hovid

HOVID BERHAD
(58476-A)

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HOVID BERHAD (58476-A)

Annual Report 2010

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Annual Report 2010

HOVID BERHAD
(58476-A)

Contents

Notice Of **Annual General Meeting**

NOTICE IS HEREBY GIVEN that the Thirtieth (30th) 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 Wednesday, 15 December 2010, 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 2010 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 2010 to be divided amongst the Directors in such manner as the Directors may determine. **Resolution 2**

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

4. To re-elect Mr Leong Kwok Yee 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 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 percent (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 Main Market Listing Requirements of Bursa Securities, approval be and is hereby given to the Company and/or its subsidiaries to enter into recurrent related party transactions ("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

(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 following this AGM, 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 all 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 Main Market 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 following this AGM, 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 all such documents as may be required) to give effect to the RRPTs contemplated and/or authorised by this Ordinary Resolution." **Resolution 8**

9. **ORDINARY RESOLUTION**
PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR THE PURCHASE BY HOVID OF ITS OWN ORDINARY SHARES ON BURSA SECURITIES OF NOT MORE THAN TEN PERCENT (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 Main Market 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 percent (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 or 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. **SPECIAL RESOLUTION**
PROPOSED AMENDMENT TO THE ARTICLES OF ASSOCIATION OF THE COMPANY

"THAT the existing Article 145 of the Company's Articles of Association be deleted in its entirely and substituted with the following new Article 145:

Existing Article 145
Any dividend, interest or other monies payable in cash in respect of shares may be paid by cheque or warrant sent through the post directed to the registered address of the Holder who is named on the Register of Members or Record of Depositors or to such persons and to such address as the Holder may in writting direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and the payment of any such cheque or warrant shall be as a good discharge to Company in respect of the dividend represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that the endorsement thereon has been forged. Every such cheque or warrant shall be sent at the risk of the person entitled to the money thereby represented.

New Article 145
Any dividend, interest or other monies payable in cash in respect of shares may be paid by cheque or warrant send through the post directed to the registered address of the Holder ***or paid via electronic transfer or remittance to the bank account of the Holder*** *who is named on the Register of Members or Record of Depositors or to such persons and to such address as the Holder may in writting direct. Every such cheque or warrant* ***or electronic transfer or remittance*** *shall be made payable to the order of the person to whom it is sent* ***or remitted****, and the payment of any such cheque or warrant*

or electronic transfer or remittance** shall be a good discharge to the Company in respect of the dividend represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that the endorsement thereon, **or the instruction for the electronic transfer or remittance**, has been forged. Every such cheque or warrant **or electronic transfer or remittance** shall be sent **or remitted** at the risk of the person entitled to the money thereby represented. **Where the Holder has provided to the Depository the relevant contact details for purposes of electronic notification, the Company shall notify them electronically once the Company has paid the cash dividends out of its accounts.

THAT the proposed amendment to the Company's Articles of Association as set out above be and is hereby approved and adopted **AND THAT** the Directors of the Company be and are hereby authorised to assent to any modifications, variation and/or amendments as may be required by the relevant authorities and to do all acts and things and take all such steps as may be considered necessary to give full effect to the proposed amendment to the Company's Articles of Association." **Resolution 10**

11. 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: 23 November 2010

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/her shareholding 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 authorized 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 8 December 2010. Only a member whose name appears on the General Meeting Record of Depositors as at 8 December 2010 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 percent (10%) of the issued share capital of the Company for the time being for such purposes as the Directors consider would be in the best interest of the Company. This authority, unless earlier revoked or varied by the Company at a general meeting, will expire at the next AGM of the Company. The general mandate for issue of shares is a renewal. The Directors did not allot nor issue any shares under the same mandate granted last year. Nevertheless a renewal for the said mandate is sought to avoid incurring any costs or delay in convening a general meeting. The Directors would utilize the proceeds raised from this mandate for working capital or such other applications they may in their absolute discretion deem fit.

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 Main Market Listing Requirements of Bursa Securities. The mandate, unless revoked or varied by the Company at a general meeting, will expire at the next AGM of the Company.

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 percent (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. The proposed Resolution 10 (Special Resolution) on Proposed Amendment to the Articles of Association of the Company, if passed, will render the Company's Articles of Association in line with the Main Market Listing Requirements of Bursa Securities on electronic dividend payment to shareholders.

5. Details of the proposed Ordinary Resolution No. 7 and 8 are contained in the Circular to Shareholders dated 23 November 2010 accompanying the Company's Annual Report 2010.

6. Details of the proposed Ordinary Resolution No. 9 are contained in the Share Buy-Back Statement on Pages 94 to 99 of this Annual Report.

Corporate **Information**

Board Of Directors

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

Leong Kwok Yee
Independent Non-Executive Director

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

Chuah Chaw Teo
Independent Non-Executive Director

Liong Kam Hon
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
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

Affin Investment Bank Berhad
27th Floor, Menara Boustead,
69, Jalan Raja Chulan,
50200 Kuala Lumpur

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

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 28 October 2010

HOVID BERHAD (58476-A)

Continuous Innovation & Quality

- 100% Hovid Research Sdn. Bhd.
- 51% Biodeal Pharmaceuticals Private Limited
- 38% *Carotech Berhad
  - 100% Liaoning 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.

* Since August 2010, Hovid has sold about 20% shares in Carotech Berhad.

Directors' Profile

Ho Sue San @ David Ho Sue San

A Malaysian aged 61, 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 six (6) Board meetings held during the financial year ended 30 June 2010. 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 2010.

Liong Kam Hon

A Malaysian aged 64, 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 six (6) Board meetings held during the financial year ended 30 June 2010. 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)

Chuah Chaw Teo

A Malaysian aged 59, 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 six (6) Board meetings held during the financial year ended 30 June 2010. 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.

Leong Kwok Yee

An Australian aged 60, 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. He was appointed as an advisor of Li & Fung (Trading) Ltd. from February 2009 to 30 June 2010. Since 1 July 2010, he is working as a Consultant of Li & Fung (1937) 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 six (6) Board meetings held during the financial year ended 30 June 2010. 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 49, 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 is currently the Senior Partner at the private equity management firm of Vida Partners Sdn. Bhd. based in Kuala Lumpur. He also sits on the Board of Carotech Berhad as the Independent Non-Executive Director.

YM Raja Shamsul Kamal Bin Raja Shahruzzaman is the Chairman of the Nomination and Remuneration Committee and a member of the Audit Committee of the Company. He has attended all the six (6) Board meetings held during the financial year ended 30 June 2010. 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 am pleased to present to you the Annual Report and Audited Financial Statements for the financial year ended 30 June 2010.

Our theme for the year is *Pharma Focus*. We are focusing on expanding the capacity in the Pharmaceutical Segment, to achieve greater sales and better returns and making more in roads in new territories to capitalize the vast expanding health industry.

Corporate Development

Biodeal Pharmaceuticals Private Limited

On 1 June 2010, the Group completed the acquisition of 51% equity interest in Biodeal Pharmaceuticals Private Limited ("Biodeal"), a company incorporated in India. Biodeal is involved in manufacturing of pharmaceutical and consumer products. The authorised, issued and paid up share capital of Biodeal is INR250,000,000 comprising of 25,000,000 shares of INR10 each.

Carotech Berhad's Rights Issue

On 8 December 2009, Carotech Berhad ("Carotech"), raised RM45.6 million from the issuance from its fully subscribed Renounceable Rights Issue of 456,144,000 new ordinary shares of RM0.10 each listed on Bursa Malaysia Securities Berhad ("Bursa Securities"). The proceeds from the Rights Issue have been utilised as working capital.

Corporate Debt Restructuring at Carotech Berhad

On 1 July 2010, Carotech made an announcement pursuant to Guidance Note 5 of the Bursa Securities ACE Market Listing Requirements that Carotech has defaulted on its principal and interest servicing in respect of certain banking facilities from lender banks. Concurrently, on the same day, Carotech obtained the approval of Corporate Debt Restructuring Committee ("CDRC") to mediate its debts restructuring exercise.

Carotech has invested more than RM300 million over the past three and a half years to increase its capacity to cater for the increasing demand for both phytonutrient and oleochemical products. However, the significant increase in the material prices, particularly the price of Crude Palm Oil, and the subsequent global economic turmoil has curtailed underlying demand, and reduced Carotech's ability of generating excess cash flow to meet its debt obligations. In order to have a composite long-term solution to its debt obligation, Carotech has sought the assistance of the CDRC to mediate on the debt restructuring exercise. Carotech has been allowed a period of six (6) months commencing from 1 July 2010 to complete the debt restructuring exercise.

At the time of printing this Annual Report, there has been no material development on the status of the proposed debt restructuring scheme. The financial lenders are still reviewing and considering the proposed scheme.

Admission into Guidance Note 3 ("GN3")

Without having the written approval of the lenders for the proposed debt restructuring scheme and various uncertainties at the point when the audited financial statements for financial year ended 30 June 2010 was completed, the auditors of Carotech has expressed a disclaimer opinion on the financial statements for the financial year ended 30 June 2010. Consequently, Carotech has triggered the GN3 criteria of the Listing Requirements of Bursa Securities for the ACE Market.

Admission into Practice Note 17 ("PN17")

Considering Carotech was a significant subsidiary in the Hovid Group of companies as at 30 June 2010, the disclaimer opinion at Carotech flowed onto the financial statements of Hovid too. Consequently, Hovid triggered the PN17 criteria of the Main Market Listing Requirements of Bursa Securities and had been classified as a PN17 Company. At the time of printing this annual report, Hovid is in discussion with its advisors and Bursa Securities on a Regularisation Plan, as required for a PN17 Company. The Regularisation Plan would be duly announced in due course as per the requirement of PN17.

Disposal of Shares in Carotech Berhad

Since August 2010, Hovid had disposed off 19.7% of its shareholdings in Carotech through the open market. After the disposal, the effective interest of Hovid in Carotech is 38.5%. Consequently, Carotech is no longer a subsidiary of Hovid at the time of printing this annual report. The rationale for the disposal was to reduce the loan amount owing to Affin Investment Bank Berhad ("Affin") and to mitigate the risk of Margin Call. Hovid has accepted a term loan facility of RM20,000,000 from Affin on 21 August 2009 to subscribe for the Rights Shares pursuant to the Rights Issue exercise undertaken by Carotech. The loan was secured by a first legal charge under Memorandum of Deposit over the Company's entire shares of 58.2% in Carotech.

Chairman's Statement (cont'd)

Financial Performance

The year 2010 had seen a significant improvement in revenue for both Phytonutrient and Pharmaceutical divisions. During the year, the Group achieved revenue of RM365.2 million against RM248.6 million in the preceding year, representing a growth of about 46.9%. Nevertheless, the Group suffered a loss after tax ("LAT") of RM92.6 million against RM6.8 million in the previous year, which was largely caused by the impairment of stocks at Carotech.

The Pharmaceutical division recorded an increase in revenue of RM10.7 million, equivalent to 9.5% increase as compared to previous financial year. Profit before tax ("PBT") for the year had increased by RM1.1 million, equivalent to 7.5% increase in comparison to previous year. The improved PBT performance was contributed by the improved revenue, as well a substantial reduction in selling and distribution expenses, but off-set by the increased amount written-off for product development expenditure during the year. Arising from the continuous review of its product development expenditure, a more prudent approach has been adopted to write-off certain products that are in development stages, which were terminated subsequent to 30 June 2010.

The Phytonutrient division recorded an increase in revenue of RM105.8 million, equivalent to 77.8% increase as compared to previous financial year. This substantial growth was largely attributed to higher sales of biodiesel arising from a full-year production capacity run at Lumut facility, and increasing demand in phytonutrient products. However, the Phytonutrient division incurred a loss before tax ("LBT") for the year of RM114.0 million from RM19.5 million in previous year. The adverse performance was mainly attributed to the allowance for slow moving inventories of RM97.7 million impairment of plant and machineries of RM12.8 million, and impairment of goodwill on consolidation of Carotech of RM12.5 million, cushioned to some extend by improved profit arising from increase in revenue and an unrealised foreign exchange ("FX") gain of RM13.0 million for the current year; compared to a FX loss of RM13.8 million in 2009. The unrealised FX gain arose from the translation of US Dollar loans, at Carotech, due to the strengthened Ringgit Malaysia as at 30 June 2010. The US Dollar loans were obtained for the construction of Lumut facility to act as a balance sheet hedge against our substantially US Dollar denominated revenues at Carotech.

Outlook and Prospects

On economic front, based on the current Economic Transformation Programme, Healthcare, as one of the 12 National Key Economic Areas (NKEA), has the potential to be the significant player in the RM422 billion prescriptions and pharmaceutical drug industry. The industry aspires to generate RM35 billion incremental gross national income (GNI) to reach RM50 billion in the next decade. The prospects for the pharmaceutical industry is therefore encouraging primarily due to growing healthcare needs, an ageing population and the continuing influenza A (H1N1) epidemic.

Hovid Group achieved a revenue of RM365.2 million, 46.9% increase compared to RM248.6 million a year ago. We expect increasing demand for our Pharmaceutical segment as Malaysia is committed to support and improve the healthcare sector. Additionally, the growing trend for pharmaceutical and healthcare products from countries all over the world arising from increased living standard has allowed us to continue broadening our reach.

In line with our current year's theme, Pharma Focus, Pharmaceutical Segment has added 21 new products to our current portfolio during the current financial year. Among these were 6 ethical products, 9 supplements, 4 in the cosmetics series and 2 in our food range. In addition, we have successfully completed 10 bioequivalence ("BE")/ bioavailability studies during this financial year. There were in total 14 products registered in Malaysia for the entire year. We have also increased the number of products for our overseas markets having obtained 109 new licenses for various countries namely, Ethiopia, Philippines, Hong Kong, Nigeria, Myanmar, Kuwait, Cambodia, Suriname, Vietnam, Tanzania, Kenya, Georgia and Saudi Arabia.

One of the significant achievements is our attainment of MS ISO/IEC: 17025 accreditation for our BA/BE Laboratory which is specifically set up to analyse drug concentrations in biological samples, being an integral part for the conduct of bioequivalence studies. With the accreditation, quality of work and professionalism throughout the company are ensured, which in turn leads to better recognition by regulatory authorities on our work and products.

Some other significant achievements include the successful collaboration with ACE Canning Sdn Bhd on the joint-development of Ho Yan Hor Herbal Tea with Drinho in tetra pack and the subsequent successful launch into the market. Talks and lectures on specific products/topics have also been held for external clients locally as well as abroad in Dubai and Nigeria. The Company has also been actively involved in research collaboration with Universiti Sains Malaysia (USM) and Malaysian Palm Oil Board (MPOB) on the neuroprotective and hepatoprotective effects of tocotrienols.

Our overseas subsidiaries in Philippines and Hong Kong are growing dynamically and achieved an annual increase in sales by 10% and 11% respectively. Forging ahead, the Group strive to focus on expanding its business and increase its market share in these two territories. We have also substantially strengthened our operation in generics products with the kick off of OEM manufacturing in our India subsidiary. Since the previous financial year, our export network has further widened to new markets, such as Saudi Arabia, United Arab Emirates and Oman.

We achieve record sales in a global market that will remain challenging for the foreseeable future. We will only remain successful if we can navigate the rapidly changing environment with diligence, foresight and reflection, and venture to seize strategic opportunities. For the future of your Company, we continue to strengthen our growth platforms, capitalise on plant utilisation, developing new markets and new customers, expanding our products portfolios and making our cost structure more flexible to maximise profitability.

Phytonutrients

Carotech's phytonutrient products specifically Tocomin® palm tocotrienol complex and Caromin® palm carotenoids complex continue to be well received in the dietary supplement industry because of our GMP ("Good Manufacturing Practice") status of your Company.

In 2007, the Food and Drugs Administration ("FDA") of the USA has issued a GMP rule requiring all dietary supplement manufacturers to implement GMP within their facilities. The ruling intends to ensure that all the products are produced with good quality, pure/unadulterated and properly labelled. This indirectly benefits ingredient manufacturers like Carotech, who already have GMP status, as these ingredients will be preferred by manufacturers in order to comply with the FDA's GMP ruling in manufacturing products.

Additionally, our Tocomin® and Caromin® have obtained the GRAS (Generally Recognized As Safe) status from the US FDA. Pursuant to the GRAS approval, Tocomin® and Caromin® can now be used in foods and drinks in the USA.

A Fresh Round of Innovations In A Slow Economy

With the GRAS approval, Carotech will move boldly into the functional and nutraceutical food & beverage sector. Industrial Analyst Package Facts reported that the US functional foods market is estimated to be worth around $43billion by 2013. There is great potential in the US for Tocomin® and Caromin® in the functional food and drinks market. Innovation in new tocotrienol functional food and beverage ingredient is underway. These products will be launched in the very near future.

Additionally, your Company is also looking to diversify and multiply the use of the palm tocotrienols into the animal feed and additives market. A series of trials are currently underway with poultry farmers both locally and overseas on the beneficial effects of feeding tocotrienols to hens at egg-laying age. We hope the trials will obtain positive results for our entry into these markets. The animal feed and additives market is estimated to be a US$18 billion business by 2015 (source: Animal Feed Additives: A Global Strategic Business Report, Global Industry Analyst, Inc.).

Phytonutrient Research : Clinical Trial Update

The first study of its kind and the world's largest clinical trial using Tocomin®SupraBio™ currently on-going at the Kepala Batas Hospital has received the attention and support of the Ministry of Plantation Industry and Commodities in Malaysia.

This clinical trial utilizes brain MRI (Magnetic Resonance Imaging) to evaluate the efficacy of tocotrienols in neuroprotection and cardioprotection. Preliminary findings include a very positive secondary outcome on fatty liver disease which are very encouraging.

Researchers chose Tocomin®SupraBio™ as the preferred palm tocotrienol complex in this clinical trial because of previous studies conducted at various research institutions and facilities locally and abroad that demonstrated promising effects of Tocomin® / Tocomin®SupraBio™ in improving recovery of brain cells after stroke and cardiovascular system protection.

The targeted trial completion date is in early 2011 – please check our websites and follow our Facebook Page to get the latest updates on this very significant study ever conducted on Tocomin®.

Corporate Social Responsibility

Corporate Social Responsibility (CSR) is an integral part of our corporate strategy and operations to deliver sustainable growth in shareholders' value. Throughout the year, your Company has carried out various CSR activities focused on Environment, Community, Workplace and Marketplace. In addition, through sponsorship of numerous supplement and consumer products to schools and organisations, your Company continues to assist in promoting health awareness amongst the public. In this financial year alone, we have supplied drugs to the Department of Social Welfare & Development (Philippines); National Blood Donation by UM, Ipoh Starwalk 2010, Blood Donation Campaign by First Aid Society UTAR, Damansara Jaya Community Blood Donation Campaign, 1 Malaysia Chinwoo Walk cum Multicultural Nite, Pusing Carnival etc., were amongst some of the events. Besides, since 2007, your Company has been supplying Chewette C to the Orang Asli children at SJK (C) TRAS, Pahang on a quarterly basis. Your Company also addressed the needy and less fortunate in neighbouring country by donation of medical supply to flood victims in Pakistan.

As a responsible corporate citizen, your Company continues to invest in and enhance its 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.

Your Company also emphasises on improving the quality of 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 express my sincere thanks and appreciation to the management and staff for their dedicated service and contributions 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.

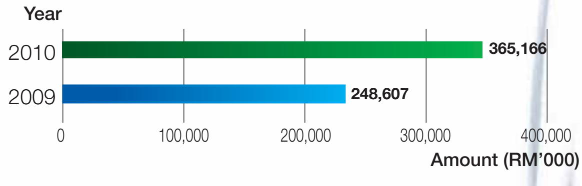
I look forward to your continuous support for the coming year.

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

Group **Financial Highlights**

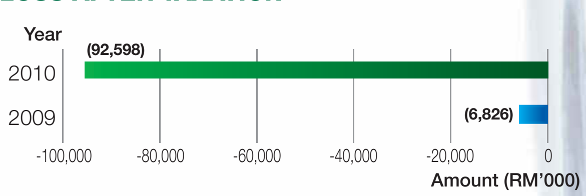
Financial Year Ended 30 June	2010 RM'000	2009 RM'000	Difference %
Revenue	365,166	248,607	46.9
EBITDA (excluding non-recurring items)	71,334	33,866	110.6
Loss after taxation ("LAT")	(92,598)	(6,826)	(1,256.5)
Net tangible assets ("NTA")	101,345	159,091	(36.3)
Total Equity Attributable to Shareholders of the Company	102,206	156,189	(34.6)
Basic (loss)/earnings per share	(7.08) sen	0.05 sen	14,260.0
Diluted (loss)/earnings per share	(4.72) sen	0.04 sen	11,900.0
Net tangible assets per share	13.3 sen	21.0 sen	24.3

REVENUE



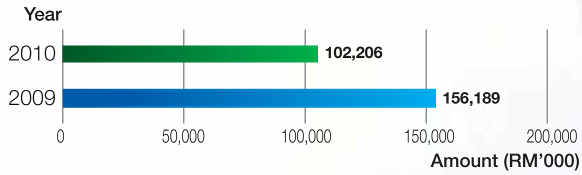
The substantial growth was attributed to the higher sales of biodiesel, phytonutrient products and pharmaceutical products.

LOSS AFTER TAXATION



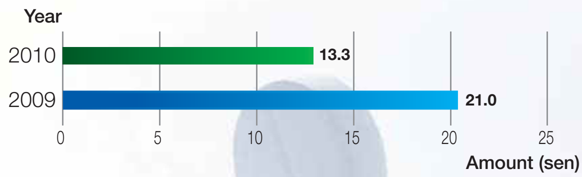
LAT increased due to provision for slow moving inventories of RM97.7 million, impairment of plant & equipment of RM12.8 million, impairment of goodwill on consolidation of RM12.5 million, cushioned by improved profit arising from increase in revenue and a net unrealized foreign exchange ("FX") gain of RM12.4 million (2009 : FX loss of RM13.8 million) and lower administrative and selling and distribution expenses.

TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY



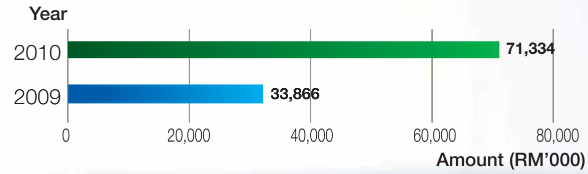
Higher losses for the year arising from impairments and provisions for slow moving inventories, plant & equipment and goodwill arising from consolidation.

NET TANGIBLE ASSETS PER SHARE



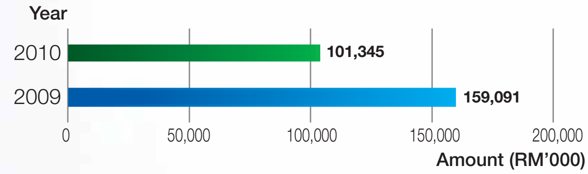
Lower NTA per share mainly due to provision for slow moving inventories of RM97.7 million, impairment of plant and equipment of RM12.8 million, offset to some extent by lower borrowings.

EBITDA (EXCLUDING NON-RECURRING ITEMS)



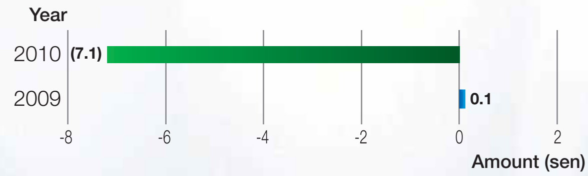
Higher EBITDA mainly due to net unrealized foreign exchange gain of RM12.4 million as compared to a loss of RM13.8 million in previous year, an increase in gross profit arising from higher revenue and a lower administrative and selling and distribution expenses.

NET TANGIBLE ASSETS



Lower NTA mainly due to provision for slow moving inventories of RM97.7 million, impairment of plant and equipment of RM12.8 million offset to some extent by lower borrowings.

BASIC (LOSS)/EARNINGS PER SHARE



The loss per share for current year in comparison to earnings in previous year, arose from impairments and provisions for slow moving inventories, plant & equipment and goodwill arising from consolidation.

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Statement On **Corporate Governance**

The Code

The Board appreciates the importance of good corporate governance within the Group as 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.

This statement set out how the Group has applied the principles of the Code and extent of compliance with the best practices throughout the financial year ended 30 June 2010.

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 role of Chairman and Managing Director is designated by the Executive Director as the Board is of the opinion that such role could be carried out without significantly affecting the practice of the Group's corporate governance. In addition, the Independent Non-Executive Directors play a vital role in providing independent views on various issues and ensure a balanced and fair deliberation process to safeguard the interests of the Company's stakeholder.

Board Meetings

Six (6) Board meetings were held during the financial year ended 30 June 2010. The attendance of each Director at the Board meetings is as follows:

Directors		Attendance/ No. of Meetings Held
Ho Sue San @ David Ho Sue San	Chairman & Managing Director	6/6
Leong Kwok Yee	Independent Non-Executive Director	6/6
YM Raja Shamsul Kamal Bin Raja Shahruzzaman	Independent Non-Executive Director	6/6
Chuah Chaw Teo	Independent Non-Executive Director	6/6
Liong Kam Hon	Executive Director	6/6

All the Directors have complied with the minimum of 50% attendance requirement of Board meetings as stipulated by the Main Market Listing Requirements of 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. Six (6) 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.

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)
Leong Kwok Yee	Member (Independent Non-Executive Director)
Chuah Chaw Teo	Member (Independent Non-Executive Director)

Appointments to the Board (cont'd)

During the financial year ended 30 June 2010, one (1) Nomination and Remuneration Committee Meeting was held. The meeting was attended by all members during their tenure. The Nomination and Remuneration Committee comprises entirely Independent Non-Executive Directors; all the three (3) Independent Non-Executive Directors are members of the Nomination and Remuneration Committee. The objectives of the Nomination and Remuneration Committee are to recommend to the Board, candidates for directorships to be filled 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 2010 are as follows:

Name	Seminar/Programme
Ho Sue San @ David Ho Sue San	• Key Management Skills
Leong Kwok Yee	• MIT Sloan Executive Education – Leadership Program • Technical Update Seminar – Accounting Standards and Taxation
YM Raja Shamsul Kamal Bin Raja Shahruzzaman	• Stock Market Mid Year Review & Outlook 2009 (Bounce or NOT to Bounce?) • The Non-Executive Director Development Series – Is it worth the risk?
Chuah Chaw Teo	• 1 Malaysia – New Economic Model • Leadership and Self-Deception
Liong Kam Hon	• Key Management Skills • Understanding ISO 9001:2008 Quality Management System

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 during the financial period are subject to retirement and re-election by the shareholders at the AGM following their appointments.

Directors' Remuneration

The aggregate remuneration of Directors of the Company for the financial year ended 30 June 2010 are categorised into the following components:

	Fees (RM)	Salaries & Other Emoluments (RM)	Benefit -in-kind (RM)	Total (RM)
Executive Directors	60,000	589,278	34,800	684,078
Non-Executive Directors	114,000	-	-	114,000

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

Remuneration Band	Executive Directors	Non-Executive Directors
Below RM50,000	-	3
RM50,001- RM100,000	1	-
RM550,001- RM600,000	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 has adopted the principles recommended by the Code whereby the level of remuneration is sufficient to attract and retain the Directors needed to run the Group successfully. The component parts of remuneration are structured so as to link rewards to corporate and individual performance, in the case of the executive Directors. In the case of Non-Executive Directors the level of remuneration reflects the level of responsibilities undertaken by the particular non-executive concerned. In addition, the Nomination and Remuneration Committee established a remuneration framework for Directors and made recommendations to the Board on all elements of remuneration, terms of employment, reward structure and fringe benefits for Directors.

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

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 Report, circular to shareholders, quarterly financial results, press releases and various announcements made from time to time. This information ensures shareholders and investors are up-to-date on the overview of the Group's performance and operations.

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 and the Group. 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 timely release of quarterly reports to 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 to prepare financial statements for each financial year which have been made out in accordance with the applicable approved accounting standards in Malaysia and gives a true and fair view of the state of affairs of the Company and the Group and of their financial performance and cash flows for that year.

In preparing the financial statements, the Directors have:

- selected appropriate accounting policies and applied them consistently;
- made judgments and estimates that are reasonable and prudent;
- ensured 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 Company and the Group have adequate resources to continue in operational existence for the foreseeable future.

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

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 19 to provide an overview of the state of internal controls within the Group.

Relationship with the Auditors

The Company has established and maintained a professional and transparent relationship with the Company's auditors through the Audit Committee. The role of the Audit Committee is described in the Audit Committee Report on pages 20 to 22.

Additional Compliance Information

- **Utilisation of Proceeds raise from Corporate Proposals**
  There was no corporate proposal to raise funds undertaken by the Company during the financial year ended 30 June 2010.

  On 8 December 2009, the Company's subsidiary, Carotech Berhad has raised RM45.6 million from the listing of the Renounceable Right Issue of 456,144,000 new ordinary shares of RM0.10 each on Bursa Securities. The proceeds of this exercise have been utilised as working capital and reduced the Group's gearing position.

- **Default payment in Carotech**
  On 1 July 2010, the Board made an announcement pursuant to the Guidance Note 5 ("GN5") of the Bursa Securities ACE Market Listing Requirements that Carotech has defaulted on its principal and interest servicing in respect of certain banking facilities from lender banks. The Corporate Debt Restructing Committee ("CDRC") has agreed to mediate between Carotech and its lenders on its Proposed Debt Restructuring Scheme ("the proposed scheme") to arrive at a composite long-term solution to its debts obligation.

  As at the date of approval of the financial statements, the proposed scheme is still being considered by its lenders.

- **Share Buy-Back**
  There was no share buy-back during the financial year ended 30 June 2010.

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

- **Warrants or Convertible Securities**
  During the financial year ended 30 June 2010, 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 Thirtieth 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**
  The amount of non-audit fees paid to external auditors by the Company and its subsidiary companies for the financial year ended 30 June 2010 was RM26,000.

- **Variation in Results**

  The Group has on 29 October 2010 announced that there was a deviation of more than 10% between the unaudited profit after tax and minority interest and the audited loss after tax and minority interest for the financial year ended 30 June 2010. The explanations on the deviation and reconciliation thereof are as follows:

	RM'000
Unaudited profit after tax and minority interest as announced on 30 August 2010	17,416
Adjustments/Deviations:	
(i) Allowance for slow-moving inventories on low concentration materials as with the current working capital constraint, there is considerable uncertainty on the Company's ability to dispose these low concentration materials within a reasonable time frame	(97,738)
(ii) Impairment loss recognised on the carrying amount of Supercritical Fluid Chromatography Plant as there is considerable uncertainty that the plant will be put into operations in the near future	(12,754)
(iii) Reversal of deferred taxation mainly in relation to the allowance for slow-moving inventories stated in (i) above	12,677
(iv) Reduction in depreciation expense as a result of the change in useful lives of certain items of plant and machinery	8,100
(v) Reduction in closing stock value mainly arising from the reduction in depreciation expense stated in (iv) above	(1,250)
(vi) Allowance for doubtful debts on amounts paid, less refundable portion, for the acquisition of two industrial lands in the People's Republic of China	(6,003)
(vii) Write-off of land related expenses on the two parcels of land stated in (vi) above	(516)
(viii) Other operating expenses	(540)
(ix) Impairment of goodwill on consolidation of subsidiaries	(12,480)
(x) Product development expenditures written off	(1,509)
(xi) Revenue	229
(xii) Subsidiary's Rights Issue expenses	(501)
(xiii) Adjustment for Minority interest's share of loss	40,917
Audited loss after tax and minority interest	**(53,952)**

- **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 2010 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 2010 between the Company and its subsidiary companies are disclosed in Note 28 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 26 October 2010.

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 Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and the Statement on Internal Control: Guidance for Directors of Public Listed Companies.

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 the principle business risks that may impede the Group from achieving 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 understands that risk management plays an important role in identify risk areas which impede the achievement of the Group's corporate objectives. This process involves the establishment of an appropriate risk management framework and functions to embed risk management in the activities of the Group. This includes identifying 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 updated when the need arises to meet the changing environment requirements.

Internal Audit Functions

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

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

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

The cost incurred for the external independent internal audit services in respect of the financial year 2010 was RM44,000.

Weaknesses in Internal Controls

Other than disclosed in the financial statements, there were no material losses which occurred during the financial year ended 30 June 2010 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 26 October 2010.

Audit Committee Report

The Audit Committee ("Committee") reviews and monitors the integrity of the Group's financial reporting process, internal controls, Group's audit process, compliance with legal and regulatory requirements, code of business and any other matters that are specially delegated by the Board.

Members of the Audit Committee

The Committee comprises the following members:

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

Meetings and Attendance

During the financial year ended 30 June 2010, six (6) meetings were held by the Committee. The records of attendance of the Committee members are as follows:

Name	Attendance/ No. of Meetings Held
Leong Kwok Yee	6/6
YM Raja Shamsul Kamal Bin Raja Shahruzzaman	6/6
Chuah Chaw Teo	6/6

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,

(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 Malaysia Securities Berhad ("Bursa Securities") ; or

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

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

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.

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 2010 up to 26 October 2010 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.
10. Made recommendations to the Board on the re-appointment of the external auditors.

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 19.

During the financial year ended 30 June 2010, the internal auditors undertook the following activities:

1. attended and reported to the Audit Committee meetings held during the financial year 2010;
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 internal audit observations for key operating and management processes of the Group, which cover regulatory and intellectual property management; sales and marketing management, warehouse and inventory management of Hovid Pharmacy Sdn. Bhd., a subsidiary of Hovid Bhd.; human resource management; finance and accounting management, and project and process improvement; and
5. reported on the follow-up of management's implementation status of the prior internal audit recommendations.

Financial Statements

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2010

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the year ended 30 June 2010.

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 attributable to:		
Equity holders of the Company	53,952	37,482
Minority interests	38,646	-
	92,598	37,482

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

No dividend has been paid or declared by the Company since the end of the previous financial year.

The Directors do not recommend the payment of any dividend for the financial year ended 30 June 2010.

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 1.7.2009	Bought	Sold	Balance at 30.6.2010
Shareholdings in Hovid Berhad (the Company)				
Direct interests:				
Ho Sue San @ David Ho Sue San	377,762,680	-	-	377,762,680
Liong Kam Hon	7,895,360	-	-	7,895,360
Leong Kwok Yee	290,400	-	-	290,400

DIRECTORS' INTERESTS (cont'd)

	<------------ Number of ordinary shares of RM0.10 each ---------->			
	Balance at 1.7.2009	**Bought**	**Sold**	**Balance at 30.6.2010**
Shareholdings in Carotech Berhad (subsidiary)				
Direct interests:				
Ho Sue San @ David Ho Sue San	67,680	67,680	-	135,360
Liong Kam Hon	1,910,320	2,210,300	-	4,120,620
Chuah Chaw Teo	641,248	841,200	-	1,482,448
Leong Kwok Yee	233,600	467,200	-	700,800
YM Raja Shamsul Kamal Bin Raja Shahruzzaman	100,000	200,000	-	300,000
Indirect interests:				
Ho Sue San @ David Ho Sue San (via Hovid Berhad)	265,407,920	265,407,920	-	530,815,840

	<-- *Number of warrants over ordinary shares of RM0.10 each -->			
	Balance at 1.7.2009	**Bought**	**Sold**	**Balance at 30.6.2010**
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 28.

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

ISSUE OF SHARES AND DEBENTURES

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

There were no debentures issued during the financial year.

WARRANTS

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

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.

OTHER STATUTORY INFORMATION (cont'd)

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

In the opinion of the Directors, except for the impairment of plant and machinery, impairment of goodwill, change in useful life of plant and machinery, impairment of cost of investment in subsidiaries, allowance for slow moving inventories, allowance for doubtful debts and unrealised gain on foreign exchange as disclosed in Notes 3, 4, 7, 11, 12 and 19 to the financial statements, the results of the operations of the Group and of the Company for the financial allowance for doubtful debts year ended 30 June 2010 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.

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: 29 October 2010

BALANCE SHEETS
AS AT 30 JUNE 2010

	Note	GROUP 2010 RM'000	GROUP 2009 RM'000	COMPANY 2010 RM'000	COMPANY 2009 RM'000
Assets					
Property, plant and equipment	3	372,600	379,441	51,219	55,154
Intangible assets	4	25,290	36,133	20,817	23,067
Investment property	5	850	850	-	-
Prepaid lease payments	6	17,178	16,818	5,771	5,797
Investment in subsidiaries	7	-	-	51,885	38,631
Deferred tax assets	9	108	101	-	-
Rights to reimbursement under insurance policies	10	269	252	269	252
Total non-current assets		416,295	433,595	129,961	122,901
Inventories	11	83,162	164,075	10,115	10,062
Receivables, deposits and prepayments	12	47,807	69,536	49,875	74,177
Cash and cash equivalents	13	9,609	14,208	1,874	4,946
Total current assets		140,578	247,819	61,864	89,185
Total assets		556,873	681,414	191,825	212,086
Equity					
Share capital	14	76,208	76,208	76,208	76,208
Share premium	14	90	90	90	90
Revaluation and other reserves	14	20,640	20,671	11,346	11,346
Retained earnings		5,268	59,220	719	38,201
Total equity attributable to equity holders of the Company		102,206	156,189	88,363	125,845
Minority interests		24,429	39,035	-	-
Total equity		126,635	195,224	88,363	125,845
Liabilities					
Deferred tax liabilities	9	11,201	18,905	10,162	10,162
Loans and borrowings	15	5,465	185,003	2,528	13,962
Provision for retirement benefits	10	1,444	1,208	1,444	1,208
Total non-current liabilities		18,110	205,116	14,134	25,332
Payables and accruals	16	66,635	65,791	19,638	17,450
Loans and borrowings	15	343,770	213,371	67,873	41,960
Taxation		1,723	1,912	1,817	1,499
Total current liabilities		412,128	281,074	89,328	60,909
Total liabilities		430,238	486,190	103,462	86,241
Total equity and liabilities		556,873	681,414	191,825	212,086

The notes on pages 33 to 83 are an integral part of these financial statements.

INCOME STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

		GROUP		COMPANY	
		2010	2009	2010	2009
Continuing operations	**Note**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Revenue	17	365,166	248,607	97,184	86,659
Advertisement and promotions		(3,112)	(4,458)	(1,865)	(3,309)
Allowance for doubtful debts		(6,128)	(156)	(26,946)	(31)
Allowance for slow moving inventories		(97,866)	-	(126)	-
Amortisation of intangible assets	4	(613)	(535)	(589)	(513)
Amortisation of prepaid lease payments	6	(139)	(142)	(26)	(29)
Changes in inventories of work-in-progress and finished goods		16,995	58,825	(126)	1,857
Depreciation of property, plant and equipment	3	(22,381)	(24,920)	(3,768)	(3,800)
Finance costs	18	(16,651)	(12,513)	(798)	(1,183)
Impairment loss for plant and equipment	3	(12,754)	(119)	-	(119)
Impairment of goodwill	4	(12,480)	-	-	-
Impairment loss of investment in subsidiaries	7	-	-	(22,947)	-
Other operating expenses		(18,123)	(30,305)	(12,257)	(6,551)
Other operating income		13,042	318	4,574	4,817
Purchase of trading goods		(5,483)	(6,618)	-	-
Raw materials and packing materials used		(228,460)	(159,056)	(43,309)	(39,539)
Research expenditure		(1,008)	(1,886)	-	-
Sales commission		(1,217)	(2,145)	-	-
Staff costs		(35,977)	(34,873)	(15,151)	(15,654)
Transportation and freight charges		(5,458)	(5,980)	(1,237)	(1,351)
Upkeep, repair and maintenance expenses		(4,214)	(4,017)	(2,646)	(2,255)
Utilities and fuel		(20,817)	(24,271)	(3,903)	(3,987)
(Loss)/Profit before tax	19	(97,678)	(4,244)	(33,936)	15,012
Taxation	21	5,080	(2,582)	(3,546)	(3,120)
(Loss)/Profit for the year		(92,598)	(6,826)	(37,482)	11,892
Attributable to:					
Equity holders of the Company		(53,952)	417	(37,482)	11,892
Minority interests		(38,646)	(7,243)	-	-
(Loss)/Profit for the year		(92,598)	(6,826)	(37,482)	11,892
Basic (loss)/earnings per share (sen)	22	(7.08)	0.05		
Diluted (loss)/earnings per share (sen)	22	(4.72)	0.04		
Gross dividends per share (sen)		-	-		

The notes on pages 33 to 83 are an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2010

		<------- 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
GROUP								
At 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 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 2009/1 July 2009		76,208	90	20,671	59,220	156,189	39,035	195,224
Loss on foreign exchange translation	14	-	-	(31)	-	(31)	(285)	(316)
Expense recognised directly in equity		-	-	(31)	-	(31)	(285)	(316)
Loss for the year		-	-	-	(53,952)	(53,952)	(38,646)	(92,598)
Total recognised income and expenses for the year		-	-	(31)	(53,952)	(53,983)	(38,931)	(92,914)
Acquisition of a subsidiary		-	-	-	-	-	5,251	5,251
Subscription of rights issue of shares in a subsidiary		-	-	-	-	-	19,074	19,074
At 30 June 2010		76,208	90	20,640	5,268	102,206	24,429	126,635
		Note 14	Note 14	Note 14				

		<---------------- 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
COMPANY						
At 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 2009/1 July 2009		76,208	90	11,346	38,201	125,845
Loss for the year		-	-	-	(37,482)	(37,482)
At 30 June 2010		76,208	90	11,346	719	88,363
		Note 14	Note 14	Note 14		

The notes on pages 33 to 83 are an integral part of these financial statements.

CASH FLOW STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

	Note	GROUP 2010 RM'000	GROUP 2009 RM'000	COMPANY 2010 RM'000	COMPANY 2009 RM'000
Cash flows from operating activities					
(Loss)/Profit before tax		(97,678)	(4,244)	(33,936)	15,012
Adjustments for:					
Allowance for doubtful debts		6,128	156	26,946	31
Allowance for slow moving inventories		97,866	242	126	136
Amortisation of intangible assets		613	535	589	513
Amortisation of prepaid lease payments		139	142	26	29
Change in fair value of investment property		-	(50)	-	-
Defined benefit plan expenses for a Director		219	253	219	253
Depreciation of property, plant and equipment		22,381	24,920	3,768	3,800
(Gain)/Loss on disposals of equipment		(2)	9	-	-
Impairment loss for plant and equipment		12,754	119	-	119
Impairment loss for investment		-	-	22,947	-
Impairment loss for goodwill		12,480	-	-	-
Interest expense		17,512	13,317	3,465	2,874
Interest income		(861)	(804)	(2,667)	(1,691)
Investment in a jointly controlled entity written off		-	448	-	-
Product development expenditure written off		5,035	2,211	5,035	2,211
Property, plant and equipment written off		222	314	49	128
Unrealised (gain)/loss on foreign exchange		(13,250)	13,961	-	-
Operating profit before changes in working capital		63,558	51,529	26,567	23,415
Change in inventories		(15,896)	(54,500)	(179)	290
Change in receivables, deposits and prepayments		17,758	14,031	9,650	(14,608)
Change in payables and accruals		(7,743)	(7,100)	1,533	3,016
Inter-company balances		-	-	(5,181)	(593)
Cash generated from operations		57,677	3,960	32,390	11,520
Interest received		2,673	1,701	2,667	1,692
Interest paid		(19,123)	(23,123)	(3,544)	(2,971)
Tax paid		(4,205)	(2,539)	(3,227)	(1,998)
Net cash generated from/(used in) operating activities		37,022	(20,001)	28,286	8,243
Cash flows from investing activities					
Acquisition of a subsidiary, net of cash acquired		(9,877)	-	-	-
Acquisition of prepaid lease payments		(499)	(6)	-	(6)
Acquisition of property, plant and equipment	(ii)	(7,377)	(20,286)	(1,312)	(1,607)
Advances to subsidiaries		-	-	(6,521)	(13,534)
Acquisition of additional shares in a subsidiary		-	-	(36,201)	-
Proceeds from disposals of property, plant and equipment		42	14	-	-
Product development expenditure incurred		(2,864)	(3,646)	(3,037)	(3,560)
Net cash used in investing activities		(20,575)	(23,924)	(47,071)	(18,707)

CASH FLOW STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010 (cont'd)

	Note	GROUP 2010 RM'000	GROUP 2009 RM'000	COMPANY 2010 RM'000	COMPANY 2009 RM'000
Cash flows from financing activities					
Advances from subsidiaries		-	-	1,236	233
Pledged deposits with licensed banks		(351)	-	(351)	-
Proceeds from issuance of shares to minority interests		19,074	-	-	-
(Repayments)/Proceeds from short-term bank borrowings		(8,904)	(1,819)	1,043	4,259
Repayments of hire purchase liabilities		(3,936)	(3,696)	(2,953)	(2,725)
Repayments of term loans		(46,232)	(13,908)	(7,592)	(1,993)
Proceeds from term loans and other long-term borrowings		17,473	53,166	23,885	5,145
Net cash (used in)/generated from financing activities		(22,876)	33,743	15,268	4,919
Change in cash and cash equivalents		(6,429)	(10,182)	(3,517)	(5,545)
Effect of exchange rates fluctuation on cash held		(31)	230	-	-
Cash and cash equivalents at 1 July	(i)	(12,025)	(2,073)	(138)	5,407
Cash and cash equivalents at 30 June	(i)	(18,485)	(12,025)	(3,655)	(138)

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 2010 RM'000	GROUP 2009 RM'000	COMPANY 2010 RM'000	COMPANY 2009 RM'000
Cash and bank balances	9,258	14,208	1,523	4,946
Bank overdrafts	(27,743)	(26,233)	(5,178)	(5,084)
	(18,485)	(12,025)	(3,655)	(138)

(ii) Acquisition of property, plant and equipment

Analysis of acquisition of property, plant and equipment:

	GROUP 2010 RM'000	GROUP 2009 RM'000	COMPANY 2010 RM'000	COMPANY 2009 RM'000
Hire purchase liabilities	83	1,443	-	1,297
Change in other payables	(467)	107	2	105
Cash outright acquisition	7,377	20,286	1,312	1,607
Interest expense capitalised	469	4,439	-	-
	7,462	26,275	1,314	3,009

The notes on pages 33 to 83 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
- 30 JUNE 2010

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 2010 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 2010 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 29 October 2010.

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 Main Market Listing Requirements of the Bursa Malaysia Securities Berhad.

The Group has applied FRS 8, *Operating Segments* that has been issued by the Malaysian Accounting Standards Board ("MASB") and is effective.

FRS 8, *Operating Segments* replaces FRS 114_{2004} Segmental Reporting where segment information is presented on a similar basis to that used for internal reporting purposes.

On 1 July 2009, the Group has adopted FRS 8. The adoption does not have any material financial impact on the financial statements of the Group.

The Group and the Company have not applied the following accounting standards (including its consequential amendments) and interpretations that have been issued by the MASB but are not yet effective:

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2010

- FRS 4, *Insurance Contracts*
- FRS 7, *Financial Instruments: Disclosures*
- FRS 101, *Presentation of Financial Statements (revised)*
- FRS 123, *Borrowing Costs (revised)*
- FRS 139, *Financial Instruments: Recognition and Measurement*
- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards*
- Amendments to FRS 2, *Share-based Payment: Vesting Conditions and Cancellations*
- Amendments to FRS 7, *Financial Instruments: Disclosures*
- Amendments to FRS 101, *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*
- Amendments to FRS 127, *Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
- Amendments to FRS 132, *Financial Instruments: Presentation*
  – Puttable Financial Instruments and Obligations Arising on Liquidation
  – Separation of Compound Instruments
- Amendments to FRS 139, *Financial Instruments: Recognition and Measurement*
  – Reclassification of Financial Assets
  – Collective Assessment of Impairment for Banking Institutions
- Improvements to FRSs (2009)
- IC Interpretation 9, *Reassessment of Embedded Derivatives*
- IC Interpretation 10, *Interim Financial Reporting and Impairment*

1. BASIS OF PREPARATION (cont'd)

(a) Statement of compliance (cont'd)

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2010 (cont'd)

- IC Interpretation 11, FRS 2 – *Group and Treasury Share Transactions*
- IC Interpretation 13, *Customer Loyalty Programmes*
- IC Interpretation 14, FRS 119 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction*

Amendments effective for annual periods beginning on or after 1 March 2010

- Amendments to FRS 132, *Financial Instruments: Presentation – Classification of Rights Issues*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2010

- FRS 1, *First-time Adoption of Financial Reporting Standards (revised)*
- FRS 3, *Business Combinations (revised)*
- FRS 127, *Consolidated and Separate Financial Statements (revised)*
- Amendments to FRS 2, *Share-based Payment*
- Amendments to FRS 5, *Non-current Assets Held for Sale and Discontinued Operations*
- Amendments to FRS 138, *Intangible Assets*
- IC Interpretation 12, *Service Concession Agreements*
- IC Interpretation 16, *Hedges of a Net Investment in a Foreign Operation*
- IC Interpretation 17, *Distribution of Non-cash Assets to Owners*
- Amendments to IC Interpretation 9, *Reassessment of Embedded Derivatives*

Interpretations and amendments effective for annual periods beginning on or after 1 January 2011

- Amendment to FRS 1, *First-time Adoption of Financial Reporting Standards*
  – Limited Exemption from Comparative FRS 7, Disclosure for First-Time Adopters
  – Additional Exemptions for First-time Adopters
- Amendments to FRS 2, *Group Cash-settled Share-based Payment Transactions*
- Amendments to FRS 7, *Financial Instruments: Disclosures - Improving Disclosures about Financial Instruments*
- IC Interpretation 4, *Determining whether an Arrangement contains a Lease*
- IC Interpretation 18, *Transfers of Assets from Customers*

Interpretation effective for annual periods beginning on or after 1 January 2012

- IC Interpretation 15, *Agreements for the Construction of Real Estate*

The Group and the Company plan to apply the abovementioned standards, amendments and interpretations:

- from the annual period beginning 1 July 2010 for those standards, amendments or interpretations that will be effective for annual periods beginning on or after 1 January 2010, 1 March 2010 and 1 July 2010, except for FRS 4, and Amendments to FRSs 2, 5, 101 and IC Interpretations 11, 12, 13, 16 and 17 which are not applicable to the Group and the Company;
- from the annual period beginning 1 July 2011 for those amendments or interpretations that will be effective for annual periods beginning on or after 1 January 2011, except for Amendments to FRS 2 and IC Interpretation 18 which are not applicable to the Group and the Company; and
- none from the annual period beginning 1 July 2012 as IC Interpretation 15 is not applicable to the Group and the Company.

The initial application of a standard, an amendment or an interpretation, which will be applied prospectively, is not expected to have any financial impacts to the current and prior periods financial statements upon their first adoption.

The impacts and disclosures as required by FRS 108.30(b), *Accounting Policies, Changes in Accounting Estimates and Errors*, in respect of applying FRSs 7, 139 and IC Interpretation 12 are not disclosed by virtue of the exemptions given in these respective FRSs.

1. BASIS OF PREPARATION (cont'd)

(a) Statement of compliance (cont'd)

Improvements to FRSs (2009): FRS 117, Leases

Improvements to FRSs (2009) contain various amendments that result in accounting changes for presentation, recognition or measurement and disclosure purposes. The amendment that has material impact is FRS 117, *Leases.*

The amendments clarify the classification of lease of land and require entities with existing leases of land and buildings to reassess the classification of land as finance or operating lease. Leasehold land which in substance is a finance lease will be reclassified to property, plant and equipment. The adoption of these amendments will result in a change in accounting policy which will be applied retrospectively in accordance with the transitional provisions. This change in accounting policy will result in reclassification of lease of land of the Group and of the Company amounting to RM16,063,000 and RM5,042,000 respectively as at 30 June 2010 from prepaid lease payments to property, plant and equipment.

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

(b) Basis of measurement

The financial statements of the Group and of the Company have been prepared on the historical cost basis, except for the following assets as explained in their respective accounting policy notes and on the assumption that the Group and the Company are going concerns:

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

i. The Group and the Company incurred a net loss of RM92,598,000 and RM37,482,000 respectively for the year ended 30 June 2010 and, as of that date, the current liabilities of the Group and the Company exceeded their current assets by RM271,550,000 and RM27,464,000 respectively.

ii. As disclosed in Note 15 to the financial statements, a subsidiary has defaulted on the repayment of certain borrowings which were due for payment during the financial year. On 1 July 2010, the Board of the Directors of the subsidiary made an announcement pursuant to the Guidance Note 5 ("GN5") of the Bursa Malaysia Securities Berhad ACE Market Listing Requirements, regarding the defaults on repayment and has sought the assistance of Corporate Debt Restructuring Committee ("CDRC") to mediate between the subsidiary and its lenders on its Proposed Debt Restructuring scheme. The CDRC has agreed to mediate and allowed a period of 6 months from 1 July 2010 to complete the proposed scheme. The lenders are currently reviewing and considering the proposed scheme but no decision has been made as at the date these financial statements are approved by the Board of Directors.

iii. Certain banking facilities of the Company include cross default terms which allows the lender banks to proceed with legal proceedings against the Company, recall the facilities, interest thereon and all other monies payable to the lender banks, or to withdraw the facilities if there is a default in repayment by any one of the related companies.

   Management has notified the respective lender banks of the Company on the cross default which was a result of the subsidiary defaulting on its borrowings. Todate the lender banks have continued to make available the borrowing facilities and have not taken any action against the Company as a result of this cross default.

iv. The above events may affect the ability of the Group and the Company to obtain continued financial support from the lenders and also to achieve sufficient positive cash flows in the future to fulfill their obligations as and when they fall due. Although it is the intention of the Directors to operate the Group and the Company as going concerns, this cannot be assured.

v. In view of the matters set out in the preceding paragraphs, there are significant material uncertainties on the ability of the Group and the Company to continue as going concerns and therefore, the Group and the Company may be unable to realise their assets and discharge their liabilities in the normal course of business.

vi. The appropriateness of using the going concern assumption for the preparation of the financial statements is therefore highly dependent upon the continuing financial support from its bankers and creditors, the timely successful implementation of an approved debt restructuring scheme at the subsidiary and the ability of the Group and the Company to attain sufficient positive cash flows in the future.

1. BASIS OF PREPARATION (cont'd)

(b) Basis of measurement (cont'd)

vii. Accordingly, the financial statements of the Group and the Company 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 and the Company be unable to continue as going concerns.

(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.

(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 3 – Change in the useful lives of plant and machinery
- Note 4 – Measurement of the recoverable amounts of cash-generating units
- Note 5 – Valuation of investment property
- Note 27 – Contingencies
- Note 29 – Business combination

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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Basis of consolidation (cont'd)

(ii) Joint ventures (cont'd)

Jointly controlled entities (cont'd)

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

(i) Recognition and measurement (cont'd)

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

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

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:

	2010 %	2009 %
• Buildings	2-10	2-10
• Plant, machinery and electrical equipment	4-20	10-20
• Motor vehicles	20	20
• Furniture, fittings, office, laboratory and factory equipment, electrical installation and renovation	10-20	10-20

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

(iv) Change in estimates

Estimates in respect of certain items of plant and equipment were revised in 2010 (see Note 3(viii)).

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(e) Leased assets (cont'd)

(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 impairment losses.

(iii) Other intangible assets

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

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

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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(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 contributions to statutory pension funds are charged to the income statements in the year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

(ii) Retirement benefits

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(p) Employee benefits (cont'd)

(ii) Retirement benefits (cont'd)

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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(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) Taxation

Taxation comprises current and deferred tax. Taxation 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) Operating segment

In the previous years, a segment was a distinguishable component of the Group that was engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment) which was subject to risks and rewards that were different from those other segments.

Following the adoption of FRS 8, Operating Segments, an operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the Board of Directors of the Group, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

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 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 revaluation	-	(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 2009/1 July 2009	14,805	66,569	318,531	5,490	27,001	18,877	451,273
Acquisition of subsidiary	2,935	2,855	17,397	178	996	-	24,361
Additions	3,375	53	497	199	1,088	2,250	7,462
Transfer	-	70	-	-	102	(172)	-
Write off	-	-	(112)	-	(266)	-	(378)
Disposals	-	-	(317)	-	147	-	(170)
Exchange differences	(174)	(8)	(25)	(13)	(19)	-	(239)
At 30 June 2010	20,941	69,539	335,971	5,854	29,049	20,955	482,309
Representing items at:							
Cost	6,136	2,971	335,971	5,854	29,049	20,955	400,936
Valuation	14,805	66,568	-	-	-	-	81,373
	20,941	69,539	335,971	5,854	29,049	20,955	482,309
Accumulated depreciation/ impairment losses							
At 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 losses	-	-	110	-	9	-	119
	-	1,440	56,702	2,614	11,076	-	71,832

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

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
Accumulated depreciation/ impairment losses							
At 1 July 2009:							
Accumulated depreciation	-	1,440	56,592	2,614	11,067	-	71,713
Accumulated impairment losses	-	-	110	-	9	-	119
	-	1,440	56,702	2,614	11,076	-	71,832
Acquisition of subsidiary	-	48	2,405	47	213	-	2,713
Charge for the year	-	1,804	18,264	620	2,019	-	22,707
Impairment loss during the year	-	-	-	-	-	12,754	12,754
Write off	-	-	(64)	-	(92)	-	(156)
Disposals	-	-	(223)	-	102	-	(121)
Exchange differences	-	(2)	(4)	(6)	(8)	-	(20)
At 30 June 2010:							
Accumulated depreciation	-	3,290	76,970	3,275	13,301	-	96,836
Accumulated impairment losses	-	-	110	-	9	12,754	12,873
	-	3,290	77,080	3,275	13,310	12,754	109,709
Carrying amounts							
At 1 July 2008	13,444	24,845	89,480	3,338	16,857	211,959	359,923
At 30 June 2009/1 July 2009	14,805	65,129	261,829	2,876	15,925	18,877	379,441
At 30 June 2010	20,941	66,249	258,891	2,579	15,739	8,201	372,600
COMPANY							
Cost/Valuation							
At 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 2009/1 July 2009	3,075	17,462	40,276	3,609	21,316	586	86,324
Additions	-	52	143	-	501	617	1,313
Transfer	-	70	-	-	102	(172)	-
Write off	-	-	(112)	-	(1)	-	(113)
Disposals	-	-	(686)	-	(1,307)	-	(1,993)
At 30 June 2010	3,075	17,584	39,621	3,609	20,611	1,031	85,531

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

COMPANY	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
Representing items at:							
Cost	-	254	39,621	3,609	20,611	1,031	65,126
Valuation	3,075	17,330	-	-	-	-	20,405
	3,075	17,584	39,621	3,609	20,611	1,031	85,531
Accumulated depreciation/ impairment losses							
At 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 losses	-	-	110	-	9	-	119
At 30 June 2009/1 July 2009	-	233	20,330	1,895	8,712	-	31,170
Charge for the year	-	346	2,147	343	1,258	-	4,094
Write off	-	-	(64)	-	-	-	(64)
Disposals	-	-	(450)	-	(438)	-	(888)
At 30 June 2010:							
Accumulated depreciation	-	579	21,853	2,238	9,523	-	34,193
Accumulated impairment losses	-	-	110	-	9	-	119
	-	579	21,963	2,238	9,532	-	34,312
Carrying amounts							
At 1 July 2008	2,730	13,812	20,627	2,143	13,307	706	53,325
At 30 June 2009/1 July 2009	3,075	17,229	19,946	1,714	12,604	586	55,154
At 30 June 2010	3,075	17,005	17,658	1,371	11,079	1,031	51,219

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

(i) Depreciation charge for the financial year includes:

	GROUP 2010 RM'000	GROUP 2009 RM'000	COMPANY 2010 RM'000	COMPANY 2009 RM'000
Charged to income statements	22,381	24,920	3,768	3,800
Capitalised as product development expenditure	326	640	326	640
	22,707	25,560	4,094	4,440

(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 RM469,000 (2009: RM4,439,000) and RM NIL (2009: RM13,000) 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 2010 RM'000	GROUP 2009 RM'000	COMPANY 2010 RM'000	COMPANY 2009 RM'000
Freehold land	Comparative/Investment/ Open market value/Assets depreciated replacement cost	14,805	14,805	3,075	3,075
Buildings	Comparative/Investment/ Open market value/Assets depreciated replacement cost	66,568	66,445	17,330	17,330
		81,373	81,250	20,405	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 2010 RM'000	GROUP 2009 RM'000	COMPANY 2010 RM'000	COMPANY 2009 RM'000
Freehold land	7,781	7,781	826	826
Buildings	43,741	44,755	10,719	10,937

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

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

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Plant, machinery and electrical equipment				
- additions during the financial year	-	1,585	-	1,585
- carrying amounts at end of the financial year	9,887	11,332	7,273	8,579
Motor vehicles				
- additions during the financial year	94	158	-	-
- carrying amounts at end of the financial year	1,837	2,378	1,269	1,635
Furniture, fittings, office, laboratory and factory equipment				
- additions during the financial year	-	269	-	269
- carrying amounts at end of the financial year	2,763	3,404	2,494	3,106

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

(vi) Carrying amounts of property, plant and equipment pledged as securities for credit facilities granted to the Group and the Company amounted to RM196,570,000 (2009: RM215,416,000) and RM13,944,000 (2009: RM14,117,000) respectively.

(vii) The carrying amounts for certain items of plant and equipment of the Group and of the Company were determined to be higher than their recoverable amounts, which are based on the Directors' estimate of realisable values and thus an impairment loss of RM12,754,000 (2009: RM119,000) and RM NIL (2009: RM119,000) have been recognised with respect to these plant and equipment for the Group and the Company respectively. The Directors are of the opinion that no further impairment on the Group's and the Company's property, plant and equipment is necessary.

(viii) Change in the useful lives of plant and machinery

During the year ended 30 June 2010, the Group conducted an operational efficiency review on its plant and machinery, which resulted in changes in the useful lives of certain items of plant and machinery. The revision is to be more consistent to the useful lives of similar machinery used in other similar industry. The effect of these changes on depreciation expense, recognised in the income statements, in current and future periods is as follows:

	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	Later RM'000
(Decrease)/Increase in depreciation expense	(8,115)	(6,950)	(5,911)	(4,993)	(4,182)	30,150

4. INTANGIBLE ASSETS

GROUP	Goodwill RM'000	Product development expenditure RM'000	Acquired trademark RM'000	Total RM'000
Cost				
At 1 July 2008	12,664	26,487	770	39,921
Additions	-	4,286	-	4,286
Write off	-	(2,242)	-	(2,242)
At 30 June 2009/1 July 2009	12,664	28,531	770	41,965
Additions	4,095	3,190	-	7,285
Write off	-	(5,216)	-	(5,216)
At 30 June 2010	16,759	26,505	770	44,034

4. INTANGIBLE ASSETS (cont'd)

GROUP	Goodwill RM'000	Product development expenditure RM'000	Acquired trademark RM'000	Total RM'000
Accumulated amortisation/ impairment losses				
At 1 July 2008	-	4,959	369	5,328
Amortisation for the year	-	505	30	535
Write off	-	(31)	-	(31)
At 30 June 2009/1 July 2009	-	5,433	399	5,832
Amortisation for the year	-	582	31	613
Impairment	12,480	-	-	12,480
Write off	-	(181)	-	(181)
At 30 June 2010:				
Accumulated amortisation	-	5,834	430	6,264
Accumulated impairment losses	12,480	-	-	12,480
	12,480	5,834	430	18,744
Carrying amounts				
At 1 July 2008	12,664	21,528	401	34,593
At 30 June 2009/1 July 2009	12,664	23,098	371	36,133
At 30 June 2010	4,279	20,671	340	25,290

Goodwill

Goodwill has been allocated to the Group's cash-generating units identified according to business segments as follows:

	GROUP 2010 RM'000	GROUP 2009 RM'000
Pharmaceutical	4,279	184
Phytonutrient	-	12,480
	4,279	12,664

The recoverable amount of goodwill in the listed subsidiary is determined based on the comparison of the subsidiary's securities that are actively traded in public market against the carrying amount of cash-generating unit to which the goodwill has been allocated. By using this method, the recoverable amount is lower than the carrying amount of the investments and cash-generating unit. Thus an impairment loss on goodwill amounting to RM12,480,000 was recognised in the consolidated income statement.

Value in use method was used for the non-listed subsidiary and was determined by discounting the future cash flows generated from the continuing use of the investment and was based on the following key assumptions:

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

4. INTANGIBLE ASSETS (cont'd)

COMPANY	Product development expenditure RM'000	Acquired trademark RM'000	Total RM'000
Cost			
At 1 July 2008	25,746	770	26,516
Additions	4,287	-	4,287
Write off	(2,242)	-	(2,242)
At 30 June 2009/1 July 2009	27,791	770	28,561
Additions	3,374	-	3,374
Write off	(5,216)	-	(5,216)
At 30 June 2010	25,949	770	26,719
Accumulated amortisation			
At 1 July 2008	4,644	368	5,012
Amortisation for the year	483	30	513
Write off	(31)	-	(31)
At 30 June 2009/1 July 2009	5,096	398	5,494
Amortisation for the year	558	31	589
Write off	(181)	-	(181)
At 30 June 2010	5,473	429	5,902
Carrying amounts			
At 1 July 2008	21,102	402	21,504
At 30 June 2009/1 July 2009	22,695	372	23,067
At 30 June 2010	20,476	341	20,817

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 where recoverable amounts are higher than the carrying amounts of the intangibles, no impairment loss was recognised. However, during the year, product development expenditure of RM5,035,000 (2009: RM2,211,000) was written off as the products are no longer viable.

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

- 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.

4. INTANGIBLE ASSETS (cont'd)

Product development expenditure and acquired trademark (cont'd)

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

	GROUP/COMPANY	
	2010 RM'000	2009 RM'000
Interest expense (Note 18)	12	86
Rental of premises	-	65
Depreciation of property, plant and equipment	326	640
Staff costs	906	1,895

Included in staff costs of the Group and of the Company is contribution to Employees' Provident Fund which amounted to RM76,000 (2009: RM170,000).

5. INVESTMENT PROPERTY

	GROUP RM'000
At 1 July 2008	800
Change in fair value	50
At 30 June 2009/1 July 2009/30 June 2010	850

	2010 RM'000	2009 RM'000
Included in the above are:		
Freehold land	600	600
Building	250	250
	850	850

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.

6. PREPAID LEASE PAYMENTS

	GROUP RM'000	COMPANY RM'000
Cost		
At 1 July 2008	17,218	5,926
Additions	6	6
At 30 June 2009/1 July 2009	17,224	5,932
Additions	499	-
At 30 June 2010	17,723	5,932

6. PREPAID LEASE PAYMENTS (cont'd)

	GROUP RM'000	COMPANY RM'000
Accumulated amortisation		
At 1 July 2008	264	106
Amortisation for the year	142	29
At 30 June 2009/1 July 2009	406	135
Amortisation for the year	139	26
At 30 June 2010	545	161
Carrying amounts		
At 1 July 2008	16,954	5,820
At 30 June 2009/1 July 2009	16,818	5,797
At 30 June 2010	17,178	5,771
Analysed as		
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
Unexpired period less than 50 years	733	733
Unexpired period more than 50 years	16,445	5,038
At 30 June 2010	17,178	5,771

The titles of the leasehold land with carrying amounts of RM5,037,000 (2009: RM5,042,000) and RM13,642,000 (2009: RM9,303,000) 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 RM14,744,000 (2009: RM14,786,000) and RM5,037,000 (2009: RM5,042,000) respectively.

7. INVESTMENT IN SUBSIDIARIES

	COMPANY	
	2010 RM'000	2009 RM'000
At cost:		
Quoted shares in Malaysia	58,320	31,779
Unquoted shares in Malaysia	6,454	6,353
Unquoted shares outside Malaysia	10,058	499
Less: Accumulated impairment losses	(22,947)	-
	51,885	38,631

The market value of quoted shares in Malaysia as at 30 June 2010 was RM74,314,000 (2009: RM71,660,000).

Subsequent to 30 June 2010, the Company partially disposed its quoted shares in Malaysia with carrying amount of RM19,776,000 for a total net consideration of RM12,600,000 as further disclosed in Note 31 to the financial statements.

As at 30 June 2010, the quoted shares in Malaysia with carrying amount of RM37,157,000 has been pledged to a bank for a term loan granted to the Company.

7. INVESTMENT IN SUBSIDIARIES (cont'd)

The recoverable amount of investment in a listed subsidiary is determined to be lower than the carrying amount of the quoted investment. As such, an impairment loss of RM22,947,000 was recognised.

Details of subsidiaries are as follows:

	Country of incorporation	Effective Group's interest (%) 2010	Effective Group's interest (%) 2009	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. Inactive.
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. Inactive.
Hovid Limited *	Hong Kong Special Administrative Region, China	60.00	60.00	Trading of pharmaceutical products.
Hovid Life Science Pte. Ltd. *	India	100.00	100.00	Inactive.

7. INVESTMENT IN SUBSIDIARIES (cont'd)

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

	Country of incorporation	Effective Group's interest (%) 2010	Effective Group's interest (%) 2009	Principal activities
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 *#^	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	Research and development of a wide range of pharmaceutical and healthcare products, analytical services and stability testing.
Carotech Bio-Vits Sdn. Bhd. #	Malaysia	58.19	58.19	Inactive.
Best Practice International Sdn. Bhd. *	Malaysia	100.00	100.00	Inactive.
Agrovid S.A. *	Republic of Colombia	100.00	100.00	Engaged in agro-industrial exploitation of productive species and cultivation and commercialisation of agriculture crops and livestock. Inactive.
Biodeal Pharmaceuticals Private Limited *^	India	51.00	-	Manufacturing of pharmaceutical and consumer products.

* *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*

The audit report of Carotech Berhad contains disclaimer of opinion arising from significant material uncertainties on the ability to continue as a going concern and significant material uncertainties over the carrying amounts of property, plant and equipment and inventories.

The audit reports of Hovid Pharmacy Sdn Bhd, Carotech Bio-Fuel Sdn Bhd and Carotech Bio-Vits Sdn Bhd contain emphasis of matter arising from significant material uncertainties on the ability to continue as a going concern.

8. INVESTMENT IN A JOINTLY CONTROLLED ENTITY

	GROUP	
	2010 RM'000	2009 RM'000
Unquoted shares, at cost	-	464
Group's share of post-acquisition loss	-	(16)
	-	448
Less: Written off	-	(448)
At 30 June	-	-

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 previous 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	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
GROUP						
Property, plant and equipment (including prepaid lease payments)	(41,615)	(19,308)	61,447	34,725	19,832	15,417
Intangible assets	-	-	4,949	4,949	4,949	4,949
Provisions	(13,805)	(2)	-	-	(13,805)	(2)
Others	(108)	(1,775)	225	215	117	(1,560)
Tax (assets)/liabilities	(55,528)	(21,085)	66,621	39,889	11,093	18,804
Set off of tax	55,420	20,984	(55,420)	(20,984)	-	-
Net tax (assets)/liabilities	(108)	(101)	11,201	18,905	11,093	18,804
COMPANY						
Property, plant and equipment (including prepaid lease payments)	-	-	5,213	5,213	5,213	5,213
Intangible assets	-	-	4,949	4,949	4,949	4,949
Net tax liabilities	-	-	10,162	10,162	10,162	10,162

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 2010 RM'000	GROUP 2009 RM'000	COMPANY 2010 RM'000	COMPANY 2009 RM'000
Deductible temporary differences	-	29	-	-
Provisions	12,512	-	-	-
Unutilised tax loss carry-forwards	216	234	-	-
	12,728	263	-	-

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

The deductible temporary differences and provision do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the listed subsidiary can utilise the benefits there from.

Movement in temporary differences during the year

GROUP	At 1 July 2008 RM'000	Recognised in income statements (Note 21) RM'000	Recognised in equity (Note 14) RM'000	At 30 June 2009 RM'000	Recognised in income statements (Note 21) RM'000	Arising on acquisition of subsidiary RM'000	At 30 June 2010 RM'000
Deferred tax liabilities							
- Property, plant and equipment (including prepaid lease payments)	9,755	20,482	4,488	34,725	(9,541)	1,379	26,563
- Intangible assets	4,612	337	-	4,949	-	-	4,949
- Others	730	(515)	-	215	10	-	225
Deferred tax assets							
- Property, plant and equipment (including prepaid lease payments)	-	(19,308)	-	(19,308)	(1,210)	-	(20,518)
- Provisions	(307)	305	-	(2)	(16)	-	(18)
- Others	(107)	(1,668)	-	(1,775)	1,663	4	(108)
	14,683	(367)	4,488	18,804	(9,094)	1,383	11,093
COMPANY							
Deferred tax liabilities							
- Property, plant and equipment (including prepaid lease payments)	3,810	612	791	5,213	-	-	5,213
- Intangible assets	4,612	337	-	4,949	-	-	4,949
- Others	89	(89)	-	-	-	-	-
	8,511	860	791	10,162	-	-	10,162

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	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Non-current assets				
Rights to reimbursement under insurance policies	269	252	269	252
Non-current liabilities				
Provision for retirement benefits				
- Present value of unfunded obligation	1,444	1,208	1,444	1,208

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

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Current service cost	180	221	180	221
Interest cost	56	53	56	53
Benefit expense	236	274	236	274
Reimbursement rights under insurance policies that exactly match the amount and timing of some of benefits payable under the plan	(17)	(21)	(17)	(21)
Expense recognised in the income statements net of the amount recognised for the reimbursement rights under insurance policies	219	253	219	253

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.

11. INVENTORIES

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Raw materials	5,039	4,603	3,696	3,468
Work-in-progress ("WIP")	44,114	100,243	1,519	1,842
Finished goods ("FG")	29,188	54,213	3,204	3,133
Trading goods	2,924	3,397	-	-
Packing materials	1,897	1,619	1,696	1,619
	83,162	164,075	10,115	10,062

11. INVENTORIES (cont'd)

The continuing uncertainty and deterioration of the economic conditions in the United States of America, Europe and Japan has dampened the growth in demand of a subsidiary's nutrient products in these markets. Additionally, with the subsidiary's lack of working capital facilities, the subsidiary has not been able to keep its operations at an optimal level. With the lack of working capital and weak demand for the nutrient products, there has been much uncertainties on the ability of the subsidiary to dispose the inventories as at 30 June 2010 within a reasonable time frame. Considering there is no readily available demand for low concentration materials, the subsidiary would require high concentration materials from fresh crude palm oil to blend these low concentrates into the required concentration for sales to its customers. With the lack of working capital, it is uncertain whether the subsidiary is able to obtain such high concentration materials from fresh crude palm oil to blend with these low concentration materials.

Consequently, the Board has deliberated at length on the financial impact on the Group and has adopted a prudent view to provide for the lower concentration inventories, which are slow moving. As a result, an allowance of slow moving WIP and FG inventories of RM91,677,000 and RM6,061,000 respectively has been made by the Group for the year ended 30 June 2010.

12. RECEIVABLES, DEPOSITS AND PREPAYMENTS

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Trade				
Trade receivables	40,888	42,437	7,362	9,792
Less: Allowance for doubtful debts	(566)	(1,375)	-	-
	40,322	41,062	7,362	9,792
Amount due from subsidiaries				
- interest bearing	-	-	23,093	19,265
- non-interest bearing	-	-	1,660	1,347
Less: Allowance for doubtful debts	-	-	(545)	-
	40,322	41,062	31,570	30,404
Non-trade				
Other receivables, deposits and prepayments	13,488	28,474	3,548	11,245
Less: Allowance for doubtful debts	(6,003)	-	-	-
	7,485	28,474	3,548	11,245
Amount due from subsidiaries				
- interest bearing	-	-	27,026	20,842
- non-interest bearing	-	-	14,132	11,686
Less: Allowance for doubtful debts	-	-	(26,401)	-
	-	-	14,757	32,528
	7,485	28,474	18,305	43,773
	47,807	69,536	49,875	74,177

Included in other receivables of the Group and of the Company in previous year was for investment in a subsidiary in India of RM8,062,000 (see Note 29).

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

Furthermore, included in other receivables of the Group were payments made in advance by its China's subsidiaries totalling of RM7,232,000 (2009: RM12,056,000) 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. During the year, an allowance for doubtful debts of RM6,003,000 for the Group was made due to the delay of the PRC in implementing its biodiesel policy and uncertainties of the Group having sufficient funds to pursue these investments in China. Although the Group is negotiating with both the local provincial government and industrial park on returning the land, the Directors have adopted a prudent view by making an allowance for doubtful debts.

The amount owing from 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% (2009: 7.10% to 9.00%) per annum.

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Currency exposure profiles:				
Trade				
Trade receivables:				
Ringgit Malaysia	14,209	12,793	1,054	525
USD	19,344	22,285	5,007	7,618
SGD	1,300	1,649	1,301	1,649
Philippines PESO	2,803	2,624	-	-
Others	2,666	1,711	-	-
	40,322	41,062	7,362	9,792
Non-trade				
Other receivables, deposits and prepayments:				
Ringgit Malaysia	5,461	4,967	3,548	3,183
USD	5	-	-	-
Philippines PESO	144	62	-	-
Renminbi	1,230	12,056	-	-
Colombian PESO	321	3,266	-	-
Indian Rupees	280	8,062	-	8,062
HKD	44	60	-	-
Others	-	1	-	-
	7,485	28,474	3,548	11,245
Trade and non-trade				
Amount due from subsidiaries:				
Ringgit Malaysia	-	-	31,990	46,106
USD	-	-	6,872	6,969
Others	-	-	103	65
	-	-	38,965	53,140
	47,807	69,536	49,875	74,177
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	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Deposits with licensed banks	351	128	351	54
Cash and bank balances	9,258	14,080	1,523	4,892
	9,609	14,208	1,874	4,946

Included in the deposits placed with licensed banks of the Group and of the Company is RM351,000 (2009: RM NIL) pledged for bank facilities granted to the Company.

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Currency exposure profiles:				
Ringgit Malaysia	6,695	8,267	1,368	2,096
USD	724	4,446	487	2,829
SGD	31	33	8	8
Philippines PESO	281	598	-	-
EURO	1	1	1	1
HKD	600	77	-	1
Indian Rupees	740	3	1	1
Renminbi	525	719	1	1
Others	12	64	8	9
	9,609	14,208	1,874	4,946

14. CAPITAL AND RESERVES

Share capital

GROUP/COMPANY	Par value RM	2010 Number of shares '000	2009 Number of shares '000	2010 RM'000	2009 RM'000
Authorised:					
At 1 July/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 2008/30 June 2009/30 June 2010	90

14. CAPITAL AND RESERVES (cont'd)

	GROUP		COMPANY	
	2010	2009	2010	2009
Reserves	RM'000	RM'000	RM'000	RM'000
Non-distributable				
Exchange fluctuation reserve:				
At 1 July	330	439	-	-
Movement during the financial year	(31)	(109)	-	-
At 30 June	299	330	-	-
Warrant reserve:				
At 1 July and 30 June	7,004	7,004	7,004	7,004
Revaluation reserve:				
Surplus on revaluation of freehold land and buildings				
At 1 July	18,802	4,403	6,137	2,627
Additions during the financial year	-	14,399	-	3,510
At 30 June	18,802	18,802	6,137	6,137
Less: Deferred taxation				
At 1 July	5,465	977	1,795	1,004
Additions during the financial year	-	4,488	-	791
At 30 June	5,465	5,465	1,795	1,795
Revaluation reserve, net of tax at 30 June	13,337	13,337	4,342	4,342
Total revaluation and other reserves	20,640	20,671	11,346	11,346

(i) Warrant reserve

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

Salient terms of the Warrants

The salient terms of the Warrants are as follows:

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

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

(c) The new ordinary shares of RM0.10 each to be issued pursuant to the exercise of the Warrants shall upon allotment and issue, rank pari passu in all respects with the existing ordinary shares 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	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Non-current				
Secured term loans	4,853	169,572	2,227	6,274
Unsecured term loans	-	1,715	-	1,715
Secured bank overdrafts	-	6,512	-	-
Hire purchase liabilities	612	7,204	301	5,973
	5,465	185,003	2,528	13,962
Current				
Secured term loans	193,257	46,277	22,144	1,225
Unsecured term loans	1,765	627	1,765	627
Secured bank overdrafts	22,647	23,078	3,978	3,818
Unsecured bank overdrafts	5,096	16,219	1,200	1,266
Secured bankers' acceptance	24,716	12,791	2,428	1,535
Unsecured bankers' acceptance	72,594	90,923	24,656	22,506
Secured revolving credit	3,000	3,000	3,000	3,000
Unsecured revolving credit	14,000	16,500	3,000	5,000
Hire purchase liabilities	6,695	3,956	5,702	2,983
	343,770	213,371	67,873	41,960
	349,235	398,374	70,401	55,922

Included in secured bank overdrafts of the Group in the previous year are bank overdrafts amounting to RM19,576,000 of which RM6,512,000 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 land and buildings of the Company and subsidiary;

(c) facility agreement;

(d) negative pledge;

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

(f) pledging of fixed deposits;

(g) Islamic Corporate Guarantee for RM3,447,000 by the Company; and

(h) charge over a number of warrants of the Company of a Director with a minimum market value of RM10,000,000 by way of Memorandum of Deposit and these warrants have registered in the name of a nominee company which was approved by the lender.

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.

15. LOANS AND BORROWINGS (cont'd)

Security (cont'd)

A term loan facility amounting to RM18,098,000 is secured against the following:

(a) A first legal charge under Memorandum of Deposit over the Company's entire shares of a listed subsidiary and/or other marketable quoted shares acceptable by the banker ("Pledged Shares");

(b) A first legal charge under Memorandum of Deposit over cash equivalent to 3 months interest; and

(c) An assignment over dividends received under the Pledged Shares.

The other secured short-term bank borrowings in the previous year 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:

Group/Company

(a) Debt to Equity Ratio calculated at the end of the financial year end based on its audited financial statements shall not exceed 3.0 during the tenure of the term loan facility;

(b) Dividend payments to its shareholders shall not exceed 50% of the preceding year's net profit after tax; and

(c) Not to declare and pay dividend in the event there is breach of obligations and/or covenants in relation to the term loan facility.

Group/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;

15. LOANS AND BORROWINGS (cont'd)

Significant covenants (cont'd)

Group/subsidiary (cont'd)

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

As at 30 June 2010, a subsidiary has defaulted on the repayment of certain borrowings which were due for payment during the financial year, as disclosed in Note 1(b)(ii) to the financial statements.

Certain banking facilities of the Company include cross default terms which provides for the lender banks to proceed with legal proceedings against the Company, recall the facilities, interest thereon and all other monies payable to the lender banks, or to withdraw the facilities if there is a default in repayment by any one of the related companies.

Management has notified the respective lender banks of the Company on the cross default which was a result of the subsidiary defaulting on its borrowings. Todate the lender banks have continued to make available the borrowing facilities and have not taken any action against the Company as a result of this cross default.

Accordingly, the Company and the subsidiary have reclassified the non-current portion of its defaulted term loans as current liabilities in compliance with the provision under FRS 101, *Presentation of Financial Statements*.

Terms and debt repayment schedule

GROUP	Year of maturity	Carrying amounts RM'000	Less than 1 year RM'000	1 – 2 year RM'000	2 – 3 year RM'000	3 – 4 year RM'000	4 – 5 year RM'000	More than 5 years RM'000
2010								
Secured term loans	2011 - 2018	198,110	193,257	2,091	1,194	370	351	847
Unsecured term loans	2011	1,765	1,765	-	-	-	-	-
Secured bank overdrafts	2011	22,647	22,647	-	-	-	-	-
Unsecured bank overdrafts	2011	5,096	5,096	-	-	-	-	-
Secured bankers' acceptance	2011	24,716	24,716	-	-	-	-	-
Unsecured bankers' acceptance	2011	72,594	72,594	-	-	-	-	-
Secured revolving credit	2011	3,000	3,000	-	-	-	-	-
Unsecured revolving credit	2011	14,000	14,000	-	-	-	-	-
Hire purchase liabilities	2011 - 2015	7,307	6,695	339	164	89	20	-
		349,235	343,770	2,430	1,358	459	371	847
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

15. LOANS AND BORROWINGS (cont'd)

Terms and debt repayment schedule (cont'd)

COMPANY	Year of maturity	Carrying amounts RM'000	Less than 1 year RM'000	1 – 2 year RM'000	2 – 3 year RM'000	3 – 4 year RM'000	4 – 5 year RM'000	More than 5 years RM'000
2010								
Secured term loans	2011 - 2018	24,371	22,144	345	345	345	345	847
Unsecured term loans	2011	1,765	1,765	-	-	-	-	-
Secured bank overdrafts	2011	3,978	3,978	-	-	-	-	-
Unsecured bank overdrafts	2011	1,200	1,200	-	-	-	-	-
Secured bankers' acceptance	2011	2,428	2,428	-	-	-	-	-
Unsecured bankers' acceptance	2011	24,656	24,656	-	-	-	-	-
Secured revolving credit	2011	3,000	3,000	-	-	-	-	-
Unsecured revolving credit	2011	3,000	3,000	-	-	-	-	-
Hire purchase liabilities	2011 - 2015	6,003	5,702	136	92	61	12	-
		70,401	67,873	481	437	406	357	847
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

Hire purchase liabilities

Hire purchase liabilities are payable as follows:

	Payments 2010 RM'000	Interest 2010 RM'000	Principal 2010 RM'000	Payments 2009 RM'000	Interest 2009 RM'000	Principal 2009 RM'000
GROUP						
Less than 1 year	7,276	581	6,695	4,585	629	3,956
Between 1 and 5 years	629	17	612	7,776	589	7,187
More than 5 years	-	-	-	17	-	17
	7,905	598	7,307	12,378	1,218	11,160
COMPANY						
Less than 1 year	6,220	518	5,702	3,509	526	2,983
Between 1 and 5 years	318	17	301	6,492	537	5,955
More than 5 years	-	-	-	18	-	18
	6,538	535	6,003	10,019	1,063	8,956

15. LOANS AND BORROWINGS (cont'd)

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

	GROUP		COMPANY	
	2010 %	2009 %	2010 %	2009 %
Term loans	1.70 - 12.70	2.00 - 12.70	2.85 - 7.55	4.40 - 8.00
Bank overdrafts	6.55 - 12.00	6.55 - 8.75	6.55 - 8.35	6.55 - 8.75
Bankers' acceptance	1.00 - 7.00	1.50 - 7.75	1.00 - 4.68	1.50 - 4.65
Trust receipts	6.80 - 8.30	-	6.80 - 8.30	-
Revolving credit	3.80 - 4.54	3.29 - 5.45	3.80 - 4.54	3.29 - 5.15
Hire purchase liabilities	2.25 - 9.06	2.25 - 9.16	4.18 - 9.06	4.18 - 7.51

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

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Secured term loans				
USD	170,175	200,736	-	-
Unsecured term loans				
USD	1,764	2,342	1,764	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	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Trade				
Trade payables	25,687	26,911	9,878	9,798
Amount due to subsidiaries				
- interest bearing	-	-	-	1,618
	25,687	26,911	9,878	11,416
Non-trade				
Other payables	35,356	33,462	6,714	5,184
Accrued expenses	5,592	5,418	463	539
Amount due to subsidiaries				
- non-interest bearing	-	-	2,583	311
	40,948	38,880	9,760	6,034
	66,635	65,791	19,638	17,450

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 in 2009.

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 RM53,000 (2009: RM40,000) and RM42,000 (2009: RM20,000) respectively for the purchases of computer equipment and accessories.

16. PAYABLES AND ACCRUALS (cont'd)

Included in other payables of the Company in previous year is an amount owing to a company in which a Director has financial interest amounting to RM1,000.

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Currency exposure profiles:				
Trade				
Trade payables:				
Ringgit Malaysia	19,198	22,557	5,972	5,587
USD	4,088	4,203	3,899	4,203
Others	2,401	151	7	8
	25,687	26,911	9,878	9,798
Non-trade				
Other payables and accruals:				
Ringgit Malaysia	34,121	34,450	7,177	5,723
USD	45	2	-	-
SGD	70	131	-	-
Philippines PESO	364	213	-	-
Renminbi	51	3,782	-	-
Others	6,297	302	-	-
	40,948	38,880	7,177	5,723
Trade and non-trade				
Amount due to subsidiaries:				
Ringgit Malaysia	-	-	2,512	1,855
SGD	-	-	71	74
	-	-	2,583	1,929
	66,635	65,791	19,638	17,450
Credit terms extended by trade payables	30 to 120 days	30 to 120 days	30 to 120 days	30 to 120 days

17. REVENUE

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Revenue is stated at gross invoiced values and comprises:				
Manufacturing sales	292,997	184,960	97,184	86,659
Trading sales	72,169	63,647	-	-
	365,166	248,607	97,184	86,659

18. FINANCE COSTS

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
This comprises interest expense on:				
- Bank overdrafts	2,496	2,211	555	576
- Term loans	7,215	4,798	1,211	619
- Other borrowings	7,801	6,308	1,699	1,679
	17,512	13,317	3,465	2,874
Less: Interest income	(861)	(804)	(2,667)	(1,691)
	16,651	12,513	798	1,183
Total interest expense:	17,132	17,038	810	1,269
Less:				
- Interest expense capitalised into property, plant and equipment (Note 3(ii))	(469)	(4,439)	-	-
- Interest capitalised into product development expenditure (Note 4)	(12)	(86)	(12)	(86)
	16,651	12,513	798	1,183

19. (LOSS)/PROFIT BEFORE TAX

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
(Loss)/Profit before tax is arrived at after charging:				
Allowance for doubtful debts	6,128	156	26,946	31
Allowance for slow moving inventories	97,866	-	126	-
Amortisation of intangible assets	613	535	589	513
Amortisation of prepaid lease payments	139	142	26	29
Auditors' remuneration:				
- Audit services:				
Auditors of the Company	106	106	35	35
Other auditors	40	23	-	-
- Other services:				
Auditors of the Company	25	-	-	-
Other auditors	1	1	-	-
Bad debts written off	878	-	-	-
Depreciation of property, plant and equipment	22,381	24,920	3,768	3,800
Direct operating expenses of investment property				
- generating income	3	5	-	-
Impairment loss for plant and equipment	12,754	119	-	119
Impairment loss for investments	-	-	22,947	-
Impairment loss for goodwill	12,480	-	-	-
Inventories written off	175	242	-	136
Loss on disposal of equipment	1	9	-	-
Loss on foreign exchange:				
- realised	3,530	4,968	309	584
- unrealised	634	13,827	693	-
Personnel expenses (excluding Directors' remuneration):				
- Contributions to Employees' Provident Fund	2,078	1,957	1,461	1,313
- Wages, salaries and others	24,230	23,984	12,963	13,502
Preliminary expenses written off	155	500	-	-
Product development expenditure written off	5,035	2,211	5,035	2,211
Property, plant and equipment written off	222	314	49	128

19. (LOSS)/PROFIT BEFORE TAX (cont'd)

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Rental expense of equipment	24	13	-	-
Rental expense of hostel	16	16	-	-
Rental expense of motor vehicles	19	16	-	-
Rental expense of premises	644	792	118	101
Investment in a jointly controlled entity written off	-	448	-	-
and after crediting:				
Allowance for doubtful debts written back	56	-	-	18
Allowance for inventory written back	12	35	-	-
Change in fair value of investment property	-	50	-	-
Gain on disposals of equipment	2	-	-	-
Gain on foreign exchange:				
- realised	1,131	663	1,122	663
- unrealised	13,007	-	-	-
Rental income from investment property	34	53	-	-
Rental income of premises	1,202	249	1,151	34

20. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensation are as follows:

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Directors' remuneration				
- Fees	324	324	174	174
- Emoluments	2,441	2,000	589	604
Total short-term employee benefits	2,765	2,324	763	778
Post-employment benefits				
- Defined benefit plan expenses for a Director	219	253	219	253
	2,984	2,577	982	1,031
Other key management personnel				
- Short-term employee benefits	3,077	2,603	1,534	1,648
- Other long-term benefits	180	328	212	226
	6,241	5,508	2,728	2,905

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. TAXATION

(i) Recognised in the income statements:

Major components of tax expense include:

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Current tax expense				
Malaysia	3,687	2,534	3,546	2,260
Overseas	327	415	-	-
	4,014	2,949	3,546	2,260
Deferred tax expense				
Origination and reversal of temporary differences (Note 9)	(9,094)	(367)	-	860
	(5,080)	2,582	3,546	3,120

(ii) Reconciliation of effective tax rate:

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
(Loss)/Profit for the year	(92,598)	(6,826)	(37,482)	11,892
Tax expense	(5,080)	2,582	3,546	3,120
(Loss)/Profit excluding tax	(97,678)	(4,244)	(33,936)	15,012

	GROUP		COMPANY	
	2010 %	2009 %	2010 %	2009 %
Statutory income tax rate of Malaysia	(25)	(25)	(25)	25
Effect of tax rates in foreign jurisdiction	-	2	-	-
Non-deductible expenses	14	55	37	3
Reinvestment allowances utilised	-	(7)	(1)	(2)
Non-taxable income	(3)	(1)	-	(1)
Tax incentives	-	(18)	(1)	(5)
Changes in unrecognised temporary differences	15	6	-	-
Others	(9)	6	-	1
	(8)	18	10	21
Under provision in prior years	5	43	-	-
Average effective tax rate	(3)	61	10	21

(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 all (2009: RM19,882,000) of its distributable reserves at 30 June 2010 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 2010 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. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per ordinary share

The basic (loss)/earnings per share has been calculated by dividing the Group's net (loss)/profit attributable to equity holders by the weighted average number of ordinary shares in issue during the current financial year ended 30 June 2010.

	2010 RM'000	2009 RM'000
(Loss)/Profit attributable to ordinary equity holders of the Company	(53,952)	417
Weighted average number of ordinary shares in issue ('000)	762,080	762,080
Basic (LPS)/EPS (sen)	(7.08)	0.05

Diluted (loss)/earnings per ordinary share

For the purpose of calculating diluted (loss)/earnings per share, the (loss)/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.

	2010 RM'000	2009 RM'000
(Loss)/Profit attributable to ordinary equity holders of the Company	(53,952)	417
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 (LPS)/EPS (sen)	(4.72)	0.04

23. OPERATING SEGMENTS

The Group has two operating and reportable segments as described below:

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.

Management monitors the operating results of business segments separately for the purpose of making decisions about resources to be allocated and of assessing performance.

Segment profit

Performance is measured based on segment profit before interest and taxation as included in the internal management reports that are reviewed by the Board of Directors.

Segment assets

The total of segment asset is measured based on all assets (including goodwill) of a segment, as included in the internal management reports that are reviewed by the Board of Directors.

23. OPERATING SEGMENTS (cont'd)

Segment liabilities

The total of segment liabilities is measured based on all liabilities of a segment, as included in the internal management reports that are reviewed by the Board of Directors.

Business Segments

	Pharmaceutical RM'000	Phytonutrient RM'000	Eliminations RM'000	Total RM'000
Financial year ended 30 June 2010				
Revenue				
External revenue	123,255	241,911	-	365,166
Inter-segment revenue	50,118	1,229	(51,347)	-
Total revenue	173,373	243,140	(51,347)	365,166
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

	Pharmaceutical RM'000	Phytonutrient RM'000	Total RM'000
Financial year ended 30 June 2010			
Results			
Profit/(Loss) from operations	18,275	(99,302)	(81,027)
Finance costs	(1,927)	(14,724)	(16,651)
Profit/(Loss) before tax	16,348	(114,026)	(97,678)
Taxation	(3,995)	9,075	5,080
Profit/(Loss) for the year	12,353	(104,951)	(92,598)
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)
Taxation	(3,535)	953	(2,582)
Profit/(Loss) for the year	11,678	(18,504)	(6,826)
At 30 June 2010			
Other information			
Segment assets	180,503	376,262	556,765
Unallocated assets			108
Total assets			556,873
Segment liabilities	108,229	309,085	417,314
Unallocated liabilities			12,924
Total liabilities			430,238
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

23. OPERATING SEGMENTS (cont'd)

Business Segments (cont'd)

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 2010				
Other information				
Allowance for doubtful debts	125	6,003	-	6,128
Allowance for slow moving inventories	128	97,738	-	97,866
Capital expenditure	5,461	2,001	-	7,462
Depreciation and amortisation	5,018	18,115	-	23,133
Gain on foreign exchange				
- realised	1,131	-	-	1,131
- unrealised	-	13,007	-	13,007
Impairment loss for plant and equipment	-	12,754	-	12,754
Impairment loss for goodwill	-	12,480	-	12,480
Loss on foreign exchange				
- realised	315	3,215	-	3,530
- unrealised	634	-	-	634
Product development expenditure written off	5,035	-	-	5,035
Rental expenses	703	-	-	703
Rental income	1,236	-	-	1,236
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
Inventories written off	242	-	-	242
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
Rental expenses	837	-	-	837
Rental income	302	-	-	302

Following the adoption of FRS 8, *Operating Segments* on 1 July 2009, the basis of segmentation has not changed, which is consistent with the Group's internal reporting basis.

Geographical Segments

	Sales RM'000	Total assets RM'000	Capital expenditure RM'000
2010			
(i) Asia	116,013	552,580	4,119
(ii) Africa	22,977	-	-
(iii) North and South America	13,327	4,293	3,343
(iv) Europe	212,141	-	-
(v) Pacific Island	708	-	-
	365,166	556,873	7,462
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

Major customer

During the year, revenue from one single customer amounted to RM109,120,000 (2009: RM64,792,000) contributed to more than 10% of the Group's revenue.

24. 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.

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 indicate 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
2010							
Fixed rate instruments							
Secured term loans	23,291	18,438	2,091	1,194	370	351	847
Hire purchase liabilities	7,307	6,695	339	164	89	20	-
	30,598	25,133	2,430	1,358	459	371	847
Floating rate instruments							
Secured term loans	174,819	174,819	-	-	-	-	-
Unsecured term loans	1,765	1,765	-	-	-	-	-
Secured bank overdrafts	22,647	22,647	-	-	-	-	-
Unsecured bank overdrafts	5,096	5,096	-	-	-	-	-
Secured bankers' acceptance	24,716	24,716	-	-	-	-	-
Unsecured bankers' acceptance	72,594	72,594	-	-	-	-	-
Secured revolving credit	3,000	3,000	-	-	-	-	-
Unsecured revolving credit	14,000	14,000	-	-	-	-	-
	318,637	318,637	-	-	-	-	-

24. FINANCIAL INSTRUMENTS (cont'd)

Effective interest rates and repricing analysis (cont'd)

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	-	-	-	-	-
COMPANY							
2010							
Fixed rate instruments							
Secured term loans	2,625	398	345	345	345	345	847
Hire purchase liabilities	6,003	5,702	136	92	61	12	-
	8,628	6,100	481	437	406	357	847
Floating rate instruments							
Secured term loans	21,746	21,746	-	-	-	-	-
Unsecured term loans	1,765	1,765	-	-	-	-	-
Secured bank overdrafts	3,978	3,978	-	-	-	-	-
Unsecured bank overdrafts	1,200	1,200	-	-	-	-	-
Secured bankers' acceptance	2,428	2,428	-	-	-	-	-
Unsecured bankers' acceptance	24,656	24,656	-	-	-	-	-
Secured revolving credit	3,000	3,000	-	-	-	-	-
Unsecured revolving credit	3,000	3,000	-	-	-	-	-
	61,773	61,773	-	-	-	-	-
2009							
Fixed rate instruments							
Secured term loans	4,194	546	568	606	648	692	1,134
Hire purchase liabilities	8,956	2,983	2,532	2,068	1,031	324	18
	13,150	3,529	3,100	2,674	1,679	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	-	-	-	-	-

24. FINANCIAL INSTRUMENTS (cont'd)

Market risk

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

Liquidity risk

During the financial year, the Group has not met their obligations in certain loan repayments and have breached the borrowing facilities agreements as disclosed in Note 15. A subsidiary has sought the assistance of the CDRC to mediate between the subsidiary and its lenders in arriving at a viable debt restructuring arrangement to mitigate the liquidity risk.

The Group and the Company are highly dependent upon the continuing financial support from their bankers and creditors, the timely successful implementation of an approved debt restructuring scheme and the ability of the Group and the Company to attain sufficient positive cash flows in the future to meet their obligations as and when they fall due.

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 amounts 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	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Forward foreign exchange contracts				
Receivables				
- Contractual value	-	1,022	-	1,022
- Fair value	-	22	-	22

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.

25. OPERATING LEASES

Leases as lessee

Non-cancellable operating lease rentals are payables as follows:

	GROUP	
	2010 RM'000	**2009 RM'000**
Less than 1 year	72	69
Between 1 and 5 years	102	104

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

26. CAPITAL AND OTHER COMMITMENTS

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

	GROUP		COMPANY	
	2010 RM'000	**2009 RM'000**	**2010 RM'000**	**2009 RM'000**
Authorised and contracted:				
- Leasehold land and buildings	72	562	-	-
- Purchase of plant and equipment	999	107	925	33
- Investment in a subsidiary	-	1,591	-	1,591
	1,071	2,260	925	1,624
Authorised but not contracted for:				
- Leasehold land and buildings	6,565	24,391	6,565	24,391
	7,636	26,651	7,490	26,015

27. CONTINGENT LIABILITIES

(a) Corporate guarantees

	COMPANY	
	2010 RM'000	**2009 RM'000**
Unsecured		
Corporate guarantee given to a bank for credit facilities extended to subsidiaries	3,447	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.

28. 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.

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	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
COMPANY				
Transactions with subsidiaries:				
Hovid Pharmacy Sdn. Bhd.				
Sales	38,803	30,029	-	-
Interest income	873	794	-	-
Reallocation of common cost	2,228	2,602	-	-
Rental expense	(35)	-	-	-
Amount due by - trade	-	-	22,212	18,257
Amount due by - non-trade	-	-	2,182	-
Amount due to - non-trade	-	-	-	(238)
Carotech Berhad				
Sales	330	242	-	-
Interest income	1,496	607	-	-
Reallocation of common cost	170	964	-	-
Purchases	(1,229)	(1,252)	-	-
Steam services expenses	(360)	(360)	-	-
Amount due by - non-trade	-	-	24,609	18,163
Amount due to - trade	-	-	(2,517)	(1,618)
Carotech Inc.				
Purchases	-	(79)	-	-
Hovid Inc.				
Sales	4,344	4,197	-	-
Interest income	316	290	-	-
Reallocation of common cost	753	883	-	-
Amount due by - trade	-	-	939	1,008
Amount due by - non-trade	-	-	2,752	2,679
Javid Sdn. Bhd.				
Amount due by - non-trade	-	-	1,961	1,927
Ho Yan Hor (S) Pte. Ltd.				
Amount due to - non-trade	-	-	(71)	(73)

28. RELATED PARTIES (cont'd)

	Transaction value year ended 30 June		Balances as at 30 June	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
COMPANY				
Transactions with subsidiaries:				
Hovid Marketing Sdn. Bhd.				
Sales	412	257	-	-
Purchases	-	(19)	-	-
Amount due by - trade	-	-	545	260
Amount due by - non-trade	-	-	2,051	2,018
Hovid Nutriworld Sdn. Bhd.				
Amount due by - non-trade	-	-	2,257	2,820
Hovid Life Science Pte. Ltd.				
Amount due by - non-trade	-	-	103	66
Hovid International Limited				
Amount due by - non-trade	-	-	4,469	4,646
Hovid Limited				
Sales	2,023	1,340	-	-
Amount due by - trade	-	-	1,097	1,087
Amount due by - non-trade	-	-	68	99
Hovid Research Sdn. Bhd.				
Rental income	1,125	-	-	-
Services rendered	(3,548)	-	-	-
Amount due by - non-trade	-	-	2,931	9
Amount due to - non-trade	-	-	(2,512)	-
Agrovid S.A.				
Amount due by - non-trade	-	-	90	97
Best Practice International Sdn. Bhd.				
Amount due by - non-trade	-	-	10	4
Biodeal Pharmaceuticals Pvt. Ltd.				
Purchases	(117)	-	-	-
Amount due by - trade	-	-	18	-
Amount due by - non-trade	-	-	192	-

28. RELATED PARTIES (cont'd)

	Transaction value year ended 30 June		Balances as at 30 June	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
GROUP				
Transaction with a company in which a Director has financial interest:				
Purchase of trading goods from:				
Chengdu Lycotec Bio-Products Co. Ltd.	-	(1,659)	-	-
Amount owing to:				
Ho Yan Hor Holdings Sdn. Bhd.	-	-	(157)	(1)
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.	(132)	(124)	(53)	(40)
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.	(99)	(85)	(42)	(20)

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

29. ACQUISITION OF A SUBSIDIARY

On 1 June 2010, the Group completed the acquisition of 12,750,000 shares in Biodeal Pharmaceuticals Private Limited ("BPPL") for Indian Rupee 127,500,000 (equivalent to RM9,562,000), satisfied in cash. BPPL is involved in manufacturing of pharmaceutical and consumer products. In the one month period to 30 June 2010, the subsidiary contributed profit of RM172,879. If the acquisition had occurred on 1 July 2009, the management estimates that consolidated revenue would have been RM6,178,000 and consolidated loss for the year would have been RM712,000.

29. ACQUISITION OF A SUBSIDIARY (cont'd)

The Group carried out a provisional Purchase Price Allocation exercise upon completion of the acquisition and the details are as follows:

	Pre-acquisition carrying amounts RM'000	Recognised values on acquisition RM'000
GROUP		
Property, plant and equipment	21,649	21,649
Inventories	1,057	1,057
Receivables, deposits and prepayment	2,146	2,146
Cash and cash equivalents	(317)	(317)
Loans and borrowings	(4,054)	(4,054)
Payables and accruals	(8,382)	(8,382)
Deferred taxation	(1,383)	(1,383)
Net identifiable assets and liabilities	10,716	10,716
Minority interests		(5,251)
Goodwill on acquisition		4,095
Consideration paid, satisfied in cash		9,560
Cash and cash equivalents acquired		317
Net cash outflow		9,877

The initial accounting for this business combination has been determined provisionally and will be completed within a period of one year from the date of acquisition as allowed under FRS 3, *Business Combinations*.

The provisional goodwill recognised on the acquisition is attributable mainly to the skills and technical talent of the acquired business's work force and the synergies expected to be achieved from integrating the company into the Group's existing pharmaceutical business.

30. SIGNIFICANT EVENTS

On 11 July 2009, 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 51.00% majority and controlling share of JVCo for INR127,500,000 for 12,750,000 new shares with par value of INR10 each.

31. SUBSEQUENT EVENTS

(i) The Company had disposed a total of 180,000,000 ordinary shares of RM0.10 each of its shares in Carotech Berhad comprising 19.73% equity interest for a total net consideration of RM12,600,000. After the disposals, the effective interest of the Company over Carotech Berhad is 38.45%. Therefore, Carotech Berhad will no longer be a subsidiary for financial year ending 30 June 2011. The disposals will result in a Group gain of approximately RM8,454,000 and loss to the Company of approximately RM7,176,000.

(ii) On 1 July 2010, the board of directors of a subsidiary made an announcement pursuant to the Guidance Note 5 ("GN5") of the Bursa Malaysia Securities Berhad ACE Market Listing Requirements that the subsidiary has defaulted on its principal and interest servicing in respect of certain banking facilities from financial institutions.

(iii) On 1 July 2010, the subsidiary has also announced that the Corporate Debt Restructuring Committee ("CDRC") has agreed to mediate between the subsidiary and its lenders on its Proposed Debt Restructuring scheme ("the proposed scheme") to arrive at a composite long term solution to its debt obligation and allowed the subsidiary a period of 6 months commencing from 1 July 2010 to complete the proposed scheme.

As at the date of approval of the financial statements, the proposed scheme is still being considered by its lenders.

(iv) Due to the factors as set out in (ii) and (iii) above coupled with the lack of working capital cash flow, poor market sentiments and weak demand for biodiesel products, the Group has temporarily scaled back its biodiesel production, leading to significantly lower operations in its Lumut facility.

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 28 to 83 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 2010 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: 29 October 2010

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 28 to 83 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 29 October 2010.

....

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 were engaged to audit the financial statements of Hovid Berhad, which comprise the balance sheets as at 30 June 2010 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 28 to 83.

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. Because of the matters described in the Basis for Disclaimer of Opinion paragraph, we were not able to obtain sufficient and appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

1. We draw attention to Note 1(b) to the financial statements which discusses the following:

   i. The Group and the Company incurred a net loss of RM92,598,000 and RM37,482,000 respectively for the year ended 30 June 2010 and, as of that date, the current liabilities of the Group and the Company exceeded their current assets by RM271,550,000 and RM27,464,000 respectively.

   ii. As disclosed in Note 15 to the financial statements, a subsidiary has defaulted on the repayment of certain borrowings which were due for payment during the financial year. On 1 July 2010, the Board of Directors of the subsidiary made an announcement pursuant to the Guidance Note 5 ("GN5") of the Bursa Malaysia Securities Berhad ACE Market Listing Requirements, regarding the defaults on repayment and has sought the assistance of Corporate Debt Restructuring Committee ("CDRC") to mediate between the subsidiary and the lenders on its Proposed Debt Restructuring scheme ("the proposed scheme"). The CDRC has agreed to mediate and allowed a period of 6 months from 1 July 2010 to complete the proposed scheme. The lenders are currently reviewing and considering the proposed scheme but no decision has been made as at the date of this report.

   iii. Certain banking facilities of the Company include cross default terms which allows the lender banks to proceed with legal proceedings against the Company, recall the facilities, interest thereon and all other monies payable to the lender banks, or to withdraw the facilities if there is a default in repayment by any one of the related companies.

      Management has notified the respective lender banks of the Company of the cross default which was a result of the subsidiary defaulting on its borrowings. Todate the lender banks have continued to make available the borrowing facilities and have not taken any action against the Company as a result of this cross default.

   iv. The above events may affect the ability of the Group and the Company to obtain continued financial support from the lenders and also to achieve sufficient positive cash flows in the future to fulfill their obligations as and when they fall due. Although it is the intention of the Directors to continue operating the Group and the Company as going concerns, this cannot be assured.

   v. In view of the matters set out in the preceding paragraphs, there are significant material uncertainties on the ability of the Group and the Company to continue as going concerns and therefore, the Group and the Company may be unable to realise their assets and discharge their liabilities in the normal course of business.

   vi. The appropriateness of using the going concern assumption for the preparation of the financial statements is therefore highly dependent upon the continuing financial support from its bankers and creditors, the timely successful implementation of an approved debt restructuring scheme at the subsidiary and the ability of the Group and the Company to attain sufficient positive cash flows in the future.

   vii. Accordingly, the financial statements of the Group and the Company 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 and the Company be unable to continue as going concerns.

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

Basis for Disclaimer of Opinion (cont'd)

2. As a result of the above matters as well as the conditions stated in Note 11 to the financial statements, we are unable to ascertain the appropriateness of the quantum of allowance for slow moving work-in-progress and finished goods inventories of RM91,677,000 and RM6,061,000 respectively made by the Group during the year ended 30 June 2010.

3. As a result of the above matters, the Group has also temporarily scaled back its biodiesel production, leading to significantly lower operation in its Lumut facility subsequent to the year end. Consequently, the carrying amounts of the property, plant and equipment of the Group and the Company of RM372,600,000 and RM51,219,000 respectively may be impaired because of uncertainty in their recoverable amounts.

Accordingly, we are unable to ascertain the carrying amount of the property, plant and equipment and the quantum of impairment loss, if any, should these be stated at recoverable amounts.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraphs, we do not express an opinion on the financial statements.

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) Except as disclosed in Note 7 to the financial statements, the audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Matters

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

KPMG
Firm Number: AF-0758
Chartered Accountants

CHEW BENG HONG
Partner
Approval Number: 2920/02/12 (J)
Chartered Accountant

Date: 29 October 2010

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 2010 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 11 to 46 years old.	Land area: 123,915 sq. ft. Gross built-up area: 77,760 sq. ft.	Date of valuation: 30 October 2008	8,136
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 65 years	Land area: 1,331 sq. ft. Gross built-up area: 2,320 sq. ft.	Date of valuation: 30 October 2008	218
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: 11 years	Land area: 2,050 sq. ft. Gross built-up area: 2,974 sq. ft.	Date of valuation: 30 October 2008	294
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: 8 years	Land area: 286,350 sq. ft. Gross built-up area: 78,624 sq. ft.	Date of valuation: 30 October 2008	15,194
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 bio-diesel and phytonutrients extraction plants and ancillary buildings.	Tenure: Freehold Approximate age: Between 2 to 15 years	Land area: 588,334 sq. ft. Gross floor area: 48,138 sq. ft.	Date of valuation: 30 October 2008	22,726

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 2010 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: 40 years	Land area: 1,740 sq. ft. Gross built-up area: 3,439 sq. ft.	Date of valuation: 30 October 2008	492
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: 29 years	Land area: 1,336 sq. ft. Gross built-up area: 4,361 sq. ft.	Date of valuation: 26 May 2010	670
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: 11 years	Land area: 1,400 sq. ft. Gross built-up area: 2,722 sq. ft.	Date of valuation: 30 October 2008	181
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: 28 years	Land area: 1,750 sq. ft. Gross built-up area: 5,250 sq. ft.	Date of valuation: 24 May 2010	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 55 years	Land area: 52,525 sq. ft. Gross built-up area: 3,364 sq. ft.	Date of valuation: 30 October 2008	904

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 2010 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 9 to 11 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	1,359
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: 19 years	Land area: 1,776 sq. ft. Gross built-up area: 4,312 sq. ft.	Date of valuation: 30 October 2008	635
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: 18 years	Land area: 1,540 sq. ft. Gross built-up area: 3,016 sq. ft.	Date of valuation: 30 October 2008	443
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: 515,710 sq. ft.	Date of valuation: 30 October 2008	5,784
Plots C1, C2, C3(b) & C4, Lumut Port Industrial Park, 32000 Sitiawan, Perak Darul Ridzuan. PT 11608 Title HSD 25284, PT 11606 Title HSD 25282, Lot 15504 Title PN 296031, Mukim of Lumut, District of Manjung, Perak Darul Ridzuan.	Four (4) plots of industrial land with bio-diesel and phytonutrients extraction plant and ancillary buildings erected on Plots C1 & C2.	Tenure : Plots C1, C2 & C3(b) - 89 years leasehold Plot C4 - 99 years leasehold Approximate age of the buildings: 3 years	Land area: 1,399,653 sq. ft. Gross floor area: 137,082 sq. ft.	Date of valuation: 30 October 2008	39,225
Plot 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

ANALYSIS OF SHAREHOLDINGS
AS AT 28 OCTOBER 2010

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	329	4.07	250,240	0.03
1,001 – 10,000 shares	3,843	47.49	25,073,952	3.29
10,001 – 100,000 shares	3,453	42.67	126,642,788	16.62
100,001 – 38,103,999 shares	460	5.69	252,384,875	33.12
38,104,000 shares and above	5	0.06	357,728,120	46.94
Total	**8,092**	**100.00**	**762,080,000**	**100.00**

Directors' Shareholdings As Per Register Of Directors As At 28 October 2010

Name	No. of Shares Held			
	Direct	%	Indirect	%
Ho Sue San @ David Ho Sue San	377,762,680	49.57	0	0
Leong Kwok Yee	290,400	0.04	0	0
YM Raja Shamsul Kamal Bin Raja Shahruzzaman	0	0	0	0
Chuah Chaw Teo	0	0	0	0
Liong Kam Hon	7,895,360	1.04	0	0

Substantial Shareholders As Per Register Of Substantial Shareholders As At 28 October 2010

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

List of Top Thirty (30) Shareholders/Depositors

No	Name of Securities Account Holders	No. of Shares Held	%
1	EB NOMINEES (TEMPATAN) SENDIRIAN BERHAD PLEDGED SECURITIES ACCOUNT FOR HO SUE SAN @ DAVID HO SUE SAN (IPO)	125,670,000	16.49
2	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HO SUE SAN @ DAVID HO SUE SAN (32531 IPOH)	72,500,000	9.51
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)	48,980,000	6.43
5	HO SUE SAN @ DAVID HO SUE SAN	44,503,120	5.84

ANALYSIS OF SHAREHOLDINGS
AS AT 28 OCTOBER 2010 (cont'd)

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

No	Name of Securities Account Holders	No. of Shares Held	%
6	LEMBAGA TABUNG HAJI	35,445,800	4.65
7	TASEC NOMINEES (TEMPATAN) SDN BHD TA FIRST CREDIT SDN BHD FOR IBRAHIM BIN HAJI AHMAD	17,500,000	2.30
8	CITIGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HO SUE SAN @ DAVID HO SUE SAN (001611124)	15,000,000	1.97
9	MOHD SAINI BIN KARIMAN	12,000,000	1.57
10	SEGI SATRIA SDN BHD	8,000,000	1.05
11	LIONG KAM HON	7,895,360	1.04
12	TOH MAY FOOK	5,485,000	0.72
13	LIM GUAT IM	4,700,000	0.62
14	CHAN KIN MENG	4,000,000	0.52
15	MAYBAN NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HO SUE SAN @ DAVID HO SUE SAN (MDV-210211)	3,398,480	0.45
16	MAYBAN NOMINEES (TEMPATAN) SDN BHD MAYBAN INVESTMENT MANAGEMENT SDN BHD FOR SERENA BINTI M ISMAIL (8SMI1-250065)	3,200,000	0.42
17	CHOW SONG KUANG	2,775,100	0.36
18	CHOW SONG KUANG	2,500,000	0.33
19	CHOONG FOO WAH	2,345,865	0.31
20	CHEN TAM CHAI	2,198,000	0.29
21	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE CHEE SIONG (SS2/ECM)	1,950,000	0.26
22	MALAYSIAN ASSURANCE ALLIANCE BERHAD AS BENEFICIAL OWNER (VULTURE FUND)	1,850,200	0.24
23	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR DFA EMERGING MARKETS SMALL CAP SERIES	1,803,300	0.24
24	GOH TIAN HOCK	1,765,830	0.23
25	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TEE KIM HEW	1,436,600	0.19
26	VOON SAI MOI	1,326,300	0.17
27	CHEN WENG FATT	1,250,000	0.16
28	KUEH BAK POH	1,100,000	0.14
29	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHEW CHEW KON	1,030,000	0.14
30	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KONG MAH REALTY (M) SDN BHD	1,012,500	0.13
		498,696,455	65.44

ANALYSIS OF WARRANT HOLDINGS
AS AT 28 OCTOBER 2010

No. of Warrants 381,040,000
No. of Warrant Holders 3,925

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	0.13	250	0.00
100 – 1,000 warrants	384	9.78	251,200	0.07
1,001 – 10,000 warrants	1,883	47.98	8,812,950	2.31
10,001 – 100,000 warrants	1,359	34.62	53,659,445	14.08
100,001 – 19,051,999 warrants	293	7.46	119,390,755	31.33
19,052,000 warrants and above	1	0.03	198,925,400	52.21
Total	**3,925**	**100.00**	**381,040,000**	**100.00**

Directors' Warrant Holdings As Per Register Of Directors As At 28 October 2010

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

Substantial Warrant Holders As Per Register Of Substantial Warrant Holders As At 28 October 2010

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

List of Top Thirty (30) Warrant Holders

No	Name of Warrant Holders	No. of Warrants Held	%
1	MAYBAN NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HO SUE SAN @ DAVID HO SUE SAN (MDV-210211)	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	SEGI SATRIA SDN BHD	4,000,000	1.05
6	LIONG KAM HON	3,947,680	1.04
7	TOH MAY FOOK	2,350,000	0.62
8	TAN OOI HONG	2,100,000	0.55

ANALYSIS OF WARRANT HOLDINGS
AS AT 28 OCTOBER 2010 (cont'd)

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

No	Name of Warrant Holders	No. of Warrants Held	%
9	CHAN KIN MENG	2,000,000	0.52
10	LIM GUAT IM	2,000,000	0.52
11	TEOH BOON SEONG	1,753,400	0.46
12	MAYBAN NOMINEES (TEMPATAN) SDN BHD MAYBAN INVESTMENT MANAGEMENT SDN BHD FOR SERENA BINTI M ISMAIL (8SMI1-250065)	1,600,000	0.42
13	GOH TIAN HOCK	1,264,600	0.33
14	TAN BOOK SOON	1,200,000	0.31
15	CHIEW HAI FANG	1,100,000	0.29
16	HDM NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SIEW LIP SUNG (M10)	1,100,000	0.29
17	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM TIONG HOOI (E-SJA)	1,068,000	0.28
18	JF APEX NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR AB GHANI BIN HAJI MAHMOOD (STA 1)	1,050,000	0.28
19	LIEW SUI KEEN	1,000,000	0.26
20	POH WEI NEE	1,000,000	0.26
21	ONG HOEE SIONG	963,600	0.25
22	THOMAS LO KIAT ON	930,000	0.25
23	CIMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HEW KUAN SENG (PENANG-CL)	808,200	0.21
24	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHONG CHEE MING	801,000	0.21
25	CHAN KIM MOON	784,500	0.21
26	MAYBAN NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TANG SING LING	780,000	0.21
27	MAYBAN SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR BOONG AH LICT	694,950	0.18
28	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHUA KOK SENG (E-BPJ)	691,200	0.18
29	MAYBAN NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WILSON KOH SIAW MIN	650,000	0.17
30	TEOH GUAN KOK & CO. SDN. BERHAD	650,000	0.17
		254,662,530	66.83

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-ninth ("29th") Annual General Meeting ("AGM") held on 23 November 2009, the Board of Directors had obtained shareholders' mandate for the Directors to purchase shares on Bursa Malaysia Securities Berhad ("Bursa Securities") not exceeding ten percent (10%) of the issued and paid-up share capital of the Company.

The abovementioned shareholders' mandate shall, in accordance with Bursa Securities Main Market Listing Requirements governing share buy-back by listed companies, expires at the conclusion of the forthcoming Thirtieth ("30th") Annual General Meeting ("30th AGM") of the Company, which will be held on 15 December 2010. On 26 October 2010, 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 30th 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 30th 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 30th AGM. A notice of the 30th 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;

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

(a) Advantages (cont'd)

(iii) the resultant reduction of share capital base is expected to improve the EPS and may strengthen the net tangible assets of the remaining shares as well as the probability of declaring a higher quantum of dividend in future;

(iv) to stabilise a downward trend of the market price of the Company's shares;

(v) treasury shares can be treated as long term investments. It makes business sense to invest in our own Company as the Board of Directors is confident of Hovid's future prospects and performance in the long term;

(vi) resale of treasury shares at price higher than the purchase prices when the market price picks up will be realised and as a result increase the working capital and net assets of the Company; and

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

(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 2010, the retained profits and share premium accounts of the Company were approximately RM0.72 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.

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

Funding (cont'd)

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.

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 28 October 2010, and assuming that the maximum number of Hovid Shares (of up to ten percent (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 into new Hovid Shares		Maximum Scenario Assuming that all the outstanding Warrants 2008/2013 are exercised into new Hovid Shares	
	No. of Shares	RM	No. of Shares	RM
Issued and paid-up share capital as at 28 October 2010	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 28 October 2010 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.

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

(b) Net Assets ("NA")

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

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

(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.

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 28 October 2010, there were 8,088 public shareholders 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 percent (10%) of the share capital as at 28 October 2010 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 28 October 2010, 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.

6. OTHER DISCLOSURES IN RELATION TO THE PROPOSED SHARE BUY-BACK (cont'd)

(b) Take-Overs and Mergers Code ("the Code") (cont'd)

Accordingly, if the shareholdings of the Major Shareholder and Person Acting in Concert in Hovid increase by two percent (2%) or more 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-Bank. 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 2010

Information on the purchase of Hovid's Shares during the financial year ended 30 June 2010 is set out in the Additional Compliance Information of the Statement On Corporate Governance in Hovid's Annual Report 2010.

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 28 October 2010 on the assumption that the Proposed Share Buy-Back is implemented up to the maximum of ten percent (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 into new Hovid Shares during the implementation of the Proposed Share Buy-Back

	As at 28 October 2010				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	-	-	-	-	-	-	-	-
Persons connected to Directors/ Substantial Shareholder								
Ho Sue Cheong	161,000	0.02	-	-	161,000	0.02	-	-

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 (cont'd)

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

	As at 28 October 2010				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	-	-	-	-	-	-	-	-	-	-	-	-
Persons connected to Directors / 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 as a consequence of the Proposed 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 30th 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.

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hovid

Continuous Innovation & Quality

HOVID BERHAD

(58476-A)

CDS Account No. of authorised nominee

PROXY FORM

THIRTIETH (30TH) 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 Thirtieth (30th) Annual General Meeting of the Company, to be held at Heritage Ballroom, Heritage Hotel Ipoh, Jalan Raja DiHilir, 30350 Ipoh, Perak Darul Ridzuan on Wednesday, 15 December 2010, 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 2010		
Resolution 2	Approval of Directors' fees		
Resolution 3	Re-election of Mr Ho Sue San @ David Ho Sue San as Director		
Resolution 4	Re-election of Mr Leong Kwok Yee 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		
Resolution 10 (Special Resolution)	Proposed Amendment to the Articles of Association of the Company		

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 ______________________________ 2010

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/her shareholding 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 authorized 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 8 December 2010. Only a member whose name appears on the General Meeting Record of Depositors as at 8 December 2010 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote in his/her stead.*

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AFFIX
STAMP

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THE COMPANY SECRETARY

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

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