hovid
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HOVID BERHAD (58476-A)

Annual Report 2012

hovid

ANNUAL REPORT 2012

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NOTICE OF **ANNUAL GENERAL MEETING**

NOTICE IS HEREBY GIVEN that the Thirty-second (32nd) Annual General Meeting ("AGM") of Hovid Berhad ("Hovid" or "the Company") will be held at Gopeng Hall, Level 3, Kinta Riverfront Hotel & Suites, B-1-1 Kinta Riverfront, Jalan Lim Bo Seng, 30000 Ipoh, Perak Darul Ridzuan on Monday, 26 November 2012 at 10.30 a.m. for the following purposes:

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 30 June 2012 together with the Reports of the Directors and Independent Auditors thereon. (Please refer to Explanatory Note 1)
2. To approve the payment of Directors' fees of RM183,000 for the financial year ended 30 June 2012. Ordinary Resolution 1
3. To re-elect Dato' Che Mohd Zin Bin Che Awang who is retiring in accordance with Article 90 of the Company's Articles of Association and who being eligible offers himself for re-election. Ordinary Resolution 2
4. To re-elect the following directors who are retiring by rotation in accordance with Article 83 of the Company's Articles of Association and who being eligible offer themselves for re-election:-
   (a) Mr Chuah Chaw Teo Ordinary Resolution 3
   (b) Mr Leong Kwok Yee Ordinary Resolution 4
5. To re-appoint Messrs SJ Grant Thornton as Auditors of the Company for the ensuing year and to authorise the Directors to determine their remuneration. Ordinary Resolution 5

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

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

   "**THAT** pursuant to Section 132D of the Companies Act, 1965 ("Act"), the Directors be and are hereby empowered to allot and issue shares in the capital of the Company from time to time at such price, upon such terms and conditions, for such purposes and to such person or persons whomsoever as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares to be issued pursuant to this Resolution does not exceed ten per centum (10%) of the total issued share capital of the Company for the time being, **AND THAT** subject to the Act and the Articles of Association of the Company, the Directors be and are hereby also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad ("Bursa Securities") and other relevant authorities where such approval is necessary **AND THAT** such authority shall continue in force until the conclusion of the next AGM of the Company." Ordinary 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: Ordinary Resolution 7

   (i) the RRPTs are:
      (a) necessary for the day-to-day operations;
      (b) undertaken in the ordinary course of business and at arm's length basis and are on terms not more favourable to the related parties than those generally available to the public; and
      (c) are not detrimental to the shareholders of the Company; and

   (ii) the disclosure is made in the Annual Report of the Company of the aggregate value of the RRPTs based on the type of transactions, the names of the Related Parties and their relationships with the Company pursuant to the Proposed Renewal of Shareholders' Mandate for RRPTs with 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 such documents as may be required) to give effect to the RRPTs contemplated and/or authorised by this Ordinary Resolution."

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: Ordinary Resolution 8

(i) the RRPTs are:

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

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

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

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

(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."

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

"**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 Group as set out in Section 2.1 of the Circular, subject to the following: Ordinary Resolution 9

(i) the RRPTs are:

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

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

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

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

(iii) the Proposed New Shareholders' Mandate for RRPTs with Carotech Group 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 such documents as may be required) to give effect to the RRPTs contemplated and/or authorised by this Ordinary Resolution."

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

"**THAT** subject to the Act, the Articles of Association of the Company and the 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:

Ordinary Resolution 10

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

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

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

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

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

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

whichever occurs first.

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

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

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

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

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

11. **SPECIAL RESOLUTION**
PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY ("PROPOSED AMENDMENTS")

"**THAT** the Proposed Amendments to the Articles of Association of the Company as set out in Page 6 of the Annual Report be and are hereby approved and adopted.

Special Resolution 1

AND THAT the Directors and the Secretaries of the Company be and are hereby authorised to do all such acts, deeds and things as are necessary and/or expedient in order to give full effect to the Proposed Amendments with full powers to assent to any conditions, modifications and/or amendments as may be required by the relevant authorities."

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

By Order of the Board

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

Ipoh, Perak Darul Ridzuan
Date: 2 November 2012

NOTES:

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

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

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

4. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.

5. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or if the appointor is a corporation, either under its common seal or under the hand of its attorney duly authorised.

6. The instrument appointing a proxy shall be deposited at the Registered Office of the Company at No. 121, Jalan Tunku Abdul Rahman, 30010 Ipoh, Perak Darul Ridzuan not less than forty-eight (48) hours before the time appointed for holding the meeting or at any adjournment thereof.

7. For the purpose of determining a member who shall be entitled to attend the meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd., in accordance with Article 60(c) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositors as at 16 November 2012. Only a depositor whose name appears on the General Meeting Record of Depositors as at 16 November 2012 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote in his/her stead.

EXPLANATORY NOTES ON SPECIAL BUSINESS:

1. **Item 1 of the Agenda - The Audited Financial Statements for the financial year ended 30 June 2012 and the Reports of the Directors and Independent Auditors thereon**

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

2. The proposed Ordinary Resolution No. 6, if passed, will empower the Directors of the Company, from the date of the above AGM, to allot and issue new shares of the Company up to an amount not exceeding in total ten per centum (10%) of the issued share capital of the Company for the time being for such purposes as the Directors consider would be in the best interest of the Company. This authority, unless earlier revoked or varied by the Company at a general meeting, will expire at the next AGM of the Company. 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.

3. The proposed Ordinary Resolutions No. 7, 8 and 9, 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.

   Details of the proposed Ordinary Resolutions No. 7, 8 and 9 are contained in the Circular to Shareholders dated 2 November 2012 accompanying the Company's Annual Report 2012.

4. The proposed Ordinary Resolution No. 10, if passed, will give the Directors of the Company the continuing authority to purchase the Company's own shares up to an amount not exceeding in total ten per centum (10%) of its issued share capital at any point in time upon such terms and conditions as the Directors may deem fit in the interest of the Company. This authority, unless revoked or varied by the Company at a general meeting, will expire at the next AGM of the Company.

   Details of proposed Ordinary Resolution No. 10 are contained in the Share Buy-Back Statement on Pages 109 to 114 of this Annual Report.

5. The proposed Special Resolution 1, if passed, will allow the Company to incorporate the amendments made to the Main Market Listing Requirements of Bursa Securities to ensure compliance. Details of the Proposed Amendments are set out in Page 6 of this Annual Report.

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF HOVID BERHAD

The details of the proposed amendments to the Articles of Association of the Company are as follows:-

Article No	Existing Articles	Proposed Amendments
2	Definitions **WORD** – **MEANINGS** Share Scheme for Employees – a share scheme involving a new issue of shares to employees and/or directors, including a share option scheme.	Definitions **WORD** – **MEANINGS** Share **Issuance** Scheme – A scheme involving a new issue of shares to employees and/or directors.
8(e)	no director shall participate in a share scheme for employees unless shareholders in general meeting have approved the allotment to be made to such director.	no director shall participate in a **Share Issuance Scheme** unless shareholders in general meeting have approved the specific allotment to be made to such director.
76	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 seal or under the hand of an officer or attorney duly authorised. A proxy may but need not be a Member and Section 149(1) (a) and (b) of the Act shall not apply to the Company. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll. A Member shall be entitled to appoint more than two (2) proxies to attend and vote at the same meeting and each proxy appointed, shall represent a minimum of 100 shares. Where the Member appoints two (2) or more proxies to attend and vote at the same meeting, such appointment shall be invalid unless the Member specifies the proportion of his shareholding to be represented by each proxy.	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 seal or under the hand of an officer or attorney duly authorised. A proxy may but need not be a Member and Section 149(1) (a) and (b) of the Act shall not apply to the Company. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll. A Member shall be entitled to appoint more than two (2) proxies to attend and vote at the same meeting and each proxy appointed, shall represent a minimum of 100 shares. Where the Member **or the authorised nominee or the exempt authorised nominee** appoints two (2) or more proxies to attend and vote at the same meeting, such appointment shall be invalid unless the Member **or the authorised nominee or the exempt authorised nominee** specifies the proportion of his shareholding to be represented by each proxy.
76B	None	**New Provision** Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
76C **Qualification and rights of proxy to speak**	None	**New Provision** (a) A member of the Company entitled to attend and vote at a meeting of the Company, or at a meeting of any class of members of the Company, shall be entitled to appoint any person as his proxy to attend and vote instead of the member at the meeting. There shall be no restriction as to the qualification of the proxy. (b) A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the member to speak at the meeting.

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

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

Company Secretaries

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

Registered Office / Principal Place of Business

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

Telephone : +6 05 506 0690
Facsimile : +6 05 506 1215
Website : www.hovid.com
E-mail : info@hovid.com

Share Registrar

Tricor Investor Services Sdn Bhd
Level 17, The Gardens North Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur

Telephone : +6 03 2264 3883
Facsimile : +6 03 2282 1886

Stock Exchange Listing

Main Market of Bursa Malaysia Securities Berhad

Principal Bankers

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

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

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

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

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

Auditors

SJ Grant Thornton
Level 11, Sheraton Imperial Court
Jalan Sultan Ismail
P.O. Box 12337
50774 Kuala Lumpur, Malaysia.

Telephone : +6 03 2692 4022
Facsimile : +6 03 2732 5119

CORPORATE STRUCTURE
As At 10 October 2012

HOVID BERHAD (58476-A)

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

DIRECTORS' PROFILE

Ho Sue San @ David Ho Sue San

A Malaysian aged 63, is the Managing Director of the Company and was redesignated to Chairman & Managing Director on 31 January 2008. He was appointed to the Board, being the first Director since incorporation of the Company on 20 May 1980. He obtained a Bachelor of Pharmacy degree from the University of Otago in 1974. He later obtained a Master of Pharmacy degree from the University of Otago in 1976. He was registered as a pharmacist with the Pharmaceutical Society of New Zealand in 1974 and as a pharmaceutical chemist by the Pharmaceutical Society of Great Britain in 1977. He was registered as a pharmacist with the Malaysian Pharmacist Board in 1980. He has also completed the Applied International Management Programme organised by the Swedish Institute of Management in 1990 and the International Top Management Seminar in the field of Quality Leadership organised by ISO Swedish Management Group in 1996. From 1978 to 1979, he was a research pharmacist with Wyeth Laboratories Ltd. Thereafter, he formed and incorporated Hovid Berhad in 1980. He was on the Board of Malaysian Biotechnology Corporation Sdn. Bhd., a subsidiary of MOF Inc in Malaysia from 2006 to 2009.

Ho Sue San @ David Ho Sue San has attended all the five (5) Board meetings held during the financial year ended 30 June 2012. 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 2012.

Liong Kam Hon

A Malaysian aged 66, is the Executive Director of the Company and was appointed to the Board of the Company on 11 February 1999. He joined Hovid Pharmacy Sdn. Bhd. as a Manager on 16 June 1981. Prior to that, he served as a manager with Public Medical Supplies from 1978 to 1980. Between 1967 and 1977, he was the chief dispenser with Georgetown Dispensary Ltd.

Liong Kam Hon has attended all the five (5) Board meetings held during the financial year ended 30 June 2012. He neither has any family relationship with any Director and/or major shareholder of the Company, nor has he any conflict of interest with the Company. He has had no conviction for any offences within the past ten (10) years.

Chuah Chaw Teo

A Malaysian aged 61, is a chemist by profession. He was appointed to the Board of the Company on 22 December 2004 as an Independent Non-Executive Director. He obtained a Bachelor of Science degree with Honours in 1975 from the University of Otago, where he was also given the University of Otago Science Award for ranking first in the class. Thereafter, he obtained a Doctorate degree in Applied Organic Chemistry in 1979, also from the University of Otago. He has a Diploma in Management from the Malaysian Institute of Management, which he obtained with Merit in 1987. After he obtained his Doctorate degree in 1979, Dr. Chuah worked as a post-doctoral research associate with the College of Environmental Science and Forestry of the State University of New York, a position which he held for the next two (2) years. From 1982 to 1983, he served as a lecturer in the University of Malaya, Malaysia. After he left the University of Malaya, he was attached to Yee Lee Edible Oils Sdn. Bhd. as General Manager for Research and Development. He held this position for ten (10) years, from 1983 to 1993. Presently, he is an Executive Director of Spritzer Berhad, a position that he has held since 1994.

Chuah Chaw Teo is a member of the Nomination and Remuneration Committee as well as the Audit Committee of the Company. He has attended all the five (5) Board meetings held during the financial year ended 30 June 2012. 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 62, 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 Fung (1937) Management Ltd.

Leong Kwok Yee is the Chairman of Audit Committee and a member of the Nomination and Remuneration Committee of the Company. He has attended all the five (5) Board meetings held during the financial year ended 30 June 2012. 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 51, 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.

YM Raja Shamsul Kamal Bin Raja Shahruzzaman is the Chairman of the Nomination and Remuneration Committee and a member of the Audit Committee of the Company. He has attended all the five (5) Board meetings held during the financial year ended 30 June 2012. He neither has any family relationship with any Director and/or major shareholder of the Company, nor has he any conflict of interest with the Company. He has had no conviction for any offences within the past ten (10) years.

Dato' Che Mohd Zin Bin Che Awang

A Malaysian aged 63, is a Fellow member of Malaysian Pharmaceutical Society. He was appointed to the Board on 1 March 2012 as Independent Non-Executive Director. Dato' Zin obtained a Bachelor of Pharmacy degree from University of Baghdad, Iraq, in 1972. In 1978 and 1984, he obtained a Master of Science degree in Radiopharmacy from University of Southern California, USA and a Master of Science degree in Pharmaceutical Sciences from University of Wales, United Kingdom, respectively. He started his career in 1974 as a Pharmacist of Perak Medical Store under the Ministry of Health of Malaysia (MOH). In 1977, he joined Tun Ismail Atomic Research Centre of Ministry of Science, Malaysia, as a Research Officer. From 1980 to 1984, he was a Production Pharmacist with the Government Medical Lab & Stores of MOH; before his appointment as the Head of Good Manufacturing Practice (GMP) Division in National Pharmaceutical Control Bureau (NPCB) of Ministry of Health, Malaysia in 1985. He took up the role as Chief Pharmacist of Regional Medical Stores in Penang in 1991 and Kelantan State Pharmacist in 1993. From 1998 to 2000, he was appointed as Deputy Director of NPCB as well as the Secretary of Drug Control Authority. He was promoted to the position of Director of NPCB in 2000 and subsequently as Senior Director of Pharmaceutical Services in Ministry of Health of Malaysia in 2001. Before his retirement in 2008, he was the Chairman of Asean Consultative Committee on Standards and Quality Pharmaceutical Products Working Group (ACCSQ/ PPWG) from 2002 to 2008.

Dato' Zin was appointed as a member of Audit Committee of the Company on 1 June 2012. He has attended one (1) Board meeting held since his appointment to the Board on 1 March 2012. He neither has any family relationship with any Director and/or major shareholder of the Company, nor has he any conflict of interest with the Company. He has had no conviction for any offences within the past ten (10) years.

CHAIRMAN'S STATEMENT

Dear Valued Shareholders

On behalf of the Board of Directors ("the Board") of Hovid Berhad ("Hovid"), I am pleased to present to you the Annual Report and Audited Financial Statements for the financial year ended 30 June 2012.

This year's Annual Report features the theme "Growing Pharma Value". This theme portrays how the Company continues to improve and achieve better results in its pharmaceutical business. We aim to serve our consumers to grow healthier and our shareholders to grow more values by expanding our plant capabilities, realizing higher operating efficiencies via Lean Manufacturing, consistently developing the quality products and capitalising on the long term demand.

Financial Performance

The Group achieved a revenue of RM164.8 million for the current year, an increase of 7.4% compared to the revenue of RM153.5 million for the preceding financial year. The Hovid segment or pharmaceutical revenue recorded another year of historical high at RM164.8 million, an increase of 13.5% from the RM145.2 million in the last financial year. This was made possible with the commissioning of additional production capacity during the fourth quarter to meet the increasing demand from customers.

The results for the current and previous financial years were affected by some non-recurring items. Non-recurring gain in the current year amounted to RM3.8 million and it was made up of goodwill impairment in a subsidiary and gain from the deemed disposal of shares in Carotech Berhad ("Carotech") pursuant to the distribution of dividend-in-specie. The non-recurring item in the last financial year was a loss of RM16.9 million, made up entirely by the impairment of investment in Carotech.

Taking into account the non-recurring items, the Group profit before tax ("PBT") for the year was RM22.3 million, compared to a loss before tax ("LBT") of RM2.2 million in previous year. Hovid segment PBT for the current year was RM24.3 million, which is comparable to previous financial year of RM23.4 million. Overall, the Carotech segment recorded a LBT of RM2.0 million for the current year against previous year loss of RM25.6 million.

Carotech was a subsidiary until end of August 2010 and became an associate company from September 2010 to 23 December 2011. Thereafter it became a simple investment in the books of Hovid. Accordingly, for the previous financial year, the results of Carotech was consolidated for two months as subsidiary up to August 2010 and equity accounted for the balance of the year, whereas for the current financial year, the result of Carotech was equity accounted until 23 December 2011. Going forward, the results of Carotech will no longer appear in the Hovid Group's results.

Corporate Development

Upliftment from Practice Note 17 of the Main Market Listing Requirements

Pursuant to Paragraph 8.04 and Paragraph 2.1(d) of Practice Note 17 ("PN17") of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), Hovid was considered a PN17 Company on 29 October 2010 due to a disclaimer opinion expressed by the Auditors on the financial statements of Hovid for the financial year ended 30 June 2010 ("FYE 2010") ("Hovid Disclaimer Opinion").

Having completed the Hovid's distribution of a portion of its shareholdings in Carotech by way of dividend-in-specie in December 2011, the Company was uplifted from PN17 status on 17 January 2012.

Strike-off of Ho Yan Hor (S) Pte. Ltd.

Hovid made an application to Accounting and Corporate Regulatory Authority of Singapore ("ACRA") on 28 September 2011 to strike-off its 80%-owned subsidiary, Ho Yan Hor (S) Pte. Ltd. ("HYH"). HYH was incorporated in Singapore on 10 April 1978 as a private limited company under The Companies Act (Chapter 50), Singapore. The issued and paid-up share capital of HYH was SGD50,000. On 15 March 2012, the Board announced that HYH had on 14 March 2012 received the notice from ACRA that HYH had been struck-off from the register on 7 March 2012 pursuant to Section 344(2) of the Singapore Company Act. The striking-off of HYH will not have any financial impact on the earnings and net tangible assets of Hovid Group.

Hovid (Hong Kong) Limited

On 25 September 2012, Hovid (Hong Kong) Limited ("HHKL"), a wholly-owned subsidiary of Hovid in Hong Kong was incorporated for the purpose of trading of pharmaceutical products. HHKL has an authorized capital of HKD10,000 divided into 10,000 ordinary shares of HKD1.00 each with an issued and fully paid-up share capital of HKD1.00 comprising 1 ordinary share of HKD1.00 each.

Proposed Renounceable Rights Issue of Warrants

On 4 October 2012, HwangDBS Investment Bank Berhad on behalf of the Board announced to Bursa Securities that the Company proposed to undertake a renounceable rights issue of up to 571,560,000 Warrants at an issue price of RM0.02 for each Warrant on the basis of one (1) Warrant for every two (2) existing ordinary shares of RM0.10 each held in Hovid.

Outlook and Prospects

Sanofi-owned Winthrop Pharmaceuticals Sdn. Bhd. extended its agreement with Hovid for the production of four new generic medicines in the areas of allergies, gastrointestinal disease, epilepsy, neuropathic pain and diabetes. The generic drugs will be made available under Winthrop's generics product portfolio.

This is a further extention of the collaboration between Sanofi/Winthrop and Hovid following the initial agreement signed in November 2010 to produce Modified Releases Metformin tablet, an oral anti-diabetic drug often prescribed as the first line treatment for Type II diabetes and Slow Release Tramadol tablet, an analgesic used to relieve moderate to severe pain.

As a local pharmaceutical company, Hovid is capable of providing the generic drug development know-how, dossier registration, analytical methods and manufacturing to the MNC clients. Hovid values the partnership with the respected global partner like Sanofi, especially as we have proven that Hovid has the experience and capability to provide the products with quality.

The collaboration between Sanofi/Winthrop and Hovid has been identified as an Entry Point Project under the Economic Transformation Program, in driving Malaysia towards a high-income society by 2020. Through this collaboration, Hovid continues to contribute its support of the increasing demands from the Malaysian health sector.

The healthcare sector had been identified as one of the 12 National Key Economic Areas ("NKEA") that will help in transforming the nation into a high-income economy. Within this wide-ranging healthcare industry, the pharmaceutical sector play a key role in continuing to uplift the quality of life through better health and delivering sustainable growth to support the country's gross national income.

Sanofi & Hovid

The government is currently taking effort on building the industry by removing roadblocks and putting in place industry-friendly policies. These includes shortening the compulsory services for pharmacists from three years to a year, come out with Pharmaceutical Off-Take Agreement – Government Procurement for New Local Manufactured Pharmaceuticals, relaxed advertising rules for medical institutions and address issues relating to pharmaceutical patent law and policy. The government is also looking into a slew of new incentives for the development and testing of generic drugs in Malaysia. All these scenarios translate into promising prospects for Hovid.

The patent expiration of the world's best-selling innovator drugs in the next ten years, worth RM435 billion in annual sales, opens up an immense opportunity for Malaysian generics exports. Furthermore, the global spending on pharmaceutical products is projected to reach US$1.1 trillion by 2015, while the pharmaceutical industry in Malaysia will be worth approximately US$1,800 million by 2013. The fundamentals of the industry remain solid as the world population continues to increase and age coupled with a rise in chronic diseases. Despite the global economic turmoil, revenue in the Pharmaceutical segment of Hovid Group climbed 13.5% to a historical high of RM164.8 million in financial year ended 2012 compared to RM145.2 million a year ago. Hovid, being one of the leading pharmaceutical manufacturers with strong research capabilities in Malaysia, is well positioned to benefit from these opportunities.

Symposium at Hong Kong

In line with our current year's theme, Growing Pharma Value, Hovid continue to reinvest in its business to enhance its capacity. Your Company purchased new tableting, blistering and capsuling machines with high capacities to further fulfill the increased orders. Hovid is confident in the world's growing demand for its products and maintain its resolve to pursue growth. Our existing pharmaceutical facilities located near Chemor, Perak offer expansion and growth opportunities well into the foreseeable future. In the coming year, Hovid will embark on an expansion plan, costing approximately RM30 million, to build a new pharmaceutical plant with TGA (Therapeutic Goods Administration of Australia) standard for high capacity production. This plant is specifically planned to manage the priorities and the growing market demand for the products of the Company in order to accelerate time-to-market of products and align our capabilities to market demand. Once the expansion project is completed in 18 months, Hovid's capacity will increase by around 30% from the current level.

Research and Development ("R&D") of new products and technologies have been one of the main pillars behind the growth of Hovid. Our R&D activities are not only focused on developing off-patent drugs for a wide array of therapeutic groups to broaden our product lines, but much efforts have also been dedicated in the development of drug delivery technologies including modified-release dosage forms and oral systems for enhancing the bioavailability of nutraceutical and dietary supplements. In this aspect, Hovid is a patent holder of such technologies.

In the past one year, our product development ("PD") efforts have resulted in the addition of 16 new products to our product pipeline. Among these were 7 ethical products, 5 dietary supplements, 1 traditional product, 2 in the cosmetic series and another, a special nutrition food product. In addition, we have successfully completed 4 bioequivalence / bioavailability studies and registered 26 products in Malaysia during this financial year. Additionally, we have obtained 42 marketing authorizations in overseas countries including Philippines,

CPHI 2012 Exhibition

Symposium at Philippine

Cambodia, Singapore, Myanmar, Brunei, UAE, Oman, Kuwait, Nigeria, Kenya, Mozambique, Malawi, Uganda and Ethiopia.

Currently there are 116 products under Hovid's PD pipeline and these are categorized in the following groups:

- Ethical
- Dietary supplement
- Food Product
- Cosmetic and Skin care
- Over-the-counter product
- Traditional product
- Disinfectant

Our main focus is on ethical products, with a total of 71% of the products under development in this category.

These products in the development pipeline are currently at different stages summarised as follows:

No	Product Status	%
1.	Development	71
2.	Completed pending registration	9
3.	Completed pending launch	6
4.	Registered pending launch	14
	Total	100

As a result of intensive clinical research work conducted on tocotrienols and specifically TocovidTM SuprabioTM, our R&D team has produced three scientific papers on the therapeutic properties of TocovidTM SuprabioTM which were published in local as well as international journals. The positive findings of these studies have been presented in various Continuous Medical Education ("CME") seminars in several countries including Singapore, Hong Kong, Cambodia and Philippines. The results of such activities have contributed significantly towards increased sales of Tocovid range of products which in the current year has contributed the highest profit to the Company.

With more than 100 products in our pipeline, Hovid's strategy is continued to grow sales volumes of its currently marketed product, harvest the fruits of our investment in R&D, and supplements its internal growth with business development to maintain its competitive edge in the emerging pharmaceutical markets. This will allow Hovid to fund its innovative-based strategy and a robust pipeline of products that can deliver long-term growth.

During the year under review, Hovid has successfully obtained higher tenders from the Singapore Ministry of Health and Macau for pharmaceutical products compared to previous years. Hovid has also made significant moves to expand its presence and product portfolio in many of the fast-growing countries in the world, including Asia, Africa, Middle East and South America. The revenue from Asia and Middle East, besides Malaysia, has risen by a robust 23% and 16% respectively compared to last financial year. The potential market size in Asean is about 600 million people; while the halal drug market in the Middle East also presents a potential lucrative segment. Hovid as a manufacturer that commits to Halal standard will continue to penetrate the halal market globally. In respect of new markets, our export network has further widened to Jordan this year. The Group is actively securing new overseas market and strive to boost up its market share in these overseas territories.

Whilst the economic environment is expected to remain challenging, we will continue to seize strategic opportunities and navigate challenges, building and advancing pipelines to fuel our long-term success. We will focus on delivering sustainable revenue and earnings growth to achieve greater heights and keep making progress on all fronts to grow the pharmaceutical business further.

Corporate Social Responsibility

Corporate Social Responsibility ("CSR") has long been an integral part of the Hovid's corporate strategy as well as a guide to embrace responsibility for the Company's actions and encourage a positive impact through its activities on the environment, consumers, employees, communities, stakeholders and all other members of the public sphere. It is important to deliver sustainable growth in the value of stakeholders and for corporate long-term success. During this financial year, Hovid has undertaken various CSR activities focused on the four pillars of Community, Marketplace, Workplace and Environment.

Hovid is always active on helping the needy regularly towards the Children homes, old folks homes, minorities and disabilities by providing them supplements and financial assistances.

Hovid always give her full support towards education as well, for example Hovid never fail to show support on the fund raising activities held by either private or government schools to raise funds to enhance school environment and facilities for the benefit of the students.

First Aid Training

Hovid promotes health and wellness via health activities such as International Star Walk 2012 (organized by Star newspaper), it's the annual event that Hovid collaborates with Star to promote healthy living to the public; and the Walk for Health, organized by Ministry of Plantation Industries & Commodities which was held in Putrajaya to raise health awareness.

In fulfilling its responsibilities to the community, Hovid sponsored numerous supplements and consumer products to schools and organizations to assist them to achieve their objectives and meanwhile Hovid is promoting health awareness amongst the public.

MOU with ILP

June 2012 saw the Memorandum of Understanding ("MOU") Signing Ceremony between Hovid and Institut Latihan Perindustrian Ipoh ("ILP"), a skill training hub managed by the Manpower Department of Ministry of Human Resources, for technical collaboration program. The program provides job attachment for final year ILP students at Hovid to facilitate their exposure to manufacturing working environment.

Hovid has fostered a culture that values results and helping our people realize professional and personal growth. Hovid follows a structured Training Needs Analysis program to provide developing opportunities as well as a career map for our people. Few of the in-house trainings introduced during the year were Enhancing Communication Skill 2012, Train the Trainer, Fire Prevention and Fire Fighting Techniques, 'Motivasi Kerja Ke Arah Kecemerlangan Organisasi', First Aid Training etc. Hovid also promotes work-life balance for the employees through the activities organized by either Sports Club or Human Resource Department, e.g. Hovid Spirit Poster Drawing Competition, Lunch Session with Mentors, Yoga Class, Bowling Session, Futsal Tournament, Movie Day and Badminton Session.

Hovid is committed on improving the quality of work environment by adopting strict health and safety measures and relentlessly pursuing an injury-free workplace. Safety values are being infused in our employees as part of their work ethics.

As an environmentally and socially responsible corporate citizen, Hovid supports the initiatives on environmental activities and encouraged the employees to adopt a paperless system via office automation or lean approach to reduce paper usage.

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

Appreciation

I want to acknowledge the accomplishments of the Hovid team who did so much in 2012 for the long-term success of the Group. I also would like to express our heartfelt gratitude to our shareholders, customers and business associates for their confidence and unwavering support all these years. To our financiers, government authorities and investors, I thank them for their co-operation and guidance. Last but not least, my sincere appreciation also goes to my fellow Board of Directors for their wise counsel and invaluable insights.

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

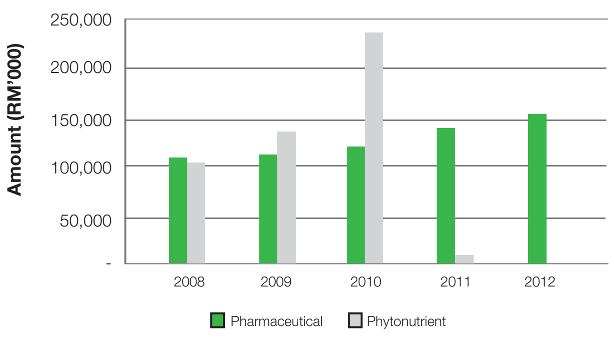
Ho Sue San @ David Ho Sue San
Chairman & Managing Director

Financial Highlights

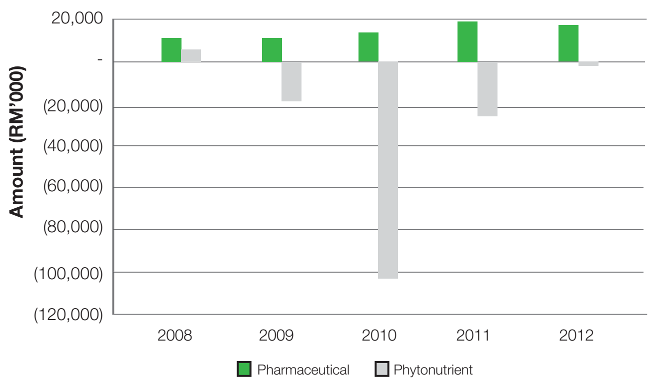
For the year ended 30 June	2008 RM'000	2009 RM'000	2010 RM'000	2011* RM'000	2012 RM'000
Statements of Comprehensive Income					
Pharmaceutical					
Revenue	109,602	112,544	123,255	145,189	164,808
EBITDA (excluding non-recurring items)	21,359	22,305	23,547	31,403	34,790
Profit/(Loss) after tax	11,760	11,678	12,353	19,490	17,804
Phytonutrient					
Revenue	105,126	136,063	241,911	8,267	-
EBITDA (excluding non-recurring items)	17,432	11,561	47,787	(3,214)	(9,106)
Profit/(Loss) after tax	6,515	(18,504)	(104,951)	(25,607)	(2,046)
Statements of Financial Position					
Pharmaceutical					
Total Assets	160,601	165,569	180,611	200,998	210,176
Total Liabilities	79,620	92,207	120,991	95,498	98,905
Phytonutrient					
Total Assets	459,629	515,845	376,262	-	-
Total Liabilities	353,771	393,983	309,247	-	-
Key Financial Ratios					
Basic earnings/(loss) per share	2.00	0.05	(6.94)	(0.79)	2.06
Diluted earnings/(loss) per share	1.33	0.04	(4.63)	(0.53)	1.37
Net tangible assets per share (sen)	20.0	21.2	14.2	10.7	12.0

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

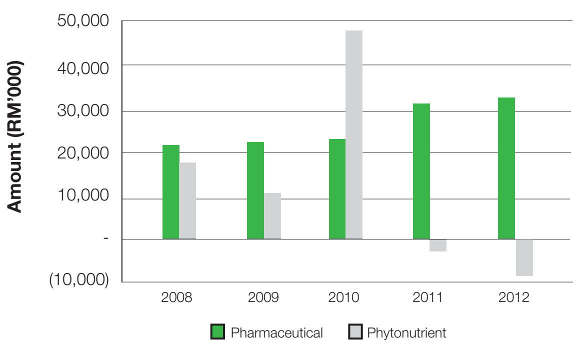
REVENUE



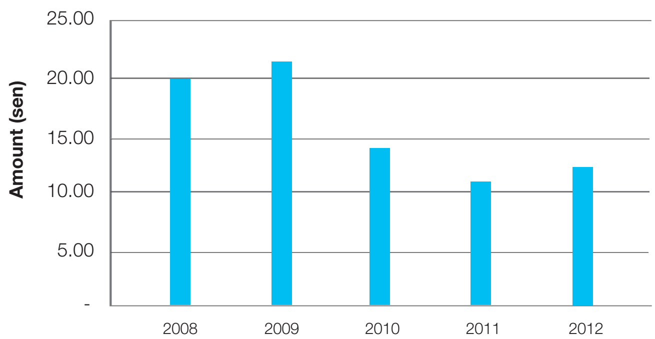
PROFIT/ (LOSS) AFTER TAX



EBITDA (EXCLUDING NON-RECURRING ITEMS)



NET TANGIBLE ASSETS PER SHARE



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 stewardship responsibilities to protect and act in the best interest of the Group. The Board will undertake steps as far as practical, in ensuring that the Group's business and operations are in compliance with the principles and best practices advocated in the Malaysian Code on Corporate Governance ("Code") 2007.

The Securities Commission Malaysia (SC) had released Code 2012 on 29 March 2012 as the first major deliverable of the Corporate Governance Blueprint 2011 launched in July last year. Code 2012 will replace Code 2007 effective 31 December 2012. Code 2012 focuses on the strengthening board structure and composition recognising the role of directors as active and responsible fiduciaries. The Board will review the transition from Code 2007 to Code 2012 by end of the year to ensure the compliance with principles and recommendations.

This statement set out the Group's application of the principles of the Code and extent of compliance with the best practices throughout the financial year ended 30 June 2012.

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 consists of six (6) members comprising four (4) Independent Non-Executive Directors, one (1) Executive Director and one (1) Chairman & Managing Director. This complies with Paragraph 15.02 of the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities") which required at least two (2) or one third (1/3) of the Board whichever is higher, to be Independent Directors. 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. The profile of each Director is presented in the Directors' Profile of this Annual Report on Page 9 and 10.

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

Board meetings are scheduled towards the availability of the Board members to attend. This is to ensure that each Board member is able to discharge their responsibilities. Five (5) Board meetings were held during the financial year ended 30 June 2012. 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	5/5
Leong Kwok Yee	Independent Non-Executive Director	5/5
YM Raja Shamsul Kamal Bin Raja Shahruzzaman	Independent Non-Executive Director	5/5
Chuah Chaw Teo	Independent Non-Executive Director	5/5
Liong Kam Hon	Executive Director	5/5
Dato' Che Mohd Zin Bin Che Awang (Appointed w.e.f. 1 March 2012)	Independent Non-Executive Director	1/1

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

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

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. 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 containing information relevant to the business 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.

Board members may obtain independent professional advice, if necessary, in furtherance of 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)

During the financial year ended 30 June 2012, 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 three (3) Independent Non-Executive Directors. 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 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 2012 are as follows:

Name	Seminar/ Programme
Ho Sue San @ David Ho Sue San	• Listing Requirements -Continuing Disclosure Obligations
Leong Kwok Yee	• Listing Requirements -Continuing Disclosure Obligations
Chuah Chaw Teo	• Listing Requirements -Continuing Disclosure Obligations • Enterprise Risk Management • The Securities Commission's New Corporate Governance Blueprint–What Does It Mean For Your Company • Key Amendments to Listing Requirements and Corporate Disclosure Guide - 2011
Liong Kam Hon	• Listing Requirements -Continuing Disclosure Obligations
Dato' Che Mohd Zin Bin Che Awang	• Listing Requirements -Continuing Disclosure Obligations

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 2012 are categorised into the following components:

	Fees (RM)	Salaries & Other Emoluments (RM)	Benefit-in-kind (RM)	Total (RM)
Executive Directors	60,000	780,000	34,800	874,800
Non-Executive Directors	123,000	-	-	123,000

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

Remuneration Band	Executive Directors	Non-Executive Directors
Below RM50,000	-	4
RM50,001- RM100,000	1	-
RM700,001- RM750,000	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 prior to official release to regulatory authorities and shareholders.

Statement of Directors' Responsibilities for Preparing the Financial Statements

The Board is responsible for the preparation of the financial statements for each financial year which gives a true and fair view of the state of affairs of the Company and the Group and of their financial performance and cash flows for that year.

In preparing the financial statements, the Directors have:

- selected appropriate accounting policies and applied them consistently;
- made judgments and estimates that are reasonable and prudent;
- ensured the compliance with all applicable Approved Accounting Standards in Malaysia, the requirements of the Act, Bursa Securities and other regulatory bodies; and
- prepared financial statements on the going concern basis as the Directors have a reasonable expectation, having made 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 21 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 22 to 24.

Additional Compliance Information

- **Share Buy-Back**
  There was no share buy-back during the financial year ended 30 June 2012.

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

- **Warrants or Convertible Securities**
  During the financial year ended 30 June 2012, 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 Thirty-second 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 during the financial year under review except for a compound imposed by the Suruhanjaya Syarikat Malaysia on the Company for late lodgement of document.

- **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 2012 was RM33,000.

- **Profit Forecast and Profit Guarantee**
  There were no profit forecast and profit guarantee given by the Company during the financial year.

- **Material Contracts**
  There were no material contracts of the Company and subsidiaries involving Directors' and major shareholders' interests, either still subsisting at the end of the financial year ended 30 June 2012 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 2012 between the Company and its subsidiary companies are disclosed in Note 33 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 15 October 2012.

STATEMENT ON INTERNAL CONTROL

Introduction

The Principles and Best Practices in the Malaysian Code on Corporate Governance state 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 controls, risk management practices and good corporate governance 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 internal control systems. It should be appreciated that such a system is designed to manage the principle business risks that may impede the Group from achieving its corporate objectives. The system, by its nature, can only provide reasonable but not absolute assurance against any material misstatement or loss occurrence. 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 identifying risk areas which impede the achievement of the Group's corporate objectives. This process involves the establishment of an appropriate risk management framework and functions to embed risk management in the activities of the Group. This includes identifying, both quantitative and qualitative aspects, the principal business risks inherent in critical business operations, assessing the likelihood and impact of material exposures and managing significant risks faced by the Group to achieve competitive advantage from its risk management competency.

The risk assessment report is reviewed by the Board on a quarterly basis 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

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

Board and management meetings

The Group's management team carries out weekly meetings with specific agendas on matters for discussions. 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 the activities of the internal audit function, significant changes on the Group's risk profile and the necessary recommendations in relations to adequacy and effectiveness of the internal controls and procedures. The Audit Committee also ensures there are continuous efforts by management to address and resolve areas with control weaknesses. Further details on the Audit Committee are elaborated in the Audit Committee Report.

Organisation structure

The Group 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, operational and statutory reporting 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 approved by the Audit Committee. It advises executive and operational management on areas for controls improvement and subsequently reviews the extent to which its recommendations have been implemented.

Issues highlighted by the external independent internal auditor are reviewed and discussed. 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 2012 was RM38,500.

Review of the Statement by External Auditors

Pursuant to the requirements of Paragraph 15.23 of the Main Market Listing Requirements of Bursa Securities, the External Auditors, Messrs SJ Grant Thornton has reviewed this Statement for inclusion in the Annual Report for the financial year ended 30 June 2012.

Weaknesses in Internal Controls

There were no material losses which occurred during the financial year ended 30 June 2012 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 the resolution of the Board dated 15 October 2012.

AUDIT COMMITTEE REPORT

The Audit Committee ("Committee") assists the Board in carrying out their responsibilities and meeting the Corporate Governance requirement by reviewing and monitoring the integrity of the Group's financial reporting process, internal controls, Group's audit process, compliance with legal and regulatory requirements, code of business and any other matters that are specially delegated by the Board.

Members of the Audit Committee

The Committee comprises the following members:

Name	Position	Directorship
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
Dato' Che Mohd Zin Bin Che Awang	Member	Independent Non-Executive Director

Meetings and Attendance

During the financial year ended 30 June 2012, the Committee convened five (5) meetings. The records of attendance of the Committee members are as follows:

Leong Kwok Yee	5/5
YM Raja Shamsul Kamal Bin Raja Shahruzzaman	5/5
Chuah Chaw Teo	5/5
Dato' Che Mohd Zin Bin Che Awang (Appointed w.e.f. 1 June 2012)	Not Applicable

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

Terms of Reference

Authority

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

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

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

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

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

(e) have direct communication channels with the external auditors and internal auditors;

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

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

   (b) an alternate Director.

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

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

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

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

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

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

   (c) fulfills such other requirements as prescribed or approved by Bursa 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.

AUDIT COMMITTEE REPORT (cont'd)

Meetings

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

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

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

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

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

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

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

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 the internal auditor; and

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

Financial Reporting

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

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

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

(c) significant and unusual events; and

(d) the going concern assumption.

Risk Management

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

Related Party Transactions

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

Others

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

AUDIT COMMITTEE REPORT (cont'd)

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 2012 up to 15 October 2012 were as follows:

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

Internal Audit Functions

The Company has engaged an external independent internal audit service provider to carry out the internal audit function to assist the Committee. The internal audit functions are set out in the Statement on Internal Control in Page 21.

During the financial year ended 30 June 2012, the internal auditors undertook the following activities:

1. attended and reported to the Audit Committee meetings held during the financial year 2012;
2. prepared and presented an internal audit plan, audit strategy and audit scope of work for the Group;
3. reported on reviews carried out in previous and current cycles of the financial year;
4. reviewed and reported on the internal audit observations for the three key performance indicators of the corporate strategic goals, i.e revenue growth, leader in GMP and business driven through LEAN;
5. reported on the follow-up of management's implementation status of the prior internal audit recommendations.

Financial Statements

DIRECTORS' REPORT

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the year ended 30 June 2012.

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.

FINANCIAL RESULTS

	GROUP RM'000	COMPANY RM'000
Profit for the year attributable to:		
Owners of the Company	15,682	13,046
Non-controlling interests	76	-
	15,758	13,046

RESERVES AND PROVISIONS

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

DIVIDEND

On 23 December 2011, the Company paid a tax exempt dividend by way of dividend-in-specie on the basis of 25 ordinary share of RM0.10 each in Carotech Berhad for every 100 ordinary shares held in the Company amounting to RM8,573,000.

The Directors do not recommend any final dividend payment for the financial year.

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
Dato' Che Mohd Zin Bin Che Awang (appointed on 1 March 2012)

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 1.7.2011	Bought	Sold	Balance at 30.6.2012
Shareholdings in Hovid Berhad (the Company)				
Direct interests:				
Ho Sue San @ David Ho Sue San	336,439,880	-	-	336,439,880
Liong Kam Hon	7,895,360	-	-	7,895,360
Leong Kwok Yee	290,400	-	-	290,400

DIRECTORS' INTERESTS (cont'd)

	<-- *Number of warrants over ordinary shares of RM0.10 each -->			
	Balance at 1.7.2011	Bought	Sold	Balance at 30.6.2012
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.

None of the other Directors in office as at the end of the financial year had any interest in the shares of the Company or its related companies during and as at the end of the financial year.

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than certain Directors who have significant financial interests in companies which traded with certain companies in the Group in the ordinary course of business as disclosed in Note 33.

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 shares or debentures issued by the Company 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").

WARRANTS (cont'd)

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 financial year.

OTHER STATUTORY INFORMATION

Before the Statements of Comprehensive Income and Statements of Financial Position of the Group and of the Company were made out, the Directors took reasonable steps:

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

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

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

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

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

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

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

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

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

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

OTHER STATUTORY INFORMATION (cont'd)

In the opinion of the Directors:

(i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, 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;

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

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

SIGNIFICANT EVENTS

Details of such events are disclosed in Note 34.

EVENTS AFTER THE REPORTING PERIOD

Details of such events are disclosed in Note 35.

AUDITORS

The auditors, Messrs SJ Grant Thornton, have expressed their willingness to continue in office.

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

....	)	
HO SUE SAN @ DAVID HO SUE SAN	)	
	)	
	)	
	)	DIRECTORS
	)	
	)	
....	)	
LIONG KAM HON	)	

Ipoh
15 October 2012

STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2012

		GROUP		COMPANY	
	Note	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Assets					
Non-current assets					
Property, plant and equipment	4	91,054	91,618	58,317	55,690
Intangible assets	5	19,663	24,160	20,152	20,206
Investment properties	6	1,680	850	-	-
Investment in subsidiaries	7	-	-	15,885	21,139
Investment in an associate	8	-	14,033	-	14,033
Other investment	9	-	-	-	-
Deferred tax assets	10	186	125	-	-
Total non-current assets		112,583	130,786	94,354	111,068
Current assets					
Inventories	11	29,543	23,688	17,272	13,079
Receivables, deposits and prepayments	12	44,843	37,755	57,920	47,085
Cash and deposits	13	23,207	8,769	16,354	3,530
Total current assets		97,593	70,212	91,546	63,694
Total assets		210,176	200,998	185,900	174,762
Equity and liabilities					
Equity					
Share capital	14	76,208	76,208	76,208	76,208
Share premium	14	90	90	90	90
Reserves	14	11,029	11,672	11,346	11,346
Retained earnings	14	19,459	12,350	16,983	12,510
Total equity attributable to owners of the Company		106,786	100,320	104,627	100,154
Non-controlling interests		4,485	5,180	-	-
Total equity		111,271	105,500	104,627	100,154
Liabilities					
Non-current liabilities					
Deferred tax liabilities	10	11,514	11,346	10,553	9,832
Provision for retirement benefits	15	1,385	1,199	1,385	1,199
Loans and borrowings	16	6,231	10,576	3,732	6,230
Long-term advances	17	6,041	6,348	-	-
Total non-current liabilities		25,171	29,469	15,670	17,261
Current liabilities					
Loans and borrowings	16	36,944	39,027	34,000	35,048
Payables and accruals	18	34,027	25,262	28,806	20,344
Tax payable		2,763	1,740	2,797	1,955
Total current liabilities		73,734	66,029	65,603	57,347
Total liabilities		98,905	95,498	81,273	74,608
Total equity and liabilities		210,176	200,998	185,900	174,762

The notes on pages 37 to 97 are an integral part of these financial statements.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2012

		GROUP		COMPANY	
	Note	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Revenue	19	164,808	153,456	126,606	110,957
Advertisement and promotions		(4,481)	(2,972)	(3,149)	(1,700)
Amortisation of intangible assets	5	(494)	(531)	(494)	(527)
Changes in inventories of work-in-progress and finished goods		2,036	(3,159)	622	388
Depreciation of property, plant and equipment	4(i)	(5,188)	(7,831)	(3,592)	(3,613)
Finance costs	20	(3,193)	(6,551)	(2,213)	(2,905)
Finance income	21	1,647	1,561	3,330	3,009
Gain on deemed disposal of an associate		7,684	-	-	-
Gain on disposal of a subsidiary		-	6,576	-	-
Gain on distribution of dividend-in-specie		952	-	952	-
Impairment loss on investment in an associate		-	(1,422)	-	(10,524)
Impairment loss on investment in a subsidiary		-	-	(5,604)	-
Impairment loss on available-for-sale investment		(6,412)	-	(6,412)	-
Impairment loss on receivables		(306)	(22,163)	-	-
Impairment of goodwill	5	(4,212)	-	-	-
Inventories written down		(183)	(308)	(94)	(287)
Inventories written off		(763)	(533)	(471)	(438)
Other expenses		(9,754)	(9,197)	(12,296)	(12,487)
Other income		2,921	7,299	7,709	10,507
Purchase of trading goods		(5,847)	(5,648)	-	-
Raw materials and packing materials used		(57,794)	(51,126)	(56,483)	(49,804)
Research expenditure		-	153	-	-
Reversal of impairment loss on receivables		4,397	-	4,498	-
Reversal of impairment loss on investment in an associate		1,422	-	-	-
Sales commission		(1,718)	(1,576)	-	-
Staff costs		(39,072)	(34,124)	(22,818)	(18,018)
Transportation and freight charges		(3,238)	(3,428)	(1,520)	(1,502)
Upkeep, repair and maintenance expenses		(5,687)	(4,289)	(4,865)	(3,400)
Utilities and fuel		(6,163)	(7,251)	(4,485)	(4,198)
Operating profit		31,362	6,936	19,221	15,458
Share of loss in an associate, net of tax		(9,106)	(9,108)	-	-
Profit/(Loss) before tax	22	22,256	(2,172)	19,221	15,458
Income tax expense	23	(6,498)	(3,945)	(6,175)	(3,667)
Profit/(Loss) for the year		15,758	(6,117)	13,046	11,791

The notes on pages 37 to 97 are an integral part of these financial statements.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2012 (cont'd)

	Note	GROUP 2012 RM'000	GROUP 2011 RM'000	COMPANY 2012 RM'000	COMPANY 2011 RM'000
Other comprehensive (loss)/ income, net of tax					
Available-for-sale investment					
- fair value loss		(2,404)	-	(2,404)	-
- impairment loss reclassified to profit or loss		2,404	-	2,404	-
Foreign exchange reserve realised on strike-off of a subsidiary		(1)	-	-	-
Foreign exchange translation differences for foreign operations		(1,453)	(298)	-	-
Realisation of other comprehensive expense on disposal of an associate		32	-	-	-
Revaluation of property, plant and equipment upon transfer to investment properties		40	-	-	-
Revaluation surplus realised on disposal of a subsidiary		-	44	-	-
Share of other comprehensive loss of an associate		(32)	-	-	-
Total other comprehensive loss for the year		(1,414)	(254)	-	-
Total comprehensive income/(loss) for the year		14,344	(6,371)	13,046	11,791
Profit/(Loss) attributable to:					
Owners of the Company		15,682	(6,051)	13,046	11,791
Non-controlling interests		76	(66)	-	-
Profit/(Loss) for the year		15,758	(6,117)	13,046	11,791
Total comprehensive income/(loss) attributable to:					
Owners of the Company		15,039	(6,079)	13,046	11,791
Non-controlling interests		(695)	(292)	-	-
Total comprehensive income/(loss) for the year		14,344	(6,371)	13,046	11,791
Earnings/(loss) per share					
Basic earnings/(loss) per share (sen)	24	2.06	(0.79)		
Diluted earnings/(loss) per share (sen)	24	1.37	(0.53)		

The notes on pages 37 to 97 are an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2012

GROUP		<--------- Attributable to owners of the Company -------->						
			<-Non-distributable->		Distributable			
	Note	Share capital RM'000	Share premium RM'000	Reserves RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 July 2010, as previously reported		76,208	90	20,640	5,268	102,206	24,429	126,635
Effect of adopting FRS 117		-	-	3,148	1,045	4,193	3,020	7,213
At 1 July 2010, restated		76,208	90	23,788	6,313	106,399	27,449	133,848
Foreign exchange translation differences for foreign operations	14	-	-	(72)	-	(72)	(226)	(298)
Disposal of a subsidiary		-	-	(12,044)	12,088	44	-	44
Total other comprehensive (loss)/income		-	-	(12,116)	12,088	(28)	(226)	(254)
Loss for the year		-	-	-	(6,051)	(6,051)	(66)	(6,117)
Total comprehensive (loss)/income		-	-	(12,116)	6,037	(6,079)	(292)	(6,371)
Derecognition of non-controlling interests in a subsidiary disposed		-	-	-	-	-	(21,977)	(21,977)
At 30 June 2011/ At 1 July 2011		76,208	90	11,672	12,350	100,320	5,180	105,500
Share of other comprehensive loss of an associate		-	-	(32)	-	(32)	-	(32)
Realisation of other comprehensive loss on deemed disposal of an associate		-	-	32	-	32	-	32
Foreign exchange reserve realised on strike-off of a subsidiary		-	-	(1)	-	(1)	-	(1)
Foreign exchange translation differences for foreign operations	14	-	-	(682)	-	(682)	(771)	(1,453)
Revaluation of property, plant and equipment upon transfer to investment properties		-	-	40	-	40	-	40
Available-for-sale investment								
- fair value loss		-	-	(2,404)	-	(2,404)	-	(2,404)
- impairment loss reclassified to profit or loss		-	-	2,404	-	2,404	-	2,404
Total other comprehensive (loss)/income		-	-	(643)	-	(643)	(771)	(1,414)
Profit for the year		-	-	-	15,682	15,682	76	15,758
Total comprehensive (loss)/income		-	-	(643)	15,682	15,039	(695)	14,344
Transaction with owners:								
Dividend	25	-	-	-	(8,573)	(8,573)	-	(8,573)
At 30 June 2012		76,208	90	11,029	19,459	106,786	4,485	111,271
		Note 14.1	Note 14.2	Note 14.3				

The notes on pages 37 to 97 are an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2012 (cont'd)

COMPANY		<------ Non-distributable	------->		Distributable	
	Note	Share capital RM'000	Share premium RM'000	Reserves RM'000	Retained earnings RM'000	Total equity RM'000
At 1 July 2010		76,208	90	11,346	719	88,363
Total comprehensive income for the year		-	-	-	11,791	11,791
At 30 June 2011/ 1 July 2011		76,208	90	11,346	12,510	100,154
Total comprehensive income for the year		-	-	-	13,046	13,046
Transaction with owners:						
Dividend	25	-	-	-	(8,573)	(8,573)
At 30 June 2012		76,208	90	11,346	16,983	104,627
		Note 14.1	Note 14.2	Note 14.3	Note 14.4	

The notes on pages 37 to 97 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2012

	Note	GROUP 2012 RM'000	GROUP 2011 RM'000	COMPANY 2012 RM'000	COMPANY 2011 RM'000
Cash flows from operating activities					
Profit/(Loss) before tax		22,256	(2,172)	19,221	15,458
Adjustments for:					
Amortisation of intangible assets		494	531	494	527
Changes in fair value of investment properties		(150)	-	-	-
Bad debts written off		-	31	-	5
Defined benefit plan expenses for a Director		186	24	186	24
Depreciation of property, plant and equipment		5,188	7,831	3,592	3,613
Gain on disposal of property, plant and equipment		(30)	(236)	-	-
Gain on deemed disposal of an associate		(7,684)	-	-	-
Gain on disposal of a subsidiary		-	(6,576)	-	-
Gain on distribution of dividend-in-specie		(952)	-	(952)	-
Impairment loss on investment in an associate		-	1,422	-	10,524
Impairment loss on investment in a subsidiary		-	-	5,604	-
Impairment loss on available-for-sale investment		6,412	-	6,412	-
Impairment loss for goodwill		4,212	-	-	-
Impairment loss on receivables		306	22,163	-	-
Interest expense		3,193	6,551	2,213	2,905
Interest income		(1,647)	(1,561)	(3,330)	(3,009)
Inventories written down		183	308	94	287
Inventories written off		763	533	471	438
Product development expenditure written off		2,226	3,573	2,226	3,573
Property, plant and equipment written off		35	305	2	246
Preliminary expenses written off		-	1	-	-
Revaluation surplus realised on disposal of a subsidiary		-	44	-	-
Reversal of impairment loss on investment in an associate		(1,422)	-	-	-
Reversal of impairment loss on receivables		(4,397)	(91)	(4,498)	(68)
Unrealised loss/(gain) on foreign exchange		152	(5,205)	152	-
Share of loss in an associate, net of tax		9,106	9,108	-	-
Operating profit before changes in working capital		38,430	36,584	31,887	34,523
Change in inventories		(6,801)	218	(4,758)	(3,689)
Change in receivables, deposits and prepayments		(3,546)	2,829	(1,563)	(213)
Change in payables and accruals		7,679	(1,269)	8,127	2,468
Inter-company balances		-	-	(7,345)	(2,141)
Bankers' acceptance		(2,091)	(20,183)	(956)	(6,824)
Cash generated from operations		33,671	18,179	25,392	24,124
Tax paid		(4,779)	(3,827)	(4,612)	(3,860)
Net cash from operating activities		28,892	14,352	20,780	20,264

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2012 (cont'd)

	Note	GROUP 2012 RM'000	GROUP 2011 RM'000	COMPANY 2012 RM'000	COMPANY 2011 RM'000
Cash flows from investing activities					
Acquisition of property, plant and equipment	(i)	(7,691)	(3,284)	(6,745)	(2,749)
Repayments from/(Advances to) an associate		516	(516)	516	(516)
Repayments from/(Advances to) subsidiaries		-	-	1,014	(520)
Additional investment in a subsidiary		-	(117)	-	(117)
Disposal of a subsidiary, net of cash	27	-	31,602	-	-
Dividend income from subsidiaries		-	-	-	4,655
Interest received		1,647	3,083	3,330	3,009
Proceeds from disposals of property, plant and equipment		89	346	1,075	192
Proceeds from disposal of shares in a subsidiary		-	-	-	5,600
Proceeds from disposal of shares in an associate		-	7,000	-	7,000
Product development expenditure incurred		(2,435)	(3,100)	(2,666)	(3,353)
Net cash (used in)/from investing activities		(7,874)	35,014	(3,476)	13,201
Cash flows from financing activities					
Advances from/(Repayments to) subsidiaries		-	-	316	(6,641)
Interest paid		(2,737)	(7,614)	(2,193)	(2,866)
Withdrawal/(Placement) of pledged deposits with licensed banks		309	(546)	291	(518)
Repayments of finance lease liabilities		(2,216)	(2,778)	(2,068)	(2,536)
Repayments of term loans		(3,334)	(20,770)	(1,907)	(19,309)
Drawdown on term loans		-	2,600	-	-
Net cash used in financing activities		(7,978)	(29,108)	(5,561)	(31,870)
Cash and cash equivalents					
Change in cash and cash equivalents		13,040	20,258	11,743	1,595
Effect of exchange rates fluctuation on cash held		273	3	-	-
At 1 July	(ii)	1,776	(18,485)	(2,060)	(3,655)
At 30 June	(ii)	15,089	1,776	9,683	(2,060)

NOTE TO THE STATEMENTS OF CASH FLOWS

(i) Acquisition of property, plant and equipment

Analysis of acquisition of property, plant and equipment:

	GROUP 2012 RM'000	GROUP 2011 RM'000	COMPANY 2012 RM'000	COMPANY 2011 RM'000
Finance lease liabilities	231	198	-	-
Changes in other payables	514	133	514	133
Acquisition from a related company	-	-	37	-
Cash outright acquisition	7,691	3,284	6,745	2,749
	8,436	3,615	7,296	2,882

(ii) Cash and cash equivalents

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

	GROUP 2012 RM'000	GROUP 2011 RM'000	COMPANY 2012 RM'000	COMPANY 2011 RM'000
Cash and bank balances	22,622	7,872	15,776	2,661
Bank overdrafts	(7,533)	(6,096)	(6,093)	(4,721)
	15,089	1,776	9,683	(2,060)

The notes on pages 37 to 97 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
- 30 JUNE 2012

1. GENERAL INFORMATION

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

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

The consolidated financial statements of the Company as at and for the year ended 30 June 2012 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities").

The Company is principally engaged in 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.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Board of Directors on 15 October 2012.

2. 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 ("FRSs") and the Companies Act, 1965 in Malaysia. The financial statements also comply with the applicable disclosure provisions of the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad.

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

Effective for annual periods beginning on or after 1 January 2012
- FRS 1, *First-time Adoption of Financial Reporting Standards*
  - Amendments relating to Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
- FRS 7, *Financial Instruments: Disclosures*
  - Amendments relating to Transfer of Financial Assets
- FRS 112, *Income Taxes*
  - Amendments relating to Deferred Tax: Recovery of Underlying Assets
- FRS 124, *Related Party Disclosures (revised)*

Effective for annual periods beginning on or after 1 March 2012
- FRS 7, *Financial Instruments: Disclosures*
  - Amendments relating to Mandatory Effective Date of FRS 9 and Transition Disclosure

Effective for annual periods beginning on or after 1 July 2012
- FRS 101, *Presentation of Financial Statements (revised)*
  - Amendments relating to Presentation of Items of Other Comprehensive Income

Effective for annual periods beginning on or after 1 January 2013
- FRS 1, *First-time Adoption of Financial Reporting Standards*
  - Amendments relating to Government Loans and Improvements to FRSs
- FRS 7, *Financial Instruments: Disclosures*
  - Amendments relating to Offsetting Financial Assets and Financial Liabilities
- FRS 10, *Consolidated Financial Statements*
- FRS 11, *Joint Arrangements*
- FRS 12, *Disclosure of Interests in Other Entities*
- FRS 13, *Fair Value Measurement*
- FRS 101, *Presentation of Financial Statements*
  - Improvements to FRSs

2. BASIS OF PREPARATION (cont'd)

(a) Statement of compliance (cont'd)

Effective for annual periods beginning on or after 1 January 2013 (cont'd)

- FRS 116, *Property, Plant and Equipment*
  - Improvements to FRSs
- FRS 119, *Employee Benefits (as amended in November 2011)*
- FRS 127, *Separate Financial Statements (as amended in November 2011)*
- FRS 128, *Investments in Associates and Joint Ventures*
- Amendments to FRS 132, *Financial Instruments: Presentation*
  - Improvements to FRSs
- FRS 134, *Interim Financial Reporting*
  - Improvements to FRSs
- IC Interpretation 2, *Members' Shares in Co-operative Entities and Similar Instruments*
  - Improvements to FRSs
- IC Interpretation 20, *Stripping Costs in the Production Phase of a Surface Mine*

Effective for annual periods beginning on or after 1 January 2014

- FRS 132, *Financial Instruments: Presentation*
  - Amendments relating to Offsetting Financial Assets and Financial Liabilities
- IC Interpretation 15, *Agreements for the Construction of Real Estate*

Effective for annual periods beginning on or after 1 January 2015

- FRS 9, *Financial Instruments* (International Financial Reporting Standards ("IFRS") 9 issued by the International Accounting Standards Board ("IASB") in November 2009 and October 2010)

The financial statements of the Group and of the Company for annual period beginning on 1 July 2012 will be prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS") issued by the MASB. As a result, the Group and the Company will not be adopting the above FRSs, amendments and interpretations.

MFRS

On 19 November 2011, the MASB issued a new MASB approved accounting framework, the MFRS Framework in conjunction with its planned convergence of FRS with IFRS as issued by the IASB in 2012.

The MFRS Framework is a fully IFRS-compliant framework, equivalent to IFRSs which is mandatory for adoption by all entities other than private entities for financial periods beginning on or after 1 January 2012, with the exception for Transitioning Entities.

Transitioning Entities, being entities which are subject to the application of MFRS 141, *Agriculture* and/or IC Interpretation 15, *Agreements for the Construction of Real Estate* including a parent, significant investor and venture of such transitioning entities are given an option to defer adoption of the MFRS Framework for an additional two years. Transitioning Entities also includes those entities that consolidates, equity accounts or proportionately consolidates an entity that has chosen to continue to apply the FRS Framework for annual periods beginning on or after 1 January 2012.

Accordingly, the Group and the Company which are not Transitioning Entities will be required to apply MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards* ("MFRS 1") in their financial statements for the financial year ending 30 June 2013, being the first set of financial statements prepared in accordance with the new MFRS Framework.

The Group and the Company are currently assessing the impact of adoption of MFRS 1, including identification of the differences in existing accounting policies as compared to the new MFRSs and the use of optional exemptions as provided for in MFRS 1. As at the date of authorisation of issue of the financial statements, accounting policy decisions or elections have not been finalised. Thus, the impact of adopting the new MFRS Framework on the Group's and the Company's first set of financial statements prepared in accordance with the MFRS Framework cannot be determined and estimated reliably until the process is complete. Accordingly, the financial performance and financial position as disclosed in these financial statements for the financial year ended 30 June 2012 could be different if prepared under MFRS Framework.

2. BASIS OF PREPARATION (cont'd)

(b) Basis of measurement

The financial statements of the Group and of the Company have been prepared on the historical cost basis, unless otherwise indicated in the summary of significant accounting policies.

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with FRSs 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.

The Group and the Company make estimates assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated by the Directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

<u>Useful lives of depreciable assets</u>

Property, plant and equipment are depreciated on a reducing balance basis over their estimated useful lives. Management estimates the useful lives of the property, plant and equipment to be within 5 to 999 years and reviews the useful lives of depreciable assets at each end of the reporting period. At 30 June 2012 management assesses that the useful lives represent the expected utility of the assets to the Group. Actual results, however, may vary due to change in the expected level of usage and technological developments, which may result in the adjustment to the Group's assets.

The carrying amount of the Group's property, plant and equipment at the end of the reporting period is disclosed in Note 4.

Management expects that the expected useful lives of the property, plant and equipment would not have material difference from the management's estimates and hence it would not result in material variance in the Group's profit for the financial year.

<u>Impairment of intangible assets</u>

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

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

The Group has incurred an impairment loss of RM4,212,000 (2011: Nil) on goodwill in order to reduce the carrying amount of goodwill to its recoverable amount.

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

2. BASIS OF PREPARATION (cont'd)

(d) Use of estimates and judgements (cont'd)

Inventories

Inventories are measured at the lower of cost and net realisable value. In estimating net realisable values, management takes into account the most reliable evidence available at the times the estimates are made.

The carrying amount of the Group's inventories at the end of the reporting period is disclosed in Note 11.

Management expects that the expected estimation of net realisable values of inventories would not have material difference from the management's estimates and hence it would not result in material variance in the Group's profit for the financial year.

Impairment of loans and receivables

The Group assesses at each end of the reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience of assets with similar credit risk characteristics.

Management expects that the expected carrying amount of loans and receivables would not have material difference from the management's estimates and hence it would not result in material variance in the Group's profit for the financial year.

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences, to the extent that it is probable that taxable profit will be available against which all the deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Assumptions about generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future production and sales volume, operating costs, capital expenditure, dividends and other capital management transactions. Judgement is also required about application of income tax legislation. These judgements and assumptions are subject to risks and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets recognised in the Statement of Financial Position and the amount of unrecognised tax losses and unrecognised temporary differences.

Defined benefit liability

Management estimates the defined benefit liability annually with the assistance of independent actuaries; however, the actual outcome may vary due to estimation uncertainties. The estimate of its defined benefit liability of RM1,385,000 (2011: RM1,199,000) is based on standard rates of inflation and medical cost trends. It also takes into account the Group's specific anticipation of future salary increases. Discount factors are determined close to each year end by reference to high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability. Estimation uncertainties exist particularly with regard to medical cost trends, which may vary significantly in future appraisals of the Group's defined benefit obligations.

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

2. BASIS OF PREPARATION (cont'd)

(d) Use of estimates and judgements (cont'd)

Significant management judgement

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

Classification between investment properties and owner-occupied properties

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

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

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

Leases

In applying the classification of leases in FRS 117, management considers it leases of plant, machinery and electrical equipment as well as motor vehicles as finance lease arrangements. In some cases, the lease transaction is not always conclusive, and management uses judgement in determining whether the lease is a finance lease arrangement that transfers substantively all the risks and rewards incidental to ownership.

Available-for-sale investment

The Group reviews its debt securities classified as available-for-sale investment at each end of the reporting period to assess whether they are impaired. The Group also records impairment charges on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost.

The determination of what is “significant” or “prolonged” requires judgement. In making this judgement, the Group evaluates, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost. During the financial year, the Group fully impaired unquoted equity instruments with significant decline in fair value.

For the financial year ended 30 June 2012, the amount of impairment loss recognised for available-for-sale investment was RM6,412,000.

3. 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 the 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.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Basis of consolidation (cont'd)

(ii) Accounting for business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Acquisitions on or after 1 July 2010

For acquisitions on or after 1 July 2010, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Acquisitions between 1 July 2006 and 30 June 2010

For acquisitions between 1 July 2006 and 30 June 2010, goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess was negative, a bargain purchase gain was recognised immediately in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalised as part of the cost of the acquisition.

Acquisitions prior to 1 July 2006

For acquisitions prior to 1 July 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.

Under the acquisition method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases.

(iii) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the portion of the net identifiable assets of subsidiaries attributable to equity. Interest that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of comprehensive income as an allocation of the comprehensive income for the year between non-controlling interests and the owners of the Company.

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Basis of consolidation (cont'd)

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

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

(v) Loss of control

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

(vi) Associates

Associates are entities in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the equity accounted associates after adjustments, if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest (including any long-term investments) is reduced to zero, 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 investee.

Investments in associates are measured in the Company's statement of financial position at cost less any impairment losses unless the investment is classified as held for sale. The cost of investments includes transaction costs.

(vii) 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 transaction with equity accounted associates are eliminated against the investment to the extent of the Group's interest in the associates. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currencies

(i) Transactions and balances

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Foreign currencies (cont'd)

(ii) Operations denominated in functional currencies other than RM

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

(c) Financial instruments

(i) Initial recognition and measurement

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

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

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

Loans and receivables

Loans and receivables comprises debt instruments that are not quoted in an active market, trade and other receivables and cash and deposits.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

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

Available-for-sale financial assets

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

Financial liabilities

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Financial instruments (cont'd)

(iii) Derecognition

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

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

(d) Property, plant and equipment

(i) Recognition and measurement

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

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

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 recognised in profit or loss.

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

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

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

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

(ii) Subsequent costs

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

(iii) Depreciation

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

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

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

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

(e) Leased assets

(i) Finance lease

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

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

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

(ii) Operating lease

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

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

(f) Intangible assets

(i) Goodwill

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(f) Intangible assets (cont'd)

(ii) Product development expenditure

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

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

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

(iii) Other intangible assets

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

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

(iv) Subsequent expenditure

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

(v) Amortisation

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

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

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

(g) Investment properties

(i) Investment properties carried at fair value

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(g) Investment properties (cont'd)

(ii) Reclassification to/from investment property

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

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

(iii) Determination of fair value

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

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

(h) Inventories

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

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

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

(i) Cash and cash equivalents

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

Cash and cash equivalents (other than bank overdrafts) are categorised and measured as loans and receivables in accordance with policy Note 3(c).

(j) Impairment

(i) Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss, investments in subsidiaries and associates) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment.

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(j) Impairment (cont'd)

(i) Financial assets (cont'd)

Impairment losses recognised in profit or loss for an investment in an equity instrument is not reversed through profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognised, the impairment previously recognised is reversed, to the extent that the asset's carrying amount does not exceed its amortised cost at the reversal date. The amount of the reversal is recognised in profit or loss.

(ii) Non-financial assets

The carrying amounts of non-financial assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment.

If any such indication exists, then the asset's recoverable amount is estimated. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (groups of units) on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(k) Equity instruments

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

(i) Issue expenses

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

(ii) Repurchase of share capital

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(k) Equity instruments (cont'd)

(iii) Dividend payments

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

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

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

(ii) Defined contribution plans

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

(iii) Defined benefits plan

The liability in respect of a defined benefit plan is the present value of the defined benefit obligations at the statement of financial position date, together with adjustments for actuarial gains/losses and past service cost. The 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 end of the reporting date.

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

Actuarial gains and losses arise from experience adjustments and changes in actuarial assumptions. The amount of net actuarial gains and losses is charged or credited to the statement of comprehensive income over the average remaining service lives of the related employee participating in the unfunded retirement benefit plan.

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 statement of comprehensive income, the expense relating to a defined benefit plan is presented net of amount recognised for a reimbursement.

(m) Provisions and contingent liabilities

(i) Provisions

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

(ii) Contingent liabilities

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

(n) Revenue and other income

(i) Goods sold

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

(ii) Services

Revenue from services is recognised upon services rendered.

(iii) Rental income

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

(iv) Dividend income

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

(v) Interest income

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

(o) Borrowing costs

All borrowing costs are recognised in profit or loss using the effective interest method, in the period in which they are incurred except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use.

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

(p) Income tax

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(p) Income tax (cont'd)

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

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

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

(q) 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.

(r) Operating segment

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

(s) Related parties

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

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

- (a) Has control or joint control over the Group;
- (b) Has significant influence over the Group; or
- (c) Is a member of the key management personnel of the ultimate holding company of the Group, or the Group.

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

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

4. PROPERTY, PLANT AND EQUIPMENT

GROUP

Cost/Valuation	Land and buildings (Note 4.1) RM'000	Plant, machinery and electrical equipment RM'000	Motor vehicles RM'000	Furniture, fittings, office, laboratory and factory equipment, electrical installation and renovation RM'000	Capital work-in-progress RM'000	Total RM'000
At 1 July 2010	115,128	336,214	5,854	28,806	20,955	506,957
Disposal of a subsidiary	(69,959)	(279,592)	(825)	(3,491)	(18,941)	(372,808)
Additions	125	542	219	737	1,992	3,615
Transfer	1,282	1,023	-	224	(2,529)	-
Write off	(4)	(467)	-	(923)	-	(1,394)
Disposals	-	(18)	(295)	(66)	-	(379)
Exchange differences	(238)	(758)	(13)	(49)	-	(1,058)
At 30 June 2011/ 1 July 2011	46,334	56,944	4,940	25,238	1,477	134,933
Additions	1,019	5,325	548	1,410	134	8,436
Transfer	503	(6)	-	34	(531)	-
Transfer to investment properties						
- Transfer of carrying amount	(680)	-	-	-	-	(680)
- Revaluation of property transferred	40	-	-	-	-	40
Write off	-	(5)	-	(88)	-	(93)
Disposals	-	(67)	(286)	(2)	-	(355)
Exchange differences	(766)	(2,798)	10	(146)	-	(3,700)
At 30 June 2012	46,450	59,393	5,212	26,446	1,080	138,581
Representing items at:						
Cost	17,037	59,393	5,212	26,446	1,080	109,168
Valuation	29,413	-	-	-	-	29,413
	46,450	59,393	5,212	26,446	1,080	138,581

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

GROUP

Accumulated depreciation/ impairment losses	**Land and buildings (Note 4.1) RM'000**	**Plant, machinery and electrical equipment RM'000**	**Motor vehicles RM'000**	**Furniture, fittings, office, laboratory and factory equipment, electrical installation and renovation RM'000**	**Capital work-in-progress RM'000**	**Total RM'000**
At 1 July 2010						
Accumulated depreciation	3,547	77,133	3,275	13,138	-	97,093
Accumulated impairment losses	-	110	-	9	12,754	12,873
	3,547	77,243	3,275	13,147	12,754	109,966
Disposal of a subsidiary	(2,861)	(54,829)	(500)	(2,189)	(12,754)	(73,133)
Charge for the year	759	5,102	481	1,620	-	7,962
Write off	-	(369)	-	(720)	-	(1,089)
Disposals	-	(8)	(243)	(18)	-	(269)
Exchange differences	(3)	(101)	(5)	(13)	-	(122)
At 30 June 2011/ 1 July 2011						
Accumulated depreciation	1,442	26,928	3,008	11,818	-	43,196
Accumulated impairment losses	-	110	-	9	-	119
	1,442	27,038	3,008	11,827	-	43,315
Charge for the year	538	2,616	512	1,522	-	5,188
Transfer	-	(5)	-	5	-	-
Write off	-	(3)	-	(55)	-	(58)
Disposals	-	(53)	(242)	(1)	-	(296)
Exchange differences	(31)	(571)	17	(37)	-	(622)
At 30 June 2012						
Accumulated depreciation	1,949	28,912	3,295	13,252	-	47,408
Accumulated impairment losses	-	110	-	9	-	119
	1,949	29,022	3,295	13,261	-	47,527
Carrying amounts						
At 30 June 2012	44,501	30,371	1,917	13,185	1,080	91,054
At 30 June 2011	44,892	29,906	1,932	13,411	1,477	91,618

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

COMPANY

Cost/Valuation	**Land and buildings (Note 4.1) RM'000**	**Plant, machinery and electrical equipment RM'000**	**Motor vehicles RM'000**	**Furniture, fittings, office, laboratory and factory equipment, electrical installation and renovation RM'000**	**Capital work-in-progress RM'000**	**Total RM'000**
At 1 July 2010	26,591	39,621	3,609	20,611	1,031	91,463
Additions	99	367	-	465	1,951	2,882
Transfer	1,282	-	-	224	(1,506)	-
Write off	(4)	(467)	-	(667)	-	(1,138)
Disposals	-	(168)	-	(320)	-	(488)
At 30 June 2011/ 1 July 2011	27,968	39,353	3,609	20,313	1,476	92,719
Additions	982	5,351	-	856	107	7,296
Transfer	503	(6)	-	6	(503)	-
Write off	-	(5)	-	(1)	-	(6)
Disposals	-	(67)	(396)	(1,855)	-	(2,318)
At 30 June 2012	29,453	44,626	3,213	19,319	1,080	97,691
Representing items at:						
Cost	9,048	44,626	3,213	19,319	1,080	77,286
Valuation	20,405	-	-	-	-	20,405
	29,453	44,626	3,213	19,319	1,080	97,691
Accumulated depreciation/ impairment losses						
At 1 July 2010						
Accumulated depreciation	740	21,853	2,238	9,523	-	34,354
Accumulated impairment losses	-	110	-	9	-	119
	740	21,963	2,238	9,532	-	34,473
Charge for the year	374	1,913	274	1,183	-	3,744
Write off	-	(369)	-	(523)	-	(892)
Disposals	-	(139)	-	(157)	-	(296)
At 30 June 2011/ 1 July 2011						
Accumulated depreciation	1,114	23,258	2,512	10,026	-	36,910
Accumulated impairment losses	-	110	-	9	-	119
	1,114	23,368	2,512	10,035	-	37,029
Charge for the year	412	1,878	214	1,088	-	3,592
Transfer	-	(5)	-	5	-	-
Write off	-	(3)	-	(1)	-	(4)
Disposals	-	(53)	(329)	(861)	-	(1,243)
At 30 June 2012						
Accumulated depreciation	1,526	25,075	2,397	10,257	-	39,255
Accumulated impairment losses	-	110	-	9	-	119
	1,526	25,185	2,397	10,266	-	39,374
Carrying amounts						
At 30 June 2012	27,927	19,441	816	9,053	1,080	58,317
At 30 June 2011	26,854	15,985	1,097	10,278	1,476	55,690

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

4.1 Land and buildings

GROUP **Cost/Valuation**	Freehold land RM'000	Long-term leasehold land RM'000	Short-term leasehold land RM'000	Buildings RM'000	Total RM'000
At 1 July 2010	20,941	23,778	870	69,539	115,128
Disposal of a subsidiary	(5,382)	(16,935)	-	(47,642)	(69,959)
Additions	26	-	-	99	125
Transfer	-	-	-	1,282	1,282
Write off	-	-	-	(4)	(4)
Exchange differences	(171)	-	-	(67)	(238)
At 30 June 2011/1 July 2011	15,414	6,843	870	23,207	46,334
Additions	37	218	-	764	1,019
Transfer	-	-	-	503	503
Transfer to investment properties					
- Transfer of carrying amount	-	(430)	-	(250)	(680)
- Revaluation of property transferred	-	30	-	10	40
Exchange differences	(310)	-	-	(456)	(766)
At 30 June 2012	15,141	6,661	870	23,778	46,450
Representing items at:					
Cost	5,718	5,280	870	5,169	17,037
Valuation	9,423	1,381	-	18,609	29,413
	15,141	6,661	870	23,778	46,450
Accumulated depreciation					
At 1 July 2010	-	119	138	3,290	3,547
Disposal of a subsidiary	-	-	-	(2,861)	(2,861)
Charge for the year	-	21	25	713	759
Exchange differences	-	-	-	(3)	(3)
At 30 June 2011/1 July 2011	-	140	163	1,139	1,442
Charge for the year	-	40	24	474	538
Exchange differences	-	-	-	(31)	(31)
At 30 June 2012	-	180	187	1,582	1,949
Carrying amounts					
At 30 June 2012	15,141	6,481	683	22,196	44,501
At 30 June 2011	15,414	6,703	707	22,068	44,892

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

4.1 Land and buildings (cont'd)

COMPANY Cost/Valuation	Freehold land RM'000	Long-term leasehold land RM'000	Short-term leasehold land RM'000	Buildings RM'000	Total RM'000
At 1 July 2010	3,075	5,062	870	17,584	26,591
Additions	-	-	-	99	99
Transfer	-	-	-	1,282	1,282
Write off	-	-	-	(4)	(4)
At 30 June 2011/1 July 2011	3,075	5,062	870	18,961	27,968
Additions	-	218	-	764	982
Transfer	-	-	-	503	503
At 30 June 2012	3,075	5,280	870	20,228	29,453
Representing items at:					
Cost	-	5,280	870	2,898	9,048
Valuation	3,075	-	-	17,330	20,405
	3,075	5,280	870	20,228	29,453
Accumulated depreciation					
At 1 July 2010	-	24	137	579	740
Charge for the year	-	5	25	344	374
At 30 June 2011/1 July 2011	-	29	162	923	1,114
Charge for the year	-	24	24	364	412
At 30 June 2012	-	53	186	1,287	1,526
Carrying amounts					
At 30 June 2012	3,075	5,227	684	18,941	27,927
At 30 June 2011	3,075	5,033	708	18,038	26,854

The freehold land belonging to a subsidiary with carrying amount of RM2,344,000 (2011: RM2,803,000) has yet to be transferred to the subsidiary's name and to be entered in Revenue Records of the Himachal State Revenue Authorities, India.

(i) Depreciation charge for the financial year includes:

	GROUP 2012 RM'000	GROUP 2011 RM'000	COMPANY 2012 RM'000	COMPANY 2011 RM'000
Charged to profit or loss	5,188	7,831	3,592	3,613
Capitalised as product development expenditure (Note 5)	-	131	-	131
	5,188	7,962	3,592	3,744

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

(ii) 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 who have adopted the comparison and assets depreciated replacement cost method of valuation, to reflect market value of existing use.

The comparison method is comparing the subject property with comparable properties which have been sold or are being offered for sale and making adjustments for factors which affect value such as location, size, shape of land, built-up area, design, type and condition of building, improvements, availability of facilities and amenities, time element and other relevant factors.

The assets depreciated replacement cost is the value of property is added to the replacement cost of buildings and other site improvements.

The carrying amounts of revalued freehold land, leasehold land and buildings of the Group and of the Company that would have been included in the financial statements, had these assets been carried at cost less accumulated amortisation and impairment losses are as follows:

	GROUP		COMPANY	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Freehold land	1,138	1,138	826	826
Leasehold land	917	1,202	-	-
Buildings	11,193	11,722	10,294	10,504

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

	GROUP		COMPANY	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Plant, machinery and electrical equipment				
- carrying amounts at end of the year	4,407	5,168	4,407	5,168
Motor vehicles				
- additions during the year	231	198	-	-
- carrying amounts at end of the year	1,336	1,457	774	1,016
Furniture, fittings, office, laboratory and factory equipment				
- carrying amounts at end of the year	475	1,509	475	1,509

(iv) Carrying amounts of property, plant and equipment pledged as securities for credit facilities granted to the Group and the Company amounted to RM49,617,000 (2011: RM47,499,000) and RM26,577,000 (2011: RM20,122,000) respectively.

5. INTANGIBLE ASSETS

GROUP

Cost	**Goodwill RM'000**	**Product development expenditure RM'000**	**Acquired trademark RM'000**	**Total RM'000**
At 1 July 2010	16,759	26,505	770	44,034
Additions	117	3,231	-	3,348
Disposal of a subsidiary	(12,469)	(741)	-	(13,210)
Write off	-	(3,759)	-	(3,759)
At 30 June 2011/1 July 2011	4,407	25,236	770	30,413
Additions	-	2,435	-	2,435
Write off	-	(2,307)	-	(2,307)
At 30 June 2012	4,407	25,364	770	30,541
Accumulated amortisation/ impairment losses				
At 1 July 2010	12,480	5,835	429	18,744
Amortisation for the year	-	501	30	531
Disposal of a subsidiary	(12,469)	(367)	-	(12,836)
Write off	-	(186)	-	(186)
At 30 June 2011/1 July 2011				
Accumulated amortisation	-	5,783	459	6,242
Accumulated impairment losses	11	-	-	11
	11	5,783	459	6,253
Amortisation for the year	-	464	30	494
Impairment	4,212	-	-	4,212
Write off	-	(81)	-	(81)
At 30 June 2012				
Accumulated amortisation	-	6,166	489	6,655
Accumulated impairment losses	4,223	-	-	4,223
	4,223	6,166	489	10,878
Carrying amounts				
At 30 June 2012	184	19,198	281	19,663
At 30 June 2011	4,396	19,453	311	24,160

COMPANY

Cost	**Product development expenditure RM'000**	**Acquired trademark RM'000**	**Total RM'000**
At 1 July 2010	25,949	770	26,719
Additions	3,489	-	3,489
Write off	(3,759)	-	(3,759)
At 30 June 2011/1 July 2011	25,679	770	26,449
Additions	2,666	-	2,666
Write off	(2,307)	-	(2,307)
At 30 June 2012	26,038	770	26,808

5. INTANGIBLE ASSETS (cont'd)

COMPANY

Accumulated amortisation	**Product development expenditure RM'000**	**Acquired trademark RM'000**	**Total RM'000**
At 1 July 2010	5,473	429	5,902
Amortisation for the year	497	30	527
Write off	(186)	-	(186)
At 30 June 2011/1 July 2011	5,784	459	6,243
Amortisation for the year	464	30	494
Write off	(81)	-	(81)
At 30 June 2012	6,167	489	6,656
Carrying amounts			
At 30 June 2012	19,871	281	20,152
At 30 June 2011	19,895	311	20,206

Goodwill

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

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

- The discount rate of 14.25% (2011: 14.25%) was used by the management as their expected internal rate of return for a foreign subsidiary.
- Cash flows were projected based on actual operating results in the year immediately before the projected years whereby there are expected efficiency improvements with an assumption of revenue growth of 5% (2011: 20%) per annum.

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

Product development expenditure and acquired trademark

The recoverable amount of the product development expenditure and acquired trademark of the Group and of the Company are based on their value in use calculations and where recoverable amounts are higher than the carrying amounts of the intangibles, no impairment loss was recognised. However, during the year, carrying amounts of product development expenditure of the Group and of the Company of RM2,226,000 (2011: RM3,573,000) was written off as the products are no longer viable.

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

- 10-year cash flows were projected based on past actual operating results and management's assessment of future trends in the consumer market based on both external and internal sources of the product itself or product of its similar nature and its ability to launch to the market in future.
- The average discount rate of 7.8% (2011: 7.8%) used was the management's expected internal rate of return.
- The size of operation will remain, and not be lower than the current operations.
- Approvals from the regulatory bodies in Malaysia on the products are granted, at the stipulated timelines.
- Close monitoring on the timelines and development costs by the management.

5. INTANGIBLE ASSETS (cont'd)

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

	GROUP/COMPANY	
	2012 RM'000	2011 RM'000
Interest expense	-	5
Depreciation of property, plant and equipment (Note 4)	-	131
Staff costs	-	695

In the previous financial year, included in staff costs of the Group and of the Company was contribution to Employees' Provident Fund amounted to RM62,000.

6. INVESTMENT PROPERTIES

	GROUP RM'000
At 1 July 2010 and at 30 June 2011/1 July 2011	850
Transfer from property, plant and equipment	680
Change in fair value recognised in profit or loss	150
At 30 June 2012	1,680

	2012 RM'000	2011 RM'000
Included in the above are:		
Freehold land	750	600
Leasehold land	430	-
Buildings	500	250
	1,680	850

The freehold investment property was revalued on 9 May 2012 by an independent professional qualified valuer using comparative/investment method.

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

Investment properties of the Group amounting to RM1,680,000 (2011: RM850,000) have been charged to secure term loan and guarantee facilities granted to a subsidiary (Note 16).

7. INVESTMENT IN SUBSIDIARIES

	COMPANY	
	2012 RM'000	2011 RM'000
At cost		
Unquoted shares in Malaysia	6,454	6,454
Less: Accumulated impairment losses At 1 July and 30 June	(1,750)	(1,750)
	4,704	4,704
Unquoted shares outside Malaysia	10,141	10,175
Less: Accumulated impairment losses	(5,604)	(34)
	4,537	10,141
Total investment in subsidiaries	9,241	14,845
Amount due from subsidiaries	6,644	6,294
	15,885	21,139

NOTES TO THE FINANCIAL STATEMENTS
- 30 JUNE 2012 (cont'd)

7. INVESTMENT IN SUBSIDIARIES (cont'd)

The movement in the accumulated impairment losses of investment in unquoted shares outside Malaysia is as follows:

	COMPANY	
	2012 RM'000	2011 RM'000
At 1 July	34	34
Impairment loss recognised	5,604	-
Impairment loss written off	(34)	-
At 30 June	5,604	34

The amount due from subsidiaries was deemed as capital contribution to subsidiaries as the repayment of these amounts are neither fixed nor expected and hence, are considered as part of the investment in these companies.

Details of subsidiaries are as follows:

Name of company	Country of incorporation	Effective Group's interest (%) 2012	Effective Group's interest (%) 2011	Principal activities
Hovid Pharmacy Sdn. Bhd.	Malaysia	100.00	100.00	Trading of medical supplies, pharmaceutical and consumer products.
Hovid Inc. *	Philippines	100.00	100.00	Trading of goods such as medical supplies, consumer goods, wholesale/importation and distribution of pharmaceutical products.
Hovid Marketing Sdn. Bhd.	Malaysia	100.00	100.00	Marketing of health and wellness products via the multi-level network marketing direct interest model.
Javid Sdn. Bhd.	Malaysia	100.00	100.00	Dealers in all kinds of pharmaceutical, medicated herbs and nutritional products. Inactive.
Ho Yan Hor (S) Pte. Ltd. #	Singapore	-	80.00	Wholesalers, distributors, agents of and dealers in all kinds of pharmaceutical products, embrocation oil, herbal tea and Chinese patented medicines. Inactive.
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.
Hovid International Limited ×	British Virgin Islands	100.00	100.00	Inactive.

7. INVESTMENT IN SUBSIDIARIES (cont'd)

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

Name of company	Country of incorporation	Effective Group's interest (%) 2012	Effective Group's interest (%) 2011	Principal activities
Hovid Research Sdn. Bhd.	Malaysia	100.00	100.00	Establishing, maintaining and operating laboratories and shops, for the purpose of carrying on chemical, physical and other research and developments in medicine, chemistry, industry and other unrelated or related fields.
Best Practice International Sdn. Bhd.	Malaysia	100.00	100.00	Inactive.
Agrovid S.A.S	Republic of Colombia	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	51.00	Manufacturing of pharmaceutical and consumer products.

* *Not audited by SJ Grant Thornton.*
× *Not required to be audited in the country of incorporation.*
^ *The latest audited financial statements for this subsidiary are for the year ended 31 March 2012. The Directors have consolidated the results of this subsidiary based on its audited 9 months and unaudited 3 months management financial statements as at 30 June 2012.*
# *Struck-off during the financial year.*

8. INVESTMENT IN AN ASSOCIATE

	GROUP 2012 RM'000	GROUP 2011 RM'000	COMPANY 2012 RM'000	COMPANY 2011 RM'000
At cost				
Quoted shares in Malaysia	-	24,557	-	38,544
Share of post-acquisition reserves	-	(9,102)	-	-
	-	15,455	-	38,544
Less: Accumulated impairment losses	-	(1,422)	-	(24,511)
	-	14,033	-	14,033

The movement in the accumulated impairment losses is as follows:

	GROUP 2012 RM'000	GROUP 2011 RM'000	COMPANY 2012 RM'000	COMPANY 2011 RM'000
At 1 July	1,422	-	24,511	-
Transferred from investment in subsidiaries	-	-	-	21,163
Transferred to other investment	-	-	(24,511)	-
Impairment loss recognised	-	1,422	-	10,524
Impairment loss reversed	(1,422)	-	-	-
Impairment loss written off	-	-	-	(7,176)
At 30 June	-	1,422	-	24,511

8. INVESTMENT IN AN ASSOCIATE (cont'd)

In the previous financial year, the carrying value of the quoted shares in Malaysia was based on the market value of RM14,033,000. These quoted shares were pledged to a bank for a term loan granted to the Company.

On 15 August 2011, the Company has proposed to distribute a portion of its shareholding interest in Carotech Berhad ("Carotech") by way of dividend-in-specie to the shareholders of the Company, on the basis of 25 ordinary shares of RM0.10 each in Carotech for every 100 ordinary shares of RM0.10 each held in the Company. Details of the events are disclosed in Note 34.

On 23 December 2011, upon completion of dividend-in-specie, interest in Carotech has been reduced from 38.5% to 17.6% and it is now accounted for as other investment as disclosed in Note 9. The investment in Carotech as an associate was deemed disposed. As a result of the deemed disposal, the Group recognised a gain amounting to approximately RM7.684 million.

Details of the associate are as follows:

Name of company	Country of incorporation	Effective Group's interest (%) 2012	Effective Group's interest (%) 2011	Principal activities
Carotech Berhad	Malaysia	-	38.45	Extraction and processing of nutrients from palm oil for the purpose of manufacturing and producing pharmaceutical, phytonutrient and oleochemical products.
Carotech Inc.	U.S.A.	-	38.45	Sales agency and marketing of pharmaceutical, phytonutrient and oleochemical products.
Carotech Bio-Fuel Sdn. Bhd.	Malaysia	-	38.45	Inactive.
Carotech Yangzhou Biofuel Company Limited	The People's Republic of China	-	38.45	Inactive.
Carotech Bio-Vits Sdn. Bhd.	Malaysia	-	38.45	Inactive.

The summary of financial information for the associate, not adjusted for the percentage ownership held by the Group is as follows:

GROUP 2011	Effective ownership interest	Revenue # (100%) RM'000	Loss # (100%) RM'000	Total assets (100%) RM'000	Total liabilities (100%) RM'000
Equity accounted					
Carotech Berhad	38.45%	32,233	23,672	341,785	313,189

relates to the period from 1 September 2010 to 30 June 2011.

9. OTHER INVESTMENT

	GROUP 2012 RM'000	GROUP 2011 RM'000	COMPANY 2012 RM'000	COMPANY 2011 RM'000
Available-for-sale investment				
Unquoted shares in Malaysia	6,412	-	17,612	-
Less: Accumulated impairment losses	(6,412)	-	(17,612)	-
	-	-	-	-

9. OTHER INVESTMENT (cont'd)

The movement in the accumulated impairment losses is as follows:

	GROUP		COMPANY	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
At 1 July	-	-	-	-
Transferred from investment in an associate	-	-	24,511	-
Impairment loss recognised	6,412	-	6,412	-
Impairment loss written off	-	-	(13,311)	-
At 30 June	6,412	-	17,612	-

10. DEFERRED TAX ASSETS AND LIABILITIES

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

GROUP	Assets		Liabilities		Net	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Property, plant and equipment	-	-	(6,198)	(6,283)	(6,198)	(6,283)
Intangible assets	-	-	(5,038)	(4,619)	(5,038)	(4,619)
Others	186	125	(278)	(444)	(92)	(319)
Net tax assets/ (liabilities)	186	125	(11,514)	(11,346)	(11,328)	(11,221)
COMPANY						
Property, plant and equipment	-	-	(5,515)	(5,213)	(5,515)	(5,213)
Intangible assets	-	-	(5,038)	(4,619)	(5,038)	(4,619)
Net tax liabilities	-	-	(10,553)	(9,832)	(10,553)	(9,832)

Unrecognised deferred tax assets

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

	GROUP	
	2012 RM'000	2011 RM'000
Carrying amount of qualifying property, plant and equipment in excess of their tax base	(14)	(21)
Unabsorbed capital allowances	343	341
Unutilised tax losses	3,381	3,185
	3,710	3,505

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

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

Movement in temporary differences during the year

GROUP	At 1 July 2010 RM'000	Recognised in profit or loss (Note 23) RM'000	Exchange differences RM'000	Disposal of a subsidiary RM'000	At 30 June 2011 RM'000	Recognised in profit or loss (Note 23) RM'000	Exchange differences RM'000	At 30 June 2012 RM'000
Deferred tax liabilities								
- Property, plant and equipment	(28,366)	(378)	63	22,398	(6,283)	(209)	294	(6,198)
- Intangible assets	(4,949)	330	-	-	(4,619)	(419)	-	(5,038)
- Others	(225)	(160)	-	(59)	(444)	168	(2)	(278)
Deferred tax assets								
- Property, plant and equipment	22,321	-	-	(22,321)	-	-	-	-
- Provisions	18	-	-	(18)	-	-	-	-
- Others	108	18	(1)	-	125	48	13	186
	(11,093)	(190)	62	-	(11,221)	(412)	305	(11,328)

COMPANY	At 1 July 2010 RM'000	Recognised in profit or loss (Note 23) RM'000	Exchange differences RM'000	Disposal of a subsidiary RM'000	At 30 June 2011 RM'000	Recognised in profit or loss (Note 23) RM'000	Exchange differences RM'000	At 30 June 2012 RM'000
Deferred tax liabilities								
- Property, plant and equipment	(5,213)	-	-	-	(5,213)	(302)	-	(5,515)
- Intangible assets	(4,949)	330	-	-	(4,619)	(419)	-	(5,038)
	(10,162)	330	-	-	(9,832)	(721)	-	(10,553)

11. INVENTORIES

	GROUP 2012 RM'000	GROUP 2011 RM'000	COMPANY 2012 RM'000	COMPANY 2011 RM'000
At cost				
Raw materials	9,725	6,763	9,190	6,141
Work-in-progress	2,113	1,663	1,959	1,663
Finished goods	12,264	10,121	3,775	3,449
Trading goods	2,502	2,656	-	-
Packing materials	2,939	2,485	2,348	1,826
	29,543	23,688	17,272	13,079
Recognised in profit or loss				
Inventories recognised as cost of sales	74,207	70,751	70,693	62,690
Inventories written off	763	533	471	438
Inventories written down	183	308	94	287

12. RECEIVABLES, DEPOSITS AND PREPAYMENTS

	GROUP		COMPANY	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Trade				
Trade receivables	33,896	31,224	6,834	5,919
Less: Accumulated impairment losses	(763)	(480)	-	-
	33,133	30,744	6,834	5,919
Amount due from subsidiaries				
- interest bearing	-	-	32,010	24,160
- non-interest bearing	-	-	2,230	2,735
Less: Accumulated impairment losses	-	-	(856)	(917)
	-	-	33,384	25,978
Total trade	33,133	30,744	40,218	31,897
Non-trade				
Other receivables	18,784	902	17,872	16
Less: Accumulated impairment losses	(17,725)	-	(17,725)	-
	1,059	902	147	16
Amount due from subsidiaries				
- interest bearing	-	-	6,290	7,108
- non-interest bearing	-	-	4,870	6,210
	-	-	11,160	13,318
Less: Accumulated impairment losses	-	-	(3,799)	(3,869)
	-	-	7,361	9,449
Amount due from an associate	-	22,608	-	22,608
Less: Accumulated impairment losses	-	(22,092)	-	(22,092)
	-	516	-	516
	1,059	1,418	7,508	9,981
Prepayments	1,782	1,914	1,466	1,658
Deposits	8,869	3,679	8,728	3,549
Total non-trade	11,710	7,011	17,702	15,188
Total trade and non-trade	44,843	37,755	57,920	47,085

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

	GROUP		COMPANY	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
At 1 July	-	-	-	-
Transferred from amount due from an associate	22,092	-	22,092	-
Impairment loss reversed	(4,367)	-	(4,367)	-
At 30 June	17,725	-	17,725	-

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

The movement in the accumulated impairment losses on amount due from an associate is as follows:

	GROUP 2012 RM'000	GROUP 2011 RM'000	COMPANY 2012 RM'000	COMPANY 2011 RM'000
At 1 July	22,092	-	22,092	-
Transferred from amount due from subsidiaries	-	-	-	22,092
Transferred to other receivables	(22,092)	-	(22,092)	-
Impairment loss recognised	-	22,092	-	-
At 30 June	-	22,092	-	22,092

The amount due from subsidiaries is unsecured, non-interest bearing and have no fixed terms of repayment except for interest bearing portion which is subject to an interest at 8.00% (2011: 7.10% to 8.00%) per annum.

In the previous financial year, the amount due from an associate was unsecured, interest bearing ranging from 7.10% to 8.00% per annum and has no fixed terms of repayment.

13. CASH AND DEPOSITS

	GROUP 2012 RM'000	GROUP 2011 RM'000	COMPANY 2012 RM'000	COMPANY 2011 RM'000
Deposits with licensed banks	585	897	578	869
Cash and bank balances	22,622	7,872	15,776	2,661
	23,207	8,769	16,354	3,530

All deposits with licensed banks are pledged for bank facilities granted to the Company and a subsidiary.

14. CAPITAL AND RESERVES

14.1 Share capital

GROUP/COMPANY

Authorised	Par Value RM	2012 Number of shares '000	2011 Number of shares '000	2012 RM'000	2011 RM'000
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

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

14. CAPITAL AND RESERVES (cont'd)

14.2 Share premium

	GROUP/COMPANY RM'000
Non-distributable	
1 July 2010/30 June 2011/ 30 June 2012	90

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

14.3 Reserves

	GROUP		COMPANY	
Non-distributable	**2012 RM'000**	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
Exchange fluctuation reserve				
At 1 July	-	299	-	-
Movement during the financial year	(682)	(72)	-	-
Share of foreign exchange of an associate	(32)	-	-	-
Realised on disposal of an associate	32	-	-	-
Realised on strike-off of a subsidiary	(1)	-	-	-
Realised on disposal of a subsidiary	-	(227)	-	-
At 30 June	(683)	-	-	-
Warrant reserve				
At 1 July and 30 June	7,004	7,004	7,004	7,004
Revaluation reserve				
At 1 July	6,493	22,995	6,137	6,137
Realised on disposal of a subsidiary	-	(16,502)	-	-
Revaluation of property, plant and equipment upon transfer to investment properties	40	-	-	-
At 30 June	6,533	6,493	6,137	6,137
Less: Deferred taxation				
At 1 July	(1,825)	(6,510)	(1,795)	(1,795)
Realised on disposal of a subsidiary	-	4,685	-	-
At 30 June	(1,825)	(1,825)	(1,795)	(1,795)
Revaluation reserve, net of tax at 30 June	4,708	4,668	4,342	4,342
Fair value reserve				
At 1 July	-	-	-	-
Fair value loss	(2,404)	-	(2,404)	-
Impairment loss reclassified to profit or loss	2,404	-	2,404	-
At 30 June	-	-	-	-
Total reserves	11,029	11,672	11,346	11,346

(i) Exchange fluctuation reserve

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

14. CAPITAL AND RESERVES (cont'd)

14.3 Reserves (cont'd)

(ii) 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.

(iii) Revaluation reserve

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

(iv) Fair value reserve

The fair value reserve represents the cumulative fair value changes, net of tax, of available-for-sale investment.

14.4 Retained earnings

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 the entire distributable reserves at 30 June 2012 and 30 June 2011 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 2012 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.

As at reporting date, the Company has not elected for single tier income tax system.

15. PROVISION FOR RETIREMENT BENEFITS

The retirement benefits plan is for the Managing Director in accordance with his employment contract signed with the Company.

The amount recognised in the Group's and in the Company's statements of financial position is analysed as follows:

	GROUP/COMPANY	
	2012 RM'000	2011 RM'000
Non-current liabilities		
Provision for retirement benefits		
- Present value of unfunded obligation	1,385	1,199

15. PROVISION FOR RETIREMENT BENEFITS (cont'd)

The expense recognised in the Group's and in the Company's statements of comprehensive income is analysed as follows:

	GROUP/COMPANY 2012 RM'000	GROUP/COMPANY 2011 RM'000
Current service cost	129	(291)
Interest cost	60	50
Actuarial gain	(3)	(4)
Benefit expense	186	(245)
Reimbursement rights under insurance policies that exactly match the amount and timing of some of benefits payable under the plan	-	269
Expense recognised in the profit or loss net of the amount recognised for the reimbursement rights under insurance policies	186	24

The amounts charged to the profit or loss 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 valuations were carried out as at 8 April 2011 for the year ended 2012 and 2011.

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

(i) Salary escalation of 6.0% per annum.

(ii) Discount interest rate of 5.7% per annum.

(iii) Medical cost inflation of 5.0% per annum.

16. LOANS AND BORROWINGS

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

	GROUP 2012 RM'000	GROUP 2011 RM'000	COMPANY 2012 RM'000	COMPANY 2011 RM'000
Non-current liabilities				
Secured term loans	5,547	8,912	3,357	4,824
Finance lease liabilities	684	1,664	375	1,406
	6,231	10,576	3,732	6,230
Current liabilities				
Secured term loans	2,939	3,363	1,579	2,006
Secured bank overdrafts	7,533	6,096	6,093	4,721
Secured bankers' acceptance	19,304	20,260	19,304	20,260
Unsecured bankers' acceptance	-	1,135	-	-
Secured revolving credit	6,000	6,000	6,000	6,000
Finance lease liabilities	1,168	2,173	1,024	2,061
	36,944	39,027	34,000	35,048
Total loans and borrowings	43,175	49,603	37,732	41,278

16. LOANS AND BORROWINGS (cont'd)

Security

(i) Term loans

The term loans are secured by way of:

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

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

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

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

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

(f) facility agreements;

(g) negative pledge;

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

(i) fixed deposits pledged.

In the previous financial year, a term loan facility amounted to RM428,000 were secured against the following:

(a) A first legal charge under Memorandum of Deposit over the Company's entire shares of a listed associate 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.

(ii) Bank overdrafts, bankers' acceptance and revolving credit

The bank overdrafts, bankers' acceptance and revolving credit are secured by way of:

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

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

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

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

(e) facility agreements; and

(f) negative pledge.

Significant covenants and terms

COMPANY

On 26 May 2011, two debentures have been executed by the Company with Malaysian Trustees Berhad ("Security Agent") for the lender banks waiving any and all events of cross default of a former subsidiary which have arisen prior to the date of the Debentures.

Significant covenants and terms included in the two debentures are:

(a) Covenant to pay

The Company covenants with the Security Agent who acts for the lender banks, that it will duly and punctually pay to the lender banks, their respective secured amounts and discharge all its other obligations with respect to the secured amounts in accordance with the provisions of the respective existing facilities agreements.

16. LOANS AND BORROWINGS (cont'd)

Significant covenants and terms (cont'd)

(b) Security

Fixed and floating charges

The Company as beneficial owner charges in favour of the Security Agent as security for the payment in full of the secured amounts:

(i) by way of a fixed charge in point of priority and security:

- all properties, plant and equipment of the Company, both present and future except for the properties which are already charged as security in favour of the lender banks, of which only the residual value after satisfaction of the relevant security affecting the properties; and

- all shares, bonds and securities of any kind whatsoever, whether marketable or otherwise and all other interests, including but not limited to loan capital of the Company both present and future but excluding the quoted shares of a former subsidiary owned by the Company, which have been charged to another lender bank.

(ii) by way of a floating charge in point of priority and security over all its other movable and immovable property, other assets and rights to the Company, but not limited to trade assets and stock in trade of the Company and the benefit of any security interest and securities from time to time and at any time held by the Company in respect of any such and all other rights whatsoever and wheresoever, both present and future and all the property described in the Debentures and so that such floating charge shall be subject to the provisions of the Debentures and all things in action due or owing or which may become due or owing to or purchased or otherwise acquired by the Company.

(c) Continuing security

The security created is expressly intended to be and shall be a continuing security for the secured amounts and the charges, covenants and provisions contained in the Debentures shall remain in force as a continuing security to the Security Agent, for and on behalf of the lender banks notwithstanding any settlement of account or any other act, event or matter whatsoever, except upon the execution under a written agreement by the Security Agent for and on behalf of the lender banks of an absolute and unconditional release or the execution by the Security Agent, for and on behalf of the lender banks, of a receipt for all (and not part only) of the secured amounts.

(d) Restrictions against other Security Interests

Other than the security created under the existing security documents and facilities agreements, there is no mortgage charge or debenture or any security interest upon any of the Company's properties, assets and undertaking secured by the Debentures and:

(i) the Company shall not during the subsistence of this Debenture, without the consent in writing of the Security Agent acting on the instructions of the majority creditors, create or allow to arise or exist any form of security interest in respect of any of the properties, assets or undertakings of the Company covered by these Debentures, the existing security documents and the security interest permitted under the existing facilities agreements and the other facilities agreements;

(ii) the Company hereby covenants that it shall not, without the prior written consent of the Security Agent acting on the instructions of the majority creditors:

- pledge, charge or otherwise encumber any of the assets hereby charged or any part thereof or attempt or agree so to do; and

- part with possession of, transfer, sell, lease or otherwise dispose of the assets hereby charged or any part thereof or attempt or agree so to do; and

(iii) the Company shall not deal with its book debts and other debts otherwise than by collecting them in the ordinary course of the Company's business and in particular the Company will not realise its book debts by means of block discounting and debt factoring.

16. LOANS AND BORROWINGS (cont'd)

Significant covenants and terms (cont'd)

In the previous financial year, a term loan facility of the Company was subject to the fulfilment of the following significant covenants:

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

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

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

During the financial year, the Company has fully settled the said term loan.

Finance lease liabilities

Finance lease liabilities are payable as follows:

GROUP	Minimum lease payments 2012 RM'000	Interest 2012 RM'000	Principal 2012 RM'000	Minimum lease payments 2011 RM'000	Interest 2011 RM'000	Principal 2011 RM'000
Less than 1 year	1,236	68	1,168	2,350	177	2,173
Between 1 and 5 years	719	35	684	1,742	78	1,664
	1,955	103	1,852	4,092	255	3,837
COMPANY						
Less than 1 year	1,070	46	1,024	2,221	160	2,061
Between 1 and 5 years	385	10	375	1,462	56	1,406
	1,455	56	1,399	3,683	216	3,467

17. LONG-TERM ADVANCES

GROUP

Long-term advances are granted by certain shareholders of the subsidiaries. These amounts are non-trade in nature, unsecured, have no fixed terms of repayment and interest free, except for an amount of RM5,762,000 (2011: RM6,348,000) which is subject to an interest rate at 10% (2011: 12%) per annum.

18. PAYABLES AND ACCRUALS

	GROUP		COMPANY	
Trade	**2012 RM'000**	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
Trade payables	13,532	12,974	12,075	11,609
Non-trade				
Other payables	17,930	7,517	15,134	6,002
Accrued expenses	2,565	4,771	1,259	2,044
Amount due to subsidiaries	-	-	338	689
	20,495	12,288	16,731	8,735
	34,027	25,262	28,806	20,344

Trade payables are non-interest bearing and are generally on 30 to 120 (2011: 30 to 120) days term.

18. PAYABLES AND ACCRUALS (cont'd)

The following is included in other payables of the Group and of the Company:

	GROUP		COMPANY	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
(i) Amount owing to a Company in which a person connected with a Director has substantial financial interest	63	72	43	70
(ii) Amount owing to a Company in which a Director has substantial financial interest	1	101	1	101

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

19. REVENUE

	GROUP		COMPANY	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Revenue is stated at gross invoiced values and comprises:				
Goods sold	162,555	153,167	126,606	110,957
Services	2,253	289	-	-
	164,808	153,456	126,606	110,957

20. FINANCE COSTS

	GROUP		COMPANY	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Interest expense:				
- bank overdrafts	810	900	566	618
- term loans	751	2,328	345	776
- other borrowings	1,632	3,323	1,302	1,511
	3,193	6,551	2,213	2,905

21. FINANCE INCOME

	GROUP		COMPANY	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Interest income recognised in profit or loss	1,647	1,561	3,330	3,009

22. PROFIT/(LOSS) BEFORE TAX

	GROUP		COMPANY	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Profit/(Loss) before tax is arrived at after charging:				
Amortisation of intangible assets	494	531	494	527
Auditors' remuneration:				
- Audit services:				
- Auditors of the Company	71	90	38	65
- Other auditors	30	54	-	-
- Other services:				
- Auditors of the Company	28	100	28	100
- Affiliates of the auditors of the Company	-	20	-	15
- Other auditors	1	1	-	-

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

	GROUP		COMPANY	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Profit/(Loss) before tax is arrived at after charging: (cont'd)				
Bad debts written off	-	31	-	5
Defined benefit plan for a Director	186	24	186	24
Depreciation of property, plant and equipment	5,188	7,831	3,592	3,613
Direct operating expenses of investment properties				
- generating income	6	3	-	-
Impairment loss on investment in an associate	-	1,422	-	10,524
Impairment loss on investment in a subsidiary	-	-	5,604	-
Impairment loss for goodwill	4,212	-	-	-
Impairment loss on receivables	306	22,163	-	-
Impairment loss on available-for-sale investment	6,412	-	6,412	-
Inventories written down	183	308	94	287
Inventories written off	763	533	471	438
Loss on foreign exchange:				
- realised	1	170	-	-
- unrealised	152	650	152	850
Personnel expenses (including key management personnel):				
- Contributions to Employees' Provident Fund	3,182	2,896	1,928	1,679
- Wages, salaries and others	35,890	31,228	20,890	16,339
Preliminary expenses written off	-	1	-	-
Product development expenditure written off	2,226	3,573	2,226	3,573
Property, plant and equipment written off	35	305	2	246
Rental expense of equipment	61	11	-	-
Rental expense of premises	549	366	127	115
and after crediting:				
Changes in fair value of investment properties	150	-	-	-
Dividend income	-	-	-	4,655
Gain on deemed disposal of an associate	7,684	-	-	-
Gain on disposal of a subsidiary	-	6,576	-	-
Gain on disposal of property, plant and equipment	30	236	-	-
Gain on foreign exchange:				
- realised	1,933	1,656	1,788	1,652
- unrealised	-	5,855	-	-
Gain on distribution of dividend-in-specie	952	-	952	-
Rental income from investment properties	55	-	-	-
Rental income from premises	80	35	338	283
Rental income from equipment	-	-	660	1,002
Reversal of impairment loss on investment in an associate	1,422	-	-	-
Reversal of impairment loss on receivables	4,397	91	4,498	68

23. INCOME TAX EXPENSE

(i) Recognised in profit or loss:

	GROUP		COMPANY	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Income tax expense	6,498	3,945	6,175	3,667

23. INCOME TAX EXPENSE (cont'd)

(i) Recognised in profit or loss: (cont'd)

Major components of income tax expense include:

	GROUP		COMPANY	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Current tax expense				
Malaysia - current year	5,508	4,219	5,221	5,437
- prior years	235	(733)	233	(1,440)
Overseas - current year	343	269	-	-
	6,086	3,755	5,454	3,997
Deferred tax expense				
Origination and reversal of temporary differences (Note 10)	412	190	721	(330)
	6,498	3,945	6,175	3,667

(ii) Reconciliation of effective tax rate:

	GROUP		COMPANY	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Profit/(Loss) for the year	15,758	(6,117)	13,046	11,791
Income tax expense	6,498	3,945	6,175	3,667
Profit/(Loss) before tax	22,256	(2,172)	19,221	15,458

	GROUP		COMPANY	
	2012 %	2011 %	2012 %	2011 %
Statutory income tax rate of Malaysia	25	(25)	25	25
Non-deductible expenses	30	310	21	36
Reinvestment allowances utilised	(1)	(7)	(1)	(1)
Non-taxable income	(8)	(25)	(9)	(7)
Tax incentives	(3)	(97)	(2)	(12)
Changes in unrecognised temporary differences	(2)	6	-	-
Effect of changes in tax rate	-	7	-	-
Allowable expenses not included in profit or loss	-	(40)	-	(6)
Unrecognised tax losses in a subsidiary	-	1	-	-
Share of post tax result of an associate	(10)	102	-	-
Recognition of previously unrecognised temporary differences	-	4	-	(2)
Utilisation of tax allowances brought forward	-	(5)	-	-
Overprovision of deferred taxation in prior years	(3)	-	(3)	-
Others	-	3	-	-
	28	234	31	33
Under/(Over)provision in prior years	1	(52)	1	(9)
Average effective tax rate	29	182	32	24

23. INCOME TAX EXPENSE (cont'd)

The Group's unabsorbed capital allowances and unutilised tax losses amounted to approximately RM343,000 (2011: RM341,000) and RM3,381,000 (2011: RM3,185,000) respectively.

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

24. EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share

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

	2012	2011
Profit/(Loss) attributable to ordinary equity holders of the Company (RM'000)	15,682	(6,051)
Weighted average number of ordinary shares in issue (unit'000)	762,080	762,080
Basic earnings/(loss) per share ("EPS/LPS") (sen)	2.06	(0.79)

Diluted earnings/(loss) per share

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

	2012	2011
Profit/(Loss) attributable to ordinary equity holders of the Company (RM'000)	15,682	(6,051)
Weighted average number of ordinary shares in issue (unit'000)	762,080	762,080
Effect of Warrants (unit'000)	381,040	381,040
Adjusted weighted average number of ordinary shares (unit'000)	1,143,120	1,143,120
Diluted EPS/(LPS) (sen)	1.37	(0.53)

25. DIVIDEND

Dividend recognised during the financial year by the Company is:

	Sen per share	Total amount RM'000	Date of payment
2012			
Interim tax exempt dividend	4.5	8,573	23 December 2011

26. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensations are as follows:

	GROUP		COMPANY	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Directors' remuneration				
- Fees	183	199	183	174
- Emoluments	2,028	2,087	780	730
Total short-term employee benefits	2,211	2,286	963	904
Post-employment benefits				
- Defined benefit plan expenses for a Director	186	24	186	24
	2,397	2,310	1,149	928
Other key management personnel				
- Short-term employee benefits	2,362	2,069	2,160	2,069
- Other long-term benefits	291	413	291	278
	5,050	4,792	3,600	3,275

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

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

In addition to their salaries, the Group also provides non-cash benefits to Directors amounted to RM34,800 (2011: RM34,800).

27. EFFECTS ON DISPOSAL OF A SUBSIDIARY

In the previous financial year, the Company disposed a total of 180,000,000 ordinary shares of RM0.10 each of its shares in Carotech Berhad comprising 19.74% 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 is no longer accounted for as a subsidiary but equity accounted for as an associate.

Details of the assets, liabilities and net cash flow arising from the disposal of a subsidiary were as follows:

	RM'000
Net asset position as at 31 August 2010	
Property, plant and equipment	299,675
Product development expenditure and trademark	374
Inventories	58,504
Receivables, deposits and prepayments	7,858
Tax recoverable	2
Cash and deposits	591
Payables and accruals	(56,547)
Loan and borrowings	(257,737)
Taxation	(162)
Net assets of the subsidiary	52,558
Less: Non-controlling interests	(21,977)
Net assets disposed	30,581
Gain on disposal	6,576
Deemed proceeds	37,157
Less: Fair value of retained interests, reclassified as an associate	(31,557)
Add: Cash and cash equivalents	26,002
Cash flow on disposal, net of cash disposed	31,602

28. 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 tax 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.

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

2012	Note	Pharmaceutical RM'000	Phytonutrient RM'000	Eliminations RM'000	Total RM'000
Revenue					
External revenue		164,808	-	-	164,808
Inter-segment revenue	i	70,202	-	(70,202)	-
Total revenue		235,010	-	(70,202)	164,808
Results					
Profit from operations		25,848	7,060	-	32,908
Share of loss in an associate		-	(9,106)	-	(9,106)
Finance costs		(3,193)	-	-	(3,193)
Finance income		1,647	-	-	1,647
Profit/(Loss) before tax		24,302	(2,046)	-	22,256
Income tax expense		(6,498)	-	-	(6,498)
Profit/(Loss) for the year		17,804	(2,046)	-	15,758
Assets					
Segment assets		209,990	-	-	209,990
Unallocated assets	ii				186
Total assets					210,176
Liabilities					
Segment liabilities		84,628	-	-	84,628
Unallocated liabilities	iii				14,277
Total Liabilities					98,905

28. OPERATING SEGMENTS (cont'd)

Business Segments (cont'd)

2012	Note	Pharmaceutical RM'000	Phytonutrient RM'000	Eliminations RM'000	Total RM'000
Other information					
Addition to property, plant and equipment		8,436	-	-	8,436
Addition to intangible assets		2,435	-	-	2,435
Changes in fair value of investment properties		150	-	-	150
Depreciation and amortisation		5,682	-	-	5,682
Realised gain on foreign exchange		1,933	-	-	1,933
Gain on disposal of property, plant and equipment		30	-	-	30
Gain on distribution of dividend-in-specie		952	-	-	952
Gain on deemed disposal of an associate		-	7,684	-	7,684
Impairment loss for goodwill		4,212	-	-	4,212
Impairment loss on receivables		306	-	-	306
Impairment loss on available-for-sale investment		-	6,412	-	6,412
Inventories written down		183	-	-	183
Inventories written off		763	-	-	763
Loss on foreign exchange					
- realised		1	-	-	1
- unrealised		152	-	-	152
Product development expenditure written off		2,226	-	-	2,226
Property, plant and equipment written off		35	-	-	35
Reversal of impairment loss on investment in an associate		-	1,422	-	1,422
Reversal of impairment loss on receivables		31	4,366	-	4,397

2011	Note	Pharmaceutical RM'000	Phytonutrient RM'000	Eliminations RM'000	Total RM'000
Revenue					
External revenue		145,189	8,267	-	153,456
Inter-segment revenue	i	69,886	-	(69,886)	-
Total revenue		215,075	8,267	(69,886)	153,456
Results					
Profit/(Loss) from operations		25,775	(13,849)	-	11,926
Share of loss in an associate		-	(9,108)	-	(9,108)
Finance costs		(3,915)	(2,636)	-	(6,551)
Finance income		1,561	-	-	1,561
Profit/(Loss) before tax		23,421	(25,593)	-	(2,172)
Income tax expense		(3,931)	(14)	-	(3,945)
Profit/(Loss) for the year		19,490	(25,607)	-	(6,117)

28. OPERATING SEGMENTS (cont'd)

Business Segments (cont'd)

2011	Note	Pharmaceutical RM'000	Phytonutrient RM'000	Eliminations RM'000	Total RM'000
Assets					
Segment assets		200,873	-	-	200,873
Unallocated assets	ii				125
Total assets					200,998
Liabilities					
Segment liabilities		82,412	-	-	82,412
Unallocated liabilities	iii				13,086
Total liabilities					95,498
Other information					
Addition to property, plant and equipment		3,522	93	-	3,615
Addition to intangible asset		3,348	-	-	3,348
Bad debts written off		31	-	-	31
Depreciation and amortisation		5,557	2,805	-	8,362
Gain on foreign exchange					
- realised		1,656	-	-	1,656
- unrealised		-	5,855	-	5,855
Gain on disposal of property, plant and equipment		236	-	-	236
Gain on disposal of a subsidiary		6,576	-	-	6,576
Impairment loss on receivables		71	22,092	-	22,163
Impairment loss on investment in an associate		1,422	-	-	1,422
Inventories written down		308	-	-	308
Inventories written off		533	-	-	533
Loss on foreign exchange					
- realised		18	152	-	170
- unrealised		650	-	-	650
Preliminary expenses written off		1	-	-	1
Product development expenditure written off		3,573	-	-	3,573
Property, plant and equipment written off		305	-	-	305
Reversal of impairment loss on receivables		91	-	-	91

Notes:

(i) Inter-segment revenues are eliminated on consolidation.

(ii) Unallocated assets consist of tax recoverable and deferred tax assets.

(iii) Unallocated liabilities consist of tax payable and deferred tax liabilities.

Geographical segments

2012	Sales RM'000	Total assets RM'000	Capital expenditure RM'000
(i) Asia	132,529	206,014	8,370
(ii) Africa	30,316	-	-
(iii) North and South America	1,497	4,162	66
(iv) Europe	208	-	-
(v) Pacific Island	258	-	-
	164,808	210,176	8,436

28. OPERATING SEGMENTS (cont'd)

Geographical segments (cont'd)

2011	Sales RM'000	Total assets RM'000	Capital expenditure RM'000
(i) Asia	115,005	197,440	3,615
(ii) Africa	29,058	-	-
(iii) North and South America	2,568	3,558	-
(iv) Europe	6,618	-	-
(v) Pacific Island	207	-	-
	153,456	200,998	3,615

Customers

The Group does not have a single customer contributed to more than 10% of the Group's revenues.

29. FINANCIAL INSTRUMENTS

29.1 Categories of financial instruments

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

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

	Carrying amount RM'000	L&R/ (OL) RM'000
2012		
Financial assets		
GROUP		
Receivables and deposits	43,061	43,061
Cash and deposits	23,207	23,207
	66,268	66,268
COMPANY		
Receivables and deposits	56,454	56,454
Cash and deposits	16,354	16,354
	72,808	72,808
Financial liabilities		
GROUP		
Loans and borrowings	(49,216)	(49,216)
Payables and accruals	(34,027)	(34,027)
	(83,243)	(83,243)
COMPANY		
Loans and borrowings	(37,732)	(37,732)
Payables and accruals	(28,806)	(28,806)
	(66,538)	(66,538)

29. FINANCIAL INSTRUMENTS (cont'd)

29.1 Categories of financial instruments (cont'd)

	Carrying amount RM'000	L&R/ (OL) RM'000
2011		
Financial assets		
GROUP		
Receivables and deposits	35,841	35,841
Cash and deposits	8,769	8,769
	44,610	44,610
COMPANY		
Receivables and deposits	45,427	45,427
Cash and deposits	3,530	3,530
	48,957	48,957
2011		
Financial liabilities		
GROUP		
Loans and borrowings	(55,951)	(55,951)
Payables and accruals	(25,262)	(25,262)
	(81,213)	(81,213)
COMPANY		
Loans and borrowings	(41,278)	(41,278)
Payables and accruals	(20,344)	(20,344)
	(61,622)	(61,622)

29.2 Net gains/(losses) arising from financial instruments

	GROUP		COMPANY	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Net gains/(losses) arising on:				
- Loans and receivables	1,780	6,691	1,636	802
- Financial liabilities	(3,193)	(6,551)	(2,213)	(2,905)

29.3 Financial risk management

The Group has exposure to the following risks arising from its use of financial instruments:
- Credit risk
- Liquidity risk
- Market risk

(i) Credit risk

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

29. FINANCIAL INSTRUMENTS (cont'd)

29.3 Financial risk management (cont'd)

(i) Credit risk (cont'd)

Receivables

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk, credit quality and collateral

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

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group and the Company. The Group and the Company use ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 15 days, except for customers on Letter of Credit with credit terms ranging from 30 to 45 days, which are deemed to have higher credit risk, are monitored individually.

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

	GROUP		COMPANY	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Malaysia	20,360	19,735	1,092	725
Africa	1,284	2,701	1,283	2,701
Asia	11,238	8,193	4,208	2,378
Others	251	115	251	115
	33,133	30,744	6,834	5,919

Impairment losses

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

GROUP

2012	Gross RM'000	Individually impaired RM'000	Net RM'000
Not past due	24,270	-	24,270
Past due 0-30 days	5,556	-	5,556
Past due 31-60 days	1,730	-	1,730
Past due 61-90 days	731	-	731
Past due more than 91 days	1,609	763	846
	33,896	763	33,133

29. FINANCIAL INSTRUMENTS (cont'd)

29.3 Financial risk management (cont'd)

(i) Credit risk (cont'd)

Impairment losses (cont'd)

The ageing of trade receivables as at the end of the reporting period was: (cont'd)

GROUP

2011	Gross RM'000	Individually impaired RM'000	Net RM'000
Not past due	19,739	-	19,739
Past due 0-30 days	6,836	-	6,836
Past due 31-60 days	2,754	-	2,754
Past due 61-90 days	1,023	-	1,023
Past due more than 91 days	872	480	392
	31,224	480	30,744

COMPANY

	Gross RM'000	Individually impaired RM'000	Net RM'000
2012			
Not past due	37,778	62	37,716
Past due 0-30 days	1,717	5	1,712
Past due 31-60 days	136	-	136
Past due 61-90 days	568	-	568
Past due more than 91 days	875	789	86
	41,074	856	40,218
2011			
Not past due	27,617	271	27,346
Past due 0-30 days	3,054	39	3,015
Past due 31-60 days	813	-	813
Past due 61-90 days	701	-	701
Past due more than 91 days	629	607	22
	32,814	917	31,897

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

	GROUP 2012 RM'000	GROUP 2011 RM'000
At 1 July	480	566
Impairment loss recognised	306	71
Impairment loss reversed	(30)	(91)
Impairment loss written off	-	(66)
Foreign exchange translation	7	-
At 30 June	763	480

As at 30 June 2012, trade receivables of the Group and of the Company amounting to approximately RM8,863,000 (2011: RM11,005,000) and RM2,502,000 (2011: RM4,551,000) respectively were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default.

29. FINANCIAL INSTRUMENTS (cont'd)

29.3 Financial risk management (cont'd)

(i) Credit risk (cont'd)

Inter-company balances

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk, credit quality and collateral

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

Impairment losses

As at the end of the reporting period, there was no indication that any further loans and advances to the subsidiaries which are not recoverable. The Company does not specifically monitor the ageing of current advances to the subsidiaries.

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

	COMPANY	
	2012 RM'000	2011 RM'000
At 1 July	4,786	26,946
Transferred to amount due from an associate	-	(22,092)
Impairment loss reversed	(131)	(68)
At 30 June	4,655	4,786

(ii) Liquidity risk

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

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

29. FINANCIAL INSTRUMENTS (cont'd)

29.3 Financial risk management (cont'd)

(ii) Liquidity risk (cont'd)

Maturity analysis

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

2012 GROUP	Carrying amounts RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 – 2 years RM'000	2 – 5 years RM'000	More than 5 years RM'000
Non-derivative financial liabilities							
Secured term loans	8,486	2.70% - 14.25%	9,358	3,369	1,938	3,654	397
Secured bank overdrafts	7,533	7.05% - 14.25%	7,533	7,533	-	-	-
Secured bankers' acceptance	19,304	3.32% - 4.94%	19,304	19,304	-	-	-
Secured revolving credit	6,000	4.85% - 5.13%	6,000	6,000	-	-	-
Finance lease liabilities	1,852	3.40% - 7.43%	1,955	1,236	495	224	-
Payables and accruals	34,027	-	34,027	33,863	-	-	164
Long-term advances	6,041	10.00%	6,041	-	-	-	6,041
	83,243		84,218	71,305	2,433	3,878	6,602
COMPANY							
Non-derivative financial liabilities							
Secured term loans	4,936	2.70% - 6.60%	5,242	1,723	1,136	1,986	397
Secured bank overdrafts	6,093	7.60% - 9.10%	6,093	6,093	-	-	-
Secured bankers' acceptance	19,304	3.32% - 4.94%	19,304	19,304	-	-	-
Secured revolving credit	6,000	4.85% - 5.13%	6,000	6,000	-	-	-
Finance lease liabilities	1,399	4.18% - 7.43%	1,455	1,070	367	18	-
Payables and accruals	28,806	-	28,806	28,806	-	-	-
	66,538		66,900	62,996	1,503	2,004	397

29. FINANCIAL INSTRUMENTS (cont'd)

29.3 Financial risk management (cont'd)

(ii) Liquidity risk (cont'd)

Maturity analysis (cont'd)

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

2011 GROUP	Carrying amounts RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 – 2 years RM'000	2 – 5 years RM'000	More than 5 years RM'000
Non-derivative financial liabilities							
Secured term loans	12,275	2.70% - 14.25%	13,196	3,665	4,003	4,914	614
Secured bank overdrafts	6,096	7.05% - 9.10%	6,096	6,096	-	-	-
Secured bankers' acceptance	20,260	2.99% - 5.12%	20,260	20,260	-	-	-
Unsecured bankers' acceptance	1,135	4.91% - 5.08%	1,135	1,135	-	-	-
Secured revolving credit	6,000	3.29% - 5.15%	6,000	6,000	-	-	-
Finance lease liabilities	3,837	4.18% - 9.06%	4,092	2,352	1,224	516	-
Payables and accruals	25,262	-	25,262	25,163	-	-	99
Long-term advances	6,348	12.00%	7,109	-	7,109	-	-
	81,213		83,150	64,671	12,336	5,430	713

COMPANY	Carrying amounts RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 – 2 years RM'000	2 – 5 years RM'000	More than 5 years RM'000
Non-derivative financial liabilities							
Secured term loans	6,830	2.70% - 6.60%	7,321	2,191	1,602	2,914	614
Secured bank overdrafts	4,721	7.05% - 9.10%	4,721	4,721	-	-	-
Secured bankers' acceptance	20,260	2.99% - 5.12%	20,260	20,260	-	-	-
Secured revolving credit	6,000	3.29% - 5.15%	6,000	6,000	-	-	-
Finance lease liabilities	3,467	4.18% - 9.06%	3,683	2,222	1,113	348	-
Payables and accruals	20,344	-	20,344	20,344	-	-	-
	61,622		62,329	55,738	2,715	3,262	614

29. FINANCIAL INSTRUMENTS (cont'd)

29.3 Financial risk management (cont'd)

(iii) Market risk

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

Currency risk

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

Risk management objectives, policies and processes for managing the risk

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

Exposure to foreign currency risk

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

	GROUP		COMPANY	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Cash and deposits	4,363	681	3,775	635
Receivables	5,655	4,644	3,360	4,445
Borrowings	(587)	(1,092)	(587)	(1,092)
Payables	(6,177)	(3,481)	(5,060)	(3,481)
Exposure in the statements of financial position	3,254	752	1,488	507

Currency risk sensitivity analysis

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

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

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

	GROUP Profit or loss		COMPANY Profit or loss	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
USD impact	33	8	15	5

29. FINANCIAL INSTRUMENTS (cont'd)

29.3 Financial risk management (cont'd)

(iii) Market risk (cont'd)

Interest rate risk

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

Risk management objectives, policies and processes for managing the risk

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

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

Exposure to interest rate risk

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

	GROUP		COMPANY	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Fixed rate instruments				
Financial assets	7	28	38,300	31,784
Financial liabilities	(35,395)	(32,514)	(29,181)	(30,819)
	(35,388)	(32,486)	9,119	965
Floating rate instruments				
Financial assets	578	869	578	869
Financial liabilities	(13,542)	(23,437)	(8,551)	(10,459)
	(12,964)	(22,568)	(7,973)	(9,590)

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group and the Company do not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Sensitivity analysis for floating rate instruments

A change of 100 basis points ("bp") in interest rates at the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

29. FINANCIAL INSTRUMENTS (cont'd)

29.3 Financial risk management (cont'd)

(iii) Market risk (cont'd)

Interest rate risk (cont'd)

Sensitivity analysis for floating rate instruments (cont'd)

	GROUP Profit or loss		COMPANY Profit or loss	
2012	**100 bp increase RM'000**	**100 bp decrease RM'000**	**100 bp increase RM'000**	**100 bp decrease RM'000**
Floating rate instruments	(130)	130	(80)	80
2011				
Floating rate instruments	(226)	226	(96)	96

29.4 Fair value of financial instruments

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

The 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 end of the reporting 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 the end of the reporting date.

The carrying amount of floating rate loans approximate the fair value as they bear variable rates of interest determined based on a margin over the lender banks' effective cost of funds.

Non-derivatives financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period. For finance leases the market rate of interest is determined by reference to similar lease agreements.

30. CAPITAL MANAGEMENT

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

In the previous financial year, the Directors monitor and determine to maintain an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements as disclosed in Note 16. The debt-to-equity ratio was as follows:

	2011 RM'000
Total borrowings (Note 16)	49,603
Less: Cash and deposits (Note 13)	(8,769)
Net debt	40,834
Total equity	105,500
Debt-to-equity ratio	0.39

30. CAPITAL MANAGEMENT (cont'd)

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

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

31. OPERATING LEASES

Leases as lessee

Non-cancellable operating lease rentals are payables as follows:

	GROUP	
	2012 RM'000	2011 RM'000
Less than 1 year	377	284
Between 1 and 5 years	765	390
	1,142	674

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

Leases as lessor

The Group leases out its investment properties. The future minimum lease receivables under non-cancellable leases are as follows:

	GROUP	
	2012 RM'000	2011 RM'000
Less than 1 year	-	6

32. CAPITAL COMMITMENTS

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

	GROUP/COMPANY	
	2012 RM'000	2011 RM'000
Authorised and contracted for:		
- Purchase of property, plant and equipment	1,777	1,004
Authorised but not contracted for:		
- Leasehold land and buildings	5,000	6,552
	6,777	7,556

33. RELATED PARTIES

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

	Transaction value for year ended 30 June		Balances as at 30 June	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Transactions with subsidiaries				
COMPANY				
Hovid Pharmacy Sdn. Bhd.				
Sales	55,569	49,410	-	-
Interest income	1,378	1,049	-	-
Reallocation of common cost	2,857	2,061	-	-
Rental expense	(72)	(72)	-	-
Amount due from - trade	-	-	30,400	23,959
Amount due from - non-trade	-	-	2,984	3,577

33. RELATED PARTIES (cont'd)

Significant transactions and balances of the Group and the Company, other than key management personnel compensation, are as follows: (cont'd)

	Transaction value for year ended 30 June		Balances as at 30 June	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Transactions with subsidiaries (cont'd)				
COMPANY				
Carotech Berhad				
Interest income	-	203	-	-
Reallocation of common cost	-	32	-	-
Purchases	-	(427)	-	-
Steam services expenses	-	(60)	-	-
Hovid Inc.				
Sales	4,540	3,419	-	-
Interest income	293	256	-	-
Reallocation of common cost	1,435	1,199	-	-
Amount due from - trade	-	-	1,610	201
Amount due from - non-trade	-	-	3,306	3,531
Javid Sdn. Bhd.				
Amount due from - non-trade	-	-	2,026	1,987
Hovid Marketing Sdn. Bhd.				
Sales	178	466	-	-
Purchases	(33)	(50)	-	-
Hovid Life Science Pte. Ltd.				
Amount due from - non-trade	-	-	136	130
Hovid International Limited				
Amount due from - non-trade	-	-	4,618	4,307
Hovid Limited				
Sales	3,106	4,067	-	-
Interest income	21	13	-	-
Reallocation of common cost	170	-	-	-
Amount due from - trade	-	-	1,374	1,818
Amount due from - non-trade	-	-	50	54
Hovid Research Sdn. Bhd.				
Rental income	970	1,260	-	-
Services rendered	(5,401)	(4,770)	-	-
Amount due from - non-trade	-	-	783	1,227
Agrovid S.A.S				
Amount due from - non-trade	-	-	87	82
Best Practice International Sdn. Bhd.				
Amount due from - non-trade	-	-	15	13
Biodeal Pharmaceuticals Pvt. Ltd.				
Purchases	(1,373)	(5,949)	-	-
Amount due to - trade	-	-	-	(98)
Amount due to - non-trade	-	-	(338)	-
Amount due from - non - trade	-	-	-	244

33. RELATED PARTIES (cont'd)

Significant transactions and balances of the Group and the Company, other than key management personnel compensation, are as follows: (cont'd)

	Transaction value for year ended 30 June		Balances as at 30 June	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Transactions with a related party				
COMPANY				
Carotech Berhad				
Sales	84	51	-	-
Interest income	1,638	1,487	-	-
Reallocation of common cost	415	392	-	-
Purchases	(4,887)	(1,393)	-	-
Steam services expenses	(360)	(300)	-	-
Amount due from - non-trade	-	-	-	516
GROUP				
Carotech Berhad				
Sales	91	60	-	-
Interest income	1,638	1,487	-	-
Reallocation of common cost	415	392	-	-
Services income	39	136	-	-
Purchases	(4,887)	(1,393)	-	-
Administration charges	(2)	(5)	-	-
Steam services expenses	(360)	(300)	-	-
Amount due from - non-trade	-	-	-	516
Transaction with a company in which a Director has substantial financial interest				
GROUP				
Ho Yan Hor Holdings Sdn. Bhd.				
Amount due to - non-trade	-	-	(1)	(101)
Transaction with a company in which a person connected with a Director has substantial financial interest				
GROUP				
Future Express Sdn. Bhd.				
Purchase of computer equipment and accessories	(132)	(120)	(63)	(72)
Transaction with a company in which a person connected with a Director has substantial financial interest				
COMPANY				
Future Express Sdn. Bhd.				
Purchase of computer equipment and accessories	(105)	(72)	(43)	(70)

34. SIGNIFICANT EVENTS

(a) Dividend-In-Specie ("DIS")

On 15 August 2011, the Board announced that the Company is proposing to distribute a portion of its shareholding interest in Carotech by way of Dividend-In-Specie to the shareholders of the Company, on the basis of 25 ordinary shares of RM0.10 each in Carotech for every 100 ordinary shares of RM0.10 each held in the Company ("Proposed DIS").

On 24 August 2011, the Company made an application to the Securities Commission ("SC") for the approval of the Proposed DIS and arising from the need to include the audited financial statements for the year ended 30 June 2011 in the Proposed DIS exercise.

On 7 October 2011, an extension of time for submission of the application for declassification from PN17 to Bursa Malaysia Securities Berhad ("Bursa Malaysia") was sought by the Company to enable the inclusion of the audited results of the year ended 30 June 2011 in the Circular to Shareholders for the Proposed DIS. On 15 October 2011, Bursa Malaysia requested for further information with regards to the application dated 7 October 2011 in which the management responded on 17 October 2011.

On 28 October 2011, the Company received a letter from Bursa Malaysia noting that the application for extension of time has been received. As such, the suspension on the trading of the Company's securities and the de-listing of the Company in accordance with Paragraph 8.04 of the Main Market Listing Requirements ("MMLR") shall be deferred pending the decision on the Application.

On 14 November 2011, Bursa Malaysia granted the Company an extension of time up to 28 February 2012 to undertake the regularisation plan to Bursa Malaysia. The Company's application for extension of time to undertake its regularisation plan to Bursa Malaysia was in view that the Company has not yet completed the implementation of the Proposed DIS which is part of its regularisation plan.

On 15 November 2011, the SC approved the Proposed DIS under Section 212(5) of the Capital Markets and Services Act 2007.

On 16 November 2011, the Circular to Shareholders in relation to the Proposed DIS of up to 236,048,650 ordinary shares of RM0.10 each in Carotech was issued.

On 1 December 2011, the Proposed DIS was duly approved by the shareholders during the Extraordinary General Meeting.

On 23 December 2011, the Proposed DIS was completed following the distribution of a total number of 190,520,005 Carotech Shares to the entitled shareholders of the Company.

On 16 January 2012, Bursa Malaysia informed that after due consideration of all facts and circumstances provided by the Company including the following factors:-

(a) the profitability and growth of the Group's pharmaceutical segment for the past seven years up to 30 June 2011 as well as the latest financial quarter for the period ended 30 September 2011;

(b) the completion of the distribution of a portion of its shareholdings in Carotech by way of DIS on 23 December 2011; and

(c) that Hovid no longer triggers any of the criteria of PN17.

Bursa Malaysia decided to grant the Company a waiver from complying with paragraph 8.04(3) of the MMLR which requires a PN17 company to submit a regularisation plan to the relevant authority to regularise its condition. With the waiver being granted, Bursa Securities informed that the Company would be uplifted from its PN17 status effective 17 January 2012.

On 17 January 2012, the Company was uplifted from PN17 status.

(b) Struck-off of a subsidiary

On 14 March 2012, Ho Yan Hor (S) Pte. Ltd. ("HYH") received a notice from the Accounting and Corporate Regulatory Authority of Singapore that HYH had been struck-off from the register on 7 March 2012 pursuant to Section 344(2) of the Singapore Companies Act, Cap 50.

35. EVENTS AFTER THE REPORTING PERIOD

(a) On 25 September 2012, the Company incorporated a wholly-owned subsidiary in Hong Kong known as Hovid (Hong Kong) Limited ("HHKL") with an authorised capital of HKD10,000 divided into 10,000 ordinary shares of HKD1.00 each with an issued and fully paid-up share capital of HKD1.00 comprising 1 ordinary share of HKD1.00 each. The principal activity of HHKL is trading of pharmaceutical products.

(b) On 4 October 2012, the Board announced that the Company is proposing to undertake a renounceable rights issue of up to 571,560,000 Warrants at an issue price of RM0.02 for each Warrant on the basis of one (1) Warrant for every two (2) existing ordinary shares of RM 0.10 each held in the Company. In view of the Warrants 2008/2013 will only expire on 28 January 2013, the Proposed Rights Issue of Warrants is expected to be implemented after the expiry of Warrants 2008/2013.

36. COMPARATIVES FIGURES

(a) Certain comparative figures in the financial statements have been reclassified on the face of the statements of comprehensive income and statements of cash flows to conform with the current year presentation.

	GROUP		COMPANY	
	As reclassified RM'000	**As previously reported RM'000**	**As reclassified RM'000**	**As previously reported RM'000**
Statements of comprehensive income				
Inventories written down	(308)	(246)	(287)	(225)
Inventories written off	(533)	-	(438)	-
Raw materials and packaging used	(51,126)	(51,721)	(49,804)	(50,304)
Statements of cash flows				
Cash flows from operating activities				
Bad debts written off	31	-	5	-
Bankers' acceptance	(20,183)	-	(6,824)	-
Changes in inventories	218	813	(3,689)	(3,189)
Changes in payables and accruals	(1,269)	(1,268)	2,468	2,470
Changes in receivables, deposits and prepayments	2,829	2,769	(213)	(276)
Inventories written down	308	246	287	225
Inventories written off	533	-	438	-
Preliminary expenses written off	1	-	-	-
Reversal on impairment loss on receivables	(91)	-	(68)	-
Cash flows from investing activities				
Product development expenditure incurred	-	-	(3,353)	(3,354)
Cash flows from financing activities				
Repayment of short-term bank borrowings	-	(20,183)	-	(6,825)

(b) The comparative information was not audited by Messrs SJ Grant Thornton.

37. SUPPLEMENTARY INFORMATION ON THE BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES

On 25 March 2010, Bursa Malaysia Securities Berhad ("Bursa Malaysia") issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the retained earnings or accumulated losses as at the end of the reporting period, into realised and unrealised profits or losses.

On 20 December 2010, Bursa Malaysia further issued another directive on the disclosure and the prescribed format of presentation.

The breakdown of the retained earnings of the Group and of the Company as at 30 June 2012, into realised and unrealised profits, pursuant to the directive, is as follows:

	GROUP		COMPANY	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Total retained earnings of the Company and its subsidiaries:				
- Realised	20,925	14,628	27,688	23,193
- Unrealised	(12,631)	(13,040)	(10,705)	(10,683)
	8,294	1,588	16,983	12,510
Total share of retained earnings of an associate:				
- Realised	-	(12,823)	-	-
- Unrealised	-	3,471	-	-
	8,294	(7,764)	16,983	12,510
Less: Consolidation adjustments	11,165	20,114	-	-
Total group retained earnings as per consolidated accounts	19,459	12,350	16,983	12,510

The determination of realised and unrealised profits is based on the Guidance of Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by Malaysian Institute of Accountants on 20 December 2010.

STATEMENT BY DIRECTORS/ STATUTORY DECLARATION

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

In the opinion of the Directors, the financial statements set out on pages 26 to 97 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 at 30 June 2012 and of their financial performance and cash flows for the year then ended.

In the opinion of the Directors, the information set out in Note 37 to the financial statements have been compiled in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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

....)
HO SUE SAN @ DAVID HO SUE SAN)
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)
)
)
)
)
....)
LIONG KAM HON

Ipoh
15 October 2012

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

I, Ho Sue San @ David Ho Sue San, being the Director primarily responsible for the financial management of Hovid Berhad, do solemnly and sincerely declare that the financial statements set out on pages 26 to 97 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by)
the abovenamed at Ipoh in the State)
of Perak Darul Ridzuan on)
15 October 2012) ....
HO SUE SAN @ DAVID HO SUE SAN

Before me:

Commissioner for Oaths

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

Report on the Financial Statements

We have audited the financial statements of Hovid Berhad which comprise the statement of financial position as at 30 June 2012 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as enumerated in Notes 1 to 36 and set out on pages 26 to 97.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2012 and of their financial performance and cash flows for the financial year then ended.

Report on Other Legal and Regulatory Requirements

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

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

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

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

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

Other Reporting Responsibilities

Our audit was made for the purpose of forming an opinion on the financial statements taken as whole. The information set out in Note 37 on page 98 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not required by the Financial Reporting Standards. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Other Matters

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

The financial statements of the Group and of the Company as at 30 June 2011 was audited by another firm whose report dated 24 October 2011 expressed an unqualified opinion on those statements.

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

NG CHEE HOONG
(No: 2278/10/12(J))
CHARTERED ACCOUNTANT

Kuala Lumpur
15 October 2012

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 2012 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 on14 June 2895 Approximate age: The ages of the buildings are between 13 to 48 years old	Land area: 123,915 sq. ft. Gross built-up area: 77,760 sq. ft.	Date of valuation: 30 October 2008	9,468
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 67 years	Land area: 1,331 sq. ft. Gross built-up area: 2,320 sq. ft.	Date of valuation: 30 October 2008	216
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: 13 years	Land area: 2,050 sq. ft. Gross built-up area: 2,974 sq. ft.	Date of valuation: 30 October 2008	288
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: 10 years	Land area: 254,964 sq. ft. Gross built-up area: 78,624 sq. ft.	Date of valuation: 30 October 2008	16,026
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: 42 years	Land area: 1,740 sq. ft. Gross built-up area: 3,439 sq. ft.	Date of valuation: 30 October 2008	484

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 2012 RM'000
Nos. 64 & 64A-C, Jalan Leong Sin Nam, 30300 Ipoh, Perak Darul Ridzuan. Lot P.T. 17980, Title H.S.(D)KA 67801, Town of Ipoh, District of Kinta, Perak Darul Ridzuan.	Comprising an intermediate 4-storey shopoffice 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: 31 years	Land area: 1,336 sq. ft. Gross built-up area: 4,361 sq. ft.	Date of valuation: 17 May 2012	680
No. 71, Jalan Pengkalan Indah 2, Bandar Pengkalan Indah, Off Jalan Pasir Puteh, 31650 Ipoh, Perak Darul Ridzuan. Lot P.T. 143393, Title H.S.(D)KA 55668, Mukim of Hulu Kinta, District of Kinta, Perak Darul Ridzuan.	Comprising an intermediate double-storey shopoffice being used as a store.	Tenure: 99 years leasehold interest expiring on 19 November 2095 Approximate age: 13 years	Land area: 1,400 sq. ft. Gross built-up area: 2,722 sq. ft.	Date of valuation: 30 October 2008	175
No. 16, Jalan SS4D/14, 47301 Petaling Jaya, Selangor Darul Ehsan. Lot P.T. 27742, Title H.S.(M) 11828, Mukim of Sungai Buluh, District of Petaling, Selangor Darul Ehsan.	Comprising a 3-storey shopoffice being used as catering services office at the ground floor and other offices at the upper floors.	Tenure: Freehold Approximate age: 30 years	Land area: 1,750 sq. ft. Gross built-up area: 5,250 sq. ft.	Date of valuation: 9 May 2012	1,000
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 57 years	Land area: 52,525 sq. ft. Gross built-up area: 3,364 sq. ft.	Date of valuation: 30 October 2008	845
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 11 to 13 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	1,317

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 2012 RM'000
Nos. 52A, B & C, Lintang Angsana, Bandar Baru Ayer Itam, 11500 Pulau Pinang. Lot 8265, Title Geran No. Pendaftaran 57174, Mukim of 13, District of North-East, Pulau Pinang.	Comprising a 3-storey shophouse being used as 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: 21 years	Land area: 1,776 sq. ft. Gross built-up area: 4,312 sq. ft.	Date of valuation: 30 October 2008	613
Nos. 25 & 25A, Jalan Sri Bahagia 5, Taman Sri Bahagia, 81200 Tampoi, Johor Darul Takzim. Lot PTD 17128, Title H.S.(D) 70280, Mukim of Tebrau, District of Johor Bahru, Johor Darul Takzim.	Comprising a 2-storey shopoffice being used as a retail outlet at the ground floor and an office on the first floor.	Tenure: Freehold Approximate age: 20 years	Land area: 1,540 sq. ft. Gross built-up area: 3,016 sq. ft.	Date of valuation: 30 October 2008	435
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	5,853
Plot 88(g), Taman Perindustrian Bayan Lepas, Fasa IV, Mukim 12, BDB.	Industrial land acquired for research and development.	Tenure: 60 years leasehold interest expiring on 26 March 2069 Approximate age: N/A	Land area: 54,490 sq. ft.	Date of acquisition: 2 March 2007	1,083
Alto Manacacias, Puerto Gaitan, Meta. (Registration No.: 234-0005.596)	Vacant agricultural land for agricultural purposes.	Tenure: Freehold Approximate age: N/A	Land area: 322,917,312 sq. ft.	Date of acquisition: 8 February 2010	3,288
Vill. Saini Majra, Nalagarh Ropar Road, Nalagarh, Distt. Solan (HP).	Comprising of joint parcels of land and erected upon with pharmaceutical factory complex together with administrative office and ancillary buildings.	Tenure: Freehold Approximate age: The ages of the buildings are between 26 to 29 years old	Land area: 1,597,842 sq. ft. Gross built-up area: 2,583,525 sq. ft.	Date of acquisition: 31 December 2009	4,410

ANALYSIS OF SHAREHOLDINGS
AS AT 10 OCTOBER 2012

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	0.03	25	0.00
100 – 1,000 shares	324	4.94	233,240	0.03
1,001 – 10,000 shares	2,936	44.80	19,323,740	2.54
10,001 – 100,000 shares	2,730	41.66	104,304,500	13.69
100,001 – 38,103,999 shares	558	8.51	305,177,095	40.04
38,104,000 shares and above	4	0.06	333,041,400	43.70
Total	**6,554**	**100.00**	**762,080,000**	**100.00**

Directors' Shareholdings As Per Register Of Directors As At 10 October 2012

	No. of Shares Held			
Name	**Direct**	**%**	**Indirect**	**%**
Ho Sue San @ David Ho Sue San	336,439,880	44.15	0	0
Liong Kam Hon	7,895,360	1.04	0	0
Chuah Chaw Teo	0	0	0	0
Leong Kwok Yee	290,400	0.04	0	0
YM Raja Shamsul Kamal Bin Raja Shahruzzaman	0	0	0	0
Dato' Che Mohd Zin Bin Che Awang	0	0	0	0

Substantial Shareholders As Per Register Of Substantial Shareholders As At 10 October 2012

	No. of Shares Held			
Name	**Direct**	**%**	**Indirect**	**%**
Ho Sue San @ David Ho Sue San	336,439,880	44.15	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)	149,270,000	19.59
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	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD PLEDGED SECURITIES ACCOUNT FOR HO SUE SAN @ DAVID HO SUE SAN (20-00214-000)	59,730,000	7.84
4	HO SUE SAN @ DAVID HO SUE SAN	51,541,400	6.76
5	LEMBAGA TABUNG HAJI	35,445,800	4.65

ANALYSIS OF SHAREHOLDINGS
AS AT 10 OCTOBER 2012 (cont'd)

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

No	Name of Securities Account Holders	No. of Shares Held	%
6	BEST TIME VENTURE SDN BHD	21,191,200	2.78
7	IBRAHIM BIN HAJI AHMAD	11,500,000	1.51
8	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR SKANDINAVISKA ENSKILDA BANKEN AB (SWEDISH CLIENTS)	11,284,500	1.48
9	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR OH KIM SUN	10,461,700	1.37
10	LIONG KAM HON	7,895,360	1.04
11	GOLDEN FRESH SDN BHD	6,500,000	0.85
12	TOH MAY FOOK	6,065,000	0.80
13	PUI CHENG WUI	4,577,800	0.60
14	LUI ONN KIT BASIL	4,000,000	0.52
15	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HO SUE SAN @ DAVID HO SUE SAN (MDV-210211)	3,398,480	0.45
16	MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK ASSET MANAGEMENT SDN BHD FOR SERENA BINTI M ISMA IL (8SMI1-250065)	3,200,000	0.42
17	LAW SIAU WOEI	3,169,500	0.42
18	CHOW SONG KUANG	2,775,100	0.36
19	CHOONG FOO WAH	2,742,665	0.36
20	TAN KUAN HAI	2,570,000	0.34
21	CHOW SONG KUANG	2,500,000	0.33
22	SAW HAI EARN	1,800,000	0.24
23	GOH TIAN HOCK	1,765,830	0.23
24	LEONG CHOOI KHAUN	1,750,000	0.23
25	CHEN TAM CHAI	1,698,000	0.22
26	LEE NYIT KEAN	1,695,500	0.22
27	ECML NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LING YOKE TEK (10MG00001)	1,690,900	0.22
28	NG HOK KEA	1,661,800	0.22
29	MAYBANK NOMINEES (TEMPATAN) SDN BHD LOW BOK SANG	1,649,500	0.22
30	VOON SAI MOI	1,526,300	0.20
		487,556,335	63.98

ANALYSIS OF WARRANT HOLDINGS
AS AT 10 OCTOBER 2012

No. of Warrants	381,040,000
No. of Warrant Holders	2,920

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	10	0.34	470	0.00
100 – 1,000 warrants	361	12.36	232,800	0.06
1,001 – 10,000 warrants	1,384	47.40	6,233,300	1.63
10,001 – 100,000 warrants	882	30.21	35,252,245	9.25
100,001 – 19,051,999 warrants	282	9.66	140,395,785	36.85
19,052,000 warrants and above	1	0.03	198,925,400	52.21
Total	2,920	100.00	381,040,000	100.00

Directors' Warrant Holdings As Per Register Of Directors As At 10 October 2012

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

Substantial Warrant Holders As Per Register Of Substantial Warrant Holders As At 10 October 2012

	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	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HO SUE SAN @ DAVID HO SUE SAN (MDV-210211)	198,925,400	52.21
2	IBRAHIM BIN HAJI AHMAD	8,750,000	2.30
3	JF APEX NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WITPRO SDN BHD (STA 2)	5,500,000	1.44
4	LIONG KAM HON	3,947,680	1.04
5	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HO YOCK MAIN (REM857-MARGIN)	3,700,000	0.97
6	LIM CHEE SING	3,330,000	0.87
7	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM TIONG HOOI (E-SJA)	3,168,000	0.83

ANALYSIS OF WARRANT HOLDINGS
AS AT 10 OCTOBER 2012 (cont'd)

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

No	Name of Warrant Holders	No. of Warrants Held	%
8	CIMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HEW KUAN SENG (PENANG-CL)	2,591,700	0.68
9	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHOONG FOONG MING	2,550,000	0.67
10	JF APEX NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHIANG PING-CHUNG (MARGIN)	2,526,000	0.66
11	DORAI RAJOO A/L IRULANDY	2,504,200	0.66
12	HASBULLAH BIN HASSAN	2,140,000	0.56
13	LIM CHEE CHENG	2,000,000	0.52
14	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YEOH CHOO HOON (RC8-MARGIN)	2,000,000	0.53
15	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM YONG CHONG	2,000,000	0.53
16	THAAM BENG KUAN	2,000,000	0.53
17	LIM FOOK CHOY	1,831,000	0.48
18	LIM KAM LIN	1,611,000	0.42
19	MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK ASSET MANAGEMENT SDN BHD FOR SERENA BINTI M ISMA IL (8SMI1-250065)	1,600,000	0.42
20	LEONG CHEE KEE	1,500,000	0.39
21	CHAN LEE YUEN	1,400,000	0.37
22	AZLAN BIN RABIS	1,322,500	0.35
23	HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YEOW CHEE SIONG	1,300,000	0.34
24	MUHAMMAD IDIL IZWADY BIN ROSLY	1,300,000	0.34
25	RAMASAMY A/L KAILASAN	1,300,000	0.34
26	HO THEAN HOCK	1,208,000	0.32
27	ONG HOEE SIONG	1,153,400	0.30
28	CHOONG FOONG MING	1,035,000	0.27
29	JF APEX NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR PARAGON PACIFIC VENTURES SDN BHD (MARGIN)	1,000,000	0.26
30	LIM GAIK SEE	1,000,000	0.26
		266,193,880	69.86

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 Thirty-first ("31st") Annual General Meeting ("AGM") held on 1 December 2011, the Board of Directors had obtained shareholders' mandate for the Directors to purchase shares on Bursa Malaysia Securities Berhad ("Bursa Securities") not exceeding ten per centum (10%) of the issued and paid-up share capital of the Company.

The abovementioned shareholders' mandate shall, in accordance with Bursa Securities Main Market Listing Requirements governing share buy-back by listed companies, expires at the conclusion of the forthcoming Thirty-second Annual General Meeting ("32nd AGM") of the Company, which will be held on 26 November 2012. On 15 October 2012, 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 32nd 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 32nd 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 ("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 32nd AGM. A notice of the 32nd AGM together with the Proxy Form 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 2012, the retained profits and share premium accounts of the Company were approximately RM16.98 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 Companies Act, 1965 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 10 October 2012, and assuming that the maximum number of Hovid Shares (of up to ten per centum (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 10 October 2012	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 10 October 2012 are fully exercised.

(ii) Based on the maximum numbers of Hovid Shares (of up to ten per centum (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 Companies Act, 1965, 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

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 10 October 2012, there were 6,549 public shareholders with a total shareholding of 54.74% of the Company's issued and paid-up share capital.

Assuming that the Proposed Share Buy-Back of up to 76,208,000 ordinary shares of RM0.10 each representing ten per centum (10%) of the share capital as at 10 October 2012 is carried out in full, Hovid's shareholding spread would be reduced to approximately 49.72%.

(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 10 October 2012, the total shareholdings of Mr Ho Sue San @ David Ho Sue San ("Major Shareholder"), Mr Ho Sue Cheong and Jacqueline Judith East ("Persons Acting in Concert") in Hovid is approximately 44.19% 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 Persons Acting in Concert in Hovid would increase to approximately 49.09% and 52.08% 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 Persons Acting in Concert in Hovid increase by two per centum (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 Persons 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 Persons Acting in Concert complying with certain conditions.

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

(c) Purchase of Shares

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

7. PURCHASE AND RESALE OF HOVID SHARES MADE IN THE FINANCIAL YEAR ENDED 30 JUNE 2012

Information on the purchase of Hovid's Shares during the financial year ended 30 June 2012 is set out in the Additional Compliance Information of the Statement On Corporate Governance in Hovid's Annual Report 2012.

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

The effect of Proposed Share Buy-Back on the shareholdings of our Directors, Substantial Shareholders and Persons Connected to them based on the Register of Substantial Shareholders' and Directors' Shareholdings as at 10 October 2012 on the assumption that the Proposed Share Buy-Back is implemented up to the maximum of 10% of the issued and paid-up share capital and the Purchased Shares are from the shareholders other than the Directors and Substantial Shareholders of Hovid are set out below:

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

	As at 10 October 2012				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	336,439,880	44.15	-	-	336,439,880	49.05	-	-
Directors								
Ho Sue San @ David Ho Sue San	336,439,880	44.15	-	-	336,439,880	49.05	-	-
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	-	-	-	-	-	-	-	-
Dato' Che Mohd Zin Bin Che Awang	-	-	-	-	-	-	-	-
Persons connected to Directors/Substantial Shareholder								
Ho Sue Cheong	161,000	0.02	-	-	161,000	0.02	-	-
Jacqueline Judith East	137,490	0.02	-	-	137,490	0.02	-	-

8. SHAREHOLDINGS OF THE DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND PERSONS 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 10 October 2012				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	336,439,880	44.15	-	-	535,365,280	46.83	-	-	535,365,280	52.04	-	-
Directors												
Ho Sue San @ David Ho Sue San	336,439,880	44.15	-	-	535,365,280	46.83	-	-	535,365,280	52.04	-	-
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	-	-	-	-	-	-	-	-	-	-	-	-
Dato' Che Mohd Zin Bin Che Awang	-	-	-	-	-	-	-	-	-	-	-	-
Persons connected to Directors / Substantial Shareholder												
Ho Sue Cheong	161,000	0.02	-	-	241,500	0.02	-	-	241,500	0.02	-	-
Jacqueline Judith East	137,490	0.02	-	-	206,235	0.02	-	-	206,235	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 32nd 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 BERHAD

(58476-A)

CDS Account No. of authorised nominee

PROXY FORM

THIRTY-SECOND (32ND) 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 Thirty-second (32nd) Annual General Meeting of the Company, to be held at Gopeng Hall, Level 3, Kinta Riverfront Hotel & Suites, B-1-1 Kinta Riverfront, Jalan Lim Bo Seng, 30000 Ipoh, Perak Darul Ridzuan on Monday, 26 November 2012, at 10.30 a.m..

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

RESOLUTIONS	**FOR**	**AGAINST**
Ordinary Resolution 1		
Ordinary Resolution 2		
Ordinary Resolution 3		
Ordinary Resolution 4		
Ordinary Resolution 5		
Ordinary Resolution 6		
Ordinary Resolution 7		
Ordinary Resolution 8		
Ordinary Resolution 9		
Ordinary Resolution 10		
Special Resolution 1		

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 ____________________________ 2012

No. of ordinary shares held

______________________________ Signature/Common Seal of Member

______________________________ Telephone Number of Member

Notes:-

1. *A member of the Company entitled to attend and vote at the meeting is entitled to appoint more than two (2) proxies to attend and vote in his/her stead at the same meeting. A proxy may but need not be a member of the Company and Section 149(1)(a) and (b) of the Act shall not apply to the Company.*
2. *Where a member appoints two (2) or more proxies, the appointment shall be invalid unless the member specifies the proportion of his shareholdings to be represented by each proxy. Each proxy appointed, shall represent a minimum of 100 shares held by the member.*
3. *Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each securities account in holds with ordinary shares of the Company standing to the credit of the said securities account.*
4. *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.*
5. *The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or if the appointor is a corporation, either under its common seal or under the hand of its attorney duly authorised.*
6. *The instrument appointing a proxy shall be deposited at the Registered Office of the Company at No. 121, Jalan Tunku Abdul Rahman, 30010 Ipoh, Perak Darul Ridzuan not less than forty-eight (48) hours before the time appointed for holding the meeting or at any adjournment thereof.*
7. *For the purpose of determining a member who shall be entitled to attend the meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd., in accordance with Article 60(c) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositors as at 16 November 2012. Only a depositor whose name appears on the General Meeting Record of Depositors as at 16 November 2012 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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