www.hovid.com

Continuous Innovation & Quality

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 **2009**

ANNUAL REPORT **2009**

Continuous Innovation & Quality

Continuous
Growth
via
Innovation

Contents

Notice Of **Annual General Meeting**

NOTICE IS HEREBY GIVEN that the Twenty-ninth (29th) Annual General Meeting ("AGM") of Hovid Berhad ("Hovid" or "the Company") will be held at Heritage Ballroom, Heritage Hotel Ipoh, Jalan Raja DiHilir, 30350 Ipoh, Perak Darul Ridzuan on Monday, 23 November 2009, at 10.30 a.m. or any adjournment thereof for the following purposes:

AGENDA

1. To receive and adopt the Audited Financial Statements for the financial year ended 30 June 2009 together with the Reports of the Directors and Independent Auditors thereon. **Resolution 1**

2. To approve the payment of Directors' fees of RM174,000 for the financial year ended 30 June 2009 to be divided amongst the Directors in such manner as the Directors may determine. **Resolution 2**

3. To re-elect Mr Liong Kam Hon who is retiring by rotation pursuant to Article 83 of the Company's Articles of Association. **Resolution 3**

4. To re-elect Mr Chuah Chaw Teo 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 Bursa Malaysia Securities Berhad ("Bursa Securities") and other relevant authorities where such approval is necessary AND THAT such authority shall continue in force until the conclusion of the next AGM of the Company." **Resolution 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 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

(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 relationship 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

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

(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 must not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or

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

whichever is 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 relationship 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

(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 must not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or

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

whichever is 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**

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

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 will 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:

(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 2009

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

NOTES:

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

2. Where a member appoints two (2) or more proxies, the appointment shall be invalid unless the member specifies the proportion of his shareholdings to be represented by each proxy. Each proxy appointed, shall represent a minimum of 100 shares held by the member.

3. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

4. 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.

5. 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.

6. 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 16 November 2009. Only a member whose name appears on the General Meeting Record of Depositors as at 16 November 2009 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 2009 accompanying the Company's Annual Report 2009.

5. Details of the proposed Ordinary Resolution No. 9 are contained in the Share Buy-Back Statement on Pages 93 to 97 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/ Principal Place of Business

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

Share Registrars

Tricor Investor Services Sdn Bhd
(Formerly known as 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

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

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

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

Public Bank Berhad
No. 7-13, Jalan Dato' Maharajalela
30000 Ipoh
Perak Darul Ridzuan

Standard Chartered Bank Malaysia Berhad
No. 21-27, Jalan Dato' Maharajalela
30000 Ipoh
Perak Darul Ridzuan

OCBC Bank (Malaysia) Berhad
No. 2, Jalan Dato' Maharajalela
30000 Ipoh
Perak Darul Ridzuan

Stock Exchange Listing

Main Market of Bursa Malaysia Securities Berhad

Corporate Structure

As at 7 October 2009

HOVID BERHAD
(58476-A)

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

* The acquisition is pending for completion

Directors' Profile

Ho Sue San @ David Ho Sue San

a Malaysian aged 60, is the Managing Director of the Company and was redesignated to Chairman & Managing Director on 31 January 2008. He was appointed to the Board, being the first Director since incorporation of the Company on 20 May 1980. He obtained a Bachelor of Pharmacy degree from the University of Otago in 1974. He later obtained a Master of Pharmacy degree from the University of Otago in 1976. He was registered as a pharmacist with the Pharmaceutical Society of New Zealand in 1974 and as a pharmaceutical chemist by the Pharmaceutical Society of Great Britain in 1977. He was registered as a pharmacist with the Malaysian Pharmacist Board in 1980. He has also completed the Applied International Management Programme organised by the Swedish Institute of Management in 1990 and the International Top Management Seminar in the field of Quality Leadership organised by ISO Swedish Management Group in 1996. From 1978 to 1979, he was a research pharmacist with Wyeth Laboratories Ltd. Thereafter, he formed and incorporated Hovid Berhad in 1980. He was on the Board of Malaysian Biotechnology Corporation Sdn. Bhd., a subsidiary of MOF Inc in Malaysia from 2006 to 2009. He also sits on the Board of Carotech Berhad as Chairman & Managing Director.

Ho Sue San @ David Ho Sue San has attended all the five (5) Board meetings held during the financial year ended 30 June 2009. He neither has any family relationship with any Director and/or major shareholder of the Company, nor has he any conflict of interest with the Company. He has had no conviction for any offences within the past ten (10) years. Additionally, he is a major shareholder of the Company as at 30 June 2009.

Liong Kam Hon

a Malaysian aged 63, is the Executive Director of the Company and was appointed to the Board of the Company on 11 February 1999. He joined Hovid Pharmacy Sdn. Bhd. as a Manager on 16 June 1981. 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 2009. He neither has any family relationship with any Director and/or major shareholder of the Company, nor has he any conflict of interest with the Company. He has had no conviction for any offences within the past ten (10) years.

Chuah Chaw Teo

a Malaysian aged 58, 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 2009. He neither has any family relationship with any Director and/or major shareholder of the Company, nor has he any conflict of interest with the Company. He has had no conviction for any offences within the past ten (10) years.

Directors' Profile (cont'd)

Leong Kwok Yee

an Australian aged 59, 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. From 1 May 2006 to 31 August 2007, he was appointed as Head of Middle Office of Li & Fung (Trading) Ltd., Hong Kong. He was the Chief Financial Officer and on the Board of LiFung Trinity Ltd. (Hong Kong) from 1 September 2007 to 31 January 2009 and to 16 August 2009 respectively. Since February 2009, he is working as an advisor of Li & Fung (Trading) Ltd. He is also an Independent Non-Executive Director of Carotech Berhad.

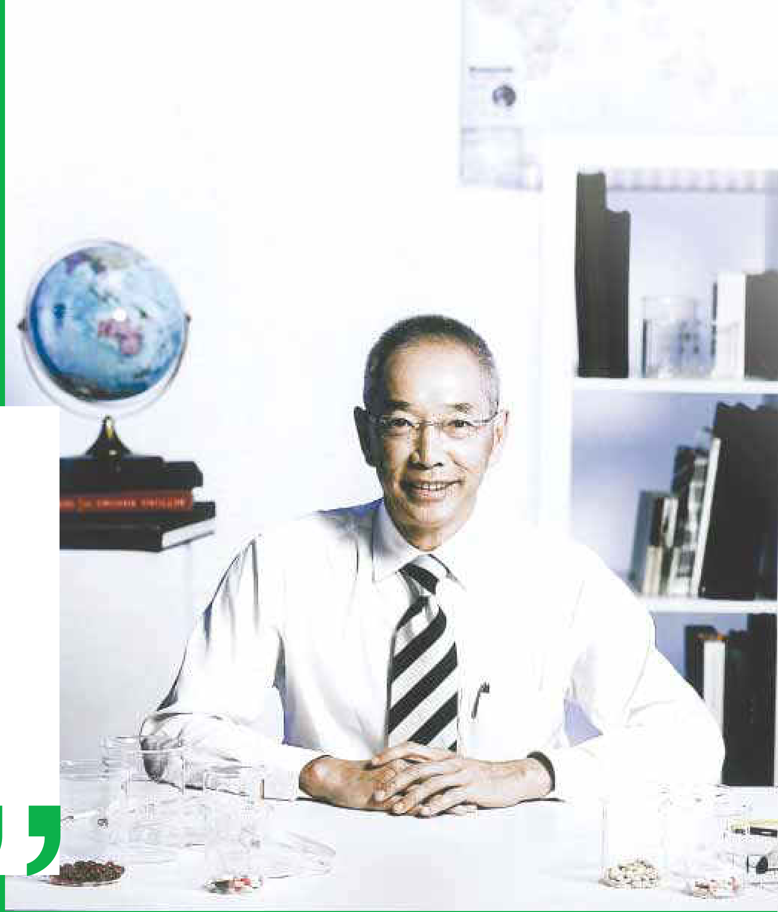
Leong Kwok Yee is the Chairman of Audit Committee and a member of the Nomination and Remuneration Committee of the Company. He has attended all the five (5) Board meetings held during the financial year ended 30 June 2009. He neither has any family relationship with any Director and/or major shareholder of the Company, nor has he any conflict of interest with the Company. He has had no conviction for any offences within the past ten (10) years.

YM Raja Shamsul Kamal Bin Raja Shahruzzaman

a Malaysian aged 48, was appointed to the Board of the Company on 22 December 2004 as the Non-Executive Director and redesignated to Independent Non-Executive Director on 13 August 2007. He 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 the Non-Independent Non-Executive Director of SCAN Associates Berhad from 1995 to 2007. He also sits on the Board of Carotech Berhad as the Independent Non-Executive Director.

YM Raja Shamsul Kamal Bin Raja Shahruzzaman is also Chairman of the Nomination and Remuneration Committee of the Company. He was appointed a member of the Audit Committee of the Company on 31 October 2008. He has attended all the five (5) Board meetings held during the financial year ended 30 June 2009. He neither has any family relationship with any Director and/or major shareholder of the Company, nor has he any conflict of interest with the Company. He has had no conviction for any offences within the past ten (10) years.

Chairman's Statement



Dear Valued Shareholders,

On behalf of the Board of Directors of Hovid Berhad, I have the contentment in presenting the Annual Report and Financial Statements for the financial year ended 30 June 2009.

This year Hovid Berhad's annual report focuses on the theme Continuous Growth via Innovation. This theme portrays how the Company continues to show positive achievement through innovation of product development. It allows the Company to achieve greater heights and keep making progress on all fronts. During the financial year, Hovid maintain focused on maximising equipment utilization, developing new markets and new customers, expanding our products portfolio and continued to take measures to improve margins and maximising profitability.

Corporate Development

During the year, the Company continued to expand its reach through incorporation of a new subsidiary:

Best Practice International Sdn. Bhd.

On 5 March 2009, Best Practice International Sdn. Bhd. ("BPI"), a wholly-owned subsidiary in Malaysia was incorporated for the purpose of providing training and consultancy services related to improving manufacturing practices and processes, including the "Lean Manufacturing" concept. BPI has an authorised issued share capital of RM100,000 comprising 100,000 ordinary shares of RM1.00 each and issued and fully paid-up share capital of RM2.00 comprising of 2 ordinary shares of RM1.00 each.

Rights Issue

On 21 August 2009, Carotech Berhad announced to Bursa Securities its Proposed Renounceable Rights Issue of up to 456,144,000 new ordinary shares of RM0.10 each in Carotech on the basis of one (1) rights share for every one (1) existing Carotech Share held. The Extraordinary General Meeting to approve the proposal was concluded on 2 October 2009.

It is anticipated that this corporate exercise, once completed would raise up to RM45.6 million for Carotech Berhad's working capital to cater for the increased capacity arising from the new Lumut manufacturing facility and the expected increase in demand of its products moving forward.

Financial Performance

The year 2009 was a challenging one for both the Phytonutrient and Pharmaceutical divisions. This was generally caused by the deteriorating world economic conditions. In 2009, the Group achieved revenue of RM248.6 million against RM214.7 million in the preceding year, representing a growth of about 15.8%. Although, we experienced a growth in revenue, the Group incurred a loss after tax of RM6.8 million against a profit of RM18.3 million in the previous year.

The Pharmaceutical division recorded a marginal increase in revenue of approximately 2.2% compared to the last financial year. However, profit for the year had marginally dropped by 0.7% although the performance for some of the subsidiaries had improved, it was negated by foreign exchange losses.

The Phytonutrient division recorded an increase in revenue of 29.6% due to the completion of our new plant in Lumut in January 2009; increasing our crude palm oil processing capacity by 300% to 120,000 metric ton per annum. Arising from the commissioning of the new Lumut facility, the subsidiary's profit margin was affected by the higher depreciation and interest expenses incurred during the year. Aggregate depreciation and interest cost amounted to RM31.0 million for the year compared to RM12.7 million in previous financial year.

Furthermore, the weakening of Ringgit Malaysia against the United States Dollar ("USD") has resulted in an unrealised foreign exchange loss of RM15.6 million in this division during the financial year arising from the revaluation of our USD denominated term loan whereby the loan was drawdown for the building of Lumut facility and to act as a balance sheet hedge against our substantially USD denominated revenues.

The Group's EBITDA grew 2% for Pharmaceutical division with the increased revenue and improved capacity utilisation. However, the Phytonutrient division result dropped by 90% as a result of higher depreciation and interest expenses and high unrealised foreign exchange losses.

Chairman's Statement (cont'd)

Outlook and Prospects

The Malaysian Organisation of Pharmaceutical Industries (MOPI) stated that the pharmaceutical industry in Malaysia is projected to expand by 10% in 2009 as compared to 2008, driven by rising demand for medication following the outbreak of the Influenza A (H1N1). The downturn in fact has boosted sales of generic pharmaceutical products, where price increases were in the region of 3% to 5% while prices of similar branded products rose 12% to 15%. With the anticipated increase in consumers switching to generic products, the generic pharmaceutical products industry is poised to expand by 15% in 2009 and 2010.

The H1N1 virus is spreading fast, particularly among people ages 10 to 45 and the severity of the disease ranges from very mild symptoms to severe and even death. One of the prevention that is currently being practiced is frequent wash of hands. Consequently, the demand for our hand sanitizer, Quicklean had increased by 217% in value for the first quarter of 2009 in comparison to full year in 2008. Quicklean is a refreshing alcohol-based instant hand sanitizer that kills 99% of germs as quickly as 15 seconds without water, soap or towels. It has been designed specifically for clinics and hospitals.

In line with our theme, Continuous Growth via Innovation, during the financial year, we added 20 new products to our current portfolio. Among these were 7 ethical products, 5 supplements, 3 in the cosmetics series and 5 within the food range. In addition, we have successfully completed 9 bio-equivalent ("BE") studies during this financial year. We have also increased the number of products for our export market having obtained 52 new licences for various countries namely, Cambodia, Philippines, Hong Kong, Myanmar, Ethiopia, Azerbaijan, Kuwait, Uganda and Kenya.

Ethical products have to go through stringent quality control processes. The Drug Control Authority in Malaysia has required that ethical products be proven to be bioequivalent to the proprietary preparations through the conduct of bioequivalence study to ensure the quality, efficacy and safety of generic pharmaceutical products marketed in Malaysia . This requirement has been implemented in stages since 1999 for oral immediate release products. The 1st list of drugs requiring BE compliance was released in 1999 and it consists of three drugs, namely, nifedipine, cyclosporine and captopril. The latest 7th list covering 27 drugs was released in 2008. To date, a total of 96 drugs are required to be BE compliant before they can be sold in Malaysia . Moreover, it is compulsory for generic oral modified-release preparations to show BE compliance. This requirement is not limited only in Malaysia, but is also a requirement in other countries worldwide.

In Malaysia, local manufacturers are facing problems in finding centres to conduct BE studies. Centers offering such a service are limited and are mostly University based, non-profit orientated and hence the number of studies conducted by these centers per year is not able to meet the high demand. In this regard, some smaller generic companies have stopped producing some drug products requiring BE testing and this does not bore well for the pharmaceutical industry.

Nevertheless, our Company has our own laboratories to conduct BE studies as well as offering the services to the generic pharmaceutical industry. The laboratory is set up to meet the ISO 17025 standard and is capable of conducting analysis of drug concentration in biological samples, such as those obtained in a bioequivalence study. All personnel are well-trained and qualified to conduct clinical trials and have undergone Good Clinical Practice (GCP) course organized by the Ministry of Health, Malaysia. The staffs has established expertise in all aspects of clinical trials including protocol development, ethics committee submission and approvals, subject recruitment, randomization schedules, clinical trial management, statistical analysis, data management, interim and final report preparation as well as medical reporting. They are able to handle the planning, management, execution and analysis of various types of clinical trials, ranging from small studies to complex, multi-center projects.

Our overseas subsidiaries in Philippines and Hong Kong are geared to increase sales in the coming year with additional distributors and sales personnel located at new areas within the respective countries. Forging ahead, the Group strive to focus on expanding its business and increase it's market share in these two territories. Since the previous financial year, our export network has further widened to new markets, such as Suriname, Iraq, South Africa and Haiti.

During the year under review, the Company has successfully obtained tenders from the Singapore Ministry of Health to supply the following drugs to the hospitals, namely Omezole capsule, Cosamine 500mg capsule, Rinityn 10mg tablet, Cloxacap 250mg capsule and Pengesic capsule. The total amount of these tenders approximate SGD3.8 million.

Furthermore, the Company invested in a new blister packing machine to increase efficiency of our production. With this new machine, our productivity will increase by more than 60%. This investment will allow us to increase our production capacity to meet with the growing demand for blister packed products.

Chairman's Statement (cont'd)

Outlook and Prospects (cont'd)

Our continuous effort in improving efficiency and effectiveness of our operation has allowed us better competitive edge. Since the implementation of lean manufacturing concept, we have managed to increase our operating margins through increase in production capacities. We used to have approximately 600 employees on the production floor. The implementation of lean manufacturing, we now have around 400 employees, with output (as measured in number of units) up 30% over the past three years.

The current outbreak of the Influenza A has resulted in increased demand for our disinfectant products. The uncertain economic condition has lead to conservative spending by consumers and we expect to see some positive impact to the Company where generic products will be in higher demand. We will continue to focus on maximising equipment utilisation, developing new markets and new customers, expanding our products portfolios and continue to take measures to improve margins and maximise profitability.

Our Phytonutrients segment is not spared by the onslaught of the current economic crisis and inflationary pressure. Bank Negara has reported that the Malaysian economy contracted by 6.2% and 3.9% in the 1st and 2nd quarters of 2009 respectively due to significant deterioration in external demand and deepening recession in advanced economies. The Group has embarked on implementing the lean manufacturing concept as one of its strategies to reduce operating costs while continue to work towards deepening and widening the markets of our phytonutrients products with more positive research being undertaken on the benefits of our phytonutrients products.

Phytonutrients

With its unique properties to act as disease prevention and gives therapeutic benefits, phytonutrients is experiencing growing demand from the fortified foods and dietary supplement industries. The dietary supplements and functional food industries are increasingly incorporating phytonutrients 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 phytonutrients in these products. Phytonutrients are also being used in various cosmetic applications.

The recent increase in researchers studying the effects of palm tocotrienols on wider spectrum of diseases and the findings are not less significant due to the consumer trend demanding "Condition Specific" products to target specific diseases in respond to the economy downturn whereby consumers wish not to be sick at this moment. In USA, 50 million of the American population age 60 years and above are regarded as the main driving force of this market, whereby in Europe, the European heart health ingredient market was valued at €421 million in 2008 and growing at 20% per annum (Frost & Sullivan).

The functional foods sector is still growing despite the recession. In 2008, the growth rate approximates 6% in comparison to 8% in 2007. The USA functional food market is predicted to be worth around $43 billion by 2013.

In May, 2009, Carotech participated in Vitafoods International, the largest nutraceutical exhibition in Europe, to present the various unique health benefits and the latest findings of Tocomin® and Tocomin® SupraBio™. A seminar on Hair Growth Formulation was conducted and subsequent reports in industry related media has reflected the stirred up consumer interests. In the same month, Carotech has jointly contributed to the successful organisation of the first ever Palm International Nutra-Cosmeceutical Conference (PINC). This event brought together renowned researches worldwide and presented latest research and application updates of palm phytonutrients.

University of Science Malaysia had collaborated with Malaysia Palm Oil Board in randomized double blind placebo controlled study and recruited 400 volunteers with white matter lesion in the brain. This allows the researchers to look into early changes of the brain without having to wait for an overt clinical endpoint such as a clinical stroke and evaluate the effects of tocotrienols on blood parameters such as total lipid profile, Apo-B, C-reactive protein, antioxidant profile, Lp(a) and lipid peroxidation. This is the first study of its kind and the world's largest clinical trial utilizing brain MRI to evaluate the efficacy of tocotrienols in Neuroprotection and antiatherogenic function. The results of this clinical trial will shed more light on the benefits of palm tocotrienol complex (Tocomin®) in both acute neurological disorders (e.g. stroke) and chronic neurodegenerative disorders (e.g. Alzheimer's disease; Parkinson's disease).

Research continues to reveal the therapeutic properties of carotenoids. In a recent review, researchers from The Netherlands established that higher dietary intake of total carotenoids (especially alpha-carotene, beta-carotene and lycopene) is associated with lower waist circumferences and reduced fat storage in middle-aged and elderly men and hence, a reduced occurrence of metabolic syndrome. In addition to its antioxidant properties and cardioprotective effect, palm mixed carotenoids complex proves to be another promising ingredient for the growing condition specific market.

Chairman's Statement (cont'd)

Outlook and Prospects (cont'd)

In July, 2008, the European Parliament voted for a mandatory warning labels that reads "may have an effect on activity and attention of children" on food and drinks products containing synthetic colorants. This ruling will augers well for the future demand for Caromin® as it is a natural colorant.

Oleochemical (Biodiesel -CaroDiesel™)

Malaysia is the leading producer and exporter of basic oleochemicals in the world. About 95 per cent of Malaysia's production of basic oleochemicals is exported. In 2008, a total of 2.1 million tonnes of oleochemical products valued at RM8.7 billion were exported. The European Union, the USA, Japan and the People's Republic of China remained the major markets for oleochemicals accounting for about 51 per cent of total exports. The global demand for oleochemicals has been on an increasing trend for the past few years as a result of continuing trend towards the use of natural or plant-based products, biodegradable chemicals and growing affluence of global economies.

The establishment of CaroDiesel™ market as an alternative fuel to fossil diesel due to its environmental friendly properties will enable Carotech to readily tap into the ready and new market. In line with global warming and greenhouse effects, European countries focus on the use of fuel blended between alternative and renewable source fuel and fossil fuel at varied blend ratios of 2% to 10% to reduce carbon dioxide emissions. Coupled with the depletion of fossil fuel which has led to record petroleum prices, the utilisation of renewable energy, such as biodiesel, becomes increasingly pressing and important. The biggest energy users in Asia, like China and India, have also committed to promote the use of Biofuels.

However, the present inflationary pressures on economy of countries in the USA and Europe with significant increase in food prices, and on-going debate on the use of arable land for food instead of fuel has to some extend negated the development of palm biodiesel. Besides, the anti-palm campaign by the environmental groups in Europe which alleged that oil palm agricultural activities are non-sustainable in terms of environment and social development is on-going. In addition, prices of raw materials such as rapeseed, soya bean and crude palm oil continued to rise in correlation with the increased in petroleum crude oil.

Despite the challenges that lie ahead, the Group is expected to grow with the production capacity at Lumut plant that came on stream since January 2009. With this new facility, our Phytonutrient division would now have approximately 120,000 metric tonnes per year of CPO processing capacity. Further the Group expects the demand for its products to remain positive with the Group's continuing emphasis on research and development and improvement in its production processes.

Carotech has been supplying biodiesel with qualities above the requirements of the Biodiesel Standards stipulated in Europe and the USA. Since January 2009, Carotech has supplied more than 30,000 metric tonnes of biodiesel in total to its customers including Trafigura. Based on the current agreement with Trafigura, Carotech will supply a minimum of 60,000 metric tonnes of biodiesel by the end of year 2009.

Awards and Achievements

During the year under review, our subsidiary, Carotech Berhad had successfully registered a new patent "Recovery of Phytonutrients from Oils" (U.S. Patent No. 7,544,822, June 9, 2009). This patent, solely belongs to Carotech Berhad, is invented as an extension to the prior patent that describes an improved and integrated process for the extraction and purification of tocotrienols or tocopherols, carotenoids and phytosterols from palm oil and other vegetable / edible oils.

This improved and integrated process of extraction further enhances the yield of tocotrienols, tocopherols, carotenoids and phytosterols in a simple and cost efficient manner. The natural composition and ratio of these phytonutrients are also preserved during the extraction process as completely as found in the starting oils. The tocotrienols and carotenoids concentrates are produced without the use of harmful organic solvents, unlike other commercial methods of extraction and purification, which is costly, not integrated and employs solvents in their processes.

This patent further solidifies our subsidiary's commitment as the first and leading tocotrienols (Tocomin®) and carotenoids (Caromin®) producer in the world that has a unique process which guarantees safety for consumers from the start of the process.

Chairman's Statement (cont'd)

Awards and Achievements (cont'd)

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:

Laboratory Excellence Award 2008

For a second year in a row, Carotech Berhad state-of-the-art laboratory in our Chemor plant has received this award from the Malaysian Institute of Chemistry (or IKM – Institut Kimia Malaysia). The IKM is a professional body regulating the Chemists Act in Malaysia and is responsible for certifying the competence and maintaining the integrity of its members.

This award demonstrates that Carotech Berhad has an existing comprehensive quality system and adheres to stringent testing standards; that all the laboratory personnel are technically competent in generating accurate analytical results of our subsidiary's products and it also certified that the laboratory is operating with optimal safety and health features.

"Certificate of Excellence" Export Excellence for Merchandise (2008 Industry Excellence Awards)

The 2008 Industry Excellence Awards was organized and presented by the Ministry of International Trade and Industry (MITI). Carotech Berhad has participated in the 2008 Industry Excellence Award under the category of Export Excellence for Merchandise. A "Certificate of Excellence" has been awarded on 12 March 2009 by MITI in recognition of a Malaysian exporter that has performed exceptionally well in the global marketplace.

These awards and achievements demonstrated our subsidiary's dedicated commitment in continual improvement and innovation in process and technology, as well as reaching out into the world with its finest range of products. Continuous research and development with Good Manufacturing Practice are our subsidiary's priority.

Corporate Social Responsibility

Your Company continues to maintain its Corporate Social Responsibility through sponsorship of numerous supplement and consumer products to schools and organisations to assist in promoting health awareness amongst the public.

We continue to invest in and enhance our 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 emphasis on improving the quality of our work environment by adopting strict health and safety measures. Safety values are being infused in our employees as part of their work ethics.

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

Appreciation

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

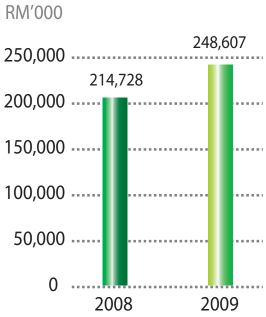
I look forward to your continuous support for the coming year.

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

Group **Financial Highlights**

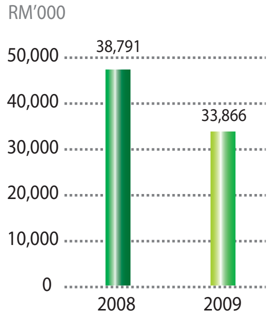
Financial Year Ended 30 June	2009 RM'000	2008 RM'000	Difference %
Revenue	248,607	214,728	15.8
EBITDA	33,866	38,791	(12.7)
(Loss)/Profit after taxation	(6,826)	18,275	(137.4)
Net tangible assets	159,091	152,246	4.5
Total Equity Attributable to Shareholders of the Company	156,189	145,970	7.0
Basic earnings per share	0.05 sen	2.00 sen	(97.5)
Diluted earnings per share	0.04 sen	1.33 sen	(97.0)
Net tangible assets per share	21.0 sen	20.0 sen	5.0

Revenue



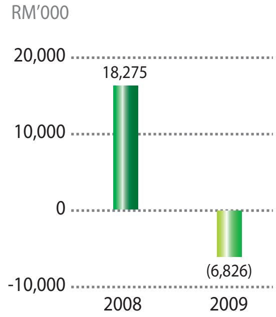
Increase due to higher sales of biodiesel and oleochemical products, following the commercial production of a new plant in Lumut since January 2009.

EBITDA



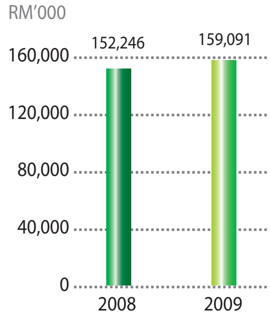
Lower EBITDA is mainly due to higher operating expenses and raw materials and packing materials being consumed.

(Loss)/Profit After Taxation



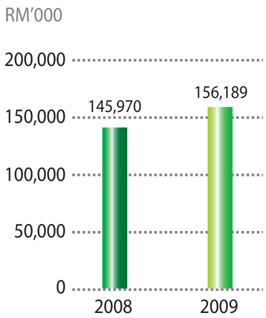
Reduction in PAT is due to high depreciation, interest expense and unrealised foreign exchange loss.

Net Tangible Assets



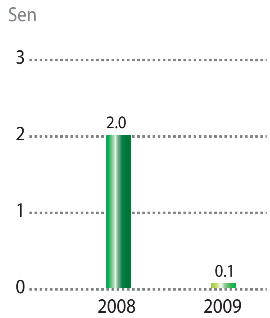
Higher NTA is mainly due to additional investment in capital expenditure.

Total Equity Attributable To Shareholders Of The Company



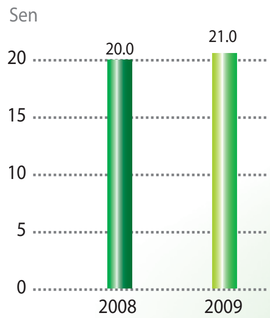
Increase is mainly due to revaluation of freehold lands and buildings.

Basic Earnings Per Share



Decrease due to the lower performance of the Group.

Net Tangible Assets Per Share



Increase in NTA per share is due to the increase in investment of capital expenditure.

Statement On **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 ("Code") to ensure that good corporate governance is practiced throughout the Group.

Set out below is a statement on how the Group has applied the principles of the Code and compliance with the best practices provision.

The Board Of Directors

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

To ensure its effectiveness in the periodic monitoring, deliberating and safeguarding of shareholders interest, the Board has delegated certain of its responsibilities to Board Committees which operate within clearly defined Terms of Reference to carry out these responsibilities in a supporting role to the Board. These Committees comprising members from the main Board itself are empowered to deliberate and examine issues delegated to them and report back to the Board with their recommendations and comments. The ultimate responsibility for the final decision on all significant matters proposed by the Board Committees lies with the Board as a whole.

Board Balance

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 thereby ensuring a broader perspective and depth in the Board's decision making process. Profiles of each Director are presented in the Directors' Profile of this Annual Report on Page 8 and 9.

The Board continues 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 Non-Executive Directors 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 2009. 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. All proceedings of the Board Meeting were minuted and signed in accordance with the provision of Section 156 of the Act.

Board meetings are conducted in accordance to a structured agenda. The Board Members are given board papers with appropriate supporting documentation in a timely manner prior to each Board meeting to enable the Directors to participate actively in the overall management of the Company and to discharge their duties and responsibilities. Information provided to the Board is comprehensive and encompass both quantitative and qualitative factors of the matters on hand so that informed decisions could be made.

The Directors, whether as a full board or in their individual capacity, may obtain independent professional advice, if necessary, to enable them to discharge their duties, at the Company's expense. They also have full 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.

The Directors have the consent of the Board, whether acting as a full Board or in their individual capacity to have full access to all information pertaining to the Group's business and affairs in furtherance of their duties.

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

Appointments to the Board

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 2009, one (1) Nomination and Remuneration Committee Meeting was held. The meeting was attended by all members during their tenure. All the members of this Committee are Independent Non-Executive Directors. The objectives of the Nomination and Remuneration Committee are to recommend to the Board, candidates for directorships of the Company and its subsidiaries and Directors to fill the seats on Board Committees. In addition, the Nomination and Remuneration Committee had assisted the Board in carrying out an annual review on the balance and size of Non-Executive participation in the Board. This required a review of the required mix of skills and experience and other qualities including core competencies which the Non-Executive Directors should bring to the Board. Furthermore, the Nomination and Remuneration Committee establishes procedures and processes for the annual assessment of the effectiveness of the Board as a whole, the Committees of the Board and the contributions of each individual Director.

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.

Details of seminars and training programmes attended by the Board members during the financial year ended 30 June 2009 are as follows:

Name	Seminar/Programme
Ho Sue San @David Ho Sue San	• Corporate Governance – Roles and Responsibilities of Directors • Speech Writing & Public Speaking Skills For Managers • Brand and Product Management In FMCG Market
Leong Kwok Yee	• 16th Asia Pacific CFO Roundtable - Interactive Panel for Where Do We Grow From Here? • Citi's Asia Pacific Treasury and Finance Conference 2009
Chuah Chaw Teo	• Weathering the Challenges of Economic Slowdown

Mr. Liong Kam Hon was unable to attend any training during the year due to his heavy work commitment while YM Raja Shamsul Kamal Bin Raja Shahruzzaman has also not attended any training during the financial year due to time constraints and tight work schedule. However, they have started attending certain training programmes subsequent to the financial year end.

Re-election

The Articles of Association of the Company 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 retiring Directors shall be eligible for re-election. The Articles of the Company further provides that all Directors who are appointed by the Board are subject to retirement and re-election by the shareholders at the AGM held following their appointments.

Directors' Remuneration

The aggregate remuneration paid/payable to all Directors of the Group are categorised into the following components:

	Fees (RM)	Salaries & Other Emoluments (RM)	Benefit-in-kind (RM)	Total (RM)
Executive Directors	104,000	1,999,898	34,800	2,138,698
Non-Executive Directors	220,000	-	-	220,000

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

Directors' Remuneration (cont'd)

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

Remuneration Band	Executive Directors	Non-Executive Directors
RM50,001- RM100,000	-	3
RM700,001- RM750,000	1	-
RM1,450,001 - RM1,500,000	1	-

The Board as a whole determines the remuneration of Non-Executive Directors, and each individual Director abstains from the Board decision on his own remuneration. The Company is guided by the objective as recommended by the Code to determine the remuneration of the Directors so as to ensure that the Company attracts and retains the Directors needed to run the Group successfully. The component parts of remuneration are structured so as to link rewards to corporate and individual performance, in the case of the executive Directors. In the case of Non-Executive Directors the level of remuneration reflects the level of responsibilities undertaken by the particular non-executive concerned. In addition, the Nomination and Remuneration Committee established a remuneration framework for Directors and made recommendations to the Board on all elements of remuneration, terms of employment, reward structure and fringe benefits for Directors.

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

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 reviewing information for disclosure to ensure accuracy, completeness and quality of reporting.

Statement of Directors' Responsibilities for Preparing the Financial Statements

The Directors are required by the Act to prepare financial statements for each financial year in accordance with the applicable Approved Accounting Standards in Malaysia and give a true and fair view of the state of affairs of the Company and the Group at the end of the financial year and of the results, operations and cash flows of the Company and the Group for the financial year.

In preparing the financial statements, the Directors have:

- selected appropriate accounting policies and applied them consistently;
- made judgments and estimates that are reasonable and prudent;
- ensured that all applicable Approved Accounting Standards in Malaysia have been followed; and
- prepared financial statements on the going concern basis as the Directors have a reasonable expectation, having made enquiries, that the Group and Company have adequate resources to continue in operational existence for the foreseeable future.

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

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 the financial aspects but also compliance and operational controls as well as risks management matters.

The Statement On Internal Control is presented in this Annual Report on Page 20 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 21 to 23.

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

Additional Compliance Information

- **Utilisation of Proceeds raised from Corporate Proposals**
  There was no corporate proposal to raise funds undertaken by the Company during the financial year ended 30 June 2009.

  On 21 August 2009, the Company's subsidiary, Carotech Berhad announced to Bursa Securities its Proposed Renounceable Rights Issue of up to 456,144,000 new ordinary shares of RM0.10 each in Carotech Berhad on the basis of one (1) rights share for every one (1) existing Carotech Share held. The Extraordinary General Meeting to approve the proposal was concluded on 2 October 2009.

  It is anticipated that this corporate exercise would raise up to RM45.6 million for the working capital requirements of Carotech Group. Additionally, it would enhance Carotech Group's financial flexibility to finance its operational activities such as the purchase of raw materials in tandem with the expanded production capacity which would translate into an expected improvement in Carotech Group's earnings in the future. The Proposed Rights Issue will also increase Carotech Group's capital base and reduce its gearing position.

- **Share Buy-Back**
  There was no share buy-back during the financial year ended 30 June 2009.

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

- **Warrants or Convertible Securities**
  During the financial year ended 30 June 2009, 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 resolutions 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-ninth 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**
  There was no non-audit fees paid to external auditors of the Company for the financial year ended 30 June 2009.

- **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 of the Company and subsidiaries involving Directors' and major shareholders' interests, either still subsisting at the end of the financial year ended 30 June 2009 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 2009 between the Company and its subsidiary companies are disclosed in Note 29 of the Financial Statements.

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

This statement is made in accordance with a resolution of the Board dated 12 October 2009.

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 15.26(b) of the Listing Requirements.

Board Responsibilities

The Board acknowledges its responsibilities as well 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 to 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 quarterly basis to facilitate the Board and the Group's management to perform review on a range of operating units. The reviews encompass financial and non-financial areas which includes compliance matters.

Operational policies and procedures

The Group's policies and procedures form an integral part of the internal control system to safeguard the Group's assets against material losses. These include standard operating practice, memorandum, manuals and handbooks that are periodically updated when needs arise 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.

The cost incurred for the external independent internal audit services in respect of the financial year 2009 was RM44,000.

Weaknesses in Internal Controls

There were no material losses which occurred during the financial year ended 30 June 2009 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 12 October 2009.

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
YM Raja Shamsul Kamal Bin Raja Shahruzzaman *(Appointed as member on 31 October 2008)*	Member	Independent Non-Executive Director
Chuah Chaw Teo	Member	Independent Non-Executive Director
Ho Sue San @ David Ho Sue San *(Resigned as member on 31 October 2008)*	Member	Chairman & Managing Director

Meetings and Attendance

During the financial year ended 30 June 2009, 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
YM Raja Shamsul Kamal Bin Raja Shahruzzaman *(Appointed as member on 31 October 2008)*	3	3
Chuah Chaw Teo	5	5
Ho Sue San @ David Ho Sue San *(Resigned as member on 31 October 2008)*	2	2

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

Terms of Reference

Authority

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

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

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

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

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

(e) have direct communication channels with the external auditors and persons carrying out the internal audit function or activity; and

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

Composition

1. The Committee shall be appointed by the Board among their numbers and shall be composed of no fewer than three (3) Directors, a majority of whom shall be Independent. All members of the Committee shall be 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 members of the Committee shall elect a Chairman from among their numbers who shall be an Independent Non-Executive Director.

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

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

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

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

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

    (c) fulfills such other requirements as may be prescribed or approved by Bursa Securities; or

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

Audit Committee Report (cont'd)

Terms of Reference (cont'd)

Composition (cont'd)

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

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

Meetings

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

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

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

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

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

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

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

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 and audit plan;

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

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

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

Internal Audit

Where the internal audit function is concerned:

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

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

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

(d) approve any appointment or termination of senior staff members of the internal audit function; and

(e) take cognisance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.

Audit Committee Report (cont'd)

Terms of Reference (cont'd)

Financial Reporting

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

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

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

(c) significant and unusual events; and

(d) the going concern assumption.

Risk Management

To review the risk management process to ensure it 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 Committee considers appropriate or as authorised by the Board.

Summary of Activities

The Committee carried out its duties in accordance with its Terms of Reference and the activities undertaken during the financial year ended 30 June 2009 up to 12 October 2009 were as follows:

1. discussed and reviewed the external auditors' scope of work and audit plan for the year before the audit commenced;

2. reviewed the results of the audit, audit report and the 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 Group's quarterly unaudited financial results and announcement before recommending to the Board for approval;

5. reviewed the recurrent related party transactions entered into by the Group;

6. reviewed and updated 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;

8. reviewed the Annual Report of the Company before submission to the Board for their consideration and approval; and

9. engaged on a quarterly, yearly and when needs arise basis with internal and external auditors and senior management in order to be kept informed of matters affecting the Company in a timely manner.

Internal Audit Functions

The Company has engaged an external independent internal audit service provider to carry out the internal audit function to assist the Committee and as well as the Risk Management Committee. The internal audit functions are set out in the Statement On Internal Control in Page 20.

During the financial year ended 30 June 2009, the internal auditors undertook the following activities:

1. attended and reported to the Audit Committee meetings held during the financial year 2009;

2. prepared and presented an internal audit plan and strategy for the Group;

3. reported on reviews carried out in previous and current cycles of the financial year;

4. reviewed and reported on the financial and accounting management in respect of cash flows planning and budgetary controls;

5. reviewed and reported on production planning and quality management;

6. reviewed and reported on assets management;

7. reviewed and reported on work warranty by external contractors; and

8. reported on the follow-up to previous internal audit findings.

Financial Statements

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2009

The Directors submit their report and the audited financial statements of the Group and of the Company for the year ended 30 June 2009.

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
(Loss)/Profit attributable to:		
Equity holders of the Company	417	11,892
Minority interests	(7,243)	-
	(6,826)	11,892

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 1.10 sen per share totalling RM8,383,000 in respect of the year ended 30 June 2008 on 1 July 2008.

The Directors do not recommend the payment of any dividend for the financial year ended 30 June 2009.

DIRECTORS

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

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

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 1.7.2008	Bought	Sold	Balance at 30.6.2009
Shareholdings in Hovid Berhad (the Company)				
Direct interests:				
Ho Sue San @ David Ho Sue San	382,262,680	-	(4,500,000)	377,762,680
Liong Kam Hon	7,895,360	-	-	7,895,360
Leong Kwok Yee	290,400	-	-	290,400

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2009 (cont'd)

DIRECTORS' INTERESTS (cont'd)

	<------------ Number of ordinary shares of RM0.10 each -------->			
	Balance at 1.7.2008	**Bought**	**Sold**	**Balance at 30.6.2009**
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)	265,407,920	-	-	265,407,920

	<- *Number of warrants over ordinary shares of RM0.10 each ->			
	Balance at 1.7.2008	**Bought**	**Sold**	**Balance at 30.6.2009**
Warrant holdings 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 carries the entitlement, at any time during the exercise period to subscribe for one new ordinary share at the exercise price, unless otherwise adjusted pursuant to the provisions of the Deed Poll.

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.

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2009 (cont'd)

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 warrant 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.

No shares have been issued during the financial year by virtue of the exercise of warrants to take up unissued shares of the Company. As of the end of the financial year, 381,040,000 warrants remained unexercised.

OPTIONS GRANTED OVER UNISSUED SHARES

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

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2009 (cont'd)

OTHER STATUTORY INFORMATION (cont'd)

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 unrealised loss on foreign exchange as disclosed in Note 19 to the financial statements, the results of the operations of the Group and of the Company for the financial year ended 30 June 2009 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 30 to the financial statements.

SUBSEQUENT EVENTS

Details of such events are disclosed in Note 31 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: 16 October 2009

BALANCE SHEETS
AS AT 30 JUNE 2009

	Note	GROUP 2009 RM'000	GROUP 2008 RM'000	COMPANY 2009 RM'000	COMPANY 2008 RM'000
Assets					
Property, plant and equipment	3	379,441	359,923	55,154	53,325
Intangible assets	4	36,133	34,593	23,067	21,504
Investment property	5	850	800	-	-
Prepaid lease payments	6	16,818	16,954	5,797	5,820
Investment in subsidiaries	7	-	-	38,631	38,639
Investment in a jointly controlled entity	8	-	448	-	-
Deferred tax assets	9	101	107	-	-
Rights to reimbursement under insurance policies	10	252	231	252	231
Total non-current assets		433,595	413,056	122,901	119,519
Inventories	11	164,075	109,817	10,062	10,488
Receivables, deposits and prepayments	12	69,536	83,720	74,177	44,442
Cash and cash equivalents	13	14,208	13,637	4,946	8,223
Total current assets		247,819	207,174	89,185	63,153
Total assets		681,414	620,230	212,086	182,672
Equity					
Share capital	14	76,208	76,208	76,208	76,208
Share premium	14	90	90	90	90
Revaluation and other reserves	14	20,671	10,869	11,346	8,627
Retained earnings		59,220	58,803	38,201	26,309
Total equity attributable to equity holders of the Company		156,189	145,970	125,845	111,234
Minority interests		39,035	40,869	-	-
Total equity		195,224	186,839	125,845	111,234
Liabilities					
Deferred tax liabilities	9	18,905	14,790	10,162	8,511
Loans and borrowings	15	185,003	178,102	13,962	12,959
Provision for retirement benefits	10	1,208	934	1,208	934
Total non-current liabilities		205,116	193,826	25,332	22,404
Payables and accruals	16	65,791	77,254	17,450	13,085
Loans and borrowings	15	213,371	160,809	41,960	34,712
Taxation		1,912	1,502	1,499	1,237
Total current liabilities		281,074	239,565	60,909	49,034
Total liabilities		486,190	433,391	86,241	71,438
Total equity and liabilities		681,414	620,230	212,086	182,672

The notes on pages 35 to 82 are an integral part of these financial statements.

INCOME STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

		GROUP		COMPANY	
		2009	2008	2009	2008
	Note	RM'000	RM'000	RM'000	RM'000
Continuing operations					
Revenue	17	248,607	214,728	86,659	84,619
Advertisement and promotions		(4,458)	(4,305)	(3,309)	(3,017)
Allowance for doubtful debts		(156)	(264)	(31)	-
Amortisation of intangible assets	4	(535)	(487)	(513)	(455)
Amortisation of prepaid lease payments	6	(142)	(134)	(29)	(29)
Changes in inventories of work-in-progress and finished goods		58,825	25,144	1,857	(1,068)
Depreciation of property, plant and equipment	3	(24,920)	(12,183)	(3,800)	(3,404)
Finance costs	18	(12,513)	(6,046)	(1,183)	(808)
Other operating expenses		(30,424)	(12,179)	(6,670)	(7,601)
Other operating income		318	8,678	4,817	9,476
Purchase of trading goods		(6,618)	(7,012)	-	-
Raw materials and packing materials used		(159,056)	(124,485)	(39,539)	(38,015)
Research expenditure		(1,886)	(1,739)	-	-
Sales commission		(2,145)	(865)	-	-
Staff costs		(34,873)	(32,785)	(15,654)	(14,125)
Transportation and freight charges		(5,980)	(4,433)	(1,351)	(1,575)
Upkeep, repair and maintenance expenses		(4,017)	(4,078)	(2,255)	(2,445)
Utilities and fuel		(24,271)	(17,614)	(3,987)	(3,788)
Operating (loss)/profit	19	(4,244)	19,941	15,012	17,765
Share of loss in a jointly controlled entity		-	(16)	-	-
(Loss)/Profit before tax		(4,244)	19,925	15,012	17,765
Tax expense	21	(2,582)	(1,650)	(3,120)	(3,611)
(Loss)/Profit for the year		(6,826)	18,275	11,892	14,154
Attributable to:					
Equity holders of the Company		417	15,204	11,892	14,154
Minority interests		(7,243)	3,071	-	-
(Loss)/Profit for the year		(6,826)	18,275	11,892	14,154
Basic earnings per share (sen)	22	0.05	2.00		
Diluted earnings per share (sen)	22	0.04	1.33		
Gross dividends per share (sen)	23	-	1.10		

The notes on pages 35 to 82 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2009

		<---------- Attributable to equity holders of the Company ---------->						
		<---------- Non-distributable ----------->			Distributable			
	Note	Share capital RM'000	Share premium RM'000	Revaluation and other reserves RM'000	Retained earnings RM'000	Total RM'000	Minority interests RM'000	Total equity RM'000
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		-	-	(244)	-	(244)	-	(244)
Profit for the year		-	-	-	15,204	15,204	3,071	18,275
Total recognised income and expense for the year		-	-	(244)	15,204	14,960	3,071	18,031
Purchase of shares in subsidiaries		-	-	-	-	-	(2,183)	(2,183)
Dividends to shareholders	23	-	-	-	(8,383)	(8,383)	-	(8,383)
At 30 June 2008/ 1 July 2008		76,208	90	10,869	58,803	145,970	40,869	186,839
(Loss)/Gain on foreign exchange translation	14	-	-	(109)	-	(109)	559	450
Surplus on revaluation of land and buildings, net of tax		-	-	9,911	-	9,911	4,850	14,761
Income and expense recognised directly in equity		-	-	9,802	-	9,802	5,409	15,211
Profit/(Loss) for the year		-	-	-	417	417	(7,243)	(6,826)
Total recognised income and expense for the year		-	-	9,802	417	10,219	(1,834)	8,385
At 30 June 2009		76,208	90	20,671	59,220	156,189	39,035	195,224
		Note 14	Note 14	Note 14				

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2009

		<--------------- Non-distributable	---------------	--------------->	Distributable	
	Note	Share capital RM'000	Share premium RM'000	Revaluation and other reserves RM'000	Retained earnings RM'000	Total equity RM'000
At 1 July 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/ 1 July 2008		76,208	90	8,627	26,309	111,234
Surplus on revaluation of land and buildings, net of tax	14	-	-	2,719	-	2,719
Profit for the year		-	-	-	11,892	11,892
At 30 June 2009		76,208	90	11,346	38,201	125,845
		Note 14	Note 14	Note 14		

The notes on pages 35 to 82 are an integral part of these financial statements.

CASH FLOW STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

	Note	GROUP 2009 RM'000	GROUP 2008 RM'000	COMPANY 2009 RM'000	COMPANY 2008 RM'000
Cash flows from operating activities					
(Loss)/Profit before tax		(4,244)	19,925	15,012	17,765
Adjustments for:					
Amortisation of intangible assets		535	487	513	455
Amortisation of prepaid lease payments		142	134	29	29
Change in fair value of investment property		(50)	-	-	-
Defined benefit plan expenses for a Director		253	206	253	206
Depreciation of property, plant and equipment		24,920	12,183	3,800	3,404
Loss/(Gain) on disposals of equipment		9	(76)	-	(67)
Impairment loss for plant and equipment		119	-	119	-
Interest expense		13,317	6,174	2,874	2,134
Interest income		(804)	(128)	(1,691)	(1,326)
Investment in a jointly controlled entity written off		448	-	-	-
Product development expenditure written off		2,211	3,008	2,211	3,008
Property, plant and equipment written off		314	158	128	112
Share of loss in a jointly controlled entity		-	16	-	-
Unrealised loss/(gain) on foreign exchange		13,961	(7,181)	-	-
Operating profit before changes in working capital		51,131	34,906	23,248	25,720
Change in inventories		(54,258)	(30,421)	426	(1,186)
Change in receivables, deposits and prepayments		14,187	(53,209)	(14,577)	(30)
Change in payables and accruals		(7,100)	36,746	3,016	3,055
Inter-company balances		-	-	(593)	(3,501)
Cash (used in)/generated from operations		3,960	(11,978)	11,520	24,058
Interest received		1,701	128	1,692	1,326
Interest paid		(23,123)	(13,483)	(2,971)	(2,258)
Tax paid		(2,539)	(2,205)	(1,998)	(2,727)
Net cash (used in)/generated from operating activities		(20,001)	(27,538)	8,243	20,399
Cash flows from investing activities					
Acquisition of a subsidiary, net of cash acquired		-	(266)	-	-
Acquisition of prepaid lease payments	(ii)	(6)	(873)	(6)	(873)
Acquisition of property, plant and equipment	(iii)	(20,286)	(134,219)	(1,607)	(5,720)
Advances to subsidiaries		-	-	(13,534)	(11,078)
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
Proceeds from disposals of property, plant and equipment		14	520	-	365
Product development expenditure incurred		(3,646)	(3,972)	(3,560)	(3,972)
Net cash used in investing activities		(23,924)	(147,097)	(18,707)	(27,093)

CASH FLOW STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (cont'd)

		GROUP		COMPANY	
		2009	2008	2009	2008
	Note	RM'000	RM'000	RM'000	RM'000
Cash flows from financing activities					
Advances from subsidiaries		-	-	233	9
Dividends to shareholders		-	(8,383)	-	(8,383)
Payments of warrants issue expenses		-	(617)	-	(617)
Proceeds from issuance of warrants		-	7,621	-	7,621
(Repayments)/Proceeds from short-term bank borrowings		(1,819)	56,949	4,259	745
Repayments of hire purchase liabilities		(3,696)	(3,263)	(2,725)	(2,340)
Repayments of term loans		(13,908)	(6,478)	(1,993)	(1,414)
Proceeds from term loans and other long-term borrowings		53,166	105,567	5,145	5,632
Net cash generated from financing activities		33,743	151,396	4,919	1,253
Change in cash and cash equivalents		(10,182)	(23,239)	(5,545)	(5,441)
Effect of exchange rates fluctuation on cash held		230	375	-	-
Cash and cash equivalents at 1 July	(i)	(2,073)	20,791	5,407	10,848
Cash and cash equivalents at 30 June	(i)	(12,025)	(2,073)	(138)	5,407

NOTES TO THE CASH FLOW STATEMENTS

(i) Cash and cash equivalents

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

	GROUP		COMPANY	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances	14,208	13,637	4,946	8,223
Bank overdrafts	(26,233)	(15,710)	(5,084)	(2,816)
	(12,025)	(2,073)	(138)	5,407

(ii) Acquisition of prepaid lease payments

Analysis of acquisition of prepaid lease payments:

	GROUP		COMPANY	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Change in other receivables	-	223	-	223
Cash outright acquisition	6	873	6	873
	6	1,096	6	1,096

(iii) Acquisition of property, plant and equipment

Analysis of acquisition of property, plant and equipment:

	GROUP		COMPANY	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Hire purchase liabilities	1,443	5,767	1,297	5,630
Change in other payables	107	(122)	105	(122)
Cash outright acquisition	20,286	134,219	1,607	5,720
Interest expense capitalised	4,439	7,191	-	-
	26,275	147,055	3,009	11,228

The notes on pages 35 to 82 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
- 30 JUNE 2009

Hovid Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of the Bursa Malaysia Securities Berhad. The 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 of the Company as at and for the year ended 30 June 2009 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 2009 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 16 October 2009.

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), accounting principles generally accepted and the Companies Act, 1965 in Malaysia. These financial statements also comply with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad.

The Group and the Company have not applied the following accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective:

FRSs / Interpretations	Effective dates
Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards* and FRS 127, *Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*	1 January 2010
Amendments to FRS 2, *Share-based Payment: Vesting Conditions and Cancellations*	1 January 2010
FRS 4, *Insurance Contracts*	1 January 2010
FRS 7, *Financial Instruments: Disclosures*	1 January 2010
FRS 8, *Operating Segments*	1 July 2009
FRS 101, *Presentation of Financial Statements*	1 January 2010
FRS 123, *Borrowing Costs*	1 January 2010
Amendments to FRS 132, *Financial Instruments: Presentation*	1 January 2010
FRS 139, *Financial Instruments: Recognition and Measurement*	1 January 2010
Amendments to FRS 139, *Financial Instruments: Recognition and Measurement,* FRS 7, *Financial Instruments: Disclosures* and IC Interpretation 9, *Reassessment of Embedded Derivatives*	1 January 2010
Improvements to FRSs (2009)	1 January 2010
IC Interpretation 9, *Reassessment of Embedded Derivatives*	1 January 2010
IC Interpretation 10, *Interim Financial Reporting and Impairment*	1 January 2010
IC Interpretation 11, FRS 2 - *Group and Treasury Share Transactions*	1 January 2010
IC Interpretation 13, *Customer Loyalty Programmes*	1 January 2010
IC Interpretation 14, FRS 119 - *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction*	1 January 2010

NOTES TO THE FINANCIAL STATEMENTS
- 30 JUNE 2009 (cont'd)

1. BASIS OF PREPARATION (cont'd)

(a) Statement of compliance (cont'd)

The Group plans to apply FRS 8 from the annual period beginning 1 July 2009. The Group and the Company plan to apply the other standards, amendments and interpretations except for Amendments to FRS 132, IC Interpretation 11, 13 and 14 from the annual period beginning 1 July 2010.

The impact of applying FRS 4, FRS 7 and FRS 139 on the financial statements upon first adoption as required by paragraph 30(b) of FRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors* is not disclosed by virtue of the exemptions given in the respective FRSs. The initial application of the other standards, amendments and interpretations is not expected to have any material impact on the financial statements or any material change in accounting policy except as follows:

FRS 8 will be effective for financial statements of the Group for the financial year ending 30 June 2010. FRS 8, which replaces FRS 114_{2004}, *Segment Reporting*, requires identification and reporting of operating segments based on internal reports that are regularly reviewed by the chief operating decision maker of the Group in order to allocate resources to the segment and to assess its performance. Currently, the Group presents segment information in respect of its business and geographical segments (see Note 24). Under FRS 8, the Group will present segment information in respect of its operating segments.

FRS 101 will become effective for the Group's financial statements for the year ending 30 June 2011. The standard requires an entity to present, in a statement of changes in equity, all owner changes in equity. All non-owner changes in equity (i.e. comprehensive income) are required to be presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). Components of comprehensive income are not permitted to be presented in the statement of changes in equity. In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the reclassification of items in the financial statements. FRS 101 does not have any impact on the Group's financial position or results.

The amendments to FRS 139 on eligible hedged items will become effective for the Group's financial statements for the year ending 30 June 2011. The amendments clarify how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in two particular situations: (i) the designation of a one-sided risk in a hedged item; and (ii) the designation of inflation in particular situations. The application of these amendments is not expected to have any significant impact on the Group's financial statements.

Improvements to FRSs 2009 will become effective for the Group's financial statements for the year ending 30 June 2011 for amendments relating to:

- FRS 5, *Non-current Assets Held for Sale and Discontinued Operations*
- FRS 7, *Financial Instruments: Disclosures*
- FRS 8, *Operating Segments*
- FRS 101, *Presentation of Financial Statements*
- FRS 107, *Statement of Cash Flows*
- FRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors*
- FRS 110, *Events after the Reporting Period*
- FRS 116, *Property, Plant and Equipment*
- FRS 117, *Leases*
- FRS 118, *Revenue*
- FRS 119, *Employee Benefits*
- FRS 120, *Accounting for Government Grants and Disclosure of Government Assistance*
- FRS 123, *Borrowing Costs*
- FRS 127, *Consolidated and Separate Financial Statements*
- FRS 128, *Investments in Associates*
- FRS 129, *Financial Reporting in Hyperinflationary Economies*
- FRS 131, *Interests in Joint Ventures*
- FRS 134, *Interim Financial Reporting*
- FRS 136, *Impairment of Assets*
- FRS 138, *Intangible Assets*
- FRS 139, *Financial Instruments: Recognition and Measurement*
- FRS 140, *Investment Property*

NOTES TO THE FINANCIAL STATEMENTS
- 30 JUNE 2009 (cont'd)

1. BASIS OF PREPARATION (cont'd)

(a) Statement of compliance (cont'd)

Improvements to FRSs 2009 contain amendments to numerous accounting standards that result in accounting changes for presentation, recognition or measurement and disclosure purposes. The Group is in the process of assessing the impact of these amendments.

IC Interpretation 10 prohibits the reversal of an impairment loss recognised in an interim period during a financial year in respect of goodwill, an investment in an equity instrument or a financial asset carried at cost. IC Interpretation 10 will become effective for the financial statements of the Group and the Company for the financial year ending 30 June 2011, and will apply to goodwill, investments in equity instruments, and financial assets carried at cost prospectively from the date the Group and the Company first applied the measurement criteria of FRS 136, *Impairment of Assets* and FRS 139, *Financial Instruments: Recognition and Measurement* respectively. The adoption of IC Interpretation 10 will not have any material impact on the Group and the Company.

(b) Basis of measurement

The financial statements of the Group have been prepared on the historical cost basis except for the following assets as explained in their respective accounting policy notes:

- Note 2 (d) – Property, plant and equipment
- Note 2 (h) – Investment property

As at 30 June 2009, the current liabilities of the Group exceeded its current assets by RM33,255,000. A subsidiary was late in meeting the repayment requirements of certain existing borrowing as disclosed in Note 15 to the financial statements, due to the tight working capital requirements arising from the significant increase in production capacity from the new Lumut plant and the increased volume of business.

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.

Subsequent to the year end, a subsidiary embarked on a Proposed Renounceable Rights Issue exercise and the Directors are of the opinion that the proceeds raised from the rights issue will provide additional working capital to the Group and enable it to continue as a going concern. As at the date of this report, there is no reason for the Directors to believe that there is any significant uncertainty that the bankers and creditors will not continue their financial support.

Accordingly, the financial statements of the Group do not include any adjustments relating to the recoverability and classification of assets and the classification of liabilities that might be necessary should the Group be unable to continue as going concern.

(c) Functional and presentation currency

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

NOTES TO THE FINANCIAL STATEMENTS
- 30 JUNE 2009 (cont'd)

1. BASIS OF PREPARATION (cont'd)

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

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 to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. 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 Group'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.

NOTES TO THE FINANCIAL STATEMENTS
- 30 JUNE 2009 (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Basis of consolidation (cont'd)

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

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

(iv) Minority interest

Minority interest at the balance sheet date, being the portion of the net identifiable assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet and statement of changes in equity within equity, separately from equity attributable to the equity holders of the Company. Minority interest in the results of the Group are 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 holders 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 transactions, 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 transactions. 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 are translated at exchange rates at the dates of the transactions except for those that are measured at fair value, which 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 statements.

(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, 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 operations in functional currencies other than RM, are translated to RM at exchange rates at the dates of the transactions.

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

(iii) Net investment in foreign operations

Exchange differences arising from monetary items that in substance form part of the Company's net investment in foreign operations, are recognised in the Company's income statement. Such exchange differences are reclassified to equity in the consolidated financial statements. Deferred exchange differences are recognised in the consolidated income statement upon disposal of the investment.

(c) Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency, interest rate 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.

NOTES TO THE FINANCIAL STATEMENTS
- 30 JUNE 2009 (cont'd)

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 any 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 statements.

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 carrying amount of the replaced part is derecognised. 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 - 10
• Plant, machinery and electrical equipment	10 - 20
• Motor vehicles	20
• Furniture, fittings, office, laboratory and factory equipment, electrical installation and renovation	10 - 20

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

NOTES TO THE FINANCIAL STATEMENTS
- 30 JUNE 2009 (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(e) Leased assets

(i) Finance lease

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.

(ii) Operating lease

Leases, where the Group does not assume substantially all the risks and rewards of ownerships are classified as 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 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 when it first adopted FRS 117, *Leases* in financial year 2008.

Payments made under operating leases are recognised in the income statements on a straight-line basis over the term of the lease.

(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.

For business acquisitions beginning from 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 statement.

(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.

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

(iii) Other intangible assets

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

Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred.

NOTES TO THE FINANCIAL STATEMENTS
- 30 JUNE 2009 (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(f) Intangible assets (cont'd)

(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, if any; 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 statements.

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS
- 30 JUNE 2009 (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(h) Investment property (cont'd)

(ii) 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 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, the recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

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 statements. 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.

NOTES TO THE FINANCIAL STATEMENTS
- 30 JUNE 2009 (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(l) Impairment of assets (cont'd)

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 statements 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 statements, a reversal of that impairment loss is also recognised in the income statements.

(m) Equity instruments

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

(i) Issue expenses

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

(ii) Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity and is not 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 statements 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.

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.

NOTES TO THE FINANCIAL STATEMENTS
- 30 JUNE 2009 (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(p) Employee benefits (cont'd)

(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.

NOTES TO THE FINANCIAL STATEMENTS
- 30 JUNE 2009 (cont'd)

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 to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

(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.

NOTES TO THE FINANCIAL STATEMENTS
- 30 JUNE 2009 (cont'd)

3. PROPERTY, PLANT AND EQUIPMENT

GROUP	Freehold land RM'000	Buildings 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 2007	13,412	22,987	118,376	5,181	20,037	82,916	262,909
Acquisition through business combinations	-	-	-	-	98	-	98
Additions	32	175	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 2008/1 July 2008	13,444	26,384	125,554	5,241	25,892	211,959	408,474
Revaluation surplus	1,309	17,940	-	-	-	-	19,249
Transfer from accumulated depreciation on revalution	-	(1,914)	-	-	-	-	(1,914)
Additions	52	98	2,995	248	647	22,235	26,275
Transfer	-	24,058	190,459	-	800	(215,317)	-
Write off	-	-	(472)	-	(311)	-	(783)
Disposals	-	-	(5)	-	(38)	-	(43)
Exchange differences	-	3	-	1	11	-	15
At 30 June 2009	14,805	66,569	318,531	5,490	27,001	18,877	451,273
Representing items at:							
Cost	-	124	318,531	5,490	27,001	18,877	370,023
Valuation	14,805	66,445	-	-	-	-	81,250
At 30 June 2009	14,805	66,569	318,531	5,490	27,001	18,877	451,273
Accumulated depreciation							
At 1 July 2007	-	1,051	26,525	1,909	7,239	-	36,724
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 July 2008	-	1,539	36,074	1,903	9,035	-	48,551
Transfer to cost/ valuation on revaluation	-	(1,914)	-	-	-	-	(1,914)
Charge for the year	-	1,814	20,889	712	2,145	-	25,560
Impairment loss during the year	-	-	110	-	9	-	119
Write off	-	-	(369)	-	(100)	-	(469)
Disposals	-	-	(2)	-	(15)	-	(17)
Exchange differences	-	1	-	(1)	2	-	2
At 30 June 2009:							
Accumulated depreciation	-	1,440	56,592	2,614	11,067	-	71,713
Accumulated impairment loss	-	-	110	-	9	-	119
	-	1,440	56,702	2,614	11,076	-	71,832
Carrying amounts							
At 1 July 2007	13,412	21,936	91,851	3,272	12,798	82,916	226,185
At 30 June 2008/1 July 2008	13,444	24,845	89,480	3,338	16,857	211,959	359,923
At 30 June 2009	14,805	65,129	261,829	2,876	15,925	18,877	379,441

NOTES TO THE FINANCIAL STATEMENTS
- 30 JUNE 2009 (cont'd)

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

	Freehold land RM'000	Buildings 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
COMPANY							
Cost/Valuation							
At 1 July 2007	2,730	11,401	33,110	3,645	15,782	4,584	71,252
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 2008/1 July 2008	2,730	14,729	38,921	3,609	20,665	706	81,360
Revaluation surplus	345	3,165	-	-	-	-	3,510
Transfer from accumulated depreciation on revaluation	-	(1,010)	-	-	-	-	(1,010)
Additions	-	90	1,831	-	450	638	3,009
Transfer	-	488	-	-	270	(758)	-
Write off	-	-	(471)	-	(69)	-	(540)
Disposals	-	-	(5)	-	-	-	(5)
At 30 June 2009	3,075	17,462	40,276	3,609	21,316	586	86,324
Representing items at:							
Cost	-	132	40,276	3,609	21,316	586	65,919
Valuation	3,075	17,330	-	-	-	-	20,405
	3,075	17,462	40,276	3,609	21,316	586	86,324
Accumulated depreciation							
At 1 July 2007	-	663	16,377	1,482	6,192	-	24,714
Charge for the year	-	254	1,990	505	1,282	-	4,031
Write off	-	-	(73)	-	(116)	-	(189)
Disposals	-	-	-	(521)	-	-	(521)
At 30 June 2008/1 July 2008	-	917	18,294	1,466	7,358	-	28,035
Transfer to cost/valuation on revaluation	-	(1,010)	-	-	-	-	(1,010)
Charge for the year	-	326	2,297	429	1,388	-	4,440
Impairment loss during the year	-	-	110	-	9	-	119
Write off	-	-	(369)	-	(43)	-	(412)
Disposals	-	-	(2)	-	-	-	(2)
At 30 June 2009:							
Accumulated depreciation	-	233	20,220	1,895	8,703	-	31,051
Accumulated impairment loss	-	-	110	-	9	-	119
At 30 June 2009	-	233	20,330	1,895	8,712	-	31,170
Carrying amounts							
At 1 July 2007	2,730	10,738	16,733	2,163	9,590	4,584	46,538
At 30 June 2008/1 July 2008	2,730	13,812	20,627	2,143	13,307	706	53,325
At 30 June 2009	3,075	17,229	19,946	1,714	12,604	586	55,154

NOTES TO THE FINANCIAL STATEMENTS
- 30 JUNE 2009 (cont'd)

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

(i) Depreciation charge for the financial year includes:

	GROUP		COMPANY	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Charged to income statements	24,920	12,183	3,800	3,404
Capitalised as product development expenditure	640	628	640	627
	25,560	12,811	4,440	4,031

(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 RM4,439,000 (2008: RM7,191,000) and RM13,000 (2008: RM68,000) respectively.

(iii) Certain freehold land and buildings, including the buildings on leasehold land and buildings for waste water treatment plant of a subsidiary, were first revalued on 30 October 2008 by independent professional valuers using an open market value method and the asset's depreciated replacement cost method.

Other land and buildings of the Group and of the Company were revalued on 30 October 2008 based on valuation carried out by external independent professional valuers recognised in the financial statements during the current financial year are as follows:

Description of property	Valuation method	Valuation amount GROUP RM'000	Valuation amount COMPANY RM'000
Freehold land	Comparative/Investment/Open Market Value/ Asset's depreciated replacement cost	14,805	3,075
Buildings	Comparative/Investment/Open Market Value/ Asset's depreciated replacement cost	66,445	17,330
		81,250	20,405

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	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Freehold land	7,781	1,789	826	666
Buildings	44,755	5,058	10,937	3,812

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

	GROUP		COMPANY	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Plant, machinery and electrical equipment				
- additions during the financial year	1,585	5,026	1,585	5,026
- assets acquired in the previous financial year	-	3,748	-	-
- carrying amounts at end of the financial year	11,332	10,859	8,579	7,800
Motor vehicles				
- additions during the financial year	158	946	-	783
- carrying amounts at end of the financial year	2,378	3,476	1,635	2,044
Furniture, fittings, office, laboratory and factory equipment				
- additions during the financial year	269	278	269	278
- assets acquired in the previous financial year	-	432	-	-
- carrying amounts at end of the financial year	3,404	3,486	3,106	3,155

NOTES TO THE FINANCIAL STATEMENTS
- 30 JUNE 2009 (cont'd)

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

(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 RM215,416,000 (2008: RM244,258,000) and RM14,117,000 (2008: RM12,633,000) respectively.

(viii) As at 30 June 2009, carrying amount for certain items of plant and equipment were determined to be higher than their recoverable amounts, which is based on fair value less costs to sell, and thus an impairment loss of RM119,000 has recognised with respect to these plant and equipment.

4. INTANGIBLE ASSETS

GROUP	Goodwill RM'000	Product development expenditure RM'000	Acquired trademark RM'000	Total RM'000
Cost				
At 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 2008/1 July 2008	12,664	26,487	770	39,921
Additions	-	4,286	-	4,286
Write off	-	(2,242)	-	(2,242)
At 30 June 2009	12,664	28,531	770	41,965
Accumulated amortisation				
At 1 July 2007	-	4,749	326	5,075
Amortisation for the year	-	444	43	487
Write off	-	(234)	-	(234)
At 30 June 2008/1 July 2008	-	4,959	369	5,328
Amortisation for the year	-	505	30	535
Write off	-	(31)	-	(31)
At 30 June 2009	-	5,433	399	5,832
Carrying amounts				
At 1 July 2007	7,023	20,262	444	27,729
At 30 June 2008/1 July 2008	12,664	21,528	401	34,593
At 30 June 2009	12,664	23,098	371	36,133

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.

NOTES TO THE FINANCIAL STATEMENTS
- 30 JUNE 2009 (cont'd)

4. INTANGIBLE ASSETS (cont'd)

Goodwill (cont'd)

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.

COMPANY	Product development expenditure RM'000	Acquired trademark RM'000	Total RM'000
Cost			
At 1 July 2007	24,270	770	25,040
Additions	4,718	-	4,718
Write off	(3,242)	-	(3,242)
At 30 June 2008/1 July 2008	25,746	770	26,516
Additions	4,287	-	4,287
Write off	(2,242)	-	(2,242)
At 30 June 2009	27,791	770	28,561
Accumulated amortisation			
At 1 July 2007	4,465	326	4,791
Amortisation for the year	413	42	455
Write off	(234)	-	(234)
At 30 June 2008/1 July 2008	4,644	368	5,012
Amortisation for the year	483	30	513
Write off	(31)	-	(31)
At 30 June 2009	5,096	398	5,494
Carrying amounts			
At 1 July 2007	19,805	444	20,249
At 30 June 2008/1 July 2008	21,102	402	21,504
At 30 June 2009	22,695	372	23,067

NOTES TO THE FINANCIAL STATEMENTS
- 30 JUNE 2009 (cont'd)

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.

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

	GROUP		COMPANY	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Interest expense (Note 18)	86	118	86	118
Rental of premises	65	73	65	73
Depreciation of property, plant and equipment	640	628	640	627
Staff costs	1,895	2,100	1,895	2,100

Included in staff costs of the Group and of the Company is contribution to Employees' Provident Fund which amounted to RM170,000 (2008: RM172,000).

5. INVESTMENT PROPERTY

	GROUP RM'000
At 1 July 2007 and 30 June 2008/1 July 2008	800
Change in fair value	50
At 30 June 2009	850

	2009 RM'000	2008 RM'000
Included in the above are:		
Freehold land	600	500
Building	250	300
	850	800

The investment property was revalued together with the Group's properties by independent professional valuers using comparative/investment method.

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

NOTES TO THE FINANCIAL STATEMENTS
- 30 JUNE 2009 (cont'd)

6. PREPAID LEASE PAYMENTS

	GROUP RM'000	COMPANY RM'000
Cost		
At 1 July 2007	16,122	4,830
Additions	1,096	1,096
At 30 June 2008/1 July 2008	17,218	5,926
Additions	6	6
At 30 June 2009	17,224	5,932
Accumulated amortisation		
At 1 July 2007	130	77
Amortisation for the year	134	29
At 30 June 2008/1 July 2008	264	106
Amortisation for the year	142	29
At 30 June 2009	406	135
Carrying amounts		
At 1 July 2007	15,992	4,753
At 30 June 2008/1 July 2008	16,954	5,820
At 30 June 2009	16,818	5,797
Analysed as		
Unexpired period less than 50 years	780	780
Unexpired period more than 50 years	16,174	5,040
At 30 June 2008	16,954	5,820
Unexpired period less than 50 years	755	755
Unexpired period more than 50 years	16,063	5,042
At 30 June 2009	16,818	5,797

The titles of the leasehold land with carrying amounts of RM5,042,000 (2008: RM5,039,000) and RM9,303,000 (2008: RM9,399,000) are in the process of being transferred into the names of the Company and of its subsidiary respectively.

Carrying amounts of leasehold land pledged as securities for credit facilities granted to the Group and the Company amounted to RM14,786,000 (2008: RM13,959,000) and RM5,042,000 (2008: RM3,944,000) respectively.

7. INVESTMENT IN SUBSIDIARIES

	COMPANY	
	2009 RM'000	2008 RM'000
At cost:		
Quoted shares in Malaysia	31,779	31,779
Unquoted shares in Malaysia	6,353	6,353
Unquoted shares outside Malaysia	499	507
	38,631	38,639

The market value of quoted shares in Malaysia as at 30 June 2009 was RM71,660,000 (2008: RM74,314,000).

NOTES TO THE FINANCIAL STATEMENTS
- 30 JUNE 2009 (cont'd)

7. INVESTMENT IN SUBSIDIARIES (cont'd)

Details of subsidiaries are as follows:

	Country of incorporation	Effective Group's interest (%) 2009	2008	Principal activities
Carotech Berhad ("Carotech")	Malaysia	58.19	58.19	Extraction and processing of nutrients from palm oil for the purpose of manufacturing and producing pharmaceutical, phytonutrient and oleochemical products.
Hovid Pharmacy Sdn. Bhd.	Malaysia	100.00	100.00	Trading of medical supplies, pharmaceutical and consumer products.
Hovid Inc. *	Philippines	100.00	100.00	Trading of goods such as medical supplies, consumer goods, on wholesale/importation and distribution of pharmaceutical products.
Hovid Marketing Sdn. Bhd. *	Malaysia	100.00	100.00	Marketing of health and wellness products via the multi-level network marketing direct interest model.
Javid Sdn. Bhd. *	Malaysia	100.00	100.00	Dealers in all kinds of pharmaceutical, medicated herbs and nutritional products. Inactive.
Ho Yan Hor (S) Pte. Ltd. *	Singapore	80.00	80.00	Wholesalers, distributors, agents of and dealers in all kinds of pharmaceutical products, embrocation oil, herbal tea and Chinese patented medicines.
Carotech, Inc. #	U.S.A.	58.19	58.19	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	60.00	Trading of pharmaceutical products.

NOTES TO THE FINANCIAL STATEMENTS
- 30 JUNE 2009 (cont'd)

7. INVESTMENT IN SUBSIDIARIES (cont'd)

Details of subsidiaries are as follows: (cont'd)

	Country of incorporation	Effective Group's interest (%) 2009	2008	Principal activities
Hovid Life Science Pte. Ltd. *	India	100.00	100.00	Inactive.
Carotech Bio-Fuel Sdn. Bhd. #	Malaysia	58.19	58.19	Extraction and processing of nutrients from palm oil for the purpose of manufacturing and producing pharmaceutical, phytonutrient and oleochemical products.
Carotech Yangzhou Biofuel Company Limited *#^	The People's Republic of China	58.19	58.19	Inactive.
Liaoning Carotech Bio Energy Company Limited *#^ (Formerly known as Yingkou Carotech Bio Energy Company Limited)	The People's Republic of China	58.19	58.19	Inactive.
Hovid International Limited ×^	British Virgin Islands	100.00	100.00	Inactive.
Hovid Research Sdn. Bhd. *	Malaysia	100.00	100.00	Inactive.
Carotech Bio-Vits Sdn. Bhd. #	Malaysia	58.19	58.19	Inactive.
Best Practice International Sdn. Bhd. *	Malaysia	100.00	-	Inactive.
Agrovid S.A.*	Republic of Colombia	100.00	-	Engaged in agro-industrial exploitation of productive species and cultivation and commercialisation of agriculture crops and livestock.

* *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*

During the financial year, the Company disposed of the entire issued and paid-up share capital of its wholly-owned subsidiary, Hovid Life Science Private Limited ("HLS"), comprising 9,999 ordinary shares of Indian Rupees ("INR") 10.00 each to another wholly-owned subsidiary, Hovid International Limited ("HIL") for a total consideration of INR99,990 (equivalent to RM8,830).

This resulted in HLS becoming a wholly-owned subsidiary of HIL.

The disposal of HLS by the Company does not have any financial impact on the financial position of Hovid Group.

NOTES TO THE FINANCIAL STATEMENTS
- 30 JUNE 2009 (cont'd)

8. INVESTMENT IN A JOINTLY CONTROLLED ENTITY

	GROUP	
	2009 RM'000	2008 RM'000
Unquoted shares, at cost	464	464
Group's share of post-acquisition loss	(16)	(16)
	448	448
Less: Written off	(448)	-
At 30 June	-	448

Summary of financial information on a jointly controlled entity:

GROUP	Country of incorporation	Effective ownership interest %	Revenue (100%) RM'000	Loss (100%) RM'000	Total assets (100%) RM'000	Total liabilities (100%) RM'000
2009						
Khard Carotech Pvt. Ltd.	India	29.10	-	-	-	-
2008						
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.

In the current financial year, the Group had written off its investment in this jointly controlled entity as the joint venture arrangement was discontinued.

9. DEFERRED TAX ASSETS AND LIABILITIES

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
GROUP						
Property, plant and equipment (including prepaid lease payments)	(19,308)	-	34,725	9,755	15,417	9,755
Intangible assets	-	-	4,949	4,612	4,949	4,612
Provisions	(2)	(307)	-	-	(2)	(307)
Others	(1,775)	(107)	215	730	(1,560)	623
Tax (assets)/liabilities	(21,085)	(414)	39,889	15,097	18,804	14,683
Set off of tax	20,984	307	(20,984)	(307)	-	-
Net tax (assets)/liabilities	(101)	(107)	18,905	14,790	18,804	14,683
COMPANY						
Property, plant and equipment (including prepaid lease payments)	-	-	5,213	3,810	5,213	3,810
Intangible assets	-	-	4,949	4,612	4,949	4,612
Others	-	-	-	89	-	89
Net tax liabilities	-	-	10,162	8,511	10,162	8,511

NOTES TO THE FINANCIAL STATEMENTS
- 30 JUNE 2009 (cont'd)

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

Unrecognised deferred tax asset

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

	GROUP		COMPANY	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Deductible temporary differences	29	28	-	-
Unutilised tax loss carry-forwards	234	776	-	-
	263	804	-	-

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 2007 RM'000	Recognised in income statements (Note 21) RM'000	Recognised in equity (Note 14) RM'000	At 30 June 2008 RM'000	Recognised in income statements (Note 21) RM'000	Recognised in equity (Note 14) RM'000	At 30 June 2009 RM'000
GROUP							
Deferred tax liabilities							
- Property, plant and equipment (including prepaid lease payments)	12,022	(2,267)	-	9,755	20,482	4,488	34,725
- Intangible assets	4,659	(47)	-	4,612	337	-	4,949
- Others	377	353	-	730	(515)	-	215
Deferred tax assets							
- Property, plant and equipment (including prepaid lease payments)	-	-	-	-	(19,308)	-	(19,308)
- Provisions	(307)	-	-	(307)	305	-	(2)
- Others	(365)	258	-	(107)	(1,668)	-	(1,775)
	16,386	(1,703)	-	14,683	(367)	4,488	18,804
COMPANY							
Deferred tax liabilities							
- Property, plant and equipment (including prepaid lease payments)	3,497	313	-	3,810	612	791	5,213
- Intangible assets	4,659	(47)	-	4,612	337	-	4,949
- Others	89	-	-	89	(89)	-	-
	8,245	266	-	8,511	860	791	10,162

NOTES TO THE FINANCIAL STATEMENTS
- 30 JUNE 2009 (cont'd)

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	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Non-current assets				
Rights to reimbursement under insurance policies	252	231	252	231
Non-current liabilities				
Provision for retirement benefits				
- Present value of unfunded obligation	1,208	934	1,208	934

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

	GROUP		COMPANY	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Current service cost	221	161	221	161
Interest cost	53	36	53	36
	274	197	274	197
Benefit expense				
Reimbursement rights under insurance policies that exactly match the amount and timing of some of benefits payable under the plan	(21)	9	(21)	9
Expense recognised in the income statements net of the amount recognised for the reimbursement rights under insurance policies	253	206	253	206

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 assumptions 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.

NOTES TO THE FINANCIAL STATEMENTS
- 30 JUNE 2009 (cont'd)

11. INVENTORIES

	GROUP		COMPANY	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
At cost/net realisable value:				
Raw materials	4,603	6,326	3,468	5,837
Work-in-progress	100,243	72,966	1,842	969
Finished goods	54,213	25,515	3,133	2,149
Trading goods	3,397	3,476	-	-
Packing materials	1,619	1,534	1,619	1,533
	164,075	109,817	10,062	10,488

Included above are work-in-progress, finished goods and trading goods of the Group and of the Company amounting to RM15,175,000 (2008: RM732,000) and RM147,000 (2008: RM180,000) respectively are carried at net realisable value.

12. RECEIVABLES, DEPOSITS AND PREPAYMENTS

	GROUP		COMPANY	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Trade				
Trade receivables	42,437	69,058	9,792	3,625
Less: Allowance for doubtful debts	(1,375)	(1,395)	-	(18)
	41,062	67,663	9,792	3,607
Amount due from subsidiaries				
- interest bearing	-	-	19,265	17,323
- non interest bearing	-	-	1,347	1,715
Amount due from a jointly controlled entity				
- non interest bearing	-	5	-	5
	41,062	67,668	30,404	22,650
Non-trade				
Other receivables, deposits and prepayments	28,474	16,052	11,245	2,842
Amount due from subsidiaries				
- interest bearing	-	-	20,842	12,743
- non interest bearing	-	-	11,686	6,207
	28,474	16,052	43,773	21,792
	69,536	83,720	74,177	44,442

Included in other receivables of the Group in previous year was payment in advance to a company in which a Director has financial interest for the purchase of raw materials of RM1,001,000.

Included in other receivables of the Group and of the Company totalling RM8,062,000 (2008: RM NIL) for investment in a subsidiary in India (see Note 30).

Furthermore, included in other receivables of the Group were payments made in advance by its China's subsidiaries totalling of RM12,056,000 (2008: RM10,441,000) for acquisition of land in the People's Republic of China ("PRC"). The projects earmarked for these subsidiaries have been deferred due to the delay in the implementation of the biodiesel policies in the PRC. Nevertheless, the Directors are confident that the projects will materialise in the near future.

NOTES TO THE FINANCIAL STATEMENTS
- 30 JUNE 2009 (cont'd)

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

The loans to subsidiaries are unsecured, non interest bearing and have no fixed terms of repayment except for interest bearing portion which is subject to interest ranging from 7.10% to 9.00% (2008: 8.00% to 9.00%) per annum.

	GROUP		COMPANY	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Currency exposure profiles:				
Trade				
Trade receivables:				
Ringgit Malaysia	12,793	15,955	525	500
USD	22,285	48,816	7,618	3,019
SGD	1,649	93	1,649	93
Philippines PESO	2,624	1,732	-	-
Others	1,711	1,072	-	-
	41,062	67,668	9,792	3,612
Non-trade				
Other receivables, deposits and prepayments:				
Ringgit Malaysia	4,967	11,931	3,183	2,842
USD	-	3,930	-	-
Philippines PESO	62	107	-	-
Renminbi	12,056	-	-	-
Colombian PESO	3,266	-	-	-
Indian Rupees	8,062	-	8,062	-
HKD	60	-	-	-
Others	1	84	-	-
	28,474	16,052	11,245	2,842
Trade and non-trade				
Amount due from subsidiaries:				
Ringgit Malaysia	-	-	46,106	34,692
USD	-	-	6,969	3,244
Others	-	-	65	52
	-	-	53,140	37,988
	69,536	83,720	74,177	44,442
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	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Deposits with licensed banks	128	96	54	60
Cash and bank balances	14,080	13,541	4,892	8,163
	14,208	13,637	4,946	8,223

NOTES TO THE FINANCIAL STATEMENTS
- 30 JUNE 2009 (cont'd)

13. CASH AND CASH EQUIVALENTS (cont'd)

	GROUP 2009 RM'000	GROUP 2008 RM'000	COMPANY 2009 RM'000	COMPANY 2008 RM'000
Currency exposure profiles:				
Ringgit Malaysia	8,267	5,982	2,096	3,747
USD	4,446	5,920	2,829	4,390
SGD	33	80	8	80
Philippines PESO	598	1,600	-	-
EURO	1	2	1	2
HKD	77	50	1	-
Indian Rupees	3	-	1	1
Renminbi	719	-	1	-
Others	64	3	9	3
	14,208	13,637	4,946	8,223

14. CAPITAL AND RESERVES

Share capital

GROUP/COMPANY	Par value RM	2009 Number of shares '000	2008 Number of shares '000	2009 RM'000	2008 RM'000
Authorised:					
At 1 July	0.10	2,000,000	1,000,000	200,000	100,000
Creation of new ordinary shares	0.10	-	1,000,000	-	100,000
At 30 June	0.10	2,000,000	2,000,000	200,000	200,000
Issued and fully paid:					
At 1 July/30 June	0.10	762,080	762,080	76,208	76,208

	GROUP/COMPANY RM'000
Share premium	
Non-distributable	
1 July 2007/30 June 2008/30 June 2009	90

NOTES TO THE FINANCIAL STATEMENTS
- 30 JUNE 2009 (cont'd)

14. CAPITAL AND RESERVES (cont'd)

	GROUP		COMPANY	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Reserves				
Non-distributable				
Exchange fluctuation reserve:				
At 1 July	439	66	-	-
Movement during the financial year	(109)	373	-	-
At 30 June	330	439	-	-
Warrant reserve:				
At 1 July	7,004	-	7,004	-
Issue of warrants	-	7,621	-	7,621
Warrants issue expenses	-	(617)	-	(617)
At 30 June	7,004	7,004	7,004	7,004
Revaluation reserve:				
Surplus on revaluation of freehold land and buildings				
At 1 July	4,403	4,403	2,627	2,627
Additions during the financial year	14,399	-	3,510	-
At 30 June	18,802	4,403	6,137	2,627
Less: Deferred taxation				
At 1 July	977	977	1,004	1,004
Additions during the financial year	4,488	-	791	-
At 30 June	5,465	977	1,795	1,004
Revaluation reserve, net of tax at 30 June	13,337	3,426	4,342	1,623
Total revaluation and other reserves	20,671	10,869	11,346	8,627

(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;

NOTES TO THE FINANCIAL STATEMENTS
- 30 JUNE 2009 (cont'd)

14. CAPITAL AND RESERVES (cont'd)

(i) Salient terms of the Warrants (cont'd)

(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.

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

(ii) Revaluation reserve

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

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	
	2009 RM'000	**2008 RM'000**	**2009 RM'000**	**2008 RM'000**
Non-current				
Secured term loans	169,572	168,300	6,274	5,234
Unsecured term loans	1,715	-	1,715	-
Secured bank overdrafts	6,512	-	-	-
Hire purchase liabilities	7,204	9,802	5,973	7,725
	185,003	178,102	13,962	12,959
Current				
Secured term loans	46,277	16,455	1,225	1,455
Unsecured term loans	627	-	627	-
Secured bank overdrafts	23,078	9,835	3,818	1,973
Unsecured bank overdrafts	16,219	5,875	1,266	843
Secured bankers' acceptance	12,791	7,475	1,535	1,504
Unsecured bankers' acceptance	90,923	103,558	22,506	19,278
Secured revolving credit	3,000	3,000	3,000	3,000
Unsecured revolving credit	16,500	11,000	5,000	4,000
Hire purchase liabilities	3,956	3,611	2,983	2,659
	213,371	160,809	41,960	34,712
	398,374	338,911	55,922	47,671

Included in secured bank overdrafts of the Group are bank overdrafts amounting to RM19,576,000 (2008: RM NIL) of which RM6,512,000 (2008: RM NIL) is classified as non-current in view of the facility limits are subject to 19 monthly and 6 quarterly reductions over a period of more than twelve months.

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;

(b) lien holder's caveat over leasehold lands and buildings of the Company and subsidiary;

(c) facility agreement;

NOTES TO THE FINANCIAL STATEMENTS
- 30 JUNE 2009 (cont'd)

15. LOANS AND BORROWINGS (cont'd)

Security (cont'd)

(d) negative pledge;

(e) debentures incorporating fixed charges over certain plant and machinery of the Company and of the subsidiary; and

(f) pledging of fixed deposits.

The secured bank overdrafts 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;

(b) lien holder's caveat over leasehold land and buildings of the Company;

(c) facility agreement;

(d) negative pledge; and

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

The other secured short-term bank borrowings 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;

(b) lien holder's caveat over leasehold land and buildings of the Company and subsidiary;

(c) facility agreement;

(d) negative pledge;

(e) pledging of fixed deposits; and

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

Significant covenants

Loan and borrowings are subject to the fulfilment of the following significant covenants by a subsidiary:

(a) not to permit the gearing ratio of its consolidated borrowings to its consolidated tangible net worth to exceed the ratio of 1.5 times and its consolidated current ratio of above 1.25 times;

(b) not to incur, assume, guarantee or permit to exist any future indebtedness without the prior written consent of the banks;

(c) not to cause, suffer or permit any of the security assets to be remove from the location approved by the bank without the prior written consent of the bank;

(d) not to add, delete, vary or amend the Memorandum of Association in a manner inconsistent with the provisions of the deed without the prior written consent of the bank;

(e) not to reduce or make any alteration to the authorised and issued share capital without the prior written consent of the bank;

(f) not to allow any change in its management and ownership structure without the prior written consent of the bank;

(g) Carotech Berhad to remain as a subsidiary of Hovid Berhad at all times; and

(h) not to declare and pay any dividend or other distribution whether of an income or capital nature without the prior written consent of the bank.

A subsidiary has taken new borrowing for its construction of the new Lumut plant and this has resulted in the gearing ratios and current ratio exceeding the ratios prescribed in (a) above. Nevertheless, the subsidiary has obtained waiver and indulgences from the respective banks for the gearing ratio and current ratio being more than the ratios prescribed in (a) above.

NOTES TO THE FINANCIAL STATEMENTS
- 30 JUNE 2009 (cont'd)

15. LOANS AND BORROWINGS (cont'd)

Significant covenants (cont'd)

At 30 June 2009, the subsidiary has delayed in its repayment of instalments for three of its terms loans due to the delay in shipment of the June 2009 cargo to July 2009 causing a mismatch in cash receipts and outflows. However, prior to 30 June 2009 the lender banks of these three term loans have granted their indulgence on the deferment of the repayments. As such, the liability has not been classified as current liability. Subsequent to the year end, the subsidiary has regularised these outstanding repayments.

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
2009								
Secured term loans	2010-2019	215,849	46,277	36,327	29,387	29,429	23,290	51,139
Unsecured term loans	2010-2013	2,342	627	627	627	461	-	-
Secured bank overdrafts	2010-2011	29,590	23,078	6,512	-	-	-	-
Unsecured bank overdrafts	2010	16,219	16,219	-	-	-	-	-
Secured bankers' acceptance	2010	12,791	12,791	-	-	-	-	-
Unsecured bankers' acceptance	2010	90,923	90,923	-	-	-	-	-
Secured revolving credit	2010	3,000	3,000	-	-	-	-	-
Unsecured revolving credit	2010	16,500	16,500	-	-	-	-	-
Hire purchase liabilities	2010-2015	11,160	3,956	3,512	2,255	1,086	334	17
		398,374	213,371	46,978	32,269	30,976	23,624	51,156
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
COMPANY								
2009								
Secured term loans	2010-2015	7,499	1,225	964	951	993	1,037	2,329
Unsecured term loans	2010-2013	2,342	627	627	627	461	-	-
Secured bank overdrafts	2010	3,818	3,818	-	-	-	-	-
Unsecured bank overdrafts	2010	1,266	1,266	-	-	-	-	-
Secured bankers' acceptance	2010	1,535	1,535	-	-	-	-	-
Unsecured bankers' acceptance	2010	22,506	22,506	-	-	-	-	-
Secured revolving credit	2010	3,000	3,000	-	-	-	-	-
Unsecured revolving credit	2010	5,000	5,000	-	-	-	-	-
Hire purchase liabilities	2010-2015	8,956	2,983	2,532	2,068	1,031	324	18
		55,922	41,960	4,123	3,646	2,485	1,361	2,347
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

NOTES TO THE FINANCIAL STATEMENTS
- 30 JUNE 2009 (cont'd)

15. LOANS AND BORROWINGS (cont'd)

Hire purchase liabilities

Hire purchase liabilities are payable as follows:

	Payments 2009 RM'000	Interest 2009 RM'000	Principal 2009 RM'000	Payments 2008 RM'000	Interest 2008 RM'000	Principal 2008 RM'000
GROUP						
Less than 1 year	4,585	629	3,956	4,416	805	3,611
Between 1 and 5 years	7,776	589	7,187	10,624	961	9,663
More than 5 years	17	-	17	142	3	139
	12,378	1,218	11,160	15,182	1,769	13,413
COMPANY						
Less than 1 year	3,509	526	2,983	3,306	647	2,659
Between 1 and 5 years	6,492	537	5,955	8,410	824	7,586
More than 5 years	18	-	18	142	3	139
	10,019	1,063	8,956	11,858	1,474	10,384

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

	GROUP		COMPANY	
	2009 %	2008 %	2009 %	2008 %
Term loans	2.00 - 12.70	3.88 - 7.50	4.40 - 8.00	6.50 - 7.50
Bank overdrafts	6.55 - 8.75	7.75 - 8.75	6.55 - 8.75	8.00
Bankers' acceptance	1.50 - 7.75	3.26 - 5.12	1.50 - 4.65	3.26 - 4.63
Revolving credit	3.29 - 5.45	5.00 - 5.12	3.29 - 5.15	5.00 - 5.12
Hire purchase liabilities	2.25 - 9.16	2.25 - 9.16	4.18 - 7.51	4.18 - 7.51

Loans and borrowings denominated in currency other than the functional currency comprise the following:

	GROUP		COMPANY	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Secured term loans				
USD	200,736	176,268	-	-
Unsecured term loans				
USD	2,342	-	2,342	-

The repayment terms of the secured term loans denominated in US Dollar of the Group will only commence six months after the date of full drawdown. The repayment schedule as disclosed is based on the expected full drawdown date of the said term loan.

16. PAYABLES AND ACCRUALS

	GROUP		COMPANY	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Trade				
Trade payables	26,911	36,673	9,798	8,863
Amount due to subsidiaries				
- interest bearing	-	-	1,618	-
	26,911	36,673	11,416	8,863
Non-trade				
Other payables	33,462	33,057	5,184	3,060
Accrued expenses	5,418	7,524	539	476
Amount due to subsidiaries				
- non interest bearing	-	-	311	686
	38,880	40,581	6,034	4,222
	65,791	77,254	17,450	13,085

NOTES TO THE FINANCIAL STATEMENTS
- 30 JUNE 2009 (cont'd)

16. PAYABLES AND ACCRUALS (cont'd)

Non-trade amounts due to subsidiaries are unsecured, non interest bearing and have no fixed terms of repayment except for certain interest bearing portion which is subject to interest ranging from 7.10% to 8.00% per annum (2008: 8.00% 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 RM40,000 (2008: RM75,000) and RM20,000 (2008: RM60,000) respectively for the purchases of computer equipment and accessories.

Included in other payables of the Company is an amount owing to a company in which a Director has financial interest amounting to RM1,000 (2008: RM NIL).

	GROUP		COMPANY	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Currency exposure profiles:				
Trade				
Trade payables:				
Ringgit Malaysia	22,557	31,605	5,587	3,889
USD	4,203	4,954	4,203	4,954
Others	151	114	8	20
	26,911	36,673	9,798	8,863
Non-trade				
Other payables and accruals:				
Ringgit Malaysia	34,450	39,803	5,723	3,432
Renminbi	3,782	-	-	-
USD	2	104	-	104
SGD	131	54	-	-
Philippines PESO	213	237	-	-
Others	302	383	-	-
	38,880	40,581	5,723	3,536
Trade and non-trade				
Amount due to subsidiaries:				
Ringgit Malaysia	-	-	1,855	608
SGD	-	-	74	78
	-	-	1,929	686
	65,791	77,254	17,450	13,085
Credit terms extended by trade payables	30 to 120 days	7 to 120 days	30 to 120 days	30 to 120 days

NOTES TO THE FINANCIAL STATEMENTS
- 30 JUNE 2009 (cont'd)

17. REVENUE

	GROUP		COMPANY	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Revenue is stated at gross invoiced values and comprises:				
Manufacturing sales	184,960	152,230	86,659	84,619
Trading sales	63,647	62,498	-	-
	248,607	214,728	86,659	84,619

18. FINANCE COSTS

	GROUP		COMPANY	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
This comprises interest expense on:				
- Bank overdrafts	2,211	665	576	265
- Term loans	4,798	2,247	619	219
- Other borrowings	6,308	3,262	1,679	1,650
	13,317	6,174	2,874	2,134
Less: Interest income	(804)	(128)	(1,691)	(1,326)
	12,513	6,046	1,183	808
Total interest expense:	17,038	13,355	1,269	926
Less:				
- Interest expense capitalised into property, plant and equipment (Note 3(ii))	(4,439)	(7,191)	-	-
- Interest capitalised into product development expenditure (Note 4)	(86)	(118)	(86)	(118)
	12,513	6,046	1,183	808

19. OPERATING (LOSS)/PROFIT

	GROUP		COMPANY	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Operating (loss)/profit is arrived at after charging:				
Allowance for doubtful debts	156	264	31	-
Allowance for slow moving inventories	-	26	-	-
Amortisation of intangible assets	535	487	513	455
Amortisation of prepaid lease payments	142	134	29	29
Auditors' remuneration:				
- Audit services:				
Auditors of the Company	106	85	35	28
Other auditors	23	25	-	-
- Other services:				
Auditors of the Company	-	20	-	20
- Other auditors	1	-	-	-
Depreciation of property, plant and equipment	24,920	12,183	3,800	3,404
Direct operating expenses of investment property - generating income	5	3	-	-
Impairment loss for plant and equipment	119	-	119	-

NOTES TO THE FINANCIAL STATEMENTS
- 30 JUNE 2009 (cont'd)

19. OPERATING (LOSS)/PROFIT (cont'd)

	GROUP		COMPANY	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Inventories written off	242	614	136	528
Loss on disposal of equipment	9	-	-	-
Loss on foreign exchange:				
- realised	4,968	1,627	584	708
- unrealised	13,827	99	-	-
Personnel expenses (excluding Directors' remuneration):				
- Contributions to Employees' Provident Fund	1,957	2,624	1,313	1,212
- Wages, salaries and others	23,984	26,735	13,502	12,080
Preliminary expenses written off	500	283	-	-
Product development expenditure written off	2,211	3,008	2,211	3,008
Property, plant and equipment written off	314	158	128	112
Rental expense of equipment	6	12	-	-
Rental expense of hostel	16	9	-	-
Rental expense of motor vehicles	16	28	-	-
Rental expense of photocopier	7	6	-	-
Rental expense of premises	792	763	101	98
Investment in a jointly controlled entity written off	448	-	-	-
and after crediting:				
Allowance for doubtful debts written back	-	260	18	34
Allowance for inventory written back	35	26	-	-
Change in fair value of investment property	50	-	-	-
Dividend income (gross) from a subsidiary	-	-	-	2,388
Gain on disposals of equipment	-	76	-	67
Gain on foreign exchange:				
- realised	663	1,219	663	1,219
- unrealised	-	7,386	-	-
Rental income from investment property	53	64	-	-
Rental income of premises	249	444	34	28

20. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensation are as follows:

	GROUP		COMPANY	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Directors' remuneration				
- Fees	324	352	174	188
- Emoluments	2,000	2,451	604	679
Total short-term employee benefits	2,324	2,803	778	867
Post-employment benefits				
- Defined benefit plan expenses for a Director	253	206	253	206
	2,577	3,009	1,031	1,073
Other key management personnel				
- Short-term employee benefits	2,603	2,854	1,648	1,397
- Other long-term benefits	328	-	226	-
	5,508	5,863	2,905	2,470

NOTES TO THE FINANCIAL STATEMENTS
- 30 JUNE 2009 (cont'd)

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	
	2009 RM'000	**2008 RM'000**	**2009 RM'000**	**2008 RM'000**
Current tax expense				
Malaysian				
- current year	2,534	3,351	2,260	3,542
- overprovision in prior years	-	(197)	-	(197)
Overseas				
- current year	415	199	-	-
	2,949	3,353	2,260	3,345
Deferred tax expense				
Origination and reversal of temporary differences (Note 9)	(367)	(1,703)	860	266
	2,582	1,650	3,120	3,611

(ii) Reconciliation of effective tax rate:

	GROUP		COMPANY	
	2009 RM'000	**2008 RM'000**	**2009 RM'000**	**2008 RM'000**
(Loss)/Profit for the year	(6,826)	18,275	11,892	14,154
Tax expense	2,582	1,650	3,120	3,611
(Loss)/Profit excluding tax	(4,244)	19,925	15,012	17,765

NOTES TO THE FINANCIAL STATEMENTS
- 30 JUNE 2009 (cont'd)

21. TAX EXPENSE (cont'd)

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

	GROUP		COMPANY	
	2009 %	2008 %	2009 %	2008 %
Statutory income tax rate of Malaysia	(25)	26	25	26
Effect of change in tax rate *	-	(1)	-	-
Non-deductible expenses	55	2	3	1
Reinvestment allowances utilised	(7)	(2)	(2)	(2)
Non-taxable income	(1)	(21)	(1)	-
Tax incentives	(18)	(3)	(5)	(4)
Changes in unrecognised temporary differences	6	-	-	-
Effect of tax rates in foreign jurisdiction	2	-	-	-
Others	6	8	1	-
	18	9	21	21
Under/(Over) provision in prior years	43	(1)	-	(1)
Average effective tax rate	61	8	21	20

* The corporate tax rates are 26% for year of assessment 2008 and 25% for the subsequent years of assessment. Consequently, deferred tax assets and 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 RM19,882,000 (2008: RM19,628,000) of its distributable reserves at 30 June 2009 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 2009 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 equity holders by the weighted average number of ordinary shares in issue during the current financial year ended 30 June 2009.

	2009 RM'000	2008 RM'000
Profit attributable to ordinary equity holders of the Company	417	15,204
Weighted average number of ordinary shares in issue ('000)	762,080	762,080
Basic EPS (sen)	0.05	2.00

NOTES TO THE FINANCIAL STATEMENTS
- 30 JUNE 2009 (cont'd)

22. EARNINGS PER SHARE (cont'd)

Diluted earnings per ordinary share

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

	2009 RM'000	2008 RM'000
Profit attributable to ordinary equity holders of the Company	417	15,204
Weighted average number of ordinary shares in issue ('000)	762,080	762,080
Effect of Warrants ('000)	381,040	381,040
Adjusted weighted average number of ordinary shares ('000)	1,143,120	1,143,120
Diluted EPS (sen)	0.04	1.33

23. DIVIDENDS

No dividend was recognised in the current year by the Company.

Dividends recognised in the previous 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

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.

NOTES TO THE FINANCIAL STATEMENTS
- 30 JUNE 2009 (cont'd)

24. SEGMENT REPORTING (cont'd)

Geographical segments

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

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

* Group's home region

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

Business Segments

	Pharmaceutical RM'000	Phytonutrient RM'000	Eliminations RM'000	Total RM'000
Financial year ended 30 June 2009				
Revenue				
External revenue	112,544	136,063	-	248,607
Inter-segment revenue	36,125	1,252	(37,377)	-
Total revenue	148,669	137,315	(37,377)	248,607
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

	Pharmaceutical RM'000	Phytonutrient RM'000	Total RM'000
Financial year ended 30 June 2009			
Results			
Profit/(Loss) from operations	17,506	(9,237)	8,269
Finance costs	(2,293)	(10,220)	(12,513)
Profit/(Loss) before tax	15,213	(19,457)	(4,244)
Tax expense	(3,535)	953	(2,582)
Profit/(Loss) for the year	11,678	(18,504)	(6,826)
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

NOTES TO THE FINANCIAL STATEMENTS
- 30 JUNE 2009 (cont'd)

24. SEGMENT REPORTING (cont'd)

Business Segments **(cont'd)**

	Pharmaceutical RM'000	Phytonutrient RM'000	Total RM'000
At 30 June 2009			
Other information			
Segment assets	177,938	503,375	681,313
Unallocated assets			101
Total assets			681,414
Segment liabilities	80,664	384,709	465,373
Unallocated liabilities			20,817
Total liabilities			486,190
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

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 2009				
Other information				
Capital expenditure	3,471	22,810	-	26,281
Depreciation and amortisation	4,798	20,799	-	25,597
Gain on foreign exchange				
- Realised	663	-	-	663
Impairment loss for plant and equipment	119	-	-	119
Loss on foreign exchange				
- Realised	651	4,317	-	4,968
- Unrealised	73	13,754	-	13,827
Product development expenditure written off	2,211	-	-	2,211
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				
- Realised	1,219	-		1,219
- Unrealised	-	7,386	-	7,386
Loss on foreign exchange				
- Realised	729	898	-	1,627
- Unrealised	99	-	-	99
Product development expenditure written off	3,008	-	-	3,008

NOTES TO THE FINANCIAL STATEMENTS
- 30 JUNE 2009 (cont'd)

24. SEGMENT REPORTING (cont'd)

Geographical segments

	Sales RM'000	Total assets RM'000	Capital expenditure RM'000
2009			
(i) Asia	101,161	680,833	26,281
(ii) Africa	29,181	-	-
(iii) North and South America	13,098	581	-
(iv) Europe	104,891	-	-
(v) Pacific Island	276	-	-
	248,607	681,414	26,281
2008			
(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

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.

NOTES TO THE FINANCIAL STATEMENTS
- 30 JUNE 2009 (cont'd)

25. FINANCIAL INSTRUMENTS (cont'd)

Effective interest rates and repricing analysis

The effective interest rates on interest earning financial assets and interest-bearing financial liabilities are disclosed in the respective notes to the financial statements. The following tables indicates the periods in which they mature, or if earlier, reprice.

GROUP	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
2009							
Fixed rate instruments							
Secured term loans	5,300	1,330	756	669	711	700	1,134
Hire purchase liabilities	11,160	3,956	3,511	2,255	1,087	334	17
	16,460	5,286	4,267	2,924	1,798	1,034	1,151
Floating rate instruments							
Secured term loans	210,549	210,549	-	-	-	-	-
Unsecured term loans	2,342	2,342	-	-	-	-	-
Secured bank overdrafts	29,590	29,590	-	-	-	-	-
Unsecured bank overdrafts	16,219	16,219	-	-	-	-	-
Secured bankers' acceptance	12,791	12,791	-	-	-	-	-
Unsecured bankers' acceptance	90,923	90,923	-	-	-	-	-
Secured revolving credit	3,000	3,000	-	-	-	-	-
Unsecured revolving credit	16,500	16,500	-	-	-	-	-
	381,914	381,914	-	-	-	-	-
2008							
Fixed rate instruments							
Secured term loans	6,673	1,548	1,317	764	685	694	1,665
Hire purchase liabilities	13,413	3,611	3,702	3,238	1,959	764	139
	20,086	5,159	5,019	4,002	2,644	1,458	1,804
Floating rate instruments							
Secured term loans	178,082	178,082	-	-	-	-	-
Secured bank overdrafts	9,835	9,835	-	-	-	-	-
Unsecured bank overdrafts	5,875	5,875	-	-	-	-	-
Secured bankers' acceptance	7,475	7,475	-	-	-	-	-
Unsecured bankers' acceptance	103,558	103,558	-	-	-	-	-
Secured revolving credit	3,000	3,000	-	-	-	-	-
Unsecured revolving credit	11,000	11,000	-	-	-	-	-
	318,825	318,825	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS
- 30 JUNE 2009 (cont'd)

25. FINANCIAL INSTRUMENTS (cont'd)

Effective interest rates and repricing analysis (cont'd)

COMPANY	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
2009							
Fixed rate instruments							
Secured term loans	4,194	546	568	606	648	692	1,134
Hire purchase liabilities	8,956	2,982	2,532	2,068	1,032	324	18
	13,150	3,528	3,100	2,674	1,680	1,016	1,152
Floating rate instruments							
Secured term loans	3,305	3,305	-	-	-	-	-
Unsecured term loans	2,342	2,342	-	-	-	-	-
Secured bank overdrafts	3,818	3,818	-	-	-	-	-
Unsecured bank overdrafts	1,266	1,266	-	-	-	-	-
Secured bankers' acceptance	1,535	1,535	-	-	-	-	-
Unsecured bankers' acceptance	22,506	22,506	-	-	-	-	-
Secured revolving credit	3,000	3,000	-	-	-	-	-
Unsecured revolving credit	5,000	5,000	-	-	-	-	-
	42,772	42,772	-	-	-	-	-
2008							
Fixed rate instruments							
Secured term loans	4,875	819	540	577	616	658	1,665
Hire purchase liabilities	10,384	2,658	2,756	2,287	1,802	742	139
	15,259	3,477	3,296	2,864	2,418	1,400	1,804
Floating rate instruments							
Secured term loans	1,814	1,814	-	-	-	-	-
Secured bank overdrafts	1,973	1,973	-	-	-	-	-
Unsecured bank overdrafts	843	843	-	-	-	-	-
Secured bankers' acceptance	1,504	1,504	-	-	-	-	-
Unsecured bankers' acceptance	19,278	19,278	-	-	-	-	-
Secured revolving credit	3,000	3,000	-	-	-	-	-
Unsecured revolving credit	4,000	4,000	-	-	-	-	-
	32,412	32,412	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS
- 30 JUNE 2009 (cont'd)

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	
	2009 RM'000	**2008 RM'000**	**2009 RM'000**	**2008 RM'000**
Forward foreign exchange contracts				
Receivables				
- Contractual value	1,022	44,410	1,022	1,919
- Fair value	22	506	22	20

The fair value of the above forward exchange contracts is based on foreign currency rates translated at year end rates. These foreign exchange contracts would expire within a year from balance sheet date.

26. OPERATING LEASES

Leases as lessee

Non-cancellable operating lease rentals are payables as follows:

	GROUP	
	2009 RM'000	**2008 RM'000**
Less than 1 year	69	394
Between 1 and 5 years	104	206

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

NOTES TO THE FINANCIAL STATEMENTS
- 30 JUNE 2009 (cont'd)

27. CAPITAL AND OTHER COMMITMENTS

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

	GROUP		COMPANY	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Authorised and contracted:				
- Leasehold land and buildings	562	712	-	-
- Purchase of plant and equipment	107	2,273	33	1,635
- Investment in a subsidiary	1,591	-	1,591	-
	2,260	2,985	1,624	1,635
Authorised but not contracted for:				
- Leasehold land and buildings	24,391	24,449	24,391	24,449
- Investment in a proposed subsidiary	-	4,955	-	4,955
	26,651	32,389	26,015	31,039

28. CONTINGENT LIABILITIES

(a) *Corporate guarantee*

	COMPANY	
	2009 RM'000	2008 RM'000
Unsecured		
Corporate guarantee given to a bank for credit facilities extended to a subsidiary	10,035	10,035
Secured		
Property charged to a bank for credit facilities extended to a subsidiary	5,000	-

(b) *Litigations*

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

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

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

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

29. RELATED PARTIES

Identity of related parties

For the purposes 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.

NOTES TO THE FINANCIAL STATEMENTS
- 30 JUNE 2009 (cont'd)

29. RELATED PARTIES (cont'd)

Identity of related parties (cont'd)

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:

	Transaction value year ended 30 June		Balances as at 30 June	
	2009	2008	2009	2008
COMPANY	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Transactions with subsidiaries:				
Hovid Pharmacy Sdn. Bhd.				
Sales	30,029	30,615	-	-
Interest income	794	780	-	-
Reallocation of common cost	2,602	4,066	-	-
Amount due by - trade	-	-	18,257	16,264
Amount due by - non-trade	-	-	-	841
Amount due to - non-trade	-	-	(238)	-
Carotech Berhad				
Sales	242	106	-	-
Interest income	607	332	-	-
Reallocation of common cost	964	1,133	-	-
Purchases	(1,252)	(798)	-	-
Steam services expenses	(360)	(360)	-	-
Amount due by - non-trade	-	-	18,163	9,150
Amount due to - trade	-	-	(1,618)	(608)
Carotech Inc.				
Purchases	(79)	(171)	-	-
Hovid Inc.				
Sales	4,197	2,761	-	-
Interest income	290	213	-	-
Reallocation of common cost	883	905	-	-
Amount due by - trade	-	-	1,008	1,022
Amount due by - non-trade	-	-	2,679	2,752
Javid Sdn. Bhd.				
Amount due by - non-trade	-	-	1,927	1,886

NOTES TO THE FINANCIAL STATEMENTS
- 30 JUNE 2009 (cont'd)

29. RELATED PARTIES (cont'd)

Identity of related parties (cont'd)

	Transaction value year ended 30 June		Balances as at 30 June	
COMPANY	**2009 RM'000**	**2008 RM'000**	**2009 RM'000**	**2008 RM'000**
Transactions with subsidiaries:				
Ho Yan Hor (S) Pte. Ltd.				
Amount due to - non-trade	-	-	(73)	(78)
Hovid Marketing Sdn. Bhd.				
Sales	257	205	-	-
Reallocation of common cost	-	7	-	-
Purchases	(19)	(5)	-	-
Amount due by - trade	-	-	260	279
Amount due by - non-trade	-	-	2,018	1,161
Hovid Nutriworld Sdn. Bhd.				
Reallocation of common cost	-	2	-	-
Amount due by - non-trade	-	-	2,820	2,320
Hovid Life Science Pte. Ltd.				
Amount due by - non-trade	-	-	66	52
Hovid International Limited				
Amount due by - non-trade	-	-	4,646	717
Hovid Limited				
Sales	1,340	1,974	-	-
Amount due by - trade	-	-	1,087	1,436
Amount due by - non-trade	-	-	99	68
Hovid Research Sdn. Bhd.				
Amount due by - non-trade	-	-	9	3
Khard Carotech Pvt. Ltd.				
Sales	-	5	-	-
Amount due by - trade	-	-	-	5
Agrovid S.A.				
Amount due by - non-trade	-	-	97	-
Best Practice International Sdn. Bhd.				
Amount due by - non-trade	-	-	4	-

NOTES TO THE FINANCIAL STATEMENTS
- 30 JUNE 2009 (cont'd)

29. RELATED PARTIES (cont'd)

	Transaction value year ended 30 June		Balances as at 30 June	
	2009	2008	2009	2008
GROUP	RM'000	RM'000	RM'000	RM'000
Transaction with a company in which a Director has financial interest:				
Purchase of trading goods from:				
Chengdu Lycotec Bio-Products Co. Ltd.	(1,659)	(1,297)	-	-
Amount owing from:				
Chengdu Lycotec Bio-Products Co. Ltd.	-	-	-	1,001
Amount owing to:				
Ho Yan Hor Holdings Sdn. Bhd.	-	-	(1)	-
GROUP				
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.	(124)	(299)	(40)	(75)
COMPANY				
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.	(85)	(188)	(20)	(60)

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

30. SIGNIFICANT EVENTS

(a) On 11 July 2008, the Company entered into a Shareholders' Agreement with original shareholders of Biodeal Pharmaceuticals Private Limited and Biodeal Pharmaceuticals Private Limited ("JVCo") to regulate their relationship and their respective rights and obligation, as shareholders of JVCo and Hovid to subscribe for a 51% majority and controlling share of JVCo for INR127,500,000 for 12,750,000 new shares with par value of INR10 each.

(b) The Company announced that its wholly-owned subsidiary, Hovid International Limited ("HIL") 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.

31. SUBSEQUENT EVENTS

On 21 August 2009, a subsidiary of the Company, Carotech Berhad ("Carotech") has made an announcement to Bursa Malaysia Securities Berhad on its proposed renounceable rights issue of up to 456,144,000 new ordinary shares of RM0.10 each in Carotech ("Carotech Shares") ("Rights Shares") on the basis of one (1) Rights Share for every one (1) existing Carotech Share held. Barring any unforeseen circumstances, the exercise is expected to be completed by end of year 2009. An Extraordinary General Meeting was held by Carotech on 2 October 2009 where the proposed exercise was approved by the shareholders of Carotech.

The Company, as the substantial shareholder of Carotech with shareholdings of 265,407,920 Carotech Shares representing approximately 58.19% equity interest in Carotech as at 1 September 2009, has via its letter dated 11 September 2009 provided an unconditional and irrevocable written undertaking to subscribe in full to its entitlement of 265,407,920 Rights Shares. The subscription of these Rights Shares is expected to be funded mainly by external borrowings and the remainder by internally generated funds.

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 29 to 82 are 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 2009 and of their financial performance and cash flows for the year then ended.

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: 16 October 2009

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 29 to 82 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 16 October 2009.

....

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 2009 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 29 to 82.

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 2009 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.

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

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

NG SWEE WENG
Partner
Approval Number: 1414/03/10 (J/PH)
Chartered Accountant

Date: 16 October 2009

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	Net Book Value as at 30 June 2009 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 10 to 45 years old.	Land area: 123,915 sq. ft. Gross built-up area: 75,692 sq. ft.	Date of valuation: 30 October 2008	8,176
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 64 years	Land area: 1,331 sq. ft. Gross built-up area: 2,331 sq. ft.	Date of valuation: 30 October 2008	219
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: 10 years	Land area: 2,050 sq. ft. Gross built-up area: 2,974 sq. ft.	Date of valuation: 30 October 2008	298
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: 7 years	Land area: 286,350 sq. ft. Gross built-up area: 40,744 sq. ft.	Date of valuation: 30 October 2008	15,374
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 biodiesel and phytonutrients extraction plant/ ancillary buildings and also the newly constructed biodiesel and phythonutrients extraction plant.	Tenure: Freehold Approximate age: Between 1 to 14 years	Land area: 588,334 sq. ft. Gross floor area: 48,138 sq. ft.	Date of valuation: 30 October 2008	21,362

LIST OF PROPERTIES (cont'd)

Postal address / Location / Title details of the Properties	Description / Existing use	Tenure of Lease / Approximate age of building	Land Area / Gross Built-up Area	Date of acquisition/ Valuation	Net Book Value as at 30 June 2009 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: 39 years	Land area: 1,740 sq. ft. Gross built-up area: 3,439 sq. ft.	Date of valuation: 30 October 2008	497
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: 28 years	Land area: 1,336 sq. ft. Gross built-up area: 4,361 sq. ft.	Date of valuation: 30 October 2008	660
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: 10 years	Land area: 1,400 sq. ft. Gross built-up area: 2,722 sq. ft.	Date of valuation: 30 October 2008	184
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: 27 years	Land area: 1,750 sq. ft. Gross built-up area: 5,250 sq. ft.	Date of valuation: 30 October 2008	850
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 54 years	Land area: 52,525 sq. ft. Gross built-up area: 3,364 sq. ft.	Date of valuation: 30 October 2008	931

LIST OF PROPERTIES (cont'd)

Postal address / Location / Title details of the Properties	Description / Existing use	Tenure of Lease / Approximate age of building	Land Area / Gross Built-up Area	Date of acquisition/ Valuation	Net Book Value as at 30 June 2009 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 8 to 10 years old	Total land area: 8,000 sq. ft. (or 2,000 sq. ft. per lot) Gross built-up area: 11,500 sq. ft. (or 2,875 sq. ft. per unit)	Date of valuation: 30 October 2008	1,380
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: 18 years	Land area: 1,776 sq. ft. Gross built-up area: 4,312 sq. ft.	Date of valuation: 30 October 2008	645
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: 17 years	Land area: 1,540 sq. ft. Gross built-up area: 3,016 sq. ft.	Date of valuation: 30 October 2008	447
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: 30 October 2008	5,730
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 biodiesel and phytonutrients extraction plant.	Tenure: 89 years leasehold Approximate age of the buildings: 2 years	Land area: 1,391,890 sq. ft. Gross floor area: 137,082 sq. ft.	Date of valuation: 30 October 2008	39,747
* Plots 88 (g) Taman Perindustrian Bayan Lepas, Fasa IV, Mukim 12, BDB.	Industrial Land acquired for research and development	Tenure: 60 years leasehold	Land area: 54,490 sq. ft.	Date of acquisition: 2 March 2007	1,102

Notes:

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

ANALYSIS OF SHAREHOLDINGS
As At 7 October 2009

Share Capital	
Authorised Share Capital	RM200,000,000.00
Issued and Fully Paid Share Capital	RM76,208,000.00 comprising 762,080,000 ordinary shares of RM0.10 each
Class of Shares	Ordinary Shares of RM0.10 each
Voting Rights	1 vote per Ordinary Share

Shareholdings Distribution

Size of Holdings	No. of Shareholders/ Depositors	% of Shareholders/ Depositors	No. of Shares Held	% of Issued Capital
Less than 100 shares	2	0.02	25	0.00
100 – 1,000 shares	331	3.91	254,440	0.03
1,001 – 10,000 shares	4,224	49.92	27,712,152	3.64
10,001 – 100,000 shares	3,452	40.79	124,155,788	16.29
100,001 – 38,103,999 shares	449	5.31	236,511,795	31.04
38,104,000 shares and above	4	0.05	373,445,800	49.00
Total	**8,462**	**100.00**	**762,080,000**	**100.00**

Directors' Shareholdings As Per Register Of Directors As At 7 October 2009

	No. of Shares Held			
Name	**Direct**	**%**	**Indirect**	**%**
Ho Sue San @ David Ho Sue San	377,762,680	49.57	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 7 October 2009

	No. of Shares Held			
Name	**Direct**	**%**	**Indirect**	**%**
Ho Sue San @ David Ho Sue San	377,762,680	49.57	0	0

ANALYSIS OF SHAREHOLDINGS
As At 7 October 2009 (cont'd)

List of Top Thirty (30) Shareholders/Depositors

No	Name of Shareholders	No. of Shares Held	%
1	EB NOMINEES (TEMPATAN) SENDIRIAN BERHAD PLEDGED SECURITIES ACCOUNT FOR HO SUE SAN @ DAVID HO SUE SAN (IPO)	135,948,400	17.84
2	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HO SUE SAN @ DAVID HO SUE SAN (32531 IPOH)	110,456,000	14.49
3	MIDF AMANAH INVESTMENT NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HO SUE SAN @ DAVID HO SUE SAN (MIDF)	66,075,000	8.67
4	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD PLEDGED SECURITIES ACCOUNT FOR HO SUE SAN @ DAVID HO SUE SAN (20-00214-000)	60,966,400	8.00
5	LEMBAGA TABUNG HAJI	35,445,800	4.65
6	TASEC NOMINEES (TEMPATAN) SDN BHD TA FIRST CREDIT SDN BHD FOR IBRAHIM BIN HAJI AHMAD	17,500,000	2.30
7	MOHD SAINI BIN KARIMAN	12,000,000	1.57
8	SEGI SATRIA SDN BHD	8,000,000	1.05
9	LIONG KAM HON	7,895,360	1.04
10	TOH MAY FOOK	5,485,000	0.72
11	CHOW SONG KUANG	5,057,600	0.66
12	LIM GUAT IM	4,700,000	0.62
13	CHAN KIN MENG	4,000,000	0.52
14	MAYBAN NOMINEES (TEMPATAN) SDN BHD MAYBAN INVESTMENT MANAGEMENT SDN BHD FOR SERENA BINTI M ISMAIL (8SMI1-250065)	3,200,000	0.42
15	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE CHEE SIONG (SS2/TAS)	2,938,000	0.39
16	HO SUE SAN @ DAVID HO SUE SAN	2,680,800	0.35
17	LEONG CHOOI KHAUN	2,500,000	0.33
18	CHOONG FOO WAH	2,345,865	0.31
19	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CAPITAL SUCCESS LEADER (M) SDN BHD (E-SS2/RWG)	2,200,000	0.29
20	CHEN TAM CHAI	1,968,000	0.26
21	MALAYSIAN ASSURANCE ALLIANCE BERHAD AS BENEFICIAL OWNER (VULTURE FUND)	1,850,200	0.24
22	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR DFA EMERGING MARKETS SMALL CAP SERIES	1,803,300	0.24
23	GOH TIAN HOCK	1,765,830	0.23
24	VOON SAI MOI	1,686,000	0.22
25	MAYBAN SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NG LOO SOON (RF1-MARGIN)	1,547,500	0.20
26	CITIGROUP NOMINEES (ASING) SDN BHD PERSHING LLC FOR GAA-GLOBAL ASSET ALLOCATION CORP	1,200,000	0.16
27	LEE KOK AN	1,200,000	0.16
28	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHIENG YOU PING	1,160,000	0.15
29	MAYBAN NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TANG SING LING	1,076,200	0.14
30	CHIN AH FOOK	1,000,000	0.13
		505,651,255	66.35

ANALYSIS OF WARRANT HOLDINGS
As At 7 October 2009

No. of Warrants	381,040,000
No. of Warrant Holders	4,146

Warrant Holders Distribution

Size of Warrant Holdings	No. of Warrant Holders	% of Warrant Holders	No. of Warrants Held	% of Warrant Holdings
Less than 100 warrants	5	0.12	250	0.00
100 – 1,000 warrants	398	9.60	262,800	0.07
1,001 – 10,000 warrantss	2,065	49.81	9,640,500	2.53
10,001 – 100,000 warrants	1,403	33.84	50,742,815	13.32
100,001 – 19,051,999 warrants	274	6.61	121,468,235	31.88
19,052,000 warrants and above	1	0.02	198,925,400	52.20
Total	**4,146**	**100.00**	**381,040,000**	**100.00**

Directors' Warrant Holdings As Per Register Of Directors As At 7 October 2009

	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 7 October 2009

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

ANALYSIS OF WARRANT HOLDINGS
As At 7 October 2009 (cont'd)

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	TASEC NOMINEES (TEMPATAN) SDN BHD TA FIRST CREDIT SDN BHD FOR IBRAHIM BIN HAJI AHMAD	8,750,000	2.30
3	MOHD SAINI BIN KARIMAN	6,000,000	1.57
4	MAYBAN SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YEOH CHOO HOON (RC8-MARGIN)	4,700,000	1.23
5	CHOW SONG KUANG	4,034,300	1.06
6	SEGI SATRIA SDN BHD	4,000,000	1.05
7	LIONG KAM HON	3,947,680	1.04
8	MAYBAN NOMINEES (TEMPATAN) SDN BHD ETIQA INSURANCE BERHAD (LIFE PAR FUND)	2,670,000	0.70
9	TOH MAY FOOK	2,350,000	0.62
10	LEE CHEE SIONG	2,299,100	0.60
11	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM KAM SENG (IPH)	2,200,000	0.58
12	CHAN KIN MENG	2,000,000	0.52
13	LIM GUAT IM	2,000,000	0.52
14	MAYBAN NOMINEES (TEMPATAN) SDN BHD MAYBAN INVESTMENT MANAGEMENT SDN BHD FOR SERENA BINTI M ISMAIL (8SMI1-250065)	1,600,000	0.42
15	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YONG BEE YEN (E-IMO)	1,280,000	0.34
16	GOH TIAN HOCK	1,264,600	0.33
17	TAN BOOK SOON	1,200,000	0.31
18	TAN EYOK SHIONG	1,200,000	0.31
19	POW CHOON YAK	1,183,000	0.31
20	LEE CHEE HONG	1,100,000	0.29
21	CHIEW HAI FANG	1,100,000	0.29
22	HDM NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SIEW LIP SUNG (M10)	1,100,000	0.29
23	MIDF AMANAH INVESTMENT NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR AB GHANI BIN HAJI MAHMOOD (CTS-AGH0001C)	1,000,000	0.26
24	POH WEI NEE	1,000,000	0.26
25	YAP TECK LONG	986,000	0.26
26	ONG HOEE SIONG	963,600	0.25
27	SHARMALA DEVI A/P V THURAIRATNAM	936,400	0.25
28	THOMAS LO KIAT ON	930,000	0.24
29	FUSEN PRINTERS SDN BHD	900,000	0.24
30	ECML NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SIM PENG KAI (MG0000119)	768,500	0.20
		262,388,580	68.85

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

1. INTRODUCTION

(a) Proposed Renewal of Shareholders' Mandate for Share Buy-Back

At the Company's Twenty-eighth ("28th") Annual General Meeting ("AGM") held on 21 November 2008, 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 Twenty-ninth ("29th") Annual General Meeting ("29th AGM") of the Company, which will be held on 23 November 2009. On 12 October 2009, 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 29th 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 29th AGM until:

(i) the conclusion of the next AGM of the Company, at which time it will lapse, 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 passed by the shareholders of the Company in general meeting,

whichever occurs first.

(b) 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 29th AGM. A notice of the 29th AGM together with the Form of Proxy are enclosed in this Annual Report.

2. 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.

3. EVALUATION OF THE PROPOSED SHARE BUY-BACK

(a) 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;

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

3. EVALUATION OF THE PROPOSED SHARE BUY-BACK (cont'd)

(a) Advantages (cont'd)

(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.

(b) 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 borrowing 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 the 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.

4. 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 2009, the retained profits and share premium accounts of the Company were approximately RM38.20 million and RM0.09 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.

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

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

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

5. EFFECTS OF THE PROPOSED SHARE BUY-BACK

(a) Share Capital

The effects of the Proposed Share Buy-Back on the issued and paid-up share capital of Hovid will depend on whether the Hovid Share(s) purchased pursuant to the Proposed Share Buy-Back ("Purchased Shares") are cancelled or retained as treasury share(s). Based on the issued and paid-up share capital of the Company as at 7 October 2009, and assuming that the maximum number of Hovid Shares (of up to ten per cent (10%) of the issued and paid-up share capital) authorised under the Proposed Share Buy-Back are purchased and cancelled, the effect of the Proposed Share Buy-Back is set out below:-

	Minimum Scenario Assuming that none of the Warrants 2008/2013 are exercised		Maximum Scenario Assuming that all the outstanding Warrants 2008/2013 are exercised	
	No. of Shares	RM	No. of Shares	RM
Issued and paid-up share capital as at 7 October 2009	762,080,000	76,208,000	762,080,000	76,208,000
To be issued pursuant to the exercise of Warrants 2008/2013[(i)]	-	-	381,040,000	38,104,000
Enlarged issued and paid-up share capital	762,080,000	76,208,000	1,143,120,000	114,312,000
Assuming cancellation of Hovid Shares purchased pursuant to the Proposed Share Buy-Back[(ii)]	(76,208,000)	(7,620,800)	(114,312,000)	(11,431,200)
Resultant issued and paid-up share capital	685,872,000	68,587,200	1,028,808,000	102,880,800

Notes:-

(i) *Assuming that the 381,040,000 outstanding Warrants 2008/2013 as at 7 October 2009 are fully exercised.*

(ii) *Based on the maximum numbers of Hovid Shares (of up to ten percent (10%) of the issued and paid-up share capital) that may be purchased.*

Conversely, if the Hovid Shares purchased are retained as treasury shares, resold or distributed as share dividends to its shareholders, the Proposed Share Buy-Back will have no effect on the issued and paid-up share capital of Hovid.

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

(b) 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.

(c) 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 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.

(d) 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.

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

6. OTHER DISCLOSURES IN RELATION TO THE PROPOSED SHARE BUY-BACK

(a) Public Shareholding Spread

According to the Company's Record of Depositors as at 7 October 2009, there were 8,456 public shareholders holding not less than 100 Hovid Shares, with a total shareholding of 49.34% 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 7 October 2009 is carried out in full, Hovid's shareholding spread would be reduced to approximately 43.71%.

(b) Take-Overs and Mergers Code ("the Code")

A person and any person acting in concert with him will be obliged to make a mandatory general offer ("MGO") under Part II of the Code for the remaining ordinary shares of the Company not already owned by him/them if as a result of the Proposed Share Buy-Back:-

(i) a shareholder who holds less than 33% of the voting shares of Hovid has inadvertently increased his shareholding to more than 33%; or

(ii) a shareholder who holds more than 33% but less than 50% of the voting shares of Hovid has inadvertently increased his shareholdings by 2% or more within a six (6) month period.

Based on the issued and paid-up ordinary share capital of Hovid as at 7 October 2009, the total shareholdings of Mr Ho Sue San @ David Ho Sue San ("Major Shareholder") and Mr Ho Sue Cheong ("Person Acting on Concert") in Hovid is approximately 49.59% of the issued and paid-up ordinary share capital of the Company. If the Proposed Share Buy-Back is carried out in full (whether shares are cancelled or treated as treasury shares), the total shareholdings of the Major Shareholder and Person Acting in Concert in Hovid would increase to approximately 55.10% and 56.07% of the issued and paid-up ordinary share capital of the Company based on the Minimum Scenario and Maximum Scenario respectively.

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

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

(c) 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.

7. PURCHASE AND RESALE OF HOVID SHARES MADE IN THE FINANCIAL YEAR ENDED 30 JUNE 2009

Information on the purchase of Hovid Shares during the financial year ended 30 June 2009 is set out in the Additional Compliance Information of the Statement On Corporate Governance in Hovid's Annual Report 2009.

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

8. SHAREHOLDINGS OF THE DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND PERSON CONNECTED TO THEM IN HOVID SHARES

The effect of Proposed Share Buy-Back on the shareholdings of our Directors, Substantial Shareholders and Person Connected to them based on the Register of Substantial Shareholders' and Directors' Shareholdings as at 7 October 2009 on the assumption that the Proposed Share Buy-Back is implemented up to the maximum of 10% of the issued and paid-up share capital and the Purchased Shares are from the shareholders other than the Directors and Substantial Shareholders of Hovid are set out below:-

(a) Minimum Scenario – Assuming no outstanding Warrants 2008/2013 are exercised during the implementation of the Proposed Share Buy-Back

	As at 7 October 2009				After Proposed Share Buy-Back			
	Direct		Indirect		Direct		Indirect	
	No. of shares held	%	No. of shares held	%	No. of shares held	%	No. of shares held	%
Substantial Shareholder								
Ho Sue San @ David Ho Sue San	377,762,680	49.57	-	-	377,762,680	55.08	-	-
Directors								
Ho Sue San @ David Ho Sue San	377,762,680	49.57	-	-	377,762,680	55.08	-	-
Liong Kam Hon	7,895,360	1.04	-	-	7,895,360	1.15	-	-
Leong Kwok Yee	290,400	0.04	-	-	290,400	0.04	-	-
Chuah Chaw Teo	-	-	-	-	-	-	-	-
YM Raja Shamsul Kamal Bin Raja Shahruzzaman	-	-	-	-	-	-	-	-
Person connected to Director/Substantial Shareholder								
Ho Sue Cheong	161,000	0.02	-	-	161,000	0.02	-	-

(b) Maximum Scenario – Assuming all outstanding Warrants 2008/2013 are exercised during the implementation of the Proposed Share Buy-Back

	As at 7 October 2009				After full exercise of Warrants 2008/2013				After Proposed Share Buy-Back			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of shares held	%	No. of shares held	%	No. of shares held	%	No. of shares held	%	No. of shares held	%	No. of shares held	%
Substantial Shareholder												
Ho Sue San @ David Ho Sue San	377,762,680	49.57	-	-	576,688,080	50.45	-	-	576,688,080	56.05	-	-
Directors												
Ho Sue San @ David Ho Sue San	377,762,680	49.57	-	-	576,688,080	50.45	-	-	576,688,080	56.05	-	-
Liong Kam Hon	7,895,360	1.04	-	-	11,843,040	1.04	-	-	11,843,040	1.15	-	-
Leong Kwok Yee	290,400	0.04	-	-	435,600	0.04	-	-	435,600	0.04	-	-
Chuah Chaw Teo	-	-	-	-	-	-	-	-	-	-	-	-
YM Raja Shamsul Kamal Bin Raja Shahruzzaman	-	-	-	-	-	-	-	-	-	-	-	-
Person connected to Director/ Substantial Shareholder												
Ho Sue Cheong	161,000	0.02	-	-	241,500	0.02	-	-	241,500	0.02	-	-

9. 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.

10. 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, the Directors recommend that you vote in favor of the ordinary resolution for the Proposed Share Buy-Back to be tabled at the forthcoming 29th AGM.

11. 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.

Continuous Innovation & Quality

HOVID BERHAD

(58476-A)

CDS Account No. of authorised nominee

PROXY FORM

TWENTY-NINTH (29TH) ANNUAL GENERAL MEETING

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-ninth (29th) Annual General Meeting of the Company, to be held at Heritage Ballroom, Heritage Hotel Ipoh, Jalan Raja DiHilir, 30350 Ipoh, Perak Darul Ridzuan on Monday, 23 November 2009, at 10.30 a.m. and, at every adjournment thereof.

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

	Ordinary Business	**FOR**	**AGAINST**
Resolution 1	Adoption of Audited Financial Statements and Reports for the financial year ended 30 June 2009		
Resolution 2	Approval of Directors' fees		
Resolution 3	Re-election of Mr Liong Kam Hon as Director		
Resolution 4	Re-election of Mr Chuah Chaw Teo as Director		
Resolution 5	Re-appointment of Messrs KPMG as Auditors and authorising the Directors to fix their remuneration		
	Special Business		
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 ______________________ 2009

No. of ordinary shares held

______________________________ ______________________________

Signature/Common Seal of Member Telephone Number of Member

Notes:-

1. *A member of the Company entitled to attend and vote at the meeting is entitled to appoint more than two (2) proxies to attend and vote in his/her stead at the same meeting. A proxy may but need not be a member of the Company and Section 149(1)(a) and (b) of the Act shall not apply to the Company.*
2. *Where a member appoints two (2) or more proxies, the appointment shall be invalid unless the member specifies the proportion of his shareholdings to be represented by each proxy. Each proxy appointed, shall represent a minimum of 100 shares held by the member.*
3. *Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.*
4. *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.*
5. *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.*
6. *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 16 November 2009. Only a member whose name appears on the General Meeting Record of Depositors as at 16 November 2009 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