hovid
Continuous Innovation & Quality

www.hovid.com

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

Telephone : +6 05 506 0690
Facsimile : +6 05 506 1215
Email : info@hovid.com

HOVID BERHAD (58476-A)

Annual Report 2008

hovid
Continuous Innovation & Quality

Broadening Our Reach

ANNUAL REPORT
2008

Contents

Notice of **Annual General Meeting**

NOTICE IS HEREBY GIVEN that the Twenty-eighth (28th) Annual General Meeting ("AGM") of Hovid Berhad ("Hovid" or "the Company") will be held at Heritage Ballroom, Heritage Hotel Ipoh, Jalan Raja Di Hilir, 30350 Ipoh, Perak Darul Ridzuan on Friday, 21 November 2008, at 10.30 a.m. for the following purposes:

AGENDA

1. To receive and adopt the Audited Financial Statements for the financial year ended 30 June 2008 together with the Reports of the Directors and Auditors thereon. **Resolution 1**

2. To approve the payment of Directors' fees of RM188,000 for the financial year ended 30 June 2008 to be divided amongst the Directors in such manner as the Directors may determine. **Resolution 2**

3. To re-elect Mr Ho Sue San @ David Ho Sue San who is retiring by rotation pursuant to Article 83 of the Company's Articles of Association. **Resolution 3**

4. To re-elect YM Raja Shamsul Kamal Bin Raja Shahruzzaman who is retiring by rotation pursuant to Article 83 of the Company's Articles of Association. **Resolution 4**

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

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

6. **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 ("Act"), the Directors be and are hereby empowered to allot and issue shares in the capital of the Company from time to time at such price, upon such terms and conditions, for such purposes and to such person or persons whomsoever as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares to be issued pursuant to this Resolution does not exceed ten per centum (10%) of the total issued share capital of the Company for the time being, AND THAT subject to the Act and the Articles of Association of the Company, the Directors be and are hereby also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on 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 AGM of the Company." **Resolution 6**

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

"**THAT** subject to the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), approval be and is hereby given to the Company and/or its subsidiaries to enter into recurrent related party transactions ("RRPTs") of a revenue or trading nature with Carotech as set out in Section 2.1 of the Circular, subject to the following:

(i) the RRPTs are:

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

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

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

7. **ORDINARY RESOLUTION**
PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE WITH CAROTECH BERHAD ("CAROTECH") ("PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RRPTS WITH CAROTECH") (cont'd)

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

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

(a) conclusion of the next AGM of the Company at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;

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

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

whichever is the earlier.

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary (including executing such documents as may be required) to give effect to the RRPTs contemplated and/or authorised by this Ordinary Resolution." **Resolution 7**

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

"**THAT** subject to the Listing Requirements of Bursa Securities, approval be and is hereby given to the Company and/or its subsidiaries to enter into RRPTs of a revenue or trading nature with Future Express as set out in Section 2.1 of the Circular, subject to the following:

(i) the RRPTs are:

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

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

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

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

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

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

(a) conclusion of the next AGM of the Company at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;

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

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

whichever is the earlier.

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary (including executing such documents as may be required) to give effect to the RRPTs contemplated and/or authorised by this Ordinary Resolution." **Resolution 8**

9. **ORDINARY RESOLUTION**
PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR THE PURCHASE BY HOVID OF ITS OWN ORDINARY SHARES ON BURSA SECURITIES OF NOT MORE THAN TEN PER CENTUM (10%) OF THE ISSUED AND PAID-UP SHARE CAPITAL OF HOVID ("PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR SHARE BUY-BACK")

"**THAT** subject to the Act, the Articles of Association of the Company and the Listing Requirements of Bursa Securities, the Directors of the Company be and are hereby authorised to purchase such number of ordinary shares of RM0.10 each in Hovid ("Hovid Shares") as may be determined by the Directors of the Company from time to time through Bursa Securities provided that:

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

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

(iii) the authority conferred by this resolution shall continue to be in force until:

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

(b) the expiration of the period within which the next AGM after that date is required by law to be held; or

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

whichever occurs first.

THAT the Directors of the Company be and are hereby authorised to deal with the shares purchased in their absolute discretion in the following manner:

9. **ORDINARY RESOLUTION**
PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR THE PURCHASE BY HOVID OF ITS OWN ORDINARY SHARES ON BURSA SECURITIES OF NOT MORE THAN TEN PER CENTUM (10%) OF THE ISSUED AND PAID-UP SHARE CAPITAL OF HOVID ("PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR SHARE BUY-BACK") (cont'd)

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

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

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

AND THAT the Directors of the Company be and are hereby authorised to give effect to the Proposed Renewal of Shareholders' Mandate for Share Buy-back with full power to assent to any modifications and/or amendments as may be required by the relevant authorities." **Resolution 9**

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

By Order of the Board

Goh Tian Hock
Ng Yuet Seam
Secretaries

Ipoh, Perak Darul Ridzuan
Date: 30 October 2008

NOTES:
1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint more than two (2) proxies to attend and vote in his/her stead at the same meeting. A proxy may but need not be a member of the Company and Section 149(1)(a) and (b) of the Act shall not apply to the Company.
2. Where a member appoints two (2) or more proxies, the appointment shall be invalid unless the member specifies the proportion of his shareholdings to be represented by each proxy. Each proxy appointed, shall represent a minimum of 100 shares held by the member.
3. 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.
5. For the purpose of determining a member who shall be entitled to attend the meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd., in accordance with Article 60(c) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositors as at 14 November 2008. Only a depositor whose name appears on the General Meeting Record of Depositors as at 14 November 2008 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote in his/her stead.

EXPLANATORY NOTES ON SPECIAL BUSINESS:
1. The proposed Ordinary Resolution No. 6, if passed, will empower the Directors of the Company, from the date of the above AGM, to allot and issue new shares of the Company up to an amount not exceeding in total ten per centum (10%) of the issued share capital of the Company for the time being for such purposes as the Directors consider would be in the best interest of the Company. This authority, unless earlier revoked or varied by the Company at a general meeting, will expire at the next AGM of the Company.
2. The proposed Ordinary Resolution No. 7 and 8, if passed, will provide the Company and its Group a mandate to enter into RRPTs of a revenue or trading nature in compliance with the Listing Requirements of Bursa Securities. The mandate, unless revoked or varied by the Company at a general meeting, will expire at the next AGM of the Company.
3. The proposed Ordinary Resolution No. 9, if passed, will give the Directors of the Company the continuing authority to purchase the Company's own shares up to an amount not exceeding in total ten per centum (10%) of its issued share capital at any point in time upon such terms and conditions as the Directors may deem fit in the interest of the Company. This authority, unless revoked or varied by the Company at a general meeting, will expire at the next AGM of the Company.
4. Details of the proposed Ordinary Resolution No. 7 and 8 are contained in the Circular to Shareholders dated 30 October 2008 accompanying the Company's Annual Report 2008.
5. Details of the proposed Ordinary Resolution No. 9 are contained in the Share Buy-Back Statement on Pages 96 to 99 of this Annual Report.

Statement Accompanying Notice of **Annual General Meeting**

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

Directors standing for re-election at the forthcoming Twenty-eighth (28th) AGM

(a) Mr Ho Sue San @ David Ho Sue San who retires by rotation pursuant to Article 83 of the Company's Articles of Association is seeking re-election.

(b) YM Raja Shamsul Kamal Bin Raja Shahruzzaman who retires by rotation pursuant to Article 83 of the Company's Articles of Association is seeking re-election.

The details of the above Directors who are seeking re-election are set out in their respective profiles which appear in the Directors' Profile on Pages 9 and 10 of this Annual Report. The Directors' shareholdings in the Company are set out in the Analysis of Shareholdings which appear on Pages 91 to 93 of this Annual Report.

Corporate **Information**

Board Of Directors

Ho Sue San @ David Ho Sue San
Chairman & 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.
Level 17, The Gardens North Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Telephone : +6 03 2264 3883
Facsimile : +6 03 2282 1886

Auditors

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
Greentown Business Centre
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) Berhad
No. 2, Jalan Dato Seri Ahmad Said
30450 Ipoh
Perak Darul Ridzuan

Standard Chartered Bank
21-27, Jalan Dato' Maharaja Lela
30000 Ipoh
Perak Darul Ridzuan

Stock Exchange Listing

Main Board of Bursa Malaysia
Securities Berhad

Corporate **Structure**

As at 8 October 2008

HOVID BERHAD (58476-A)
Continuous Innovation & Quality

- Hovid Research Sdn. Bhd. (formerly known as Dynamic Purification Sdn. Bhd.) – 100%
- Biodeal Pharmaceuticals Private Limited – 51%
- Carotech Berhad – 58%
  - Yingkou Carotech Bio Energy Company Limited – 100%
  - Carotech Bio-Fuel Sdn. Bhd. – 100%
  - Carotech, Inc. – 100%
  - Carotech Yangzhou Biofuel Company Limited – 100%
  - Khard Carotech Private Limited – 50%
  - Carotech Bio-Vits Sdn. Bhd. – 100%
- Hovid Life Science Pte. Ltd. – 100%
- Hovid Nutriworld Sdn. Bhd. – 100%
- Hovid Inc. – 100%
- Ho Yan Hor (S) Pte. Ltd. – 80%
- Javid Sdn. Bhd. – 100%
- Hovid Marketing Sdn. Bhd. – 100%
- Hovid Pharmacy Sdn. Bhd. – 100%
- Hovid International Limited – 100%
  - Hovid Limited – 60%
  - Agrovid S.A. – 100%

Directors' **Profile**

Ho Sue San @ David Ho Sue San

A Malaysian aged 59, 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. 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. On 31 January 2008, he was redesignated to Chairman & Managing Director of the Company. He also sits in the Board of Carotech Berhad as Chairman & Managing Director.

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 2008. He does not have any family relationship with any Director and/or major shareholder of the Company, nor has he any conflict of interest with the Company. He has had no conviction for any offences within the past ten (10) years. Additionally, he is a major shareholder of the Company as at 30 June 2008.

Liong Kam Hon

A Malaysian aged 62, 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 Kam Hon has attended all the five (5) Board meetings held during the financial year ended 30 June 2008. He does not have any family relationship with any Director and/or major shareholder of the Company, nor has he any conflict of interest with the Company. He has had no conviction for any offences within the past ten (10) years.

Chuah Chaw Teo

A Malaysian aged 57, 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 2008. He does not have any family relationship with any Director and/or major shareholder of the Company, nor has he any conflict of interest with the Company. He has had no conviction for any offences within the past ten (10) years.

Leong Kwok Yee

An Australian aged 58, is an accountant by profession. He was appointed to the Board of the Company on 22 December 2004 as an Independent Non-Executive Director. He obtained a Bachelor of Commerce degree in 1974 from the University of Otago and a Master in Business Administration from University of Macquarie in 1989. He is a Fellow Member of both the New Zealand Institute of Chartered Accountants and Australian Institute of Chartered Accountants, having trained at Ernst & Young in Wellington, New Zealand and Sydney, Australia. He left Ernst & Young in 1981 to join Encyclopaedia Britannica (Sydney) as their Financial Controller before joining Hunter Douglas Ltd. (Sydney) in 1988 as their Treasurer/ Management Accountant. He subsequently joined Dodwell, Inchcape Buying Services (Hong Kong) as their Financial Controller in 1990 and became the Finance Director in 1993. He left in 1995 to be the Chief Financial Officer of Li & Fung, Ltd. (Hong Kong) and retired on 1 September 2004. On 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 2008. He does not have any family relationship with any Director and/or major shareholder of the Company, nor has he any conflict of interest with the Company. He has had no conviction for any offences within the past ten (10) years.

YM Raja Shamsul Kamal Bin Raja Shahruzzaman

A Malaysian aged 47, 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. 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. On 19 October 2007, he resigned as the Non-Independent Non-Executive Director of SCAN Associates Berhad. He also sits on the Board of Carotech Berhad as the Independent Non-Executive Director.

YM Raja Shamsul Kamal Bin Raja Shahruzzaman has since been appointed as Chairman of the Nomination and Remuneration Committee of the Company from 25 February 2008. YM Raja Shamsul Kamal Bin Raja Shahruzzaman has attended all the five (5) Board meetings held during the financial year ended 30 June 2008. He does not have any family relationship with any Director and/or major shareholder of the Company, nor has he any conflict of interest with the Company. He has had no conviction for any offences within the past ten (10) years.

Chairman's **Statement**

Dear Valued Shareholders,

On behalf of the Board of Directors of Hovid Berhad, I have the contentment in presenting the Annual Report and Financial Statements for the financial year ended 30 June 2008.

Corporate Development

I am pleased once again to report that the Hovid Berhad Group of Companies ("Group") had another eventful and fruitful year. For the financial year ended 30 June 2008, the Group has continued its focus on developing new markets, new customers, expand products portfolio and improving our margins maximising our profits.

New subsidiaries and businesses

To further expand our reach, since our last Annual Report, the following subsidiaries were added to our Group:

Hovid Limited

Hovid International Limited ("HIL") entered into a shareholders' agreement with Wellgo Pharmaceutical Co. Ltd. ("WPC"), our distributor in Hong Kong and Macau, to establish and operate a joint venture company, Hovid Limited ("HL"). Pursuant to this, on 1 July 2007, HIL subscribed 600,000 ordinary shares of Hong Kong (HK)1.00 each in HL representing 60% of the paid-up capital. HL was established for the distribution, marketing, trading and sales of pharmaceutical products manufactured by Hovid and complementary products in Hong Kong and Macau, allowing use to move closer to our customers in these territories.

Khard Carotech Private Limited

Our subsidiary, 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. The registered and paid-up capital is 100,000,000 and 10,720,000 ordinary shares of Indian Rupees (INR)1.00 each. Carotech Berhad has subscribed for 5,360,000 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.

Carotech Bio-Vits Sdn. Bhd.

Additionally, Carotech Berhad, on 25 June 2008 incorporated a wholly-owned subsidiary in Malaysia, Carotech Bio-Vits Sdn. Bhd. ("CBV") with an issued and fully paid-up capital of RM2.00 comprising 2 ordinary shares of RM1.00 each. The principal activity of CBV is processing and extracting constituents of palm oil and other agricultural products for the purpose of manufacturing and producing pharmaceutical and oleochemical products. CBV was granted the Bio-Nexus status with a 10-year tax holiday for adopting the innovative technology and application to contribute to the development of bio-technology industry in Malaysia and globally.

Hovid Research Sdn. Bhd. (formerly known as Dynamic Purification Sdn. Bhd.)

On 21 March 2008, Hovid Berhad acquired a new wholly-owned subsidiary, Hovid Research Sdn. Bhd. ("HRSB") in Malaysia for the purpose of research and development activities. HRSB has an authorised issued share capital of RM100,000 comprising 100,000 ordinary shares of RM1.00 each.

HRSB was incorporated on 28 January 2008 in the name of Dynamic Purification Sdn. Bhd. and changed to its current name on 1 April 2008. Subsequent to the financial year, HRSB also obtained Bio-Nexus status with a 10-year tax holiday.

Biodeal Pharmaceuticals Private Limited

In continuing our overseas expansion, Hovid Berhad entered into a joint venture agreement with Biodeal Pharmaceuticals Private Limited ("BPPL") on 11 July 2008 where Hovid Berhad will subscribe 12,750,000 new shares with a par value of INR10.00 each, to own 51% of the total enlarged paid-up share capital of BPPL. BPPL has an existing facility to manufacture pharmaceutical and consumer products in India.

Agrovid S.A.

The Group continued to expand overseas with the incorporation of Agrovid S.A. ("AGROVID") in the Republic of Colombia on 19 August 2008, as a subsidiary of HIL. AGROVID has an authorised issued share capital of Pesos $100,000,000 divided into 1,000 ordinary shares of Pesos $100,000.00 each. The principal activity of AGROVID is in agroindustrial exploitation of productive species and cultivation and commercialisation of agricultural crops and livestocks.

Warrants Issue
On 29 January 2008, the Company issued 381,040,000 warrants through a renounceable rights issue at an issue price of RM0.02 per warrant to the Company's shareholders on the basis of one (1) Warrant for every two (2) existing ordinary shares of RM0.10 each of the Company. Consequently, an amount of RM7 million was raised for our working capital.

Dividends
The Company declared a tax exempt interim dividend of 1.1 sen per share in respect of the financial year ended 30 June 2008 which was paid on 1 July 2008.

Financial Performance
This year the Company focuses on the theme "Broadening Our Reach" where it reflects continued achievements on all fronts. During the year under review, the Group recorded a revenue of RM215 million and profit after tax for the year of RM18 million.

The Pharmaceutical division has recorded an increase of 20% in revenue due to increase in sales volume in this financial year. However, profit for the year had marginally dropped by 5% due to net losses consolidated from its subsidiaries as a result of additional headcounts, new branch and outlets set-up and initial development costs.

The Phytonutrient division has also recorded an increase in revenue of 13% due to full year contribution from the expanded crude palm oil ("CPO") processing capacity of 32,000 metric tonnes per year. However, the Phytonutrient division has contributed to the major dropped in profit after tax as a result of high raw material prices, namely CPO.

The Group's EBITDA grew 10% for Pharmaceutical division with the increased revenue and improved capacity utilisation. However, the Phytonutrient division result dropped by 42% as a result of high raw material prices.

Outlook and Prospects
Hovid Group continued to be profitable in 2008. We expect increasing demand for our Pharmaceutical division as Malaysia remained stable and committed to support and improve the healthcare sector. Additionally, the growing trend for pharmaceutical and healthcare products from countries all over the world arising from increased living standards has allowed us to continue broadening our reach.

During the year, we added 22 new products to our portfolio. Among these were 8 supplements, 3 ethical products, 6 in the cosmetics series and 4 within the food range. Our research and development team continues to extend our pipeline of new innovative and improved products in order to maintain our competitive edge in the emerging pharmaceutical markets.

We are well positioned to service our customers overseas with distributors located at different regions. Our subsidiaries overseas, have allowed us to further expand our reach to foreign customers. Our joint venture with BPPL in India will enable us to create a foothold in India to increase our competitive advantage and further broaden our reach in the International and Indian markets. Since our last Annual Report, our export network reach has broadened to include countries such as Bulgaria, Uganda and Azerbaijan.

With the current turmoil in the global economy, we have and will maintain our focus on constantly improving the efficiency and effectiveness of our operation, through eliminating waste and activities that does not add value to our products. The implementation of lean manufacturing concept over the last two years, has allowed us to improve and increase our production capacities. The leaner operation has resulted in the continued increase in our operating margins, especially within the Pharmaceutical division.

Our Phytonutrients segment is experiencing growing demand from the fortified foods and dietary supplement industries. The dietary supplements and functional food industries are increasingly incorporating more food source nutrient in their product offerings to tap into the health benefits associated with these ingredients. Global consumer health trends distinctly point to a preventive medication approach, and this is a key factor promoting the use of our phytonutrients in these products. Phytonutrients are also being used in various cosmetic applications.

Outlook and Prospects (cont'd)

A new study proves that gamma-tocotrienol is the most potent form of tocotrienol for cardiovascular protection. In a recent study published in the AJP-Heart and Circulatory Physiology, 2008, researchers at the University of Connecticut School of Medicine, used various isomers of tocotrienols to study the effects and mechanism of tocotrienols' cardioprotective function especially on their ability to improve post-ischemic ventricular function. The researchers also concluded that tocotrienols have much higher cardioprotective properties compared to regular alpha-tocopherol vitamin E. Carotech's Tocomin® has the highest levels of gamma- and alpha-tocotrienol, making it the preferred choice of mixed tocotrienols for nutritional supplements for heart health.

A study is currently underway to determine the efficacy of tocotrienol in preventing or reducing scar formation in surgical, excisional and burn wounds at the The Ohio State University Medical Center in the United States of America. With the required positive result from this study, tocotrienols would potentially be a very useful ingredient to reduce scars arising from surgery, including plastic surgery patients, and burn patients.

Additionally, a 5-year study commenced in early 2008 on the neuroprotective and anti-atherogenic effects of palm tocotrienol, that would potentially lead to reversal of atherosclerosis and lower cholesterols in the human body. The study is lead by University Sains Malaysia working closely with our research and development team, Hospital University Kebangsaan Malaysia, Malaysia Palm Oil Board and the Royal Malaysian Armed Forces around Peninsular Malaysia. The positive result and data from this study would potentially allow tocotrienols to be used as a prescription for the lowering of cholesterol or help protect the neurons against stroke degenerative disorders.

Our Company obtained another patent since our last Annual Report for "Hair Growth Formulation". This has allowed us to market this proprietary product, namely our Tocovid Suprabio for promoting hair growth in men and women suffering from androgenetic alopecia (pattern baldness). Androgenetic alopecia is the most common cause of hair loss, affecting about 50% of men and women older than 40 years of age. The patent involves providing novel compositions for the formulation of our Tocomin® SupraBio™ in increasing the number of hairs and preventing hair loss. Our Tocomin® SupraBio™ system is a self-emulsifying delivery system that guarantees an increased in bio-availability of oil based nutrients in the gastrointestinal tract and does not need to depend on dietary fat or food intake for absorption.

The continuous growth in the global retail nutrition industry, in particular the expected growth of nutraceuticals market in Japan to USD54 billion by 2012, will also provide positive demand for mixed carotene concentrates (Caromin®), which is known for their antioxidant properties.

The year 2008 kicked in with major industrialised countries, especially the Europe countries to mandate the use of alternative, renewable source fuel of varied blend ratio of 2% to 10% with fossil fuel to reduce carbon dioxide emission, which is known as the culprit of global warming and greenhouse effects. Coupled with the depletion of fossil fuel which has led to record high gasoline and diesel prices, the utilisation of renewable energy, such as biodiesel, becomes increasingly pressing and important.

The development of biofuel industry is also heightened with Asia's biggest energy users, like China and India, also committed to promote the use of biofuels.

Despite the positive development of the biofuels industry, the prevailing financial conditions in USA and Europe, present inflationary pressures on economies of countries with significant rise in food prices, and the on-going debate of food against fuel on arable lands used for crops cultivation for biofuels production has negated the positive development of palm biodiesel somewhat.

Outlook and Prospects (cont'd)

The anti-oil palm campaign by environmental groups in Europe alleging oil palm agricultural activities are non-sustainable in terms of environment and social development is on-going, which does not help to improve the situation.

Prices of the raw material used as the feedstocks for biodiesel production such as rapeseed, soya bean and CPO continued to rise, in correlation with the rise of crude petroleum. Additionally, the US1.00 Dollar subsidy for each gallon of blended diesel in USA ("Splash & Dash"), which is re-sold to Europe at below market prices has suppressed the market prices of biodiesel in the European market, which is the major consumption of biodiesel.

These two factors have created challenging times in the biodiesel industry globally. Consequently, the margin of the Group was affected during the financial year.

In this instance, further progress of biodiesel market today with governments' continuing energy policy supports through legislations and mandatory requirements to use biodiesel, and the investment incentives available has become necessary and important for biodiesel industry to sustain.

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

- Continue to achieve economy of scale to lower the production cost per unit output together with its phytonutrient production through technology innovation and adoption of lean manufacturing practices; and
- Participate in the Roundtable on Sustainable Palm Oil ("RSPO") membership and dialogue, which allowed the Group's biodiesel to be certified as acceptable product contributing to the enviromentally sustainable renewable energy fuel.

The Group has also established its acceptance of CaroDiesel™ 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 ready and new markets, and to continue with the mission of providing the world community with a clean and environment friendly alternative fuel for the betterment of the environment and humanity.

In summary, your Board is optimistic that the Group will perform better in the coming financial year as the Group expects the demand for its products to remain positive coupled with the increase of new products to be launched in the coming year. Additionally, the incremental CPO processing capacity to 120,000 metric tonnes per year at the Phytonutrient division is also expected to contribute our performance going forward.

Awards and Achievements

During the year under review, our subsidiary, Carotech Berhad had received the current Good Manufacturing Practice ("cGMP") certification from the National Pharmaceutical Control Bureau, Ministry of Health of Malaysia. Carotech Berhad is the first and only tocotrienol producer to achieve cGMP certifications under the cGMP rules for pharmaceuticals/ dietary supplements. This certification reflects our consistent quality standards in production, technology and quality control, and our customers can be assured that our tocotrienol products have consistent identity, strength, and composition purity.

During the financial year, our sub-subsidiary, CBV, obtained Bio-Nexus status. This status granted further recognised the Group's continuous efforts in adopting the innovative technology and application to contribute to the development of bio-technology industry in Malaysia and globally.

I am also proud to advise that the Group has won numerous awards and achievements during the financial year. The more notable accolades that we have received include the following:

Awards and Achievements (cont'd)

Frost & Sullivan Industrial Technologies Awards 2008

This award was coveted to Carotech Berhad as one of the best companies in the Industrial Process Control category. The award identified and credited the best practices in the industry segments with companies keeping its commitment of excellence and innovation.

This is a great acknowledgement and recognition by the international industrial automation community on the subsidiary's commitment towards innovation and excellence.

ICIS International Innovations Award 2007

This is an annual award conducted by ICIS, the leading global publisher of chemicals information for companies which has strong focus on innovation and research and development as part of its growth strategy. Carotech Berhad was given the Best Innovation Award in the small medium industry category for its integrated extraction process of phytonutrients from CPO. This is a towering recognition and a further testimony of our unique patented process and technology.

The above accolades and awards are further testimony of our subsidiary's unique process and technology, and would continue to propel the growth with continuous emphasis on quality, innovation and science.

Corporate Social Responsibility

Your Company continue to maintain its Corporate Social Responsibility through participation in Sichuan Earthquake Relief and also the Myanmar Cyclone Relief to help the victims in the respective countries. Hovid also sponsored numerous supplement and consumer products to schools and organisations to assist in promoting health awareness amongst the public.

We continue to invest in waste water treatment facilities and methodologies in accordance to the Department of Environment waste disposal regulations and guidelines and more importantly to ensure that the waste water is environmentally friendly. In addition, we continue to emphasise on improving the quality of our work environment by adopting strict health and safety measures.

Going forward, the Group will continue with its Corporate Social Responsibility initiatives.

Appreciation

The Board of Directors of Hovid Berhad wishes to convey its appreciation and record our appreciation to Datuk Haji Ibrahim Bin Haji Ahmad for his dedicated services as Chairman to our Board of Directors.

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.

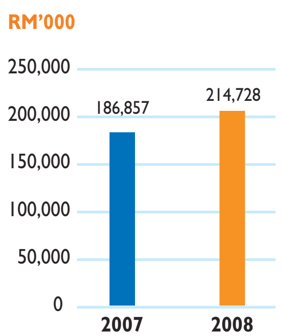
I look forward to your continuous support for the coming year.

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

Group **Financial Highlights**

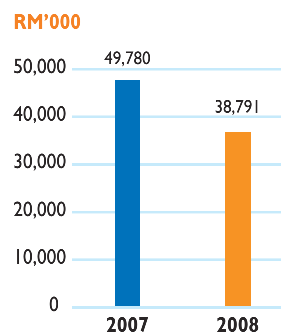
Financial Year Ended 30 June	2008 RM'000	2007 RM'000	Difference %
Revenue	214,728	186,857	14.9
EBITDA	38,791	49,780	(22.1)
Profit after taxation	18,275	29,068	(37.1)
Net tangible assets	152,246	143,858	5.8
Total Equity Attributable to Shareholders of the Company	145,970	131,772	10.8
Basic earnings per share	2.0 sen	2.8 sen	(28.6)
Diluted earnings per share	1.3 sen	-	100.0
Net tangible assets per share	20.0 sen	18.9 sen	5.8

Revenue



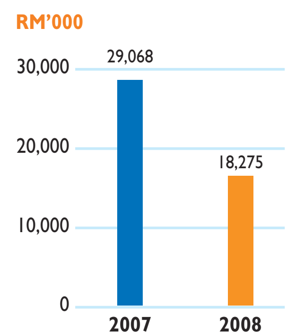
Increase due to higher sales volume for Pharmaceutical division and expanded CPO processing capacity for Phytonutrient division.

EBITDA



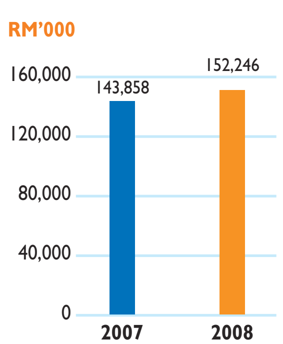
The lower EBITDA is largely caused by the high raw materials prices in the Phytonutrient division.

Profit After Taxation



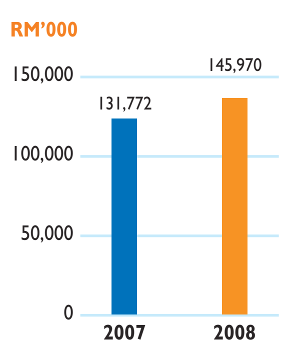
The drop in PAT is due to high raw materials prices in the Phytonutrient division.

Net Tangible Assets



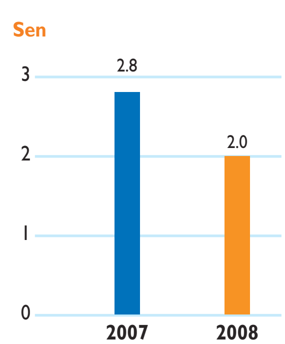
The higher NTA is due to additional capital investment.

Total Equity Attributable To Shareholders Of The Company



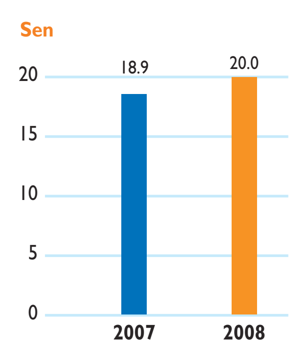
The increase is due to higher retained profits arising from profits in the financial year.

Basic Earnings Per Share



The decreased basic EPS is due to the lower performance of the Phytonutrient division.

Net Tangible Assets Per Share



The increase in NTA per share is due to the increase in capital investment.

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 five (5) members comprising three (3) Independent Non-Executive Directors, one (1) Executive Director and one (1) Chairman & 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 Pages 9 and 10.

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 2008. 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.

The Chairman and the Managing Director's role are combined. Mr. Ho Sue San @David Ho Sue San, the Chairman & Managing Director has a wealth of experience in the manufacturing of pharmaceutical products. The Chairman & Managing Director ensures that strategies and policies approved by the Board are effectively implemented.

Board Meetings

A total of five (5) Board meetings were held during the financial year ended 30 June 2008. 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
Ho Sue San @David Ho Sue San	Chairman & 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	5

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 meetings 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 Meeting were minuted and signed by the Chairman of the meeting in accordance with the provision of Section 156 of the Act.

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.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee currently comprises the following members:

Name	Position
YM Raja Shamsul Kamal Bin Raja Shahruzzaman	Chairman (Independent Non-Executive Director)
Chuah Chaw Teo	Member (Independent Non-Executive Director)
Leong Kwok Yee	Member (Independent Non-Executive Director)

During the financial year ended 30 June 2008, one (1) Nomination and Remuneration Committee Meeting was held. 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.

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 continuously provide pertinent educational programme to the Board of Directors through both internal and external means. All Directors receive updates from time to time, on relevant new laws and regulations to enhance their business acumen and skills to meet changing commercial risks and challenges. The Board would evaluate and determine the training needs of its Directors on a continuous basis.

Re-election

In accordance with the Articles of Association of the Company, all Directors who are appointed by the Board are subject to election by the shareholders at the AGM held following their appointments. The Articles of the Company further provides that one third (1/3) of the Directors are subject to retirement by rotation at AGM at least once in every three (3) years and all Directors shall be eligible for re-election.

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	-	2 *
RM50,001 - RM100,000	-	2
RM100,001 - RM150,000	-	-
RM150,001 - RM200,000	-	-
RM200,001 - RM250,000	-	-
RM250,001 - RM300,000	-	-
RM300,001 - RM350,000	-	-
RM350,001 - RM400,000	-	-
RM400,001 - RM450,000	-	-
RM450,001 - RM500,000	-	-
RM500,001 - RM550,000	-	-
RM550,001 - RM600,000	1	-
RM600,001 - RM650,000	-	-
RM650,001 - RM700,000	-	-
RM700,001 - RM750,000	-	-
RM750,001 - RM800,000	-	-
RM800,001 - RM850,000	-	-
RM850,001 - RM900,000	-	-
RM900,001 - RM950,000	-	-
RM950,001 - RM1,000,000	-	-
RM1,000,001 - RM1,050,000	-	-
RM1,050,001 - RM1,100,000	-	-
RM1,100,001 - RM1,150,000	-	-
RM1,150,001 - RM1,200,000	-	-
RM1,200,001 - RM1,250,000	-	-
RM1,250,001 - RM1,300,000	-	-
RM1,300,001 - RM1,350,000	-	-
RM1,350,001 - RM1,400,000	-	-
RM1,400,001 - RM1,450,000	-	-
RM1,450,001 - RM1,500,000	-	-
RM1,500,001 - RM1,550,000	-	-
RM1,550,001 - RM1,600,000	-	-
RM1,600,001 - RM1,650,000	1	-

** Inclusive of a Director who resigned during the financial year ended 30 June 2008.*

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

Dialogue between the Company and Investors

The Board recognises the importance of maintaining effective communications by ensuring timely and accurate disclosure of information to the shareholders and investors of the Group. Such information is disseminated via the Company's Annual 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' Responsibilities for Preparing the Financial Statements

Directors are required by the Act 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, operations and cash flows of the Company and the Group for the year ended on that date.

The Directors are required to select appropriate accounting policies and apply them consistently and at the same time to make reasonable and prudent judgments 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 Act and Financial Reporting Standards issued by the Malaysian Accounting Standards Board. 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 Pages 22 and 23 to provide an overview of the state of internal controls within the Group.

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 24 to 26.

Additional Compliance Information

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

- **Utilisation of Proceeds raise from Corporate Proposals**
  There was no corporate proposal to raise funds during the financial year ended 30 June 2008 other than the issuance of warrants.

- **Share Buy-Back**
  There was no share buy-back during the financial year ended 30 June 2008.

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

- **Warrants or Convertible Securities**
  During the financial year ended 30 June 2008, none of the warrant holders converted their warrants into ordinary shares.

- **Executives' Share Option Scheme ("ESOS")**
  On 8 October 2007, the Board had proposed the establishment of an ESOS. The proposed resolution were tabled on 27 November 2007 and were approved by our shareholders. However, the options have not been granted as at the date of the notice of Twenty-eighth AGM of the Company for its eligible Directors and Executives of the Company and its subsidiaries.

- **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**
  Non-audit fees amounting to RM20,000 were paid to the external auditors of the Company during the financial year being professional services rendered in connection with the renounceable rights issue of warrants.

- **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 2008 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 2008 between the Company and its subsidiary companies are disclosed in Note 29 of the Financial Statements.

- **Revaluation Policy**
  There was no revaluation of landed properties during the financial year ended 30 June 2008.

This statement is made in accordance with a resolution of the Board dated 20 October 2008.

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 relations to adequacy and effectiveness of the internal controls and procedures. The Audit Committee also ensures there are continuous efforts by management to address and resolve areas with control weaknesses.

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 regular 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 arises to meet the changing environment requirements.

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 business units and operations as agreed with management. It advises executive and operational management on areas for improvement and subsequently reviews the extent to which its recommendations have been implemented.

The external independent Internal Auditor appraises and contributes towards improving the Group's risk management and control systems and reports directly to the Audit Committee on a quarterly basis. The internal audit work plan, which reflects the risk profile of the Group's major business sectors is reviewed 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 2008 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 20 October 2008.

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 comprises the following members:

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

Meetings and Attendance

During the financial year ended 30 June 2008, 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 at the Company's expense:

(1) have authority to consider and investigate any matter within its terms of reference;
(2) have the resources which are required to perform its duties;
(3) have full access to any information of the Company, obtain external professional advice and may invite outsiders with relevant experience to attend their meetings, if necessary;
(4) have direct communication channels with employees of the Company, the external auditors and person(s) carrying out the internal audit function or activity; and
(5) be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary.

Composition

1. The Committee shall 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

Terms of Reference (cont'd)

Composition (cont'd)

(c) fulfils 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.

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 twice a year the Committee shall meet with the internal auditors, external auditors or both 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.

Responsibility (cont'd)

Internal Audit
Where the internal audit function is concerned:

(a) review the adequacy of the scope, functions, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work;
(b) review the internal audit programme 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
The Committee carried out its duties in accordance with its terms of reference and the activities undertaken during the financial year ended 30 June 2008 up to 20 October 2008 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 independent 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 set out in the Statement on Internal Control on Pages 22 and 23.

Financial Statements

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2008

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 2008.

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

RESULTS

	GROUP RM'000	COMPANY RM'000
Profit attributable to:		
Shareholders of the Company	15,204	14,154
Minority interest	3,071	-
	18,275	14,154

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

Since the end of the previous financial year, the Company paid a tax exempt interim dividend of 1.1 sen per share totalling RM8,382,880 in respect of the year ended 30 June 2008 on 1 July 2008.

The Directors do not recommend the payment of any final dividend for the financial year ended 30 June 2008.

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
YM Raja Shamsul Kamal Bin Raja Shahruzzaman
Chuah Chaw Teo
Leong Kwok Yee
Datuk Haji Ibrahim Bin Haji Ahmad (Resigned on 31 January 2008)

DIRECTORS' INTERESTS

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

	<------------ Number of ordinary shares of RM0.10 each -------->			
	Balance at 1.7.2007	Bought	Sold	Balance at 30.6.2008
Shareholdings in Hovid Berhad (the Company)				
Direct interests:				
Ho Sue San @ David Ho Sue San	382,262,680	-	-	382,262,680
Liong Kam Hon	7,895,360	-	-	7,895,360
Leong Kwok Yee	290,400	-	-	290,400
Shareholdings in Carotech Berhad (subsidiary)				
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
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	11,000,000	-	265,407,920

	<- *Number of warrants over ordinary shares of RM0.10 each ->			
	Balance at 1.7.2007	Rights issue	Bought/ (Sold)	Balance at 30.6.2008
Shareholdings in Hovid Berhad (the Company)				
Direct interests:				
Ho Sue San @ David Ho Sue San	-	198,925,400	-	198,925,400
Liong Kam Hon	-	3,947,680	-	3,947,680
Leong Kwok Yee	-	145,200	-	145,200

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

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than certain Directors who have significant financial interests in companies which traded with certain companies in the Group in the ordinary course of business as disclosed in Notes 12 and 29.

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

ISSUE OF SHARES AND DEBENTURES

There were no changes in the authorised, issued and paid-up capital of the Company during the financial year.

There were no debentures issued during the financial year.

WARRANTS

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

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

The salient terms of the Warrants are as follows:

(a) The issue date of the Warrants is 29 January 2008 and the expiry date is 28 January 2013. Any Warrants not exercised during the exercise period will lapse and cease to be valid for any purpose;

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

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

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.

In the opinion of the Directors, except for the effects arising from the change in accounting policy as disclosed in Note 30 to the financial statements, the results of the operations of the Group and of the Company for the financial year ended 30 June 2008 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.

SIGNIFICANT EVENTS

Details of such events are disclosed in Note 31 to the financial statements.

SUBSEQUENT EVENTS

Details of such events are disclosed in Note 32 to the financial statements.

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	Liong Kam Hon
Director	Director

Ipoh

Date: 20 October 2008

BALANCE SHEETS AS AT 30 JUNE 2008

	Note	GROUP 2008 RM'000	GROUP 2007 RM'000	COMPANY 2008 RM'000	COMPANY 2007 RM'000
Assets					
Property, plant and equipment	3	359,923	242,177	53,325	51,291
Intangible assets	4	34,593	27,729	21,504	20,249
Investment property	5	800	800	-	-
Prepaid lease payments	6	16,954	-	5,820	-
Investment in subsidiaries	7	-	-	38,639	32,825
Investment in a jointly controlled entity	8	448	-	-	-
Deferred tax assets	9	107	365	-	-
Rights to reimbursement under insurance policies	10	231	240	231	240
Total non-current assets		413,056	271,311	119,519	104,605
Inventories	11	109,817	78,868	10,488	9,302
Receivables, deposits and prepayments	12	83,720	29,944	44,442	29,443
Tax recoverable		-	266	-	-
Cash and cash equivalents	13	13,637	24,094	8,223	10,856
Total current assets		207,174	133,172	63,153	49,601
Total assets		620,230	404,483	182,672	154,206
Equity					
Share capital	14	76,208	76,208	76,208	76,208
Share premium	14	90	90	90	90
Revaluation and other reserves	14	10,869	3,492	8,627	1,623
Retained earnings		58,803	51,982	26,309	20,538
Total equity attributable to shareholders of the Company		145,970	131,772	111,234	98,459
Minority interest		40,869	39,815	-	-
Total equity		186,839	171,587	111,234	98,459
Liabilities					
Deferred tax liabilities	9	14,790	16,751	8,511	8,245
Loans and borrowings	15	178,102	93,901	12,959	6,718
Provision for retirement benefits	10	934	737	934	737
Total non-current liabilities		193,826	111,389	22,404	15,700
Payables and accruals	16	77,254	39,645	13,085	9,536
Loans and borrowings	15	160,809	81,242	34,712	29,891
Taxation		1,502	620	1,237	620
Total current liabilities		239,565	121,507	49,034	40,047
Total liabilities		433,391	232,896	71,438	55,747
Total equity and liabilities		620,230	404,483	182,672	154,206

The notes on pages 38 to 84 are an integral part of these financial statements.

INCOME STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

Continuing operations	Note	GROUP 2008 RM'000	GROUP 2007 RM'000	COMPANY 2008 RM'000	COMPANY 2007 RM'000
Revenue	17	214,728	186,857	84,619	72,486
Advertisement and promotions		(4,305)	(2,994)	(3,017)	(2,279)
Allowance for doubtful debts		(264)	(214)	-	(16)
Amortisation of intangible assets	4	(487)	(179)	(455)	(164)
Amortisation of prepaid lease payments	6	(134)	-	(29)	-
Changes in inventories of work-in-progress and finished goods		25,144	33,446	(1,068)	(12)
Depreciation of property, plant and equipment	3	(12,183)	(10,228)	(3,404)	(3,266)
Finance costs	18	(6,046)	(4,322)	(808)	(814)
Other operating expenses		(12,179)	(11,677)	(7,601)	(6,948)
Other operating income		8,678	1,954	9,476	6,235
Purchase of trading goods		(7,012)	(2,908)	-	-
Raw materials and packing materials used		(124,485)	(103,077)	(38,015)	(32,516)
Research expenditure		(1,739)	(1,309)	-	-
Sales commission		(865)	(1,073)	-	-
Staff costs		(32,785)	(26,649)	(14,125)	(11,932)
Transportation and freight charges		(4,433)	(5,645)	(1,575)	(1,222)
Upkeep, repair and maintenance expenses		(4,078)	(3,559)	(2,445)	(1,742)
Utilities and fuel		(17,614)	(13,372)	(3,788)	(3,284)
Operating profit	19	19,941	35,051	17,765	14,526
Share of loss in a jointly controlled entity		(16)	-	-	-
Profit before tax		19,925	35,051	17,765	14,526
Tax expense	21	(1,650)	(5,983)	(3,611)	(1,149)
Profit for the year		18,275	29,068	14,154	13,377
Attributable to:					
Shareholders of the Company		15,204	21,326	14,154	13,377
Minority interest		3,071	7,742	-	-
Profit for the year		18,275	29,068	14,154	13,377
Basic earnings per share (sen)	22	2.00	2.80		
Diluted earnings per share (sen)	22	1.33	-		
Gross dividends per share (sen)	23	1.10	3.50		

The notes on pages 38 to 84 are an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2008

GROUP	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
		<---- Attributable to shareholders of the Company				---->		
		<---- Non-distributable		---->	Distributable			
At 1 July 2006		76,208	90	3,367	35,785	115,450	33,586	149,036
Gain on foreign exchange translation	14	-	-	72	-	72	-	72
Reversal of deferred tax on revaluation surplus upon abolishment of Real Property Gains Tax ("RPGT")	14	-	-	27	-	27	-	27
Surplus on revaluation of land and building	14	-	-	26	-	26	-	26
Income and expense recognised directly in equity		-	-	125	-	125	-	125
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	23	-	-	-	(5,129)	(5,129)	(1,513)	(6,642)
At 30 June 2007/ At 1 July 2007		76,208	90	3,492	51,982	131,772	39,815	171,587
Issue of shares		-	-	-	-	-	166	166
Issue of warrants	14	-	-	7,621	-	7,621	-	7,621
Warrants issue expenses	14	-	-	(617)	-	(617)	-	(617)
Gain on foreign exchange translation	14	-	-	373	-	373	-	373
Income and expense recognised directly in equity		-	-	7,377	-	7,377	166	7,543
Profit for the year		-	-	-	15,204	15,204	3,071	18,275
Total recognised income and expense for the year		-	-	7,377	15,204	22,581	3,237	25,818
Purchase of shares in subsidiaries		-	-	-	-	-	(2,183)	(2,183)
Dividends to shareholders	23	-	-	-	(8,383)	(8,383)	-	(8,383)
At 30 June 2008		76,208	90	10,869	58,803	145,970	40,869	186,839
		Note 14	Note 14	Note 14				

COMPANY	Note	Share capital RM'000	Share premium RM'000	Revaluation and other reserves RM'000	Retained earnings RM'000	Total equity RM'000
		<---- Non-distributable		---->	Distributable	
At 1 July 2006		76,208	90	1,623	12,290	90,211
Dividends to shareholders	23	-	-	-	(5,129)	(5,129)
Profit for the year		-	-	-	13,377	13,377
At 30 June 2007/ 1 July 2007		76,208	90	1,623	20,538	98,459
Issue of warrants	14	-	-	7,621	-	7,621
Warrants issue expenses	14	-	-	(617)	-	(617)
Dividends to shareholders	23	-	-	-	(8,383)	(8,383)
Profit for the year		-	-	-	14,154	14,154
At 30 June 2008		76,208	90	8,627	26,309	111,234
		Note 14	Note 14	Note 14		

The notes on pages 38 to 84 are an integral part of these financial statements.

CASH FLOW STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

		GROUP		COMPANY	
		2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Cash flows from operating activities					
Profit before tax		19,925	35,051	17,765	14,526
Adjustments for:					
Amortisation of intangible assets		487	179	455	164
Amortisation of prepaid lease payments		134	-	29	-
Change in fair value of investment property		-	39	-	-
Defined benefit plan expense for a Director		206	141	206	141
Depreciation of property, plant and equipment		12,183	10,228	3,404	3,266
Gain on disposals of property, plant and equipment		(76)	(5)	(67)	(3)
Interest expense		6,174	4,476	2,134	1,652
Interest income		(128)	(154)	(1,326)	(838)
Product development expenditure written off		3,008	2,576	3,008	2,498
Property, plant and equipment written off		158	117	112	87
Share of loss in a jointly controlled entity		16	-	-	-
Operating profit before changes in working capital		42,087	52,648	25,720	21,493
Change in inventories		(30,421)	(34,602)	(1,186)	(175)
Change in receivables, deposits and prepayments		(53,209)	6,038	(30)	4,895
Change in payables and accruals		36,746	10,839	3,055	(1,790)
Inter-company balances		-	-	(3,501)	(786)
Cash (used in)/generated from operations		(4,797)	34,923	24,058	23,637
Interest received		128	147	1,326	838
Interest paid		(6,292)	(4,361)	(2,258)	(1,736)
Tax paid		(2,205)	(489)	(2,727)	(68)
Net cash (used in)/generated from operating activities		(13,166)	30,220	20,399	22,671
Cash flows from investing activities					
Acquisition of a subsidiary, net of cash acquired		(266)	-	-	-
Acquisition of prepaid lease payments	(ii)	(873)	-	(873)	-
Acquisition of property, plant and equipment	(iii)	(141,410)	(88,420)	(5,720)	(5,122)
Advances to subsidiaries		-	-	(11,078)	(2,023)
Acquisition of additional shares in a subsidiary		(7,823)	-	(7,823)	-
Investment in a jointly controlled entity		(464)	-	-	-
Dividend income from a subsidiary		-	-	2,008	-
Incorporation of subsidiaries		-	(3)	-	(3)
Proceeds from disposals of property, plant and equipment		520	20	365	15
Product development expenditure incurred		(3,972)	(3,849)	(3,972)	(3,743)
Net cash used in investing activities		(154,288)	(92,252)	(27,093)	(10,876)

	Note	GROUP 2008 RM'000	GROUP 2007 RM'000	COMPANY 2008 RM'000	COMPANY 2007 RM'000
Cash flows from financing activities					
Advances/(Repayments) to subsidiaries		-	-	9	(375)
Dividends to shareholders		(8,383)	(6,642)	(8,383)	(5,129)
Payments of warrants issue expenses		(617)	-	(617)	-
Proceeds from issuance of warrants		7,621	-	7,621	-
Proceeds from short term bank borrowings		56,949	29,115	745	4,827
Repayments of hire purchase		(3,263)	(2,589)	(2,340)	(1,811)
Repayments of term loans		(6,478)	(1,720)	(1,414)	(1,720)
Term loans drawdown		98,386	58,827	5,632	-
Net cash generated from/ (used in) financing activities		144,215	76,991	1,253	(4,208)
Change in cash and cash equivalents		(23,239)	14,959	(5,441)	7,587
Effect of exchange rate fluctuation on cash held		375	53	-	-
Cash and cash equivalents at 1 July	(i)	20,791	5,779	10,848	3,261
Cash and cash equivalents at 30 June	(i)	(2,073)	20,791	5,407	10,848

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 2008 RM'000	GROUP 2007 RM'000	COMPANY 2008 RM'000	COMPANY 2007 RM'000
Cash and bank balances	13,637	24,094	8,223	10,856
Bank overdrafts	(15,710)	(3,303)	(2,816)	(8)
	(2,073)	20,791	5,407	10,848

(ii) Acquisition of prepaid lease payments

Analysis of acquisition of prepaid lease payments:

	GROUP 2008 RM'000	GROUP 2007 RM'000	COMPANY 2008 RM'000	COMPANY 2007 RM'000
Change in other receivables	223	-	223	-
Cash outright acquisition	873	-	873	-
	1,096	-	1,096	-

(iii) Acquisition of property, plant and equipment

Analysis of acquisition of property, plant and equipment

	GROUP 2008 RM'000	GROUP 2007 RM'000	COMPANY 2008 RM'000	COMPANY 2007 RM'000
Hire purchase liabilities	5,767	5,708	5,630	2,250
Change in other payables	(122)	471	(122)	165
Cash outright acquisition	141,410	88,420	5,720	5,122
	147,055	94,599	11,228	7,537

The notes on pages 38 to 84 are an integral part of these financial statements.

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 the principal place of business and registered office of the Company is as follows:

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

The consolidated financial statements as at and for the year ended 30 June 2008 comprise the Company and its subsidiaries (together referred to as the Group) and the Group's interest in a jointly controlled entity. The financial statements of the Company as at and for the year ended 30 June 2008 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 7.

The financial statements were approved by the Board of Directors on 20 October 2008.

1. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards (FRS) issued by the Malaysian Accounting Standards Board (MASB), accounting principles generally accepted in Malaysia and the provisions of the Companies Act, 1965. These financial statements also comply with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad.

The accounting policies adopted by the Group and the Company are consistent with those adopted in the previous year except for the adoption of the new and revised FRSs that are effective for annual periods beginning on or after 1 October 2006 as follows:

FRSs/Interpretation	Effective Date
FRS 107, Cash Flow Statements	1 July 2007
FRS 112, Income Taxes	1 July 2007
FRS 117, Leases	1 October 2006
FRS 118, Revenue	1 July 2007
FRS 124, Related Party Disclosures	1 October 2006
FRS 134, Interim Financial Reporting	1 July 2007
FRS 137, Provisions, Contingent Liabilities and Contingent Assets	1 July 2007

The adoption of FRS 124 in the current financial year has resulted in expanded disclosures as set out in Note 20 and Note 29 to the financial statements.

The effect of adopting FRS 117 in the current financial year are set out in Note 30 to the financial statements.

The adoption of the remaining FRSs does not have any material impact on these financial statements.

The MASB has also issued the following FRSs and Interpretation that are effective for annual periods beginning on or after 1 January 2007 but are not relevant for the Group's operations.

1. BASIS OF PREPARATION (cont'd)

(a) Statement of compliance (cont'd)

FRSs/Interpretations	Effective Date
FRS 6, Exploration for and Evaluation of Mineral Resources	1 January 2007
FRS 111, Construction Contracts	1 July 2007
FRS 120, Accounting for Government Grants and Disclosure of Government Assistance	1 July 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

The MASB announced that FRS 139, Financial Instruments: Recognition and Measurement will be effective for annual periods beginning on or after 1 January 2010, hence, the Group and the Company plan to adopt FRS 139 for the financial year ending 30 June 2011.

The impact of applying FRS 139 on the financial statements upon first adoption of this standard required by paragraph 30(b) of FRS 108, Accounting Policies, Changes in Accounting Estimates and Errors is not disclosed by virtue of the exemption given in FRS139.103AB.

(b) Basis of measurement

The financial statements of the Group have been prepared on the historical cost basis except for investment property as explained in Note 5.

As at 30 June 2008, the current liabilities of the Group exceeded its current assets by RM32,391,071. The financial statements of the Group have been prepared on a going concern basis which is dependent on the Group being able to obtain continuing financial support from their bankers and creditors. The Directors are of the view that the business plan of the Group in place will result in the achievement of sufficient positive cash flows and with the continued support of the bankers and creditors, the going concern basis of preparation is appropriate.

(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.

(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.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

- Note 4 – Measurement of the recoverable amounts of cash-generating units
- Note 5 – Valuation of investment property
- Note 28 – Contingencies

2. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the ability to exercise its power 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. Subsidiaries are consolidated using the purchase method of accounting.

Under the purchase method of accounting, the financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are stated in the Company's balance sheet at cost less any 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) Joint ventures

Jointly-controlled entities

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Joint ventures are accounted for in the consolidated financial statements using the equity method unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The consolidated financial statements include the Group's share of the profit or loss of the equity accounted joint ventures, after adjustments to align the accounting policies with those of the Group, from the date that joint control commences until the date that joint control ceases.

When the Group's share of losses exceeds its interest in an equity accounted joint venture, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the joint venture.

Investments in joint ventures 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).

(iii) 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 statements.

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 interests in the subsidiary is accounted for as a purchase of equity interest for which the acquisition accounting method of accounting is applied.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Basis of consolidation (cont'd)

(iv) Minority interest

Minority interest at the balance sheet date, being the portion of the net assets (excluding goodwill) 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.

(v) 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.

Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

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

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are stated at cost/valuation less accumulated depreciation and any accumulated 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 and, for qualifying assets, borrowing costs are capitalised in accordance with the Group's accounting policy. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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.

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

(ii) Subsequent costs

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

(iii) Depreciation

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

The estimated useful lives for the current and comparative periods at the following principal annual rates:

	%
• 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

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

(iii) Depreciation (cont'd)

The depreciable amount is determined after deducting the residual value.

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

(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 property interest held under operating lease, 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.

Leasehold land that normally has an indefinite economic life and title is not expected to pass to the lessee by the end of the lease term is treated as an operating lease. The payment made on entering into or acquiring a leasehold land is accounted for as prepaid lease payments.

The Group had previously classified a lease of land as finance lease and had recognised the amount of prepaid lease payments as property within its property, plant and equipment. On adoption of FRS 117, Leases, the Group treats such a lease as an operating lease, with the unamortised carrying amount classified as prepaid lease payments in accordance with the transitional provision in FRS 117.67A.

The Group had previously revalued its leasehold land and has retained the unamortised revalued amount as the surrogate carrying amount of prepaid lease payments in accordance with the transitional provisions in FRS 117.67A. Such prepaid lease payments is amortised over the lease term.

(f) Intangible assets

(i) Goodwill

Goodwill arises on business combinations and is measured at cost less any accumulated impairment losses.

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.

Any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in income statements.

(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 are technically and commercially feasible and the Group has sufficient resources to complete development.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(f) Intangible assets (cont'd)

(ii) Product development expenditure (cont'd)

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.

(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

Goodwill and intangible assets 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 from the date of production commences. Amortisation of intangible assets is charged to the income statements on a straight-line basis over the estimated useful life of 20 years.

(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 and jointly-controlled entities, 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 and jointly-controlled entities, 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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(h) Investment property

(i) Investment property carried at fair value

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both. These include land held for a currently undetermined future use. Properties that are occupied by the companies in the Group are accounted for as owner-occupied rather than as investment properties.

Investment properties are measured initially at cost and subsequently at fair value with any change therein recognised in the income statements.

(ii) Reclassification to/from investment property

When an item of property, plant and equipment is transferred to investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised 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 statements. 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.

(iii) Determination of fair value

An external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Group's investment property portfolio every 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 stated 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 selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(l) Impairment of assets (cont'd)

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. 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.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

(ii) Repurchase of share capital

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

(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.

(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) to the financial statements. 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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(p) Employee benefits (cont'd)

(i) Short term employee benefits (cont'd)

The Group's contribution to statutory pension funds are charged to the income statements 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 obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(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 measured 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 recognition

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(s) Revenue recognition (cont'd)

(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.

(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.

(v) Earnings per share

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

(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.

3. PROPERTY, PLANT AND EQUIPMENT

GROUP	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
Cost/Valuation						
At 1 July 2006	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 2007/1 July 2007	43,026	118,376	5,181	20,037	92,411	279,031
Effect of adopting FRS 117	(6,627)	-	-	-	(9,495)	(16,122)
Acquisition through business combinations	-	-	-	98	-	98
Additions	207	7,171	1,254	3,569	134,854	147,055
Transfer	3,222	171	-	2,418	(5,811)	-
Write off	-	(135)	-	(229)	-	(364)
Disposals	-	(29)	(1,194)	(1)	-	(1,224)
At 30 June 2008	39,828	125,554	5,241	25,892	211,959	408,474
Representing items at:						
Cost	24,908	125,554	5,241	25,892	211,959	393,554
Valuation	14,920	-	-	-	-	14,920
	39,828	125,554	5,241	25,892	211,959	408,474
Accumulated depreciation						
At 1 July 2006	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 July 2007	1,181	26,525	1,909	7,239	-	36,854
Effect of adopting FRS 117	(130)	-	-	-	-	(130)
Charge for the year	488	9,632	764	1,927	-	12,811
Write off	-	(74)	-	(132)	-	(206)
Disposals	-	(9)	(771)	-	-	(780)
Exchange differences	-	-	1	1	-	2
At 30 June 2008	1,539	36,074	1,903	9,035	-	48,551
Carrying amounts						
At 1 July 2006	38,288	45,219	3,480	11,128	60,242	158,357
At 30 June 2007/1 July 2007	41,845	91,851	3,272	12,798	92,411	242,177
At 30 June 2008	38,289	89,480	3,338	16,857	211,959	359,923

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

COMPANY	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
Cost/Valuation						
At 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 2007/1 July 2007	18,961	33,110	3,645	15,782	4,584	76,082
Effect of adopting FRS 117	(4,830)	-	-	-	-	(4,830)
Additions	106	5,772	783	2,634	1,933	11,228
Transfer	3,222	171	-	2,418	(5,811)	-
Write off	-	(132)	-	(169)	-	(301)
Disposals	-	-	(819)	-	-	(819)
At 30 June 2008	17,459	38,921	3,609	20,665	706	81,360
Representing items at:						
Cost	7,399	38,921	3,609	20,665	706	71,300
Valuation	10,060	-	-	-	-	10,060
	17,459	38,921	3,609	20,665	706	81,360
Accumulated depreciation						
At 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 2007/1 July 2007	740	16,377	1,482	6,192	-	24,791
Effect of adopting FRS 117	(77)	-	-	-	-	(77)
Charge for the year	254	1,990	505	1,282	-	4,031
Write off	-	(73)	-	(116)	-	(189)
Disposals	-	-	(521)	-	-	(521)
At 30 June 2008	917	18,294	1,466	7,358	-	28,035
Carrying amounts						
At 1 July 2006	18,408	17,189	2,096	8,420	1,428	47,541
At 30 June 2007/1 July 2007	18,221	16,733	2,163	9,590	4,584	51,291
At 30 June 2008	16,542	20,627	2,143	13,307	706	53,325

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

3.1 Land and buildings

GROUP	Freehold land RM'000	Long term leasehold land RM'000	Short term leasehold land RM'000	Buildings RM'000	Total RM'000
Cost/Valuation					
At 1 July 2006	13,379	5,756	871	19,002	39,008
Additions	33	-	-	3,985	4,018
At 30 June 2007/1 July 2007	13,412	5,756	871	22,987	43,026
Effect of adopting FRS 117	-	(5,756)	(871)	-	(6,627)
Additions	32	-	-	175	207
Transfer	-	-	-	3,222	3,222
At 30 June 2008	13,444	-	-	26,384	39,828
Representing items at:					
Cost	6,694	-	-	18,214	24,908
Valuation	6,750	-	-	8,170	14,920
	13,444	-	-	26,384	39,828
Accumulated depreciation					
At 1 July 2006	-	52	41	627	720
Charge for the year	-	12	25	424	461
At 30 June 2007/1 July 2007	-	64	66	1,051	1,181
Effect of adopting FRS 117	-	(64)	(66)	-	(130)
Charge for the year	-	-	-	488	488
At 30 June 2008	-	-	-	1,539	1,539
Carrying amounts					
At 1 July 2006	13,379	5,704	830	18,375	38,288
At 30 June 2007/1 July 2007	13,412	5,692	805	21,936	41,845
At 30 June 2008	13,444	-	-	24,845	38,289

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

3.1 Land and buildings (cont'd)

COMPANY	Freehold land RM'000	Long term leasehold land RM'000	Short term leasehold land RM'000	Buildings RM'000	Total RM'000
Cost/Valuation					
At 1 July 2006	2,730	3,960	870	11,339	18,899
Additions	-	-	-	62	62
At 30 June 2007/1 July 2007	2,730	3,960	870	11,401	18,961
Effect of adopting FRS 117	-	(3,960)	(870)	-	(4,830)
Additions	-	-	-	106	106
Transfer	-	-	-	3,222	3,222
At 30 June 2008	2,730	-	-	14,729	17,459
Representing items at:					
Cost	160	-	-	7,239	7,399
Valuation	2,570	-	-	7,490	10,060
	2,730	-	-	14,729	17,459
Accumulated depreciation					
At 1 July 2006	-	7	41	443	491
Charge for the year	-	4	25	220	249
At 30 June 2007/1 July 2007	-	11	66	663	740
Effect of adopting FRS 117	-	(11)	(66)	-	(77)
Charge for the year	-	-	-	254	254
At 30 June 2008	-	-	-	917	917
Carrying amounts					
At 1 July 2006	2,730	3,953	829	10,896	18,408
At 30 June 2007/1 July 2007	2,730	3,949	804	10,738	18,221
At 30 June 2008	2,730	-	-	13,812	16,542

(i) Depreciation charge for the financial year includes:

	GROUP 2008 RM'000	GROUP 2007 RM'000	COMPANY 2008 RM'000	COMPANY 2007 RM'000
Charged to income statements	12,183	10,228	3,404	3,266
Capitalised as product development expenditure	628	426	627	422
	12,811	10,654	4,031	3,688

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

(ii) Interest expense on borrowings and Director's remuneration directly related to factory buildings, plant and machinery under construction that have been capitalised within additions of the Group during the financial year amounted to RM7,191,296 (2007: RM1,705,372) and RM68,100 (2007: RM176,200) respectively.

(iii) The carrying amounts of revalued freehold 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		COMPANY	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Freehold land	1,789	1,789	666	666
Buildings	5,058	5,258	3,812	3,889

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

	GROUP		COMPANY	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Plant, machinery and electrical equipment				
- additions during the financial year	5,026	4,181	5,026	433
- assets acquired in the previous financial year	3,748	-	-	-
- carrying amounts at end of the financial year	10,859	6,612	7,800	3,213
Motor vehicles				
- additions during the financial year	946	644	783	546
- carrying amounts at end of the financial year	3,476	2,932	2,044	2,017
Furniture, fittings, office, laboratory and factory equipment				
- additions during the financial year	278	1,996	278	1,564
- assets acquired in the previous financial year	432	-	-	-
- carrying amounts at end of the financial year	3,486	3,461	3,155	3,093

(v) The land titles of the freehold 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 RM244,257,666 (2007: RM133,357,108) and RM12,632,740 (2007: RM16,897,515) respectively.

4. INTANGIBLE ASSETS

GROUP	Goodwill RM'000	Product development expenditure RM'000	Acquired trademark RM'000	Total RM'000
Cost				
At 1 July 2006	7,023	23,506	770	31,299
Additions	-	4,362	-	4,362
Write off	-	(2,857)	-	(2,857)
At 30 June 2007/1 July 2007	7,023	25,011	770	32,804
Additions	5,641	4,718	-	10,359
Write off	-	(3,242)	-	(3,242)
At 30 June 2008	12,664	26,487	770	39,921
Accumulated amortisation				
At 1 July 2006	-	4,869	308	5,177
Amortisation for the year	-	161	18	179
Write off	-	(281)	-	(281)
At 30 June 2007/1 July 2007	-	4,749	326	5,075
Amortisation for the year	-	444	43	487
Write off	-	(234)	-	(234)
At 30 June 2008	-	4,959	369	5,328
Carrying amounts				
At 1 July 2006	7,023	18,637	462	26,122
At 30 June 2007/1 July 2007	7,023	20,262	444	27,729
At 30 June 2008	12,664	21,528	401	34,593

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's 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.

4. INTANGIBLE ASSETS (cont'd)

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.

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's 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	Product development expenditure RM'000	Acquired trademark RM'000	Total RM'000
Cost			
At 1 July 2006	22,793	770	23,563
Additions	4,256	-	4,256
Write off	(2,779)	-	(2,779)
At 30 June 2007/1 July 2007	24,270	770	25,040
Additions	4,718	-	4,718
Write off	(3,242)	-	(3,242)
At 30 June 2008	25,746	770	26,516
Accumulated amortisation			
At 1 July 2006	4,600	308	4,908
Amortisation for the year	146	18	164
Write off	(281)	-	(281)
At 30 June 2007/1 July 2007	4,465	326	4,791
Amortisation for the year	413	42	455
Write off	(234)	-	(234)
At 30 June 2008	4,644	368	5,012
Carrying amounts			
At 1 July 2006	18,193	462	18,655
At 30 June 2007/1 July 2007	19,805	444	20,249
At 30 June 2008	21,102	402	21,504

4. INTANGIBLE ASSETS (cont'd)

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

	GROUP		COMPANY	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Interest expense	118	92	118	92
Rental of premises	73	62	73	62
Depreciation of property, plant and equipment	628	426	627	422
Staff costs	2,100	2,071	2,100	1,981

Included in staff costs of the Group and of the Company are contributions to Employees' Provident Fund which amounted to RM171,604 (2007: RM184,407) and RM171,604 (2007: RM173,666) respectively.

5. INVESTMENT PROPERTY

	GROUP RM'000
At 1 July 2006	839
Change in fair value	(39)
At 30 June 2007/30 June 2008	800

	2008 RM'000	2007 RM'000
Included in the above are:		
Freehold land	500	500
Building	300	300
	800	800

The amounts recognised in the income statement in respect of invesment property are disclosed in Note 19.

6. PREPAID LEASE PAYMENTS

	GROUP RM'000	COMPANY RM'000
Cost		
At 1 July 2006 and 30 June 2007/1 July 2007	-	-
Effect of adopting FRS 117	16,122	4,830
Additions	1,096	1,096
At 30 June 2008	17,218	5,926
Accumulated amortisation		
At 1 July 2006 and 30 June 2007/1 July 2007	-	-
Effect of adopting FRS 117	130	77
Amortisation for the year	134	29
At 30 June 2008	264	106

6. PREPAID LEASE PAYMENTS (cont'd)

	GROUP RM'000	COMPANY RM'000
Carrying amounts		
At 1 July 2006 and 30 June 2007/1 July 2007	-	-
At 30 June 2008	16,954	5,820
Analysed as		
Unexpired period less than 50 years	780	780
Unexpired period more than 50 years	16,174	5,040
	16,954	5,820

The titles of the leasehold land with carrying amounts of RM5,039,557 are in the process of being transferred into the name of the Company.

Carrying amounts of leasehold land pledged as securities for credit facilities granted to the Group and the Company amounted to RM13,959,536 and RM3,944,311 respectively.

7. INVESTMENT IN SUBSIDIARIES

	COMPANY 2008 RM'000	COMPANY 2007 RM'000
At cost:		
Quoted shares in Malaysia	31,779	23,957
Unquoted shares in Malaysia	6,353	8,361
Unquoted shares outside Malaysia	507	507
	38,639	32,825

The market value of quoted shares in Malaysia as at 30 June 2008 was RM74,314,000 (2007: RM183,174,000).

Details of subsidiaries are as follows:

	Country of incorporation	Effective Group's interest (%) 2008	Effective Group's interest (%) 2007	Principal activities
Carotech Berhad ("Carotech")	Malaysia	58.19	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.

7. INVESTMENT IN SUBSIDIARIES (cont'd)

	Country of incorporation	Effective Group's interest (%) 2008	Effective Group's interest (%) 2007	Principal activities
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.	58.19	55.77	Sales agency and marketing of pharmaceutical, phytonutrient and oleochemical products.
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 Limited *	Hong Kong Special Administrative Region, China	60.00	-	Trading of pharmaceutical products.
Hovid Life Science Pte. Ltd. *	India	100.00	100.00	Inactive.
Carotech Bio-Fuel Sdn. Bhd. #	Malaysia	58.19	55.77	Inactive.
Carotech Yangzhou Biofuel Company Limited *#	The People's Republic of China	58.19	55.77	Inactive.
Yingkou Carotech Bio Energy Company Limited *#	The People's Republic of China	58.19	55.77	Inactive.
Hovid International Limited ×^	British Virgin Island	100.00	100.00	Inactive.
Hovid Research Sdn. Bhd. *^ (formerly known as Dynamic Purification Sdn. Bhd.)	Malaysia	100.00	-	Inactive.
Carotech Bio-Vits Sdn. Bhd. #^	Malaysia	58.19	-	Inactive.

* *Not audited by KPMG*
\# *Subsidiary of Carotech Berhad*
× *Not required to be audited in the country of incorporation*
^ *The Directors have consolidated the results of this subsidiary based on their unaudited management financial statements*

8. INVESTMENT IN A JOINTLY CONTROLLED ENTITY

	GROUP 2008 RM'000	GROUP 2007 RM'000
Unquoted shares, at cost	464	-
Group's share of post-acquisition loss	(16)	-
At 30 June	448	-

Summary of financial information on a jointly controlled entity:

GROUP

2008	Country of incorporation	Effective ownership interest 2008 %	Effective ownership interest 2007 %	Revenue (100%) RM'000	Loss (100%) RM'000	Total assets (100%) RM'000	Total liabilities (100%) RM'000
Khard Carotech Pvt. Ltd.	India	29.10	-	-	(56)	811	-

The Group has no share in the jointly controlled entity's contingent liabilities.

The principal activity of the jointly controlled entity is acting as the sales and marketing agent of bio-fuel and pharmaceutical products.

9. DEFERRED TAX ASSETS AND LIABILITIES

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets 2008 RM'000	Assets 2007 RM'000	Liabilities 2008 RM'000	Liabilities 2007 RM'000	Net 2008 RM'000	Net 2007 RM'000
GROUP						
Property, plant and equipment (including prepaid lease payments)	-	-	9,755	12,022	9,755	12,022
Intangible assets	-	-	4,612	4,659	4,612	4,659
Provisions	(307)	(307)	-	-	(307)	(307)
Others	(107)	(365)	730	377	623	12
Tax (assets)/liabilities	(414)	(672)	15,097	17,058	14,683	16,386
Set off of tax	307	307	(307)	(307)	-	-
Net tax (assets)/liabilities	(107)	(365)	14,790	16,751	14,683	16,386

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

Recognised deferred tax assets and liabilities (cont'd)

	Assets		Liabilities		Net	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
COMPANY						
Property, plant and equipment (including prepaid lease payments)	-	-	3,810	3,497	3,810	3,497
Intangible assets	-	-	4,612	4,659	4,612	4,659
Others	-	-	89	89	89	89
Net tax liabilities	-	-	8,511	8,245	8,511	8,245

Unrecognised deferred tax asset

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

	GROUP		COMPANY	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Deductible temporary differences	28	-	-	-
Unutilised tax loss carry-forwards	776	222	-	-
	804	222	-	-

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

	At 1 July 2006 RM'000	Recognised in income statements (Note 21) RM'000	Recognised in equity (Note 14) RM'000	At 30 June 2007 RM'000	Recognised in income statements (Note 21) RM'000	Recognised in equity (Note 14) RM'000	At 30 June 2008 RM'000
GROUP							
Deferred tax liabilities							
- Property, plant and equipment (including prepaid lease payments)	7,373	4,649	-	12,022	(2,267)	-	9,755
- Intangible assets	4,659	-	-	4,659	(47)	-	4,612
- Others	345	59	(27)	377	353	-	730
Deferred tax assets							
- Provisions	(145)	(162)	-	(307)	-	-	(307)
- Others	(327)	(38)	-	(365)	258	-	(107)
	11,905	4,508	(27)	16,386	(1,703)	-	14,683
COMPANY							
Deferred tax liabilities							
- Property, plant and equipment (including prepaid lease payments)	3,497	-	-	3,497	313	-	3,810
- Intangible assets	4,659	-	-	4,659	(47)	-	4,612
- Others	89	-	-	89	-	-	89
	8,245	-	-	8,245	266	-	8,511

10. RETIREMENT BENEFITS 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		COMPANY	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Non-current assets				
Rights to reimbursement under insurance policies	231	240	231	240
Non-current liabilities				
Provision for retirement benefits				
- Present value of unfunded obligation	934	737	934	737

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

	GROUP		COMPANY	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Current service cost	161	154	161	154
Interest cost	36	32	36	32
	197	186	197	186
Benefit expense				
Reimbursement rights under insurance policies that exactly match the amount and timing of some of benefits payable under the plan	9	(45)	9	(45)
Expense recognised in the income statements net of the amount recognised for the reimbursement rights under insurance policies	206	141	206	141

The amounts charged to the income statements are included in staff costs.

The unfunded retirement benefit scheme is a defined benefit scheme. Obligation is determined by independent actuaries using the Projected Unit Credit actuarial method. The actuarial valuation was carried out as at 22 July 2008.

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.

11. INVENTORIES

	GROUP 2008 RM'000	GROUP 2007 RM'000	COMPANY 2008 RM'000	COMPANY 2007 RM'000
At cost:				
Raw materials	6,326	4,871	5,837	3,558
Work-in-progress	72,966	47,600	969	1,440
Finished goods	25,515	16,696	2,149	2,746
Trading goods	3,476	8,143	-	-
Packing materials	1,534	1,558	1,533	1,558
	109,817	78,868	10,488	9,302

Included above are finished goods and trading goods of the Group and of the Company amounting to RM731,879 (2007: RM1,139,417) and RM179,718 (2007: RM246,626) respectively are carried at net realisable value.

12. RECEIVABLES, DEPOSITS AND PREPAYMENTS

	GROUP 2008 RM'000	GROUP 2007 RM'000	COMPANY 2008 RM'000	COMPANY 2007 RM'000
Trade				
Trade receivables	69,058	23,898	3,625	4,165
Less: Allowance for doubtful debts	(1,395)	(1,391)	(18)	(52)
	67,663	22,507	3,607	4,113
Amount due from subsidiaries				
- interest bearing	-	-	17,323	14,860
- non interest bearing	-	-	1,715	84
Amount due from a jointly controlled entity				
- non interest bearing	5	-	5	-
	67,668	22,507	22,650	19,057
Non-trade				
Other receivables, deposits and prepayments	16,052	7,437	2,842	2,524
Amount due from subsidiaries				
- interest bearing	-	-	12,743	4,243
- non interest bearing	-	-	6,207	3,619
	16,052	7,437	21,792	10,386
	83,720	29,944	44,442	29,443

Included in other receivables of the Group was payment in advance to a company in which a Director has financial interest for the purchase of trading goods of RM1,001,174 (2007: RM104,000).

The trade amount due from subsidiaries are subject to credit terms of 60 to 150 days (2007: 60 to 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 8.00% to 9.00% (2007: 7.25% to 9.00%) per annum.

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

	GROUP		COMPANY	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Currency exposure profiles:				
Trade				
Trade receivables:				
Ringgit Malaysia	15,955	12,979	500	63
USD	48,816	7,233	3,019	3,842
SGD	93	208	93	208
Philippines PESO	1,732	1,161	-	-
Others	1,072	926	-	-
	67,668	22,507	3,612	4,113
Non-trade				
Other receivables, deposits and prepayments:				
Ringgit Malaysia	11,931	7,261	2,842	2,524
USD	3,930	131	-	-
Philippines PESO	107	45	-	-
Others	84	-	-	-
	16,052	7,437	2,842	2,524
Trade and non-trade				
Amount due from subsidiaries:				
Ringgit Malaysia	-	-	34,692	21,555
USD	-	-	3,244	1,196
Others	-	-	52	55
	-	-	37,988	22,806
	83,720	29,944	44,442	29,443
Credit terms granted for trade receivables	7 to 150 days	7 to 150 days	30 to 150 days	30 to 150 days

13. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Cash and bank balances	13,637	24,094	8,223	10,856
Currency exposure profiles:				
Ringgit Malaysia	5,982	11,936	3,747	8,530
USD	5,920	10,454	4,390	1,797
SGD	80	524	80	524
Philippines PESO	1,600	1,175	-	-
EURO	2	-	2	-
HKD	50	-	-	-
INR	-	-	1	-
Others	3	5	3	5
	13,637	24,094	8,223	10,856

14. CAPITAL AND RESERVES

Share capital

GROUP/COMPANY

	Par value RM	2008 Number of shares '000	2007 Number of shares '000	2008 RM'000	2007 RM'000
Authorised:					
At 1 July	0.10/0.50	1,000,000	200,000	100,000	100,000
Subdivision of shares	0.10	-	800,000	-	-
At 30 June	0.10	1,000,000	1,000,000	100,000	100,000
Issued and fully paid:					
At 1 July	0.10/0.50	762,080	152,416	76,208	76,208
Subdivision of shares	0.10	-	609,664	-	-
At 30 June	0.10	762,080	762,080	76,208	76,208

Share premium

	GROUP/COMPANY RM'000
Non-distributable	
1 July 2006/30 June 2007/30 June 2008	90

	GROUP		COMPANY	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Reserves				
Non-distributable				
Exchange fluctuation reserve:				
At 1 July	66	(6)	-	-
Movement during the financial year	373	72	-	-
At 30 June	439	66	-	-
Warrant reserve:				
At 1 July	-	-	-	-
Issue of warrants	7,621	-	7,621	-
Warrants issue expenses	(617)	-	(617)	-
At 30 June	7,004	-	7,004	-

14. CAPITAL AND RESERVES (cont'd)

	GROUP		COMPANY	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
Reserves (cont'd)				
Non-distributable (cont'd)				
Revaluation reserve:				
Surplus on revaluation of freehold land and buildings				
At 1 July	4,403	4,377	2,627	2,627
Additions during the financial year	-	26	-	-
At 30 June	4,403	4,403	2,627	2,627
Less: Deferred taxation				
At 1 July	977	1,004	1,004	1,004
Reversal upon abolishment of RPGT (Note 9)	-	(27)	-	-
At 30 June	977	977	1,004	1,004
Revaluation reserve, net of tax at 30 June	3,426	3,426	1,623	1,623
Total revaluation and other reserves	10,869	3,492	8,627	1,623

(i) Warrant reserve

The warrant reserve represents monies received from renounceable rights issue of 381,040,000 five-year warrants 2008/2013 ("Warrants") on the basis of one warrant for every two new ordinary shares held at an issue price of RM0.02 per warrant.

Salient terms of the Warrants

The salient terms of the Warrants are as follows:

(a) The issue date of the Warrants is 29 January 2008 and the expiry date is 28 January 2013. Any Warrants not exercised during the exercise period will lapse and cease to be valid for any purpose;

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

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

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

(ii) Revaluation reserve

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

15. LOANS AND BORROWINGS

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

	GROUP		COMPANY	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Non-current				
Secured term loans	168,300	85,503	5,234	1,247
Hire purchase liabilities	9,802	8,398	7,725	5,471
	178,102	93,901	12,959	6,718
Current				
Secured term loans	16,455	7,344	1,455	1,224
Secured bank overdrafts	9,835	1,657	1,973	-
Unsecured bank overdrafts	5,875	1,646	843	8
Secured bankers' acceptance	7,475	12,544	1,504	7,669
Unsecured bankers' acceptance	103,558	45,540	19,278	12,368
Secured revolving credit	3,000	3,000	3,000	3,000
Unsecured revolving credit	11,000	7,000	4,000	4,000
Hire purchase liabilities	3,611	2,511	2,659	1,622
	160,809	81,242	34,712	29,891
	338,911	175,143	47,671	36,609

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.

15. LOANS AND BORROWINGS (cont'd)

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
2008								
Secured term loans	2009 - 2015	184,755	16,455	27,451	26,619	26,460	26,531	61,239
Secured bank overdrafts	2009	9,835	9,835	-	-	-	-	-
Unsecured bank overdrafts	2009	5,875	5,875	-	-	-	-	-
Secured bankers' acceptance	2009	7,475	7,475	-	-	-	-	-
Unsecured bankers' acceptance	2009	103,558	103,558	-	-	-	-	-
Secured revolving credit	2009	3,000	3,000	-	-	-	-	-
Unsecured revolving credit	2009	11,000	11,000	-	-	-	-	-
Hire purchase liabilities	2009 - 2014	13,413	3,611	3,702	3,238	1,958	765	139
		338,911	160,809	31,153	29,857	28,418	27,296	61,378
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

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
2008								
Secured term loans	2009 - 2015	6,689	1,455	1,009	775	740	783	1,927
Secured bank overdrafts	2009	1,973	1,973	-	-	-	-	-
Unsecured bank overdrafts	2009	843	843	-	-	-	-	-
Secured bankers' acceptance	2009	1,504	1,504	-	-	-	-	-
Unsecured bankers' acceptance	2009	19,278	19,278	-	-	-	-	-
Secured revolving credit	2009	3,000	3,000	-	-	-	-	-
Unsecured revolving credit	2009	4,000	4,000	-	-	-	-	-
Hire purchase liabilities	2009 - 2014	10,384	2,659	2,756	2,287	1,802	741	139
		47,671	34,712	3,765	3,062	2,542	1,524	2,066

15. 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

Hire purchase liabilities

Hire purchase liabilities are payable as follows:

	Payments 2008 RM'000	Interest 2008 RM'000	Principal 2008 RM'000	Payments 2007 RM'000	Interest 2007 RM'000	Principal 2007 RM'000
GROUP						
Less than 1 year	4,416	805	3,611	3,147	636	2,511
Between 1 and 5 years	10,624	961	9,663	9,112	845	8,267
More than 5 years	142	3	139	137	6	131
	15,182	1,769	13,413	12,396	1,487	10,909
COMPANY						
Less than 1 year	3,306	647	2,659	2,042	420	1,622
Between 1 and 5 years	8,410	824	7,586	5,903	563	5,340
More than 5 years	142	3	139	137	6	131
	11,858	1,474	10,384	8,082	989	7,093

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

	GROUP 2008 %	GROUP 2007 %	COMPANY 2008 %	COMPANY 2007 %
Term loans	3.88 - 7.50	6.50 - 8.50	6.50 - 7.50	8.00 - 8.50
Bank overdrafts	7.75 - 8.75	8.00 - 8.80	8.00	8.00
Bankers' acceptance	3.26 - 5.12	3.18 - 4.60	3.26 - 4.63	3.18 - 4.37
Revolving credit	5.00 - 5.12	5.00 - 5.30	5.00 - 5.12	5.00 - 5.30
Hire purchase liabilities	2.25 - 9.16	4.20 - 10.01	4.18 - 7.51	4.24 - 10.01

16. PAYABLES AND ACCRUALS

	GROUP		COMPANY	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Trade				
Trade payables	36,673	9,577	8,863	6,556
Non-trade				
Other payables	33,057	26,166	3,060	2,410
Accrued expenses	7,524	3,902	476	500
Amount due to subsidiaries				
- non interest bearing	-	-	686	70
	40,581	30,068	4,222	2,980
	77,254	39,645	13,085	9,536

The trade amount due to subsidiaries is subject to credit terms of 60 to 90 days.

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 at 8.00% per annum (2007: 7.25% to 9.00% 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 RM75,256 and RM60,301 (2007: RM109,335 and RM72,405) respectively for the purchases of computer equipment and accessories.

	GROUP		COMPANY	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Currency exposure profiles:				
Trade				
Trade payables:				
Ringgit Malaysia	31,605	6,753	3,889	4,087
USD	4,954	2,811	4,954	2,461
EURO	11	-	12	-
Others	103	13	8	8
	36,673	9,577	8,863	6,556
Non-trade				
Other payables and accruals:				
Ringgit Malaysia	39,803	29,726	3,432	2,892
USD	104	96	104	11
SGD	54	30	-	-
Philippines PESO	237	209	-	-
Others	383	7	-	7
	40,581	30,068	3,536	2,910
Trade and non-trade				
Amount due to subsidiaries:				
Ringgit Malaysia	-	-	608	-
SGD	-	-	78	70
	-	-	686	70
	77,254	39,645	13,085	9,536
Credit terms extended by trade payables	7 to 120 days	7 to 120 days	30 to 120 days	30 to 120 days

17. REVENUE

	GROUP		COMPANY	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Revenue is stated at gross invoiced values and comprises:				
Manufacturing sales	152,230	137,208	84,619	72,486
Trading sales	62,498	49,649	-	-
	214,728	186,857	84,619	72,486

18. FINANCE COSTS

	GROUP		COMPANY	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
This comprises interest expense on:				
- Bank overdrafts	665	99	265	26
- Term loans	2,247	1,686	219	284
- Other borrowings	3,262	2,691	1,650	1,342
	6,174	4,476	2,134	1,652
Less: Interest income	(128)	(154)	(1,326)	(838)
	6,046	4,322	808	814

	GROUP		COMPANY	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Total interest expense:	13,355	6,119	926	906
Less:				
- Interest expense capitalised into property, plant and equipment (Note 3(ii))	(7,191)	(1,705)	-	-
- Interest capitalised into product development expenditure (Note 4)	(118)	(92)	(118)	(92)
	6,046	4,322	808	814

19. OPERATING PROFIT

	GROUP		COMPANY	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Operating profit is arrived at after charging:				
Allowance for doubtful debts	264	214	-	16
Allowance for slow moving inventories	26	203	-	203
Amortisation of intangible assets	487	179	455	164
Amortisation of prepaid lease payments	134	-	29	-

19. OPERATING PROFIT (cont'd)

	GROUP 2008 RM'000	GROUP 2007 RM'000	COMPANY 2008 RM'000	COMPANY 2007 RM'000
Auditors' remuneration:				
- Audit services:				
Auditors of the Company	85	63	28	22
Other auditors	25	16	-	-
- Other services:				
Auditors of the Company	20	-	20	-
Change in fair value of investment property	-	39	-	-
Depreciation of property, plant and equipment	12,183	10,228	3,404	3,266
Direct operating expenses of investment property				
- generating income	3	3	-	-
Loss on foreign exchange:				
- realised	1,627	2,867	708	2,867
- unrealised	99	1,171	-	1,171
Inventories written off	614	212	528	146
Personnel expenses (excluding Directors' remuneration):				
- Contributions to Employees' Provident Fund	2,624	2,374	1,212	1,264
- Wages, salaries and others	26,735	22,533	12,080	10,668
Preliminary expenses written off	283	-	-	-
Product development expenditure written off	3,008	2,576	3,008	2,498
Property, plant and equipment written off	158	117	112	87
Rental expense of equipment	12	-	-	-
Rental expense of motor vehicles	28	13	-	-
Rental expense of premises	763	637	98	81
and after crediting:				
Allowance for doubtful debts written back	260	153	34	27
Allowance for inventory written back	26	-	-	-
Dividend income (gross) from a subsidiary	-	-	2,388	1,908
Gain on disposals of property, plant and equipment	76	5	67	3
Gain on foreign exchange:				
- realised	1,219	5,105	1,219	3,343
- unrealised	7,386	1,581	-	328
Rental income from investment property	444	46	-	-
Rental income of premises	64	222	28	105

20. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensation are as follows:

	GROUP 2008 RM'000	GROUP 2007 RM'000	COMPANY 2008 RM'000	COMPANY 2007 RM'000
Directors' remuneration				
- Fees	352	372	188	198
- Emoluments	2,451	1,752	679	541
Total short-term employee benefits	2,803	2,124	867	739
Post-employment benefits				
- Defined benefit plan expense for a Director	206	141	206	141
	3,009	2,265	1,073	880
Other key management personnel				
- Short-term employee benefits	2,854	2,883	1,397	1,466
	5,863	5,148	2,470	2,346

20. KEY MANAGEMENT PERSONNEL COMPENSATION (cont'd)

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

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

In addition to their salaries, the Group also provides non-cash benefits to Directors.

21. TAX EXPENSE

(i) Recognised in the income statements:

Major components of tax expense include:

	GROUP		COMPANY	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Current tax expense				
Malaysian				
- current year	3,351	1,710	3,542	1,410
- overprovision in prior years	(197)	(278)	(197)	(261)
Overseas				
- current year	199	43	-	-
	3,353	1,475	3,345	1,149
Deferred tax expense				
Origination and reversal of temporary differences (Note 9)	(1,703)	4,508	266	-
	1,650	5,983	3,611	1,149

(ii) Reconciliation of effective tax rate:

	GROUP		COMPANY	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Profit for the year	18,275	29,068	14,154	13,377
Tax expense	1,650	5,983	3,611	1,149
Profit excluding tax	19,925	35,051	17,765	14,526

	GROUP		COMPANY	
	2008 %	2007 %	2008 %	2007 %
Statutory income tax rate of Malaysia	26	27	26	27
Effect of change in tax rate *	(1)	-	-	(1)
Non-deductible expenses	2	3	1	3
Reinvestment allowances utilised	(2)	(4)	(2)	(9)
Non-taxable income	(21)	(1)	-	(4)
Tax incentives	(3)	(7)	(4)	(4)
Others	8	(1)	-	(2)
	9	17	21	10
Overprovision in prior years	(1)	(1)	(1)	(2)
Average effective tax rate	8	16	20	8

21. TAX EXPENSE (cont'd)

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

* The corporate tax rates are 27% for year of assessment 2007, 26% for year of assessment 2008 and 25% for the subsequent years of assessment. 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 approximately RM19,628,000 (2007: RM14,002,000) of its distributable reserves at 30 June 2008 if paid out as dividends.

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

22. EARNINGS PER SHARE

Basic earnings per ordinary share

The basic earnings per share has been calculated by dividing the Group's net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the current financial year ended 30 June 2008.

	2008 RM'000	2007 RM'000
Profit attributable to ordinary equity holders of the Company	15,204	21,326
Weighted average number of ordinary shares in issue	762,080	762,080
Basic EPS (sen)	2.00	2.80

Diluted earnings per ordinary share

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

	2008 RM'000
Profit attributable to ordinary equity holders of the Company	15,204
Weighted average number of ordinary shares in issue	762,080
Effect of Warrants	381,040
Adjusted weighted average number of ordinary shares	1,143,120
Diluted EPS (sen)	1.33

There is no diluted earnings per share for the previous financial year as there is no dilutive potential ordinary shares.

23. DIVIDENDS

Dividends recognised in the current year by the Company are:

	Sen per share (gross)	Sen per share (net)	Total amount RM'000	Date of payment
2008				
Interim dividend	1.10	1.10	8,383	1 July 2008
2007				
Interim dividend	3.50	3.37	5,129	22 January 2007

24. 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.

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.

24. SEGMENT REPORTING (cont'd)

Business Segments

	Pharmaceutical RM'000	Phytonutrient RM'000	Eliminations RM'000	Total RM'000
Financial year ended 30 June 2008				
Revenue				
External revenue	109,602	105,126	-	214,728
Inter-segment revenue	35,838	798	(36,636)	-
Total revenue	145,440	105,924	(36,636)	214,728
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

	Pharmaceutical RM'000	Phytonutrient RM'000	Total RM'000
Financial year ended 30 June 2008			
Results			
Profit from operations	17,067	8,920	25,987
Finance costs	(1,854)	(4,192)	(6,046)
Share of results in a jointly controlled entity	-	(16)	(16)
Profit before tax	15,213	4,712	19,925
Tax expense	(3,453)	1,803	(1,650)
Profit for the year	11,760	6,515	18,275
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

24. SEGMENT REPORTING (cont'd)

Business Segments (cont'd)

	Pharmaceutical RM'000	Phytonutrient RM'000	Total RM'000
At 30 June 2008			
Other information			
Segment assets	160,494	459,629	620,123
Unallocated assets			107
Total assets			620,230
Segment liabilities	69,962	347,137	417,099
Unallocated liabilities			16,292
Total liabilities			433,391
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

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 2008				
Other information				
Capital expenditure	13,192	134,959	-	148,151
Depreciation and amortisation	4,388	8,416	-	12,804
Gain on foreign exchange	1,219	7,386	-	8,605
Loss on foreign exchange	828	898	-	1,726
Product development expenditure written off	3,008	-	-	3,008
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
Gain on foreign exchange	3,854	2,832	-	6,686
Loss on foreign exchange	4,038	-	-	4,038
Product development expenditure written off	2,498	78	-	2,576

24. SEGMENT REPORTING (cont'd)

Geographical Segments

2008	Sales RM'000	Total assets RM'000	Capital expenditure RM'000
(i) Asia	93,476	620,230	148,151
(ii) Africa	29,107	-	-
(iii) North and South America	24,952	-	-
(iv) Europe	67,004	-	-
(v) Pacific Island	189	-	-
	214,728	620,230	148,151
2007			
(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

25. 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.

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.

25. FINANCIAL INSTRUMENTS (cont'd)

Market risk

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

Liquidity risk

The Group 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 Group strives to maintain sufficient levels of cash and banking facilities to meet its working capital requirements.

The Group is dependent upon the continuing financial support from its bankers and creditors and the Group's ability to achieve profitable operations.

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		COMPANY	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Forward foreign exchange contracts				
Receivables				
- Contractual value	44,410	24,182	1,919	-
- Fair value	506	150	20	-
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. As at the balance sheet date for 2008, the Company does not have any commodity hedging contracts.

26. OPERATING LEASES

Leases as lessee

Non-cancellable operating lease rentals are payables as follows:

	GROUP	
	2008 RM'000	2007 RM'000
Less than 1 year	394	483
Between 1 and 5 years	206	426

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

27. CAPITAL AND OTHER COMMITMENTS

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

	GROUP		COMPANY	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Authorised and contracted:				
- Leasehold land and buildings	712	27,567	-	24,878
- Purchase of plant and equipment	2,273	70,674	1,635	5,855
	2,985	98,241	1,635	30,733
Authorised but not contracted for:				
- Leasehold land and buildings	24,449	-	24,449	-
- Investment in a proposed subsidiary	4,955	-	4,955	-
	32,389	98,241	31,039	30,733

28. CONTINGENT LIABILITIES (UNSECURED)

(a) Corporate guarantee

	COMPANY	
	2008 RM'000	2007 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

28. CONTINGENT LIABILITIES (UNSECURED) (cont'd)

(b) Litigations (cont'd)

(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.

29. 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 7) and corporations in which certain Directors have substantial financial interests.

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

	COMPANY			
	Transaction value year ended 30 June		Balances as at 30 June	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Transactions with subsidiaries:				
Hovid Pharmacy Sdn. Bhd.				
Sales	30,615	25,136	-	-
Interest income	780	564	-	-
Reallocation of common cost	4,066	3,913	-	-
Amount due by - trade	-	-	16,264	13,580
Amount due by - non-trade	-	-	841	506
Carotech Berhad				
Sales	106	90	-	-
Interest income	332	115	-	-
Reallocation of common cost	1,133	827	-	-
Purchases	(798)	(838)	-	-
Steam services expenses	(360)	(360)	-	-
Amount due by - trade	-	-	-	84
Amount due by - non-trade	-	-	9,150	2,172
Amount due to - trade	-	-	(608)	-
Carotech, Inc.				
Purchases	(171)	(171)	-	-

29. RELATED PARTIES (cont'd)

Identity of related parties (cont'd)

	COMPANY			
	Transaction value year ended 30 June		Balances as at 30 June	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Transactions with subsidiaries:				
Hovid Inc.				
Sales	2,761	1,923	-	-
Interest income	213	159	-	-
Reallocation of common cost	905	688	-	-
Amount due by - trade	-	-	1,022	1,196
Amount due by - non-trade	-	-	2,752	1,564
Javid Sdn. Bhd.				
Amount due by - non-trade	-	-	1,886	1,854
Ho Yan Hor (S) Pte. Ltd.				
Amount due to - non-trade	-	-	(78)	(69)
Hovid Marketing Sdn. Bhd.				
Sales	205	174	-	-
Reallocation of common cost	7	-	-	-
Purchases	(5)	-	-	-
Amount due by - trade	-	-	279	84
Amount due by - non-trade	-	-	1,161	366
Hovid Nutriworld Sdn. Bhd.				
Reallocation of common cost	2	-	-	-
Amount due by - non-trade	-	-	2,320	1,344
Hovid Life Science Pte. Ltd.				
Amount due by - non-trade	-	-	52	55
Hovid International Limited				
Amount due by - non-trade	-	-	717	4

29. RELATED PARTIES (cont'd)

Identity of related parties (cont'd)

	COMPANY Transaction value year ended 30 June 2008 RM'000	COMPANY Transaction value year ended 30 June 2007 RM'000	COMPANY Balances as at 30 June 2008 RM'000	COMPANY Balances as at 30 June 2007 RM'000
Transactions with subsidiaries:				
Hovid Limited				
Sales	1,974	-	-	-
Amount due by - trade	-	-	1,436	-
Amount due by - non-trade	-	-	68	-
Hovid Research Sdn. Bhd.				
Amount due by - non-trade	-	-	3	-
Khard Carotech Pvt. Ltd.				
Sales	5	-	-	-
Amount due by - trade	-	-	5	-

	GROUP Transaction value year ended 30 June 2008 RM'000	GROUP Transaction value year ended 30 June 2007 RM'000	COMPANY Transaction value year ended 30 June 2008 RM'000	COMPANY Transaction value year ended 30 June 2007 RM'000
Transaction with a company in which a Director has financial interest:				
Purchase of trading goods from: Chengdu Lycotec Bio-Products Co. Ltd.	1,297	78	-	-
Amount owing from: Chengdu Lycotec Bio-Products Co. Ltd.	1,001	-	-	-
Chengdu Gao Shen Natural Products Co. Ltd.	-	104	-	-
Transaction with a company in which a person connected with a Director has substantial financial interest:				
Purchase of computer equipment and accessories from: Future Express Sdn. Bhd.	299	283	188	191
Amount owing to Future Express Sdn. Bhd.	(75)	(109)	(60)	(72)

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

30. CHANGE IN ACCOUNTING POLICY

The accounting policies set out in Note 2 have been applied in preparing the financial statements for the year ended 30 June 2008.

The change in accounting policy arising from the adoption of FRS 117, Leases is summarised below:

FRS 117, Leases

Following the adoption of FRS 117, leasehold land which was previously classified as property, plant and equipment is now classified as prepaid lease payments.

The cost and accumulated depreciation of the leasehold land have been transferred to prepaid lease payments in the current financial year. The change in accounting policy does not have any effect on the net profit for the current and prior years.

31. SIGNIFICANT EVENTS

(a) On 1 July 2007, Hovid International Limited subscribed 600,000 ordinary shares of Hong Kong HK1.00 each in Hovid Limited representing 60% of its paid-up share capital in the Company. Hovid Limited was established for the distribution, marketing, trading and sales of pharmaceutical products manufactured by Hovid and complementary products in Hong Kong and Macau.

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

(c) On 16 January 2008, Carotech Berhad's subsidiary entered into a share pipeline agreement with Lereno Sdn Bhd ("LSB") to share the pipeline which will be attached to the pipeline gantry, constructed by Lumut Maritime Terminal Sdn. Bhd., at a consideration of RM1,602,410. This investment will be shared equally between the subsidiary and LSB.

    As at balance sheet date, Carotech Berhad has paid the entire 50% of RM1,602,410 on behalf of the subsidiary, but the investment is currently recognised in the "capital work-in-progress" in the holding Carotech Berhad's financial books. This investment would be transferred to the subsidiary upon completion of the Lumut plant.

32. SUBSEQUENT EVENTS

(a) On 11 July 2008, the Company entered into a Shareholders' Agreement with Biodeal Pharmaceuticals Private Limited to regulate their relationship and their respective rights and obligation, as shareholders of JVCo.; and

(b) The Company announced that its wholly-owned subsidiary, Hovid International Limited has incorporated AGROVID S.A. as its subsidiary in Republic of Colombia. AGROVID was incorporated on 19 August 2008 with an authorised, subscribed and paid-up share capital of One Hundred Million Colombian PESO ($100,000,000.00) divided into One Thousand (1,000) registered shares, ordinary and of nominal capital of One Hundred Thousand ($100,000.00) Colombian PESO each.

33. ACQUISITION OF A SUBSIDIARY

Business Combination

On 1 July 2007, Hovid International Limited acquired 600,000 ordinary shares of HK1.00 each representing 60% of the issued and paid-up capital of Hovid Limited for a cash consideration of RM267,240.

33. ACQUISITION OF A SUBSIDIARY (cont'd)

Business Combination (cont'd)

The acquisition had the following effect on the Group's assets and liabilities on acquisition date:

	Recognised values on acquisition RM'000
Equipment	98
Inventories	528
Receivables, deposits and prepayments	794
Cash and cash equivalents	1
Payables and accruals	(976)
Net identifiable assets	445
Less: Minority interest	(178)
Consideration paid, satisfied in cash	267
Cash acquired	(1)
Net cash outflow	266

The acquisition of Hovid Limited has contributed the following results to the Group:

	RM'000
Revenue	3,433
Expenses	(3,330)
Profit for the year	103

The pre-acquisition carrying amounts were determined based on applicable FRSs immediately before the acquisition. The values of assets, liabilities, and contingent liabilities recognised on acquisition are their estimated fair values.

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 33 to 84 are drawn up in accordance with the provisions of the Companies Act, 1965 and Financial Reporting Standards 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 2008 and of the results of their operations and cash flows for the year ended on that date.

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: 20 October 2008

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 33 to 84 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 at Ipoh in the State of Perak Darul Ridzuan on 20 October 2008.

....

Ho Sue San @ David Ho Sue San

Before me:

Commissioner for Oaths

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

Report on the Financial Statements

We have audited the financial statements of Hovid Berhad, which comprise the balance sheets as at 30 June 2008 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 33 to 84.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 30 June 2008 and of their financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

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

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

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

c) We are satisfied that the accounts 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 financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

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

Other Matters

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

KPMG
Firm Number: AF-0758
Chartered Accountants

LEE KEAN TEONG
Partner
Approval Number: 1857/02/10 (J)
Chartered Accountant

Date: 20 October 2008

Ipoh

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 2008 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 9 to 44 years old.	Land area: 123,915 sq. ft. Gross built-up area: 75,692 sq. ft.	Date of valuation: 1 December 2004	7,281
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 63 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: 9 years	Land area: 2,050 sq. ft. Gross built-up area: 2,974 sq. ft.	Date of valuation: 5 April 2002	252
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: 6 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.	12,626
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 and also the newly constructed bio-diesel and phythonutrients extraction plant.	Tenure: Freehold Approximate age: The age of the buildings are between less than a year to 13 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.	14,448

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 2008 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: 38 years	Land area: 1,740 sq. ft. Gross built-up area: 3,439 sq. ft.	Date of valuation: 6 April 1987	397
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: 27 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: 9 years	Land area: 1,400 sq. ft. Gross built-up area: 2,722 sq. ft.	Date of valuation: 17 April 1996	179
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: 26 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 53 years	Land area: 52,525 sq. ft. Gross built-up area: 3,364 sq. ft.	Date of valuation: 1 December 2004	918

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 2008 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 7 to 9 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: 1,009 Lot 315 portion: 331
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: 17 years	Land area: 1,776 sq. ft. Gross built-up area: 4,312 sq. ft.	Date of valuation: 23 March 1992	614
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: 16 years	Land area: 1,540 sq. ft. Gross built-up area: 3,016 sq. ft.	Date of valuation: 29 June 1990	420
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	5,456
* Plots C1, C2, C3b & C4, Lumut Port Industrial Park, Mukim of Lumut, District of Manjung, Perak Darul Ridzuan.	Four (4) plots of industrial land and erected upon with bio-diesel and phytonutrients extraction plant.	Tenure: 89 years leasehold Approximate age of the buildings: 6 months	Land area: 1,391,890 sq. ft. Gross floor area: 137,082 sq. ft.	Date of acquisition: 7 February 2006	31,304
** Plots 88 (9) Taman Perindustrian Bayan Lepas, Fasa IV, Mukim 12, DBD	Industrial Land acquired for research and development	Tenure: 60 years leasehold	Land area: 54,490 sq. ft.	Date of acquisition: 2 March 2007	1,096

Notes:

* The building cost was 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.

** Included in the prepaid lease payments and subject to Issuance of individual title.

Analysis Of Shareholdings
As At 8 October 2008

Share Capital

Authorised Share Capital	RM200,000,000.00
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	0.00
100 – 1,000 shares	334	4.51	261,540	0.03
1,001 – 10,000 shares	4,013	54.14	25,652,495	3.37
10,001 – 100,000 shares	2,697	36.39	94,190,335	12.36
100,001 – less than 5% of issued shares	362	4.88	327,056,925	42.92
5% and above of issued shares	4	0.05	314,918,680	41.32
Total	**7,412**	**100.00**	**762,080,000**	**100.00**

Directors' Shareholdings As Per Register Of Directors As At 8 October 2008

	No. of Shares Held			
Name	Direct	%	Indirect	%
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 8 October 2008

	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 8 October 2008 (cont'd)

List of Top Thirty (30) Shareholders/Depositors

No	Name of Securities Account Holders	No. of Shares Held	%
1	EB NOMINEES (TEMPATAN) SENDIRIAN BERHAD PLEDGED SECURITIES ACCOUNT FOR HO SUE SAN @ DAVID HO SUE SAN (IPO)	95,670,000	12.55
2	HO SUE SAN @ DAVID HO SUE SAN	76,717,680	10.07
3	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HO SUE SAN @ DAVID HO SUE SAN (32531 IPOH)	76,456,000	10.03
4	MIDF AMANAH INVESTMENT NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HO SUE SAN @ DAVID HO SUE SAN (MIDF)	66,075,000	8.67
5	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD PLEDGED SECURITIES ACCOUNT FOR HO SUE SAN @ DAVID HO SUE SAN (20-00214-000)	38,000,000	4.99
6	LEMBAGA TABUNG HAJI	35,445,800	4.65
7	HO SUE SAN @ DAVID HO SUE SAN	21,244,800	2.79
8	FAJAR KINABALU SDN BHD	20,696,300	2.72
9	TASEC NOMINEES (TEMPATAN) SDN BHD TA FIRST CREDIT SDN BHD FOR IBRAHIM BIN HAJI AHMAD	17,500,000	2.30
10	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PHEIM ASSET MANAGEMENT SDN BHD FOR EMPLOYEES PROVIDENT FUND	16,240,600	2.13
11	MOHD SAINI BIN KARIMAN	12,000,000	1.57
12	SEGI SATRIA SDN BHD	8,000,000	1.05
13	LIONG KAM HON	7,895,360	1.04
14	HO SUE SAN @ DAVID HO SUE SAN	7,180,800	0.94
15	MAYBAN NOMINEES (TEMPATAN) SDN BHD ETIQA INSURANCE BERHAD (LIFE PAR FUND)	5,340,000	0.70
16	LIM GUAT IM	4,700,000	0.62
17	CHOW SONG KUANG	4,543,000	0.60
18	TOH MAY FOOK	4,485,000	0.59
19	CHAN KIN MENG	4,000,000	0.52
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	LEONG CHOOI KHAUN	2,500,000	0.33

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

No	Name of Securities Account Holders	No. of Shares Held	%
23	CHOONG FOO WAH	2,495,865	0.33
24	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE CHEE SIONG (SS2/TAS)	2,438,000	0.32
25	MAYBAN NOMINEES (TEMPATAN) SDN BHD MAYBAN INVESTMENT MANAGEMENT SDN BHD FOR KAMALUL ARIFIN BIN YUSOF (8KAY-250064)	2,400,000	0.31
26	MAYBAN NOMINEES (TEMPATAN) SDN BHD ETIQA INSURANCE BERHAD (LIFE NON-PAR FD)	2,350,000	0.31
27	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CAPITAL SUCCESS LEADER (M) SDN BHD (E-SS2/RWG)	2,200,000	0.29
28	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KONG MAH REALTY (M) SDN BHD	2,139,000	0.28
29	LIM CHER SENG	2,000,000	0.26
30	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR OSK-UOB EMERGING OPPORTUNITY UNIT TRUST (4611)	1,933,000	0.25
		548,753,035	72.01

Analysis Of Warrant Holdings
As At 8 October 2008

Total no. of Warrants 381,040,000
Total no. of Warrant Holders 4,203

Warrant Holders Distribution

Size of Holdings	No. of Warrant Holders	% of Warrant Holdings	No. of Warrants Held	% of Issued Capital
Less than 100 warrants	3	0.07	150	0.00
100 – 1,000 warrants	395	9.40	268,800	0.07
1,001 – 10,000 warrants	2,245	53.41	10,372,600	2.72
10,001 – 100,000 warrants	1,307	31.10	42,313,715	11.10
100,001 – less than 5% of issued warrants	252	6.00	129,159,335	33.90
5% and above of issued warrants	1	0.02	198,925,400	52.21
Total	**4,203**	**100.00**	**381,040,000**	**100.00**

Directors' Warrant Holdings As Per Register Of Directors As At 8 October 2008

	No. of Warrants Held			
Name	Direct	%	Indirect	%
Ho Sue San @ David Ho Sue San	198,925,400	52.21	0	0
Liong Kam Hon	3,947,680	1.04	0	0
Chuah Chaw Teo	0	0	0	0
Leong Kwok Yee	145,200	0.04	0	0
YM Raja Shamsul Kamal Bin Raja Shahruzzaman	0	0	0	0

Substantial Warrant Holders As Per Register Of Substantial Warrant Holders As At 8 October 2008

	No. of Warrants Held			
Name	Direct	%	Indirect	%
Ho Sue San @ David Ho Sue San	198,925,400	52.21	0	0

List of Top Thirty (30) Warrant Holders

No	Name of Warrant Holders	No. of Warrants Held	%
1	HO SUE SAN @ DAVID HO SUE SAN	198,925,400	52.21
2	FAJAR KINABALU SDN BHD	10,965,600	2.88
3	TASEC NOMINEES (TEMPATAN) SDN BHD TA FIRST CREDIT SDN BHD FOR IBRAHIM BIN HAJI AHMAD	8,750,000	2.30
4	MOHD SAINI BIN KARIMAN	6,000,000	1.58
5	CHOW SONG KUANG	4,934,300	1.30
6	MAYBAN SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YEOH CHOO HOON (RC8-MARGIN)	4,490,400	1.18

List of Top Thirty (30) Warrant Holders (cont'd)

No	Name of Warrant Holders	No. of Warrants Held	%
7	SEGI SATRIA SDN BHD	4,000,000	1.05
8	LIONG KAM HON	3,947,680	1.04
9	MAYBAN NOMINEES (TEMPATAN) SDN BHD ETIQA INSURANCE BERHAD (LIFE PAR FUND)	2,670,000	0.70
10	LEMBAGA TABUNG HAJI	2,069,000	0.54
11	CHAN KIN MENG	2,000,000	0.52
12	LIM GUAT IM	2,000,000	0.52
13	TOH MAY FOOK	2,000,000	0.52
14	SHARMALA DEVI A/P V THURAIRATNAM	1,936,400	0.51
15	LEONG CHOOI KHAUN	1,750,000	0.46
16	LOW CHEE SUN	1,700,000	0.45
17	GOH TIAN HOCK	1,564,600	0.41
18	MAYBAN NOMINEES (TEMPATAN) SDN BHD MAYBAN GENERAL ASSURANCE BERHAD (INSURANCE FUND)	1,550,000	0.41
19	LIM SANG HENG	1,317,300	0.35
20	TEOH GUAN KOK & CO. SDN. BERHAD	1,250,000	0.33
21	MAYBAN NOMINEES (TEMPATAN) SDN BHD MAYBAN INVESTMENT MANAGEMENT SDN BHD FOR KAMALUL ARIFIN BIN YUSOF (8KAY-250064)	1,200,000	0.31
22	MAYBAN NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR BEH CHAN PIN	1,200,000	0.31
23	MAYBAN NOMINEES (TEMPATAN) SDN BHD ETIQA INSURANCE BERHAD (LIFE NON-PAR FD)	1,175,000	0.31
24	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KONG MAH REALTY (M) SDN BHD	1,144,500	0.30
25	CHUA GEOK LEE	1,040,600	0.27
26	TAN YU WEI	984,400	0.26
27	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR OSK-UOB EMERGING OPPORTUNITY UNIT TRUST (4611)	966,500	0.25
28	CHUA CHEE TONG	853,400	0.22
29	MAYBAN NOMINEES (TEMPATAN) SDN BHD ETIQA INSURANCE BERHAD (GENERAL FUND)	850,000	0.22
30	TAN CHAI KIM	755,000	0.20
		273,990,080	71.91

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

INTRODUCTION

Proposed Renewal of Shareholders' Mandate for Share Buy-Back

At the Company's Extraordinary General Meeting ("EGM") held on 27 November 2007, the Board of Directors had obtained shareholders' mandate for the Directors to purchase shares on Bursa Malaysia Securities Berhad ("Bursa Securities") not exceeding ten per centum (10%) of the issued and paid-up share capital of the Company.

The abovementioned shareholders' mandate shall, in accordance with Bursa Securities Listing Requirements governing share buy-back by listed companies, expires at the conclusion of the forthcoming 28th Annual General Meeting ("AGM") of the Company, which will be held on 21 November 2008. On 13 October 2008, the Board of Directors announced that the Company proposes to seek approval from its shareholders for the Proposed Renewal of Shareholders' Mandate for Share Buy-Back ("Proposed Share Buy-Back") at the forthcoming 28th AGM of the Company.

The shareholders' mandate for the Proposed Share Buy-Back will be effective upon the passing of the ordinary resolution for the Proposed Share Buy-Back at the forthcoming 28th AGM until:

(i) the conclusion of the next AGM of the Company, unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions;

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

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

whichever occurs first.

Purpose of Share Buy-Back Statement ("the Statement")

The purpose of this Statement is to provide relevant information on the Proposed Share Buy-Back and to seek shareholders' approval for the ordinary resolution which is to give effect to the Proposed Share Buy-Back to be tabled at the forthcoming AGM. A notice of the AGM together with the Form of Proxy are enclosed in this Annual Report.

RATIONALE FOR THE PROPOSED SHARE BUY-BACK

The Directors of the Company are of the opinion that empowering the Company to undertake the Proposed Share Buy-Back is in the best interest of the Company. The Proposed Share Buy-Back will enable the Company to utilise its surplus financial resources to purchase its own ordinary shares of RM0.10 each ("Hovid Shares") through Bursa Securities. It may stabilise the supply and demand of Hovid Shares traded on Bursa Securities, thereby supporting its fundamental value.

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

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

EVALUATION OF THE PROPOSED SHARE BUY-BACK

Advantages

The potential advantages of the Proposed Share Buy-Back are as follows:-

(i) allows the Company to take preventive measures against excessive speculation, in particular when the Company's shares are undervalued;
(ii) allows the Company more flexibility in fine-tuning its capital structure;
(iii) the resultant reduction of share capital base is expected to improve the EPS and may strengthen the net tangible assets of the remaining shares as well as the probability of declaring a higher quantum of dividend in future;
(iv) to stabilise a downward trend of the market price of the Company's shares;
(v) treasury shares can be treated as long term investments. It makes business sense to invest in our own Company as the Board of Directors is confident of Hovid's future prospects and performance in the long term;
(vi) resale of treasury shares at price higher than the purchase prices when the market price picks up will be realised and as a result increase the working capital and net assets of the Company; and
(vii) in the event that the treasury shares are distributed as dividend by the Company, it may then serve to reward the shareholders of the Company.

Disadvantages

The potential disadvantages of the Proposed Share Buy-Back are as follows:-

(i) the Proposed Share Buy-Back, if implemented, will reduce the financial resources of the Company. This may result in the Company's foregoing future investment opportunities and/or any income that may be derived from the deposit of such funds in interest bearing instruments;
(ii) the cashflow of the Company may be affected if the Company decides to utilise bank borrowings to finance the Proposed Share Buy-Back;
(iii) the Proposed Share Buy-Back may reduce the consolidated Net Assets ("NA") of the Company if the purchase price of Hovid Shares is higher than the consolidated NA of the Company at the time of purchase; and
(iv) as the Proposed Share Buy-Back can only be made out of the distributable reserves, it may reduce the financial resources available for distribution to the shareholders of the Company in the immediate future.

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

PARTICULARS OF THE PROPOSED SHARE BUY-BACK

Funding

The maximum amount of funds to be utilised by the Company for the Proposed Share Buy-Back shall not exceed the retained profits and/or share premium account of the Company. Based on the latest audited financial statements as at 30 June 2008, the retained profits and share premium accounts of the Company were approximately RM26.31 million and RM0.090 million, respectively.

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

PARTICULARS OF THE PROPOSED SHARE BUY-BACK (cont'd)

Funding (cont'd)

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

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

EFFECTS OF THE PROPOSED SHARE BUY-BACK

Share Capital

(i) If the proposed "buy-back" shares are cancelled, the issued and fully paid-up share capital of the Company as at 8 October 2008, would have been reduced from RM76,208,000 comprising 762,080,000* ordinary shares of RM0.10 each to RM68,587,200 comprising 685,872,000** ordinary shares of RM0.10 each as follows:-

Ordinary Shares of RM0.10 each				
			(After cancellation of shares)	
Issued & Paid-up Capital	Capital Redemption Reserve	Proposed Share Buy-Back	Issued & Paid-up Capital	Capital Redemption Reserve
762,080,000	-	76,208,000 *	685,872,000 **	76,208,000

* Being 762,080,000 x 10%. Capital redemption reserve is the cumulated actual number of shares bought back and held as treasury shares as at 8 October 2008. The assumption here is that such shares are cancelled and that the necessary capital redemption reserve is set up. RM76,080,000 is the paid-up share capital prior to the Proposed Share Buy-Back.

** Being 762,080,000 less 76,208,000

(ii) If the proposed "buy-back" shares are retained as treasury shares, the issued and fully paid-up capital will be as follows:-

Ordinary Shares of RM0.10 each		
Issued and Paid-up Capital	Proposed Share Buy-Back	Issued and Paid-up Capital
762,080,000*	76,208,000	762,080,000**

(However, the above needs to be further explained by the following note)

* As at 8 October 2008, the number of outstanding shares in issue and fully paid-up is 762,080,000 ordinary shares of RM0.10 each and there are no treasury shares held.

** Whilst the 76,208,000 ordinary shares are assumed to be bought back and retained as treasury shares, however, accounting literature deems them to be "derecognised". Hence, for accounting purposes, the outstanding shares in issue and fully paid as at 8 October 2008, is 685,872,000 (762,080,000 less 76,208,000) ordinary shares of RM0.10 each.

Pursuant to Section 67A (3C) of the Act, while the purchased Hovid Shares are held as treasury shares, the rights attached to them in relation to voting, dividends and participation in any other distribution or otherwise are suspended. The treasury shares shall not be taken into account in calculating the number or percentage of shares or of a class of shares in the Company for any purposes including substantial shareholding, takeovers, notices, the requisitioning of meetings, the quorum for a meeting and the result of a vote on a resolution at a meeting.

EFFECTS OF THE PROPOSED SHARE BUY-BACK (cont'd)

Net Assets ("NA")

The Proposed Share Buy-Back is likely to reduce the NA per share of the Company and the Group if the purchase price exceeds the audited NA per share of the Group at the time of purchase and will increase the NA per share of the Group if the purchase price is less than the audited NA per share of the Group at the time of purchase.

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

Working Capital

The Proposed Share Buy-Back will reduce the working capital of the Hovid Group, the quantum of which is dependent on actual number of shares bought back and actual purchase prices of the Hovid's shares. However, in the opinion of the Directors, the Proposed Share Buy-Back whether cancelled or kept as treasury shares is not expected to have a significant effect on the working capital of the Company.

Earnings

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

OTHER DISCLOSURES IN RELATION TO THE PROPOSED SHARE BUY-BACK

Public Shareholding Spread

According to the Company's Record of Depositors as at 8 October 2008, there were 7,406 public shareholders holding not less than 100 Hovid Shares, with a total shareholding of 48.75% of the Company's issued and paid-up share capital.

Assuming that the Proposed Share Buy-Back of up to 76,208,000 ordinary shares of RM0.10 each representing ten per centum (10%) of the share capital as at 8 October 2008, is carried out in full and are being bought back proportionately from the public and the non-public shareholders, Hovid's shareholding spread will remain unchanged.

Malaysian Code On Take-Overs and Mergers 1998 ("the Code")

The Proposed Share Buy-Back if carried out in full (whether shares are cancelled or treated as treasury shares), may result in a substantial shareholder and/or parties acting in concert with it in incurring a mandatory general offer obligation. In this respect, the Board is mindful of the provision under Practice Note 2.7 of the Code.

Purchase of Shares

The Company has not made any purchase of Hovid Shares in the previous twelve (12) months preceding the date of this Statement. As such, the Company does not have any treasury shares and has not resold, cancelled and/or distributed any treasury shares as dividends in the same period.

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

Save for the proportionate increase in the percentage shareholdings of the Directors and/or major shareholder(s) of Hovid as a result of the decrease in the issued and paid-up share capital after the Proposed Renewal of Shareholders' Mandate for Share Buy-Back, none of the Directors and/or major shareholder(s) of Hovid and/or persons connected to the Directors and/or major shareholder(s) of Hovid has any interest, directly or indirectly, in the Proposed Share Buy-Back and the subsequent resale of treasury shares, if any.

DIRECTORS' RECOMMENDATION

The Directors, having considered all aspects of the Proposed Share Buy-Back, are of the opinion that the Proposed Share Buy-Back is in the best interest of the Hovid Group. Accordingly, they recommend that you vote in favour of the ordinary resolution for the Proposed Share Buy-Back to be tabled at the forthcoming AGM.

BURSA SECURITIES

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

This page has been left blank intentionally.

hovid
Continuous Innovation & Quality

HOVID BERHAD
(58476-A)

PROXY FORM
TWENTY-EIGHTH (28TH) 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-eighth (28th) Annual General Meeting of the Company, to be held at Heritage Ballroom, Heritage Hotel Ipoh, Jalan Raja Di Hilir, 30350 Ipoh, Perak Darul Ridzuan on Friday, 21 November 2008, at 10.30 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 2008		
Resolution 2	Approval of Directors' fees		
Resolution 3	Re-election of Mr Ho Sue San @ David Ho Sue San as Director		
Resolution 4	Re-election of YM Raja Shamsul Kamal Bin Raja Shahruzzaman 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		
Resolution 7	Proposed Renewal of Shareholders' Mandate for RRPTs with Carotech		
Resolution 8	Proposed Renewal of Shareholders' Mandate for RRPTs with Future Express		
Resolution 9	Proposed Renewal of Shareholders' Mandate for Share Buy-Back		

Please indicate with an "X" in the spaces provided above how you wish your vote to be casted. If no specific direction as to the voting is given, the proxy will vote or abstain from voting at his/her discretion.

(Strike out whichever is not desired)*

Signed this __________ day of ______________________ 2008

No. of ordinary shares held

____

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.
5. For the purpose of determining a member who shall be entitled to attend the meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd, in accordance with Article 60(c) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositors as at 14 November 2008. Only a depositor whose name appears on the General Meeting Record of Depositors as at 14 November 2008 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote in his/her stead.

Then fold here

AFFIX
STAMP

Continuous Innovation & Quality

THE COMPANY SECRETARY

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

1st fold here