 July 2005	-	4,461	231	4,692
Amortisation for the year	-	408	77	485
At 30 June 2006/1 July 2006	-	4,869	308	5,177
Amortisation for the year	-	161	18	179
Write off	-	(281)	-	(281)
At 30 June 2007	-	4,749	326	5,075
Carrying amounts				
At 1 July 2005	-	14,982	539	15,521
At 30 June 2006/1 July 2006	7,023	18,637	462	26,122
At 30 June 2007	7,023	20,262	444	27,729

Goodwill

For the purpose of impairment testing on goodwill, two methods have been applied in determining the recoverable amount of goodwill, i.e. market approach and income approach.

Under the market approach, the recoverable amount of goodwill is determined based on the comparison of the subsidiary's securities as at year end that are actively traded in public market against the carrying amount of cash generating unit to which the goodwill has been allocated. Income approach is also being used whereby the market approach is not appropriate. By using this method, the recoverable amount of goodwill is based on the value in use calculations. The recoverable amount is higher than the carrying amount of the investments and goodwill. Thus no impairment loss was recognised during the year.

Value in use 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 used was the management expected internal rate of return.
- Cash flows were projected based on actual operating results in the year immediately before the budgeted year increased for expected efficiency improvements.

Product development expenditure and acquired trademark

The recoverable amount of the product development expenditure and acquired trademark are based on its value in use calculations and the recoverable amount is higher than the carrying amount of the intangibles. Thus no impairment loss was recognised during the year.

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2007 (cont'd)

4. INTANGIBLE ASSETS (cont'd)

Product development expenditure and acquired trademark (cont'd)

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:

- Cash flows were projected based on 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 discount rates used were the management expected internal rate of return.
- The subsidiaries will continue its operations indefinitely.
- 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.

COMPANY

Cost	Product development expenditure RM'000	Acquired trademark RM'000	Total RM'000
At 1 July 2005	19,190	770	19,960
Additions	3,603	-	3,603
At 30 June 2006/1 July 2006	22,793	770	23,563
Additions	4,256	-	4,256
Write off	(2,779)	-	(2,779)
At 30 June 2007	24,270	770	25,040
Accumulated amortisation			
At 1 July 2005	4,208	231	4,439
Amortisation for the year	392	77	469
At 30 June 2006/1 July 2006	4,600	308	4,908
Amortisation for the year	146	18	164
Write off	(281)	-	(281)
At 30 June 2007	4,465	326	4,791
Carrying amounts			
At 1 July 2005	14,982	539	15,521
At 30 June 2006/1 July 2006	18,193	462	18,655
At 30 June 2007	19,805	444	20,249

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2007 (cont'd)

4. INTANGIBLE ASSETS (cont'd)

Included in additions to product development expenditure are the following expenditure incurred:

	GROUP		COMPANY	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Interest expense	92	43	92	43
Rental of premises	62	54	62	54
Depreciation of property, plant and equipment	426	372	422	348
Staff costs	2,071	1,674	1,981	1,674

Included in staff costs of the Group and of the Company are contributions to Employees' Provident Fund which amounted to RM184,407 (2006: RM169,582) and RM173,666 (2006:RM169,582) respectively.

Change in estimates

During the year ended 30 June 2007, the Group conducted a review of its product development and acquired trademark, which resulted in changes in the expected useful lives of its intangible assets. The Group revised the estimated useful lives of these intangible assets from ten (10) years to twenty (20) years with effect from 1 July 2006. The revisions were accounted for prospectively as a change in accounting estimates and as a result the Group's and the Company's profit for the current financial year have been increased by RM476,077 and RM446,360 respectively.

5. INVESTMENT PROPERTY

	GROUP RM'000
At 1 July 2006	-
Effect of adopting FRS 140	839
At 1 July 2006, restated	839
Change in fair value	(39)
At 30 June 2007	800

	2007 RM'000	Restated 2006 RM'000
Included in the above are:		
Freehold land	500	560
Building	300	279
	800	839

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2007 (cont'd)

6. INVESTMENT IN SUBSIDIARIES

	COMPANY 2007 RM'000	COMPANY 2006 RM'000
At cost:		
Quoted shares in Malaysia	23,957	23,957
Unquoted shares in Malaysia	8,361	8,361
Unquoted shares outside Malaysia	507	503
	32,825	32,821

The market value of quoted shares in Malaysia as at 30 June 2007 was RM183,174,000 (2006: RM99,219,000).

Details of subsidiaries are as follows:

	Country of incorporation	Effective Group's interest (%) 2007	Effective Group's interest (%) 2006	Principal activities
Carotech Berhad ("Carotech")	Malaysia	55.77	55.77	Extraction and processing of nutrients from palm oil for the purpose of manufacturing and producing pharmaceutical, phytonutrient and oleochemical products.
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, on 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.
Ho Yan Hor (S) Pte. Ltd. *	Singapore	80.00	80.00	Wholesalers, distributors, agents of and dealers in all kinds of pharmaceutical products, embrocation oil, herbal tea and Chinese patented medicines.
Carotech, Inc. #	U.S.A.	55.77	55.77	Sales agency and marketing of pharmaceutical, phytonutrient and oleochemical products.

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2007 (cont'd)

6. INVESTMENT IN SUBSIDIARIES (cont'd)

	Country of incorporation	Effective Group's interest (%) 2007	Effective Group's interest (%) 2006	Principal activities
Hovid Nutriworld Sdn. Bhd. *	Malaysia	100.00	100.00	To own and manage a chain of concept stores selling over-the-counter health food products, consumer products, supplements and herbal products.
Hovid Life Science Pte. Ltd. *^	India	100.00	100.00	Inactive
Carotech Bio-Fuel Sdn. Bhd. #	Malaysia	55.77	55.77	Inactive
Carotech Yangzhou Biofuel Company Limited *#	The People's Republic of China	55.77	-	Inactive
Yingkou Carotech Bio Energy Company Limited *#	The People's Republic of China	55.77	-	Inactive
Hovid International Limited *	British Virgin Island	100.00	-	Inactive

* *Not audited by KPMG*

\# *Subsidiary of Carotech Berhad*

^ *The Directors have consolidated the results of this subsidiary based on its unaudited management financial statements*

7. DEFERRED TAX ASSETS AND LIABILITIES

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

GROUP	Assets 2007 RM'000	Assets 2006 RM'000	Liabilities 2007 RM'000	Liabilities 2006 RM'000	Net 2007 RM'000	Net 2006 RM'000
Property, plant and equipment	-	-	12,022	7,373	12,022	7,373
Intangible assets	-	-	4,659	4,659	4,659	4659
Provisions	(307)	(145)	-	-	(307)	(145)
Others	(365)	(327)	377	345	12	18
Tax (assets)/liabilities	(672)	(472)	17,058	12,377	16,386	11,905
Set off of tax	307	145	(307)	(145)	-	-
Net tax (assets)/liabilities	(365)	(327)	16,751	12,232	16,386	11,905

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2007 (cont'd)

7. DEFERRED TAX ASSETS AND LIABILITIES (cont'd)

Recognised deferred tax assets and liabilities (cont'd)

COMPANY	Assets 2007 RM'000	Assets 2006 RM'000	Liabilities 2007 RM'000	Liabilities 2006 RM'000	Net 2007 RM'000	Net 2006 RM'000
Property, plant and equipment	-	-	3,497	3,497	3,497	3,497
Intangible assets	-	-	4,659	4,659	4,659	4,659
Others	-	-	89	89	89	89
Net tax liabilities	-	-	8,245	8,245	8,245	8,245

Unrecognised deferred tax asset

Deferred tax asset has not been recognised in respect of the following item:

	GROUP 2007 RM'000	GROUP 2006 RM'000	COMPANY 2007 RM'000	COMPANY 2006 RM'000
Unutilised tax loss carry-forwards	222	-	-	-

The deductible temporary differences do not expire under the current tax legislation unless there is a substantial change in shareholders (more than 50%). If there is substantial change in shareholders, unutilised tax loss carry-forwards amounting to RM855,265 will not be available to the Group. Deferred tax asset has not been recognised in respect of this item because it is not probable that future taxable profits will be available against which the Group can utilise the benefits therefrom.

The unutilised tax losses as disclosed above which give rise to unrecognised deferred tax asset, is subject to agreement with the Inland Revenue Board.

Movement in temporary differences during the year

GROUP	At 1 July 2005 RM'000	Recognised in income statements (Note 18) RM'000	At 30 June 2006 RM'000	Recognised in income statements (Note 18) RM'000	Recognised in equity (Note 12) RM'000	At 30 June 2007 RM'000
Deferred tax liabilities						
- Property, plant and equipment	4,800	2,573	7,373	4,649	-	12,022
- Intangible assets	3,788	871	4,659	-	-	4,659
- Others	525	(180)	345	59	(27)	377
Deferred tax assets						
- Provisions	(145)	-	(145)	(162)	-	(307)
- Others	(766)	439	(327)	(38)	-	(365)
	8,202	3,703	11,905	4,508	(27)	16,386

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2007 (cont'd)

7. DEFERRED TAX ASSETS AND LIABILITIES (cont'd)

Movement in temporary differences during the year (cont'd)

COMPANY	At 1 July 2005 RM'000	Recognised in income statements (Note 18) RM'000	At 30 June 2006 RM'000	Recognised in income statements (Note 18) RM'000	Recognised in equity (Note 12) RM'000	At 30 June 2007 RM'000
Deferred tax liabilities						
- Property, plant and equipment	3,084	413	3,497	-	-	3,497
- Intangible assets	3,788	871	4,659	-	-	4,659
- Others	89	-	89	-	-	89
	6,961	1,284	8,245	-	-	8,245

8. RETIREMENT BENEFIT PLAN

This retirement benefit plan is for the Managing Director in accordance with his employment contract signed with the Company and a subsidiary in the Group.

The amount recognised in the Group's and in the Company's balance sheets may be analysed as follows:

	GROUP 2007 RM'000	GROUP 2006 RM'000	COMPANY 2007 RM'000	COMPANY 2006 RM'000
Non-current assets				
Rights to reimbursement under insurance policies	240	195	240	195
Non-current liabilities				
Provision for retirement benefits				
- Present value of unfunded obligation	737	551	737	551

The expense recognised in the Group's and in the Company's income statements may be analysed as follows:

	GROUP 2007 RM'000	GROUP 2006 RM'000	COMPANY 2007 RM'000	COMPANY 2006 RM'000
Current service cost	154	159	154	159
Interest cost	32	21	32	21
Benefit expense	186	180	186	180
Reimbursement rights under insurance policies that exactly match the amount and timing of some of benefits payable under the plan	(45)	(51)	(45)	(51)
Expense recognised in the income statement net of the amount recognised for the reimbursement rights under insurance policies	141	129	141	129

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2007 (cont'd)

8. RETIREMENT BENEFIT PLAN (cont'd)

The amount charged to the income statement is included in staff costs.

The unfunded retirement benefit scheme is a defined benefit scheme. Obligation is determined by independent actuaries using the Projected Unit Credit actuarial method. The actuarial valuation was carried out as at 4 October 2005.

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

(i) Salary escalation of 6% per annum.

(ii) Discount interest rate of 6% per annum.

9. INVENTORIES

	GROUP		COMPANY	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Raw materials	4,871	3,494	3,558	3,117
Work-in-progress	47,600	22,329	1,440	1,797
Finished goods	16,696	6,622	2,746	2,401
Trading goods	8,143	9,941	-	-
Packing materials	1,558	1,812	1,558	1,812
	78,868	44,198	9,302	9,127

Included above are finished goods and trading goods of the Group and of the Company amounting to RM1,139,417 (2006: RM953,952) and RM246,626 (2006: RM264,411) respectively are carried at net realisable value.

10. RECEIVABLES, DEPOSITS AND PREPAYMENTS

	GROUP		COMPANY	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Trade				
Trade receivables	23,898	34,080	4,165	8,443
Less: Allowance for doubtful debts	(1,391)	(1,110)	(52)	(72)
	22,507	32,970	4,113	8,371
Amount due from subsidiaries				
- interest bearing	-	-	14,860	13,511
- non interest bearing	-	-	84	992
	22,507	32,970	19,057	22,874
Non-trade				
Other receivables, deposits and prepayments	7,437	4,138	2,524	3,168
Amount due from subsidiaries				
- interest bearing	-	-	4,243	1,348
- non interest bearing	-	-	3,619	4,338
	7,437	4,138	10,386	8,854
	29,944	37,108	29,443	31,728

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2007 (cont'd)

10. RECEIVABLES, DEPOSITS AND PREPAYMENTS (cont'd)

Included in other receivables of the Group in financial year 2006 was payment in advance to a company in which a Director has financial interest for the purchase of raw materials of RM104,000.

The trade amount due from subsidiaries are subject to credit terms of 60 to 150 days (2006: 150 days).

The loans to subsidiaries are unsecured, non interest bearing and have no fixed terms of repayment except for interest bearing portion which is subject to interest ranging from 7.25% to 9.00% (2006: 7.25%) per annum.

	GROUP		COMPANY	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Currency exposure profiles:				
Trade				
Trade receivables:				
Ringgit Malaysia	12,979	13,531	63	84
USD	7,233	18,320	3,842	8,098
SGD	208	189	208	189
Philippines PESO	1,161	915	-	-
EURO	-	15	-	-
Others	926	-	-	-
	22,507	32,970	4,113	8,371
Non-trade				
Other receivables, deposits and prepayments:				
Ringgit Malaysia	7,261	4,077	2,524	3,168
USD	131	35	-	-
SGD	-	26	-	-
Philippines PESO	45	-	-	-
	7,437	4,138	2,524	3,168
Trade and non-trade				
Amount due from subsidiaries:				
Ringgit Malaysia	-	-	21,555	19,376
USD	-	-	1,196	782
Others	-	-	55	31
	-	-	22,806	20,189
	29,944	37,108	29,443	31,728

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2007 (cont'd)

11. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Cash and bank balances	24,094	8,583	10,856	5,657
Currency exposure profiles:				
Ringgit Malaysia	11,936	7,152	8,530	4,917
USD	10,454	763	1,797	513
SGD	524	216	524	216
Philippines PESO	1,175	441	-	-
Others	5	11	5	11
	24,094	8,583	10,856	5,657

12. CAPITAL AND RESERVES

Share capital

GROUP/COMPANY	Par value RM	2007 Number of shares '000	2006 Number of shares '000	2007 RM'000	2006 RM'000
Authorised:					
At 1 July	0.50	200,000	100,000	100,000	50,000
Creation of new ordinary shares	0.50	-	100,000	-	50,000
Subdivision of shares	0.10	800,000	-	-	-
At 30 June	0.10	1,000,000	200,000	100,000	100,000
Issued and fully paid:					
At 1 July	0.50	152,416	95,260	76,208	47,630
Bonus issue	0.50	-	57,156	-	28,578
Subdivision of shares	0.10	609,664	-	-	-
At 30 June	0.10	762,080	152,416	76,208	76,208

During the financial year, the authorised number of ordinary shares of the Company was increased from 200,000,000 to 1,000,000,000 ordinary shares by way of subdivision of 200,000,000 shares of RM0.50 each into 1,000,000,000 ordinary shares of RM0.10 each on the basis of five (5) new ordinary shares of RM0.10 each for every one (1) existing ordinary share of RM0.50 each ("share split"). Accordingly, the issued and paid-up number of ordinary shares of the Company was split from 152,416,000 ordinary shares of RM0.50 each to 762,080,000 ordinary shares of RM0.10 each.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2007 (cont'd)

12. CAPITAL AND RESERVES (cont'd)

Share Premium

	GROUP/COMPANY 2007 RM'000	GROUP/COMPANY 2006 RM'000
Non-distributable		
At 1 July	90	14,553
Capitalisation for bonus issue	-	(14,353)
Share issue expenses	-	(110)
At 30 June	90	90

Reserves

	GROUP 2007 RM'000	GROUP 2006 RM'000	COMPANY 2007 RM'000	COMPANY 2006 RM'000
Non-distributable				
Negative goodwill:				
At 1 July	4,918	4,723	-	-
Effect of adopting FRS 3	(4,918)	-	-	-
	-	4,723	-	-
Reclassification to goodwill	-	195	-	-
At 30 June	-	4,918	-	-
Non-distributable				
Exchange fluctuation reserve:				
At 1 July	(6)	(1)	-	-
Movement during the financial year	72	(5)	-	-
At 30 June	66	(6)	-	-
Revaluation reserve:				
Surplus on revaluation of freehold land and buildings				
At 1 July	4,377	4,377	2,627	2,627
Additions during the financial year	26	-	-	-
At 30 June	4,403	4,377	2,627	2,627

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2007 (cont'd)

12. CAPITAL AND RESERVES (cont'd)

Reserves (cont'd)

	GROUP		COMPANY	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
***Non-distributable* (cont'd)**				
Less: Deferred taxation				
At 1 July	1,004	1,004	1,004	1,004
Reversal upon abolishment of RPGT	(27)	-	-	-
At 30 June	977	1,004	1,004	1,004
Revaluation reserve, net of tax at 30 June	3,426	3,373	1,623	1,623
Total revaluation and other reserves	3,492	8,285	1,623	1,623

Revaluation reserve

The revaluation reserve relates to the revaluation of property, plant and equipment.

13. LOANS AND BORROWINGS

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

	GROUP		COMPANY	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Non-current				
Secured term loans	85,503	33,400	1,247	2,472
Hire purchase liabilities	8,398	5,773	5,471	4,999
	93,901	39,173	6,718	7,471
Current				
Secured term loans	7,344	2,339	1,224	1,719
Secured bank overdrafts	1,657	2,179	-	1,771
Unsecured bank overdrafts	1,646	625	8	625
Secured bankers' acceptance	12,544	8,395	7,669	3,159
Unsecured bankers' acceptance	45,540	27,574	12,368	16,051
Secured revolving credit	3,000	3,000	3,000	3,000
Unsecured revolving credit	7,000	-	4,000	-
Hire purchase liabilities	2,511	1,864	1,622	1,655
	81,242	45,976	29,891	27,980
	175,143	85,149	36,609	35,451

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2007 (cont'd)

13. LOANS AND BORROWINGS (cont'd)

Security

The secured term loans are secured by way of:

(a) fixed charges over a leasehold land and building of the Company, which is registered in the name of its former holding company and is in the process of being transferred into the name of the Company; and

(b) debentures incorporating fixed charges over certain plant and machinery of the Company and of the subsidiary.

The secured bank overdrafts are secured by way of:

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

(b) fixed charges over freehold lands and buildings of the Company and of subsidiaries;

(c) negative pledge of a subsidiary; and

(d) corporate guarantee for RM10,035,000 by the Company.

The other secured short term bank borrowings are secured by way of:

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

(b) fixed charges over certain freehold and leasehold land and buildings of the Company and of the subsidiaries;

(c) negative pledge of a subsidiary; and

(d) corporate guarantee for RM10,035,000 by the Company.

Terms and debt repayment schedule

GROUP	Year of maturity	Carrying amounts RM'000	Less than 1 year RM'000	1 – 2 years RM'000	2 – 3 years RM'000	3 – 4 years RM'000	4 – 5 years RM'000	More than 5 years RM'000
2007								
Secured term loans	2008 - 2014	92,847	7,344	18,387	19,577	17,476	14,970	15,093
Secured bank overdrafts	2008	1,657	1,657	-	-	-	-	-
Unsecured bank overdrafts	2008	1,646	1,646	-	-	-	-	-
Secured bankers' acceptance	2008	12,544	12,544	-	-	-	-	-
Unsecured bankers' acceptance	2008	45,540	45,540	-	-	-	-	-
Secured revolving credit	2008	3,000	3,000	-	-	-	-	-
Unsecured revolving credit	2008	7,000	7,000	-	-	-	-	-
Hire purchase liabilities	2008 - 2011	10,909	2,511	2,680	2,663	2,180	744	131
		175,143	81,242	21,067	22,240	19,656	15,714	15,224
2006								
Secured term loans	2007 - 2014	35,739	2,339	5,233	5,913	5,492	4,599	12,163
Secured bank overdrafts	2007	2,179	2,179	-	-	-	-	-
Unsecured bank overdrafts	2007	625	625	-	-	-	-	-
Secured bankers' acceptance	2007	8,395	8,395	-	-	-	-	-
Unsecured bankers' acceptance	2007	27,574	27,574	-	-	-	-	-
Secured revolving credit	2007	3,000	3,000	-	-	-	-	-
Hire purchase liabilities	2007 - 2011	7,637	1,864	1,473	1,563	1,464	978	295
		85,149	45,976	6,706	7,476	6,956	5,577	12,458

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2007 (cont'd)

13. LOANS AND BORROWINGS (cont'd)

Terms and debt repayment schedule (cont'd)

COMPANY	Year of maturity	Carrying amounts RM'000	Less than 1 year RM'000	1 – 2 years RM'000	2 – 3 years RM'000	3 – 4 years RM'000	4 – 5 years RM'000	More than 5 years RM'000
2007								
Secured term loans	2008 - 2011	2,471	1,224	875	349	23	-	-
Unsecured bank overdrafts	2008	8	8	-	-	-	-	-
Secured bankers' acceptance	2008	7,669	7,669	-	-	-	-	-
Unsecured bankers' acceptance	2008	12,368	12,368	-	-	-	-	-
Secured revolving credit	2008	3,000	3,000	-	-	-	-	-
Unsecured revolving credit	2008	4,000	4,000	-	-	-	-	-
Hire purchase liabilities	2008 - 2014	7,093	1,622	1,732	1,744	1,257	607	131
		36,609	29,891	2,607	2,093	1,280	607	131
2006								
Secured term loans	2007 - 2012	4,191	1,719	1,264	809	347	52	-
Secured bank overdrafts	2007	1,771	1,771	-	-	-	-	-
Unsecured bank overdrafts	2007	625	625	-	-	-	-	-
Secured bankers' acceptance	2007	3,159	3,159	-	-	-	-	-
Unsecured bankers' acceptance	2007	16,051	16,051	-	-	-	-	-
Secured revolving credit	2007	3,000	3,000	-	-	-	-	-
Hire purchase liabilities	2007 - 2013	6,654	1,655	1,252	1,333	1,312	807	295
		35,451	27,980	2,516	2,142	1,659	859	295

Hire purchase liabilities

Hire purchase liabilities are payable as follows:

	Payments 2007 RM'000	Interest 2007 RM'000	Principal 2007 RM'000	Payments 2006 RM'000	Interest 2006 RM'000	Principal 2006 RM'000
GROUP						
Less than 1 year	3,147	636	2,511	2,336	472	1,864
Between 1 and 5 years	9,112	845	8,267	6,111	633	5,478
More than 5 years	137	6	131	372	77	295
	12,396	1,487	10,909	8,819	1,182	7,637
COMPANY						
Less than 1 year	2,042	420	1,622	2,080	425	1,655
Between 1 and 5 years	5,903	563	5,340	5,263	559	4,704
More than 5 years	137	6	131	372	77	295
	8,082	989	7,093	7,715	1,061	6,654

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2007 (cont'd)

13. LOANS AND BORROWINGS (cont'd)

The effective interest rates per annum of loans and borrowings are as follows:

	GROUP		COMPANY	
	2007	2006	2007	2006
	%	%	%	%
Term loans	6.50 - 8.50	5.00 - 8.50	8.00 - 8.50	8.00 - 8.50
Bank overdrafts	8.00 - 8.80	8.00 - 9.25	8.00	8.00 - 8.25
Bankers' acceptance	3.18 - 4.60	2.79 - 5.10	3.18 - 4.37	2.79 - 3.50
Revolving credit	5.00 - 5.30	4.90	5.00 - 5.30	4.90
Hire purchase liabilities	4.20 -10.01	4.20 -10.01	4.24 -10.01	4.24 -10.01

14. PAYABLES AND ACCRUALS

	GROUP		COMPANY	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Trade				
Trade payables	9,577	12,281	6,556	8,120
Amount due to subsidiaries	-	-	-	72
	9,577	12,281	6,556	8,192
Non-trade				
Other payables	26,166	14,848	2,410	2,549
Accrued expenses	3,902	2,242	500	269
Amount due to subsidiaries				
- non interest bearing	-	-	70	718
	30,068	17,090	2,980	3,536
	39,645	29,371	9,536	11,728

The trade amount due to subsidiaries is subject to credit terms of 60 to 90 days and interest at 3.00% per annum for 2006.

Non-trade amounts due to subsidiaries are unsecured, non interest bearing and have no fixed terms of repayment except for certain interest bearing portion which is subject to interest ranging from 7.25% to 9.00% per annum (2006: 3.00% per annum).

Included in other payables of the Group and of the Company is an amount owing to a company in which a person connected with a Director has financial interest amounting to RM109,335 and RM72,405 (2006: RM324,000 and RM89,979) respectively for the purchases of computer equipment and accessories.

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2007 (cont'd)

14. PAYABLES AND ACCRUALS (cont'd)

	GROUP		COMPANY	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Currency exposure profiles:				
Trade				
Trade payables:				
Ringgit Malaysia	6,753	8,484	4,087	4,257
USD	2,811	3,705	2,461	3,771
EURO	-	84	-	84
Others	13	8	8	8
	9,577	12,281	6,556	8,120
Non-trade				
Other payables and accruals:				
Ringgit Malaysia	29,726	16,895	2,892	2,801
USD	96	79	11	-
SGD	30	-	-	-
Philippines PESO	209	99	-	-
Others	7	17	7	17
	30,068	17,090	2,910	2,818
Trade and non-trade				
Amount due to subsidiaries:				
Ringgit Malaysia	-	-	-	711
USD	-	-	-	2
SGD	-	-	70	77
	-	-	70	790
	39,645	29,371	9,536	11,728

15. REVENUE

	GROUP		COMPANY	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Revenue is stated at gross invoiced values and comprises:				
Manufacturing sales	137,208	98,855	72,486	65,996
Trading sales	49,649	47,725	-	-
	186,857	146,580	72,486	65,996

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2007 (cont'd)

16. FINANCE COSTS

	GROUP		COMPANY	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
This comprises interest expense on:				
- Bank overdrafts	99	152	26	94
- Term loans	1,686	398	284	398
- Other borrowings	2,691	1,570	1,342	1,121
	4,476	2,120	1,652	1,613
Less: Interest income	(154)	(136)	(838)	(643)
	4,322	1,984	814	970

17. PROFIT BEFORE TAX

	GROUP		COMPANY	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Profit before tax is arrived at after charging:				
Allowance for doubtful debts	214	356	16	34
Allowance for slow moving inventories	203	-	203	-
Amortisation of intangible assets	179	485	164	469
Auditors' remuneration:				
- Audit services:				
Auditors of the Company	63	63	22	22
Other auditors	16	13	-	-
Change in fair value of investment property	39	-	-	-
Depreciation of property, plant and equipment	10,228	6,812	3,266	3,138
Direct operating expenses of investment property - generating income	3	9	-	-
Directors' remuneration:				
- Fees	372	372	198	198
- Defined benefit plan expense for a Director	141	129	141	129
- Other emoluments	1,752	1,732	541	513

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2007 (cont'd)

17. PROFIT BEFORE TAX (cont'd)

	GROUP		COMPANY	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Loss on foreign exchange:				
- realised	2,867	152	2,867	-
- unrealised	1,171	-	1,171	117
Inventories written off	212	106	146	89
Personnel expenses (excluding Directors' remuneration):				
- Contributions to Employees' Provident Fund	2,374	2,178	1,264	1,222
- Expenses related to defined benefit plans	16	-	-	-
- Wages, salaries and others	22,517	21,775	10,668	10,535
Preliminary expenses written off	-	6	-	-
Product development expenditure written off	2,576	-	2,498	-
Property, plant and equipment written off	117	34	87	3
Rental expense of equipment	-	6	-	-
Rental expense of motor vehicles	13	28	-	-
Rental expense of premises	637	349	81	74
and after crediting:				
Allowance for doubtful debts written back	153	159	27	110
Dividend income (gross) from a subsidiary (quoted)	-	-	1,908	-
Gain on disposals of property, plant and equipment	5	216	3	180
Gain on foreign exchange:				
- realised	5,105	-	3,343	78
- unrealised	1,581	127	328	-
Rental income from investment property	46	46	-	-
Rental income of premises	222	170	105	88

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2007 (cont'd)

18. TAX EXPENSE

(i) Recognised in the income statements:

Major components of tax expense include:

	GROUP		COMPANY	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Current tax expense				
Malaysian				
- current year	1,710	859	1,410	544
- (over)/under provision in prior year	(278)	162	(261)	177
Overseas				
- current year	43	131	-	-
	1,475	1,152	1,149	721
Deferred tax expense				
Origination and reversal of temporary differences	4,508	3,703	-	1,284
	5,983	4,855	1,149	2,005

(ii) Reconciliation of effective tax rate:

	GROUP		COMPANY	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Profit for the year	29,068	22,601	13,377	9,813
Tax expense	5,983	4,855	1,149	2,005
Profit excluding tax	35,051	27,456	14,526	11,818

	GROUP		COMPANY	
	2007	2006	2007	2006
	%	%	%	%
Statutory income tax rate of Malaysia	27	28	27	28
Effect of change in tax rate *	-	-	(1)	-
Non-deductible expenses	3	2	3	2
Reinvestment allowances utilised	(4)	(5)	(9)	(10)
Non-taxable income	(1)	(6)	(4)	-
Tax incentives	(7)	(2)	(4)	(4)
Others	(1)	-	(2)	-
	17	17	10	16
(Over)/Under provision in prior years	(1)	1	(2)	5
Average effective tax rate	16	18	8	21

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2007 (cont'd)

18. TAX EXPENSE (cont'd)

(ii) Reconciliation of effective tax rate: (cont'd)

* With effective from Year of Assessment 2007, corporate tax rate is at 27%. The Malaysian Budget 2007 also announced the reduction of corporate tax rate to 26% in Year of Assessment 2008. Consequently, the Company's deferred tax liabilities are measured using these tax rates.

(iii) Subject to agreement by the Inland Revenue Board, the Company has sufficient credit under Section 108 of the Income Tax Act, 1967 and tax exempt income to frank/distribute approximately RM14,002,000 of its distributable reserves at 30 June 2007 if paid out as dividends.

19. EARNINGS PER SHARE

Basic earnings per ordinary share

The basic earnings per share of the Group is calculated based on the profit attributable to ordinary shareholders of RM21,326,000 (2006: RM17,020,000) and the number of ordinary shares in issue of 762,080,000 during the financial year, having adjusted for the subdivision of every one (1) existing ordinary share of RM0.50 each into five (5) new ordinary shares of RM0.10 each.

Diluted earnings per ordinary share

The Group has no potential dilutive ordinary shares as at 30 June 2007.

20. DIVIDENDS

Dividends recognised in the current year by the Company are:

	Sen per share (net of tax)	Total amount RM'000	Date of payment
2007			
Interim dividend	3.4	5,129	22 January 2007

The net dividend per share of 3.4 sen has been computed based on 152,416,000 ordinary shares of RM0.50 each, prior to the subdivision of every one (1) existing ordinary share of RM0.50 each into five (5) new ordinary shares of RM0.10 each.

There was no dividend paid or declared by the Company in previous financial year.

21. SEGMENT REPORTING

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure. Inter-segment pricing is determined based on negotiated terms.

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2007 (cont'd)

21. SEGMENT REPORTING (cont'd)

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise interest-earning assets and revenue, interest bearing loans, borrowings and expenses and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Business Segments

The Group comprises the following main business segments:

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

Geographical segments

The pharmaceutical and phytonutrient segments are also operated in few other principal geographical areas apart from Malaysia. The Group's geographical areas are as follows:

(i) Asia *
(ii) Africa
(iii) North and South America
(iv) Europe
(v) Pacific Island

* *Group's home region*

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are also based on the geographical location of assets.

Business Segments

	Pharmaceutical RM'000	Phytonutrient RM'000	Eliminations RM'000	Total RM'000
Financial year ended 30 June 2007				
Revenue				
External revenue	94,166	92,691	-	186,857
Inter-segment revenue	27,251	1,089	(28,340)	-
Total revenue	121,417	93,780	(28,340)	186,857

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2007 (cont'd)

21. SEGMENT REPORTING (cont'd)

Business Segments (cont'd)

	Pharmaceutical RM'000	Phytonutrient RM'000	Eliminations RM'000	Total RM'000
Financial year ended 30 June 2006				
Revenue				
External revenue	86,833	59,747	-	146,580
Inter-segment revenue	26,495	903	(27,398)	-
Total revenue	113,328	60,650	(27,398)	146,580

	Pharmaceutical RM'000	Phytonutrient RM'000	Total RM'000
Financial year ended 30 June 2007			
Results			
Profit from operations	15,649	23,724	39,373
Finance costs	(1,622)	(2,700)	(4,322)
Profit before tax	14,027	21,024	35,051
Tax expense	(1,618)	(4,365)	(5,983)
Profit for the year	12,409	16,659	29,068
Financial year ended 30 June 2006			
Results			
Profit from operations	13,983	15,457	29,440
Finance costs	(1,681)	(303)	(1,984)
Profit before tax	12,302	15,154	27,456
Tax expense	(1,957)	(2,898)	(4,855)
Profit for the year	10,345	12,256	22,601
At 30 June 2007			
Other information			
Segment assets	140,778	263,074	403,852
Unallocated assets			631
Total assets			404,483
Segment liabilities	50,895	164,630	215,525
Unallocated liabilities			17,371
Total liabilities			232,896

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2007 (cont'd)

21. SEGMENT REPORTING (cont'd)

Business Segments (cont'd)

	Pharmaceutical RM'000	Phytonutrient RM'000	Total RM'000
At 30 June 2006			
Other information			
Segment assets	131,822	143,580	275,402
Unallocated assets			1,101
Total assets			276,503
Segment liabilities	51,490	63,581	115,071
Unallocated liabilities			12,396
Total liabilities			127,467

Unallocated assets consist of tax recoverable and deferred tax assets whereas unallocated liabilities consist of tax payable and deferred tax liabilities.

	Pharmaceutical RM'000	Phytonutrient RM'000	Eliminations RM'000	Total RM'000
Financial year ended 30 June 2007				
Other information				
Capital expenditure	8,058	86,541	-	94,599
Depreciation and amortisation	3,735	6,672	-	10,407
Product development expenditure written off	2,498	78	-	2,576
Loss on foreign exchange:				
- realised	2,867	-	-	2,867
- unrealised	1,171	-	-	1,171
Financial year ended 30 June 2006				
Other information				
Capital expenditure	7,434	62,777	-	70,211
Depreciation and amortisation	3,935	3,362	-	7,297

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2007 (cont'd)

21. SEGMENT REPORTING (cont'd)

Geographical segments

2007		Sales RM'000	Total assets RM'000	Capital expenditure RM'000
(i)	Asia	99,591	404,467	94,599
(ii)	Africa	21,867	-	-
(iii)	North and South America	13,271	16	-
(iv)	Europe	51,935	-	-
(v)	Pacific Island	193	-	-
		186,857	404,483	94,599
2006				
(i)	Asia	98,566	276,384	70,207
(ii)	Africa	22,184	-	-
(iii)	North and South America	8,956	119	4
(iv)	Europe	16,775	-	-
(v)	Pacific Island	99	-	-
		146,580	276,503	70,211

22. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The Group's activities in the normal course of business expose it to a variety of financial risks, including foreign currency exchange risk, interest rate risk, market risk, liquidity risk and credit risk. The Group's overall financial risk management objective is to minimise potential adverse effects of these risks on the financial performance of the Group. Financial risk management is carried out through risk reviews, internal control systems and adherence to prudent risk management policies.

Derivative financial instruments are used to reduce exposure to fluctuations in foreign exchange rates. While these are subject to the risk of market rates changing subsequent to acquisition, such changes are generally offset by opposite effects on the items being hedged.

The Group's and the Company's normal practices for managing each of these risks are summarised below:

Foreign currency exchange risk

The Group's exposure to foreign currency exchange risk arises from import of raw materials and export of finished goods that are generally denominated in USD. The availability of both inflow and outflow of USD arising from the normal business transactions of the Group provides a natural hedge to foreign currency exchange risk. Nevertheless, the Group enters into foreign currency forward contracts to hedge its exposure on certain foreign currency receivables and payables.

Interest rate risk

Interest rate exposure arises mainly from the Group's borrowings. The Group closely monitors 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.

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2007 (cont'd)

22. FINANCIAL INSTRUMENTS (cont'd)

Interest rate risk (cont'd)

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

Market risk

The Group does not expect significant risk from the changes in debt and equity prices.

Liquidity risk

The Company actively manages its operating cash flows and the availability of funding so as to ensure that all repayments and funding needs are met. As part of its overall prudent liquidity management, the Company maintains sufficient levels of cash to meet its working capital requirements.

Credit 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.

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.

Fair values

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

The Company provides financial guarantees to banks for credit facilities extended to certain subsidiaries. The fair value of such financial guarantees is not expected to be material as the probability of the subsidiaries defaulting on the credit lines is remote.

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

The contracted amount of financial instruments not recognised in the balance sheets as at 30 June are:

	GROUP	
	2007 RM'000	2006 RM'000
Forward foreign exchange contracts		
Receivables		
- Contractual value	24,182	79,380
- Fair value	150	702

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2007 (cont'd)

22. FINANCIAL INSTRUMENTS (cont'd)

Fair values (cont'd)

	GROUP 2007 RM'000	GROUP 2006 RM'000
Commodity hedging contracts		
Payables		
- Contractual value	4,002	-
- Fair value	114	-

The fair value of the above forward exchange contracts and commodity hedging contracts are based on foreign currency rates translated and crude palm oil prices at year end rates. These foreign exchange contracts and commodity hedging contracts would expire within a year from balance sheet date.

Commodity hedging contracts are used to manage exposure to fluctuations in the purchase price of crude palm oil.

23. OPERATING LEASES

Leases as lessee

Non-cancellable operating lease rentals are payables as follows:

	GROUP 2007 RM'000	GROUP 2006 RM'000
Less than 1 year	483	208
Between 1 and 5 years	426	168

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

24. CAPITAL AND OTHER COMMITMENTS

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

	GROUP		COMPANY	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Authorised and contracted:				
- Leasehold land and buildings	27,567	10,703	24,878	10,181
- Purchase of plant and equipment	70,674	12,592	5,855	5,149
	98,241	23,295	30,733	15,330

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2007 (cont'd)

25. CONTINGENT LIABILITIES (UNSECURED)

(a) Corporate guarantee

	COMPANY	
	2007	2006
	RM'000	RM'000
Corporate guarantee given to a bank for credit facilities extended to a subsidiary	10,035	10,035

(b) Litigations

Two claims have been lodged against the Company in respect of the followings:

(i) Alleged infringement of claimants' trademark and producing, manufacturing, distributing and offering for sale of products bearing a name relating to claimants' trademark; and

(ii) Specific performance of a manufacturing agreement by another claimant and the refund of RM60,000 deposited on the manufacturing contract retained by the Company as cost to defend the claim mentioned in (i) above.

Other than the claim for the refund of RM60,000, the quantum of the other claim is not specified by the claimants. The Directors are of the opinion that these claims will not materialise as they are of the view that there was no infringement on the part of the Company. No liability is recognised in the financial statements other than RM60,000 included in other payables and accruals.

It is not practicable to estimate the fair value of the corporate guarantees as their maturity terms cannot be estimated.

26. RELATED PARTIES

Identity of related parties

For the purpose of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice-versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The Group has a related party relationship with its subsidiaries (see Note 6) and corporations in which certain Directors have substantial financial interests.

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2007 (cont'd)

26. RELATED PARTIES (cont'd)

Significant balances and transactions with the related companies are as follows:

	GROUP		COMPANY	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Transactions with subsidiaries				
Sales	-	-	27,323	26,388
Interest income	-	-	838	643
Reallocation of common costs	-	-	5,428	3,677
Purchases	-	-	(1,199)	(1,169)
Steam services expenses	-	-	(360)	(360)
Interest expense	-	-	-	(63)
Purchases from related parties				
Purchases of trading goods from a company in which a Director has financial interest:				
Chengdu Gao Shen Natural Products Co. Ltd.	-	2,312	-	-
Purchase of computer equipment and accessories from a company in which a person connected with a Director has substantial financial interest:				
Future Express Sdn. Bhd.	283	223	191	204
Transactions with a company in which a Director has financial interest, Ho Yan Hor Holdings Sdn. Bhd.				
Interest income	-	1,165	-	1,165
Interest expense	-	34	-	34
Reallocation of common cost	-	142	-	142
Rental of premises	-	75	-	75
Purchase of land and buildings	-	7,450	-	7,450

These transactions have been entered into in the normal course of business and have been established under negotiated terms.

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2007 (cont'd)

27. CHANGES IN ACCOUNTING POLICIES

The accounting policies set out in Note 2 have been applied in preparing the financial statements for the year ended 30 June 2007.

The changes in accounting policies arising from the adoption of FRS 3, Business Combinations and FRS 140, Investment Property are summarised below:

FRS 3, Business Combinations

The adoption of FRS 3, has resulted in a change in the accounting policy for goodwill. The change in accounting policy is made in accordance with its transitional provisions.

Goodwill is stated at cost less accumulated impairment losses and is no longer amortised. Instead, goodwill impairment is tested annually, or when circumstances change, indicating that goodwill might be impaired. Negative goodwill is recognised immediately in the income statement. This has resulted in the derecognition of negative goodwill and an increase of retained earnings for the Group as at 1 July 2006 by RM4,918,000 (see Note 12).

This change in accounting policy has no impact on earnings per share.

FRS 140, Investment Property

The Group now measures its investment property at fair value with any change therein recognised in the income statement. In the previous years, its investment property was stated at revalued amounts less accumulated depreciation and impairment loss and was classified in property, plant and equipment. Following the adoption of FRS 140, Investment Property, all investment properties are measured initially at cost and subsequently at fair value with any change therein recognised in the income statement. This change in accounting policy has been applied prospectively as allowed by the transitional provisions in FRS 140.80 as an adjustment to the opening balance of retained earnings and comparatives are not restated.

The effects on the current year are land and buildings of the Group amounting to RM839,000 as at 1 January 2006 is reclassified from property, plant and equipment to investment property.

This change in accounting policy has no impact on income statement and earnings per ordinary share for the current year.

28. COMPARATIVE FIGURES

Certain comparative figures have been reclassified as a result of adoption of new Financial Reporting Standards as stated in Note 2 and to conform with the presentation requirements for FRS 101, Presentation of Financial Statements.

	GROUP	
Balance sheet	**As restated RM'000**	**As previously stated RM'000**
Property, plant and equipment	158,357	159,196
Investment property	839	-

Following the adoption of FRS 3, Business Combinations, minority interest was reclassified into equity, likewise in arriving at profit for the year minority interest was not deducted.

Properties amounting to RM839,000 in 2006 that are owned to earn rental income or for capital appreciation or for both were reclassified from property, plant and equipment to investment property.

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2007 (cont'd)

29. SUBSEQUENT EVENTS

(a) At an extraordinary general meeting held on 10 August 2007 by Carotech Bio-Fuel Sdn Bhd, Carotech Berhad, being its sole shareholder, approved its paid-up capital from RM2.00 to RM100,000 by the issuance of 99,998 ordinary shares of RM1.00 each for cash.

(b) The Company announced that its wholly-owned subsidiary, Hovid International Limited ("HIL"), Wellgo Pharmaceutical Co. Ltd. ("Wellgo") and Hovid Limited ("JVCo") had on 22 August 2007 entered into a Shareholders' Agreement to regulate their relationship and their respective rights and obligations, as shareholders of JVCo.

(c) On 14 September 2007, Carotech Berhad approved the incorporation of a joint venture company, Khard Carotech Private Limited in India, with a registered capital of 10,000,000 ordinary shares of Indian Rupees (INR) 1.00 each. Carotech Berhad has subscribed for 50,000 ordinary shares of INR1.00 each in the joint venture company representing 50% of the paid-up capital. On 30 September 2007, Carotech Berhad also approved and subscribed for the additional allotment of 1,000,000 ordinary shares of INR1.00 each.

The intended principal business activity of Khard Carotech Private Limited is the supply of biodiesel to institutional and open market in India.

(d) On 8 October 2007, the Company has announced that it proposes, subject to approval of shareholders, to implement the following:

(i) an increase in authorised share capital of the Company from RM100,000,000 divided into 1,000,000,000 ordinary shares of RM0.10 each ("Hovid Shares") to RM200,000,000 divided into 2,000,000,000 Hovid Shares by the creation of an additional 1,000,000,000 Hovid Shares;

(ii) an executives' share option scheme ("ESOS") for the benefit of the eligible Directors of the Company and eligible executives of the Company and its subsidiaries; and

(iii) a renounceable rights issue of up to 419,144,000 five (5)-year warrants 2008/2012 ("Warrants") on the basis of one Warrant for every two Hovid Shares held at an issue price of RM0.02 per Warrant.

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 and Methods of valuation	Net Book Value as at 30 June 2007 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 14 June 2895 Approximate age: The ages of the buildings are between 8 to 43 years old.	Land area: 123,915 sq. ft. Gross built-up area: 75,692 sq. ft.	Date of valuation: 1 December 2004	7,352
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 62 years	Land area: 1,331 sq. ft. Gross built-up area: 2,331 sq. ft.	Date of valuation: 1 December 2004	188
No. 19, Laluan Kangsar 7, Vaiva Light Industrial Park, Jalan Tunku Abdul Rahman, 30010 Ipoh, Perak Darul Ridzuan. Lot 7238, Title No. H.S.(D) 829/83, Town of Ipoh, District of Kinta, Perak Darul Ridzuan.	Comprising a 1½ storey terrace industrial factory.	Tenure: Freehold Approximate age: 8 years	Land area: 2,050 sq. ft. Gross built-up area: 2,974 sq. ft.	Date of valuation: 5 April 2002	255
Lot 56442, 7½ mile, Jalan Ipoh/Chemor, 31200 Chemor, Perak Darul Ridzuan. Lot 56442, Title Geran 6107, Mukim of Hulu Kinta, District of Kinta, Perak Darul Ridzuan.	Comprising the western portion of Lot 56442 (Parcel 1), 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: 5 years	Land area: 286,350 sq. ft. Gross built-up area: 40,744 sq. ft.	Date of valuation: 30 October 2003 Methods of valuation: Cost Method of Valuation with Investment Approach as a check.	9,479
Lot 56442, 7½ mile, Jalan Ipoh/Chemor, 31200 Chemor, Perak Darul Ridzuan. Lot 56442, Title Geran 6107, Mukim of Hulu Kinta, District of Kinta, Perak Darul Ridzuan.	Comprising the eastern portion of Lot 56442, an industrial land and erected upon with an existing bio-diesel and phytonutrients extraction plant and ancillary buildings.	Tenure: Freehold Approximate age: The age of the buildings are between less than a year to 12 years	Land area: 588,334 sq. ft. Gross floor area: 48,138 sq. ft.	Date of valuation: 30 October 2003 Methods of valuation: Cost Method of Valuation with Investment Approach as a check.	14,614

List Of Properties (cont'd)

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 and Methods of valuation	Net Book Value as at 30 June 2007 RM'000
No. 29, Jalan Yang Kalsom, 30250 Ipoh, Perak Darul Ridzuan. Lot 2056S, Title Grant 120, Town of Ipoh, District of Kinta, Perak Darul Ridzuan.	Comprising an intermediate 3-storey shopoffice being used as a pharmacy retail outlet at the ground floor and offices at the upper floors.	Tenure: Freehold Approximate age: 37 years	Land area: 1,740 sq. ft. Gross built-up area: 3,439 sq. ft.	Date of valuation: 6 April 1987	400
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 being used as a multi-level-marketing retail outlet at the ground floor and offices at the upper floors.	Tenure: 99 years leasehold interest expiring on 20 December 2078 Approximate age: 26 years	Land area: 1,336 sq. ft. Gross built-up area: 4,361 sq. ft.	Date of valuation: 19 September 1996	650
No. 71, Jalan Pengkalan Indah 2, Bandar Pengkalan Indah, 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 being used as a store.	Tenure: 99 years leasehold interest expiring on 19 November 2095 Approximate age: 8 years	Land area: 1,400 sq. ft. Gross built-up area: 2,722 sq. ft.	Date of valuation: 17 April 1996	182
No. 16, Jalan SS4D/14, 47301 Petaling Jaya, Selangor Darul Ehsan. Lot P.T. 27742, Title H.S.(M) 11828, Mukim of Sungai Buloh, District of Petaling, Selangor Darul Ehsan.	Comprising a 3-storey shopoffice being used as catering services office at the ground floor and other offices at the upper floors.	Tenure: Freehold Approximate age: 25 years	Land area: 1,750 sq. ft. Gross built-up area: 5,250 sq. ft.	Date of valuation: 21 August 1990	800
No. 79, Jalan Sungai Palas, Cameron Highlands, Pahang Darul Makmur. Lot 96, Title Pajakan Negeri 2988 (formerly Certificate of Title 3095), Mukim of Ulu Telom, District of Cameron Highlands, Pahang Darul Makmur.	Comprising a detached house.	Tenure: Leasehold interest expiring on 13 September 2039 Approximate age: More than 52 years	Land area: 52,525 sq. ft. Gross built-up area: 3,364 sq. ft.	Date of valuation: 1 December 2004	947

List Of Properties (cont'd)

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 and Methods of valuation	Net Book Value as at 30 June 2007 RM'000
Nos. 36, 38, 40 and 42, Jalan TPJ 10 (Jalan PJU 1A/11), Taman Perindustrian Jaya, 47200 Petaling Jaya, Selangor Darul Ehsan. Lots 312, 313, 314 and 315, all within Prima Subang Industrial Park, Mukim of Damansara, District of Petaling, Selangor Darul Ehsan.	Comprising 4 adjoining 1½ storey terraced light industrial factories being used as stores and offices.	Tenure: 99 years leasehold interest expiring on 13 October 2072 Approximate age: The ages of the buildings are between 6 to 8 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)	Lots 312, 313 and 314 portion: Date of valuation: 8 July 1996 Lot 315 portion: Date of acquisition: 14 November 2000	Lots 312, 313 and 314 portion: 1,025 Lot 315 portion: 336
No. 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 a retail outlet at the ground floor and offices at the upper floor.	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: 16 years	Land area: 1,776 sq. ft. Gross built-up area: 4,312 sq. ft.	Date of valuation: 23 March 1992	624
No. 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 a retail outlet at the ground floor and an office on the first floor.	Tenure: Freehold Approximate age: 15 years	Land area: 1,540 sq. ft. Gross built-up area: 3,016 sq. ft.	Date of valuation: 29 June 1990	423
8th m.s. Jalan Tunku Abdul Rahman, Ipoh, Perak Darul Ridzuan. Lots P.T. 160326 to 160399, Titles H.S.(D) 81606 to 81675, Mukim of Hulu Kinta, District of Kinta, Perak Darul Ridzuan.	This property is adjacent to Lot 56442 above. It consists of 18 vacant terrace industrial lots, 55 vacant semi-detached industrial lots and 1 vacant TNB sub-station site which is in the process of being amalgamated.	Tenure: Freehold Approximate age: N/A	Land area: 386,226 sq. ft.	Date of valuation: 27 March 1999	5,424
* Plots C1, C2, C3b & C4, Lumut Port Industrial Park, Mukim of Lumut, District of Manjung, Perak Darul Ridzuan.	Four (4) plots of land in Lumut, acquired for plant expansion.	Tenure: 89 years leasehold	Land area: 1,391,890 sq. ft.	Date of acquisition: 7 February 2006	9,495

Notes:

* Included in the capital work-in-progress and subject to issuance of individual title and conditional to the consent by Menteri Besar of Perak Darul Rizduan to the transfer of said property. A withholding percentage of the purchase price is stipulated in the terms of purchase.

Analysis Of Shareholdings

As At 12 October 2007

Share Capital

Authorised Share Capital	RM100,000,000.00
Issued and Fully Paid Share Capital	RM76,208,000.00
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	2	0.03	25	0
100 – 1,000 shares	294	3.87	250,540	0.03
1,001 – 10,000 shares	4,446	58.52	28,152,430	3.70
10,001 – 100,000 shares	2,525	33.24	87,490,500	11.48
100,001 – less than 5% of issued shares	325	4.28	331,904,225	43.55
5% and above of issued shares	5	0.06	314,282,280	41.24
Total	**7,597**	**100.00**	**762,080,000**	**100.00**

Directors' Shareholdings As Per Register Of Directors As At 12 October 2007

	←	No. of Shares Held		→
Name	Direct	%	Indirect	%
Datuk Haji Ibrahim Bin Haji Ahmad	17,500,000	2.30	0	0
Ho Sue San @David Ho Sue San	382,262,680	50.16	0	0
Liong Kam Hon	7,895,360	1.04	0	0
Chuah Chaw Teo	0	0	0	0
Leong Kwok Yee	290,400	0.04	0	0
YM Raja Shamsul Kamal Bin Raja Shahruzzaman	0	0	0	0

Substantial Shareholders As Per Register Of Substantial Shareholders As At 12 October 2007

	←	No. of Shares Held		→
Name	Direct	%	Indirect	%
Ho Sue San @David Ho Sue San	382,262,680	50.16	0	0

Analysis Of Shareholdings
As At 12 October 2007 (cont'd)

List of Top Thirty (30) Shareholders/Depositors

No	Name of Securities Account Holders	No. of Shares Held	%
1	HO SUE SAN @DAVID HO SUE SAN	80,180,800	10.52
2	HO SUE SAN @DAVID HO SUE SAN	71,900,480	9.43
3	MIDF AMANAH INVESTMENT NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HO SUE SAN @DAVID HO SUE SAN (MIDF)	66,075,000	8.67
4	EB NOMINEES (TEMPATAN) SENDIRIAN BERHAD PLEDGED SECURITIES ACCOUNT FOR HO SUE SAN @DAVID HO SUE SAN (IPO)	50,670,000	6.65
5	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HO SUE SAN @DAVID HO SUE SAN (32531 IPOH)	45,456,000	5.97
6	HO SUE SAN @DAVID HO SUE SAN	36,817,200	4.83
7	FAJAR KINABALU SDN BHD	31,476,500	4.13
8	HO SUE SAN @DAVID HO SUE SAN	30,244,800	3.97
9	LEMBAGA TABUNG HAJI	24,528,000	3.22
10	TASEC NOMINEES (TEMPATAN) SDN BHD TA FIRST CREDIT SDN BHD FOR IBRAHIM BIN HAJI AHMAD	17,500,000	2.30
11	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PHEIM ASSET MANAGEMENT SDN BHD FOR EMPLOYEES PROVIDENT FUND	16,240,600	2.13
12	MOHD SAINI BIN KARIMAN	12,000,000	1.57
13	SEGI SATRIA SDN BHD	8,000,000	1.05
14	LIONG KAM HON	7,895,360	1.04
15	BHLB TRUSTEE BERHAD PRUGROWTH FUND	6,544,100	0.86
16	MAYBAN NOMINEES (TEMPATAN) SDN BHD MALAYSIA NATIONAL INSURANCE BERHAD (LIFE PAR FUND)	5,340,000	0.70
17	LIM GUAT IM	3,970,000	0.52
18	CHAN KIN MENG	3,880,000	0.51

Analysis Of Shareholdings

As At 12 October 2007 (cont'd)

List of Top Thirty (30) Shareholders/Depositors (cont'd)

No	Name of Securities Account Holders	No. of Shares Held	%
19	CHOW SONG KUANG	3,525,600	0.46
20	MAYBAN NOMINEES (TEMPATAN) SDN BHD MAYBAN GENERAL ASSURANCE BERHAD (INSURANCE FUND)	3,100,000	0.41
21	GOH TIAN HOCK	3,006,830	0.39
22	GAN AH HUAT	2,600,000	0.34
23	LEONG CHOOI KHAUN	2,500,000	0.33
24	MAYBAN NOMINEES (TEMPATAN) SDN BHD MAYBAN INVESTMENT MANAGEMENT SDN BHD FOR KAMALUL ARIFIN BIN YUSOF (8KAY-250064)	2,400,000	0.32
25	CHOONG FOO WAH	2,395,865	0.31
26	MAYBAN NOMINEES (TEMPATAN) SDN BHD MALAYSIA NATIONAL INSURANCE BERHAD (LIFE NON-PAR FD)	2,350,000	0.31
27	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR OSK-UOB EMERGING OPPORTUNITY UNIT TRUST (4611)	2,343,000	0.31
28	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KONG MAH REALTY (M) SDN BHD	2,289,000	0.30
29	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CAPITAL SUCCESS LEADER (M) SDN BHD (E-SS2/RWG)	2,200,000	0.29
30	LIM CHER SENG	2,000,000	0.26
		549,429,135	**72.10**

Continuous Innovation & Quality

HOVID BERHAD (58476-A)

PROXY FORM

TWENTY-SEVENTH (27TH) ANNUAL GENERAL MEETING

CDS Account No. of authorised nominee

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

NRIC No./Company No. ______________________________of ____________________

____ being a Member of

HOVID BERHAD, hereby appoint ____

(NRIC No.) ______________________ of ______________________________

______________________ or failing him/her, ______________________________

(NRIC No.) ______________________ of ______________________________

______________________ 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 Twenty-seventh (27th) Annual General Meeting of the Company, to be held at Bonzai A - Level 4, Syuen Hotel, No. 88, Jalan Sultan Abdul Jalil, 30300 Ipoh, Perak Darul Ridzuan on Tuesday, **27 November 2007,** at 11.00 a.m. and, at every adjournment thereof.

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

	RESOLUTIONS	FOR	AGAINST
Resolution 1	Adoption of Audited Financial Statements and Reports for the year ended 30 June 2007		
Resolution 2	Approval of Directors' fees		
Resolution 3	Re-election of Datuk Haji Ibrahim Bin Haji Ahmad as Director		
Resolution 4	Re-election of Mr Leong Kwok Yee as Director		
Resolution 5	Re-appointment of Messrs KPMG as Auditors and authorising the Directors to fix their remuneration		
Resolution 6	Authority to allot and issue shares pursuant to Section 132D of the Companies Act, 1965		

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)*

No. of ordinary shares held

Signed this __________ day of ______________________ 2007

____

Signature/Common Seal of Member

Notes:-

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint more than two (2) proxies to attend and vote in his/her stead at the same meeting. A proxy may but need not be a member of the Company and Section 149(1)(a) and (b) of the Companies Act, 1965 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. 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.
4. 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.

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AFFIX
STAMP

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THE COMPANY SECRETARY

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

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