FINANCIAL STATEMENTS

Directors' report

The directors have pleasure in submitting their annual report to the members together with the audited financial statements of the Group and the Company for the financial year ended 30 June 2005.

Principal activity

The principal activity of the Company is the manufacture of pharmaceutical and herbal products. The principal activities of the subsidiaries are shown in Note 14 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

Financial results

	Group RM	Company RM
Profit after taxation	25,579,879	11,605,951
Minority interests	(2,385,379)	0
Net profit for the financial year	23,194,500	11,605,951

Dividends

Dividend declared and paid by the Company since 30 June 2004 is as follows:

	RM
Special tax exempt dividend of 194.44% per share, paid on 1 December 2004	7,000,000
Special dividend of 38.58% per share, less 28% income tax, paid on 1 December 2004	1,000,000
	8,000,000

The directors do not recommend the payment of a dividend for the financial year ended 30 June 2005.

Reserves and provisions

All material transfers to or from reserves and provisions during the financial year are shown in the financial statements.

Share capital

The authorised share capital of the Company was increased from RM10,000,000 divided into 10,000,000 ordinary shares of RM1.00 each to RM50,000,000 divided into 50,000,000 ordinary shares of RM1.00 each by the creation of 40,000,000 ordinary shares of RM1.00 each at par on 17 November 2004. This authorised share capital was subsequently altered to RM50,000,000 divided into 100,000,000 ordinary shares of RM0.50 each on 1 December 2004.

On 17 November 2004, the Company issued 9,235,328 and 2,715,603 ordinary shares of RM1.00 each at par and at an issue price of RM1.74 (rounded to nearest 2 decimal places) respectively as the purchase consideration for the acquisition of 69.9% shareholding in Carotech Berhad.

On 1 December 2004, the Company completed the following transactions:

- the allotment of 3,528,995 and 728,972 ordinary shares of RM1.00 each at par and at an issue price of RM8.55 (rounded to nearest 2 decimal places) respectively as the purchase considerations for the acquisitions of subsidiaries and properties.

- a bonus issue of 21,135,102 new ordinary shares of RM1.00 each on the basis of 1.05 (rounded to 2 decimal places) new ordinary shares for every one existing ordinary share held in the Company.

- sub-division of every ordinary share of RM1.00 each into 2 ordinary shares of RM0.50 each.

Directors' report (continued)

Share capital (continued)

In conjunction with the listing of the Company on the Second Board of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Company issued 12,800,000 ordinary shares of RM0.50 each for cash at an issue price of RM1.76 per share. These new ordinary shares were fully subscribed for and the entire issued shares were successfully listed on the Second Board of Bursa Securities on 5 April 2005.

The newly issued shares rank pari passu in all respects with the existing ordinary shares of the Company.

Directors

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

Ho Sue San @ David Ho Sue San	
Liong Kam Hon	
Datuk Haji Ibrahim Bin Haji Ahmad	(appointed on 22 December 2004)
YM Raja Shamsul Kamal Bin Raja Shahruzzaman	(appointed on 22 December 2004)
Chuah Chaw Teo	(appointed on 22 December 2004)
Leong Kwok Yee	(appointed on 22 December 2004)

Directors' interests in shares

According to the Register of Directors' Shareholdings, particulars of interests of those directors holding office at the end of the financial year in shares in the Company and its related corporations during the financial year are as follows:

	Number of ordinary shares of RM0.50 each					
	Balance at 1.7.2004/ date of appointment	**Allotment prior to IPO**	**Bonus issue**	**Bought**	**Sold**	**Balance at 30.6.2005**
Shareholdings in Hovid Berhad (The Company)						
Direct						
Ho Sue San @ David Ho Sue San	0	23,891,318	25,128,042	137,400	(1,412,300)	47,744,460
Liong Kam Hon	0	663,926	698,294	77,600	(452,900)	986,920
Datuk Haji Ibrahim Bin Haji Ahmad	0	0	0	5,000,000	0	5,000,000
Indirect						
Leong Kwok Yee (via his spouse, Phyllis Yew Lean Choo)	0	0	0	36,300	0	36,300

Directors' report (continued)

Directors' interests in shares (continued)

	Number of ordinary shares of RM1.00 each			
	Balance at 1.7.2004	Bought	Sold	Balance at 30.6.2005
Shareholdings in Carotech Berhad (Subsidiary)				
Direct				
Ho Sue San @ David Ho Sue San	80,001	0	(80,001)	0

	Number of ordinary shares of RM0.10 each				
	Balance at 1.7.2004/ date of appointment	Bonus issue	Bought	Sold	Balance at 30.6.2005
Shareholdings in Carotech Berhad (Subsidiary)					
Direct					
Ho Sue San @ David Ho Sue San	0	0	42,300	0	42,300
Chuah Chaw Teo	66,000*	334,780*	0	0	400,780
Datuk Haji Ibrahim Bin Haji Ahmad	0	0	13,000,000	0	13,000,000
Indirect					
Leong Kwok Yee (via his spouse, Phyllis Yew Lean Choo)	0	0	146,000	0	146,000

* after sub-division of shares from one ordinary share of RM1.00 each to ten ordinary shares of RM0.10 each

By virtue of Ho Sue San @ David Ho Sue San having an interest of more than 15% shareholding in the Company, he is deemed to have interests in the shares in all the subsidiaries of the Company.

Other than as disclosed above, none of the other directors held any interest in shares in the Company or its related corporations during the financial year.

Directors' benefits

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, being arrangements with the object or objects 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.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than those disclosed in Note 8 to 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 he is a member or with a company in which he has a substantial financial interest except that the directors received fees and/or other emoluments as directors of related corporations.

Statutory information on the financial statements

Before the income statements and balance sheets of the Group and the Company were made out, the directors took reasonable steps:

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

(b) to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business, their values as shown in the accounting records of the Group and the Company had been written down to an amount which they might be expected so to realise.

Directors' report (continued)

Statutory information on the financial statements (continued)

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

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

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

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

No contingent 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 or the Company to meet their obligations when they fall due.

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

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

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

Other statutory information

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

In the opinion of the directors:

(a) other than the gain on dilution of interest in a subsidiary disclosed in Note 7 to the financial statements, the results of the Group's and the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

(b) 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 the Company for the financial year in which this report is made.

Significant event

In conjunction with the listing exercise of the Company, the Company became a public listed company quoted on the Second Board of Bursa Securities on 5 April 2005.

Directors' report (continued)

Proceeds of the Public Issue

The gross proceeds from the Public Issue of 12,800,000 shares amounting to RM22,528,000 were proposed to be utilised as follows:

	RM
Repayment of bank borrowings	14,000,000
Share issue expenses	1,600,000
Working capital	6,928,000
	22,528,000

As at 30 June 2005, there were no significant variations in the utilisation of proceeds in the manner as proposed above.

Signed on the behalf of the Board of Directors in accordance with a resolution dated 25 October 2005.

Ho Sue San @ David Ho Sue San
Director

Liong Kam Hon
Director

Ipoh, Perak Darul Ridzuan

Statement by directors / Statutory declaration

Statement by directors
Pursuant to Section 169(15) of the Companies Act, 1965

We, Ho Sue San @ David Ho Sue San and Liong Kam Hon, being two of the directors of Hovid Berhad state that, in the opinion of the directors, the financial statements set out on pages 29 to 68 are drawn up so as to give a true and fair view of the state of affairs of the Group and the Company as at 30 June 2005 and of the results and cash flows of the Group and the Company for the financial year ended on that date in accordance with the provisions of the Companies Act, 1965 and the MASB approved accounting standards in Malaysia.

Signed on behalf of the Board of Directors in accordance with a resolution dated 25 October 2005.

Ho Sue San @ David Ho Sue San
Director

Liong Kam Hon
Director

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 29 to 68 are, in my opinion, correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Ho Sue San @ David Ho Sue San at Ipoh in the state of Perak Darul Ridzuan, Malaysia on 25 October 2005.

Before me,

Commissioner for Oaths

Report of the auditors

to the members of Hovid Berhad

(Company no: 58476-A)
(Incorporated in Malaysia)

We have audited the financial statements set out on pages 29 to 68. These financial statements are the responsibility of the Company's directors. It is our responsibility to form an independent opinion, based on our audit, on these financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

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

In our opinion:

(a) the financial statements have been prepared in accordance with the provisions of the Companies Act, 1965 and the MASB approved accounting standards in Malaysia so as to give a true and fair view of:

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

  (ii) the state of affairs of the Group and the Company as at 30 June 2005 and of the results and cash flows of the Group and the Company for the financial year ended on that date;

and

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

We have considered the financial statements and the auditors' reports of the subsidiaries of which we have not acted as auditors. The names of these subsidiaries are indicated in Note 14 to the financial statements.

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

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

PricewaterhouseCoopers
[No. AF: 1146]
Chartered Accountants

Lim Teong Kean
[No. 2499/12/05 (J)]
Partner of the firm

Ipoh, Perak Darul Ridzuan

25 October 2005

Income statements
for the financial year ended 30 June 2005

	Note	Group 2005 RM	Company 2005 RM	Company 2004 RM
Revenue	6	**117,751,348**	**74,893,974**	65,487,025
Other operating income		**1,466,996**	**3,776,308**	2,713,352
Changes in inventories of work in progress and finished goods		**2,495,942**	**328,230**	(1,061,682)
Raw materials and packing materials used		**(48,961,574)**	**(32,194,518)**	(31,845,899)
Purchase of trading goods		**(5,250,194)**	**0**	0
Staff costs		**(20,642,920)**	**(14,425,373)**	(11,652,432)
Depreciation of property, plant and equipment		**(4,341,510)**	**(2,580,752)**	(2,514,531)
Amortisation of intangible assets		**(576,228)**	**(322,441)**	(367,570)
Utilities and fuel		**(5,253,801)**	**(2,590,445)**	(2,426,051)
Transportation and freight charges		**(6,210,476)**	**(4,573,153)**	(1,192,241)
Advertisement and promotions		**(2,986,185)**	**(2,836,969)**	(1,443,357)
Upkeep, repair and maintenance expenses		**(2,364,833)**	**(1,577,883)**	(1,365,912)
Research expenditure		**(193,179)**	**0**	0
Sales commission		**(349,919)**	**0**	0
Allowance for doubtful debts		**(798,970)**	**(102,241)**	(92,298)
Other operating expenses		**(5,607,900)**	**(3,899,167)**	(3,110,848)
Exceptional gain - gain on dilution of interest in a subsidiary	7	**10,762,581**	**0**	0
Profit from operations	8	**28,939,178**	**13,895,570**	11,127,556
Finance cost	9	**(1,858,424)**	**(643,028)**	(279,783)
Profit from ordinary activities before taxation		**27,080,754**	**13,252,542**	10,847,773
Taxation	10	**(1,500,875)**	**(1,646,591)**	(1,860,395)
Profit after taxation		**25,579,879**	**11,605,951**	8,987,378
Minority interests		**(2,385,379)**	**0**	0
Net profit for the financial year		**23,194,500**	**11,605,951**	8,987,378
Earnings per share (sen)				
- basic	11	**40**		
Dividends per share (sen)				
Special				
- gross dividends	12	**233**		

Balance sheets
as at 30 June 2005

		Group	Company	
		2005	2005	2004
	Note	RM	RM	RM
Non current assets				
Property, plant and equipment	13	**96,456,438**	**44,314,253**	34,014,493
Subsidiaries	14	**0**	**22,555,666**	0
Intangible assets	15	**15,521,360**	**15,521,360**	12,460,790
Deferred tax assets	16	**22,194**	**0**	0
Right to reimbursement under insurance policies	17	**144,345**	**144,345**	0
		112,144,337	**82,535,624**	46,475,283
Current assets				
Inventories	18	**33,287,790**	**11,279,702**	11,290,708
Trade receivables	19	**35,994,099**	**11,923,570**	9,818,197
Other receivables, deposits and prepayments	20	**2,589,498**	**2,210,280**	2,041,578
Income tax recoverable		**1,560,099**	**515,729**	0
Amount owing by former holding company	21	**0**	**0**	20,530,894
Amounts owing by subsidiaries	14	**0**	**18,973,827**	15,827,719
Cash and bank balances	22	**6,648,635**	**5,282,813**	1,740,403
		80,080,121	**50,185,921**	61,249,499
Current liabilities				
Trade payables	23	**10,098,278**	**6,310,869**	8,380,288
Other payables and accruals	24	**8,196,293**	**4,133,507**	3,621,692
Amount owing to former holding company	21	**0**	**0**	10,169,451
Amount owing to a fellow subsidiary	25	**0**	**0**	17,833
Amounts owing to subsidiaries	14	**0**	**6,760,467**	7,524,647
Hire-purchase creditors	26	**1,321,547**	**1,226,093**	1,342,984
Term loans	27	**1,604,242**	**1,604,242**	1,998,973
Short term bank borrowings	28	**25,128,915**	**19,172,915**	23,797,318
Bank overdrafts	29	**1,674,414**	**0**	6,811,048
Tax payable		**85,445**	**0**	265,209
		48,109,134	**39,208,093**	63,929,443
Net current assets/(liabilities)		**31,970,987**	**10,977,828**	(2,679,944)
Non current liabilities				
Deferred tax liabilities	16	**8,223,664**	**6,961,001**	4,568,000
Hire-purchase creditors	26	**1,835,245**	**1,521,705**	1,015,724
Term loans	27	**4,150,797**	**4,150,797**	9,370,615
Provision for retirement benefit	17	**371,112**	**371,112**	0
		(14,580,818)	**(13,004,615)**	(14,954,339)
		129,534,506	**80,508,837**	28,841,000
Capital and reserves				
Share capital	30	**47,630,000**	**47,630,000**	3,886,000
Share premium	31	**14,553,410**	**14,553,410**	935,000
Revaluation and other reserves	32	**8,095,015**	**1,622,909**	206,001
Retained earnings	33	**28,072,448**	**16,702,518**	23,813,999
Shareholders' equity		**98,350,873**	**80,508,837**	28,841,000
Minority interests		**31,183,633**	**0**	0
		129,534,506	**80,508,837**	28,841,000

Statements of changes in equity
for the financial year ended 30 June 2005

	Issued and fully paid share capital RM	Share premium RM	Revaluation and other reserves RM	Retained earnings RM	Total RM
Group					
At 1 July 2004	3,886,000	935,000	206,001	23,813,999	28,841,000
Deferred tax written back to revaluation reserve	0	0	80,058	0	80,058
Surplus on revaluation of land and buildings, net of tax	0	0	4,850,868	0	4,850,868
Acquisitions of subsidiaries	0	0	6,280,331	0	6,280,331
Realisation of reserve on consolidation arising from dilution of interest	0	0	(1,556,852)	0	(1,556,852)
Loss on foreign exchange translation	0	0	(1,083)	0	(1,083)
Net gain not recognised in income statement	0	0	9,653,322	0	9,653,322
Special dividends (Note 12)	0	0	0	(8,000,000)	(8,000,000)
Issue of shares in relation to acquisition of subsidiaries and purchase of properties					
Issue of ordinary shares of RM1.00 each at par	12,764,323	0	0	0	12,764,323
Issue of ordinary shares of RM1.00 each at issue price of RM1.74 per share	2,715,603	1,998,460	0	0	4,714,063
Issue of ordinary shares of RM1.00 each at issue price of RM8.55 per share	728,972	5,501,283	0	0	6,230,255
Bonus issue	21,135,102	(8,434,743)	(1,764,308)	(10,936,051)	0
Public Issue					
Issue of ordinary shares of RM0.50 each at issue price of RM1.76 per share	6,400,000	16,128,000	0	0	22,528,000
Share issue expenses	0	(1,574,590)	0	0	(1,574,590)
Net profit for the financial year	0	0	0	23,194,500	23,194,500
At 30 June 2005	47,630,000	14,553,410	8,095,015	28,072,448	98,350,873

Statements of changes in equity (continued)
for the financial year ended 30 June 2005

	Issued and fully paid share capital RM	Non distributable: Share premium RM	Non distributable: Revaluation reserve RM	Distributable: Retained earnings RM	Total RM
Company					
At 1 July 2003	3,600,000	0	206,001	14,826,621	18,632,622
Rights issue					
- issue of 220,000 ordinary shares of RM1.00 each at an issue price of RM5.25 each	220,000	935,000	0	0	1,155,000
- issue of 66,000 ordinary shares of RM1.00 each at an issue price of RM1.00 each	66,000	0	0	0	66,000
	286,000	935,000	0	0	1,221,000
Net profit for the financial year	0	0	0	8,987,378	8,987,378
At 30 June 2004	3,886,000	935,000	206,001	23,813,999	28,841,000
At 1 July 2004	**3,886,000**	**935,000**	**206,001**	**23,813,999**	**28,841,000**
Deferred tax written back to revaluation reserve	**0**	**0**	**80,058**	**0**	**80,058**
Revaluation reserve realised upon disposal of property	**0**	**0**	**(218,619)**	**218,619**	**0**
Surplus on revaluation of land and buildings, net of tax	**0**	**0**	**3,319,777**	**0**	**3,319,777**
Net gain not recognised in income statement	**0**	**0**	**3,181,216**	**218,619**	**3,399,835**
Special dividends (Note 12)	**0**	**0**	**0**	**(8,000,000)**	**(8,000,000)**
Issue of shares in relation to acquisitions of subsidiaries and purchase of properties					
Issue of ordinary shares of RM1.00 each at par	**12,764,323**	**0**	**0**	**0**	**12,764,323**
Issue of ordinary shares of RM1.00 each at issue price of RM1.74 per share	**2,715,603**	**1,998,460**	**0**	**0**	**4,714,063**
Issue of ordinary shares of RM1.00 each at issue price of RM8.55 per share	**728,972**	**5,501,283**	**0**	**0**	**6,230,255**
Bonus issue	**21,135,102**	**(8,434,743)**	**(1,764,308)**	**(10,936,051)**	**0**
Public Issue					
Issue of ordinary shares of RM0.50 each at issue price of RM1.76 per share	**6,400,000**	**16,128,000**	**0**	**0**	**22,528,000**
Share issue expenses	**0**	**(1,574,590)**	**0**	**0**	**(1,574,590)**
Net profit for the financial year	**0**	**0**	**0**	**11,605,951**	**11,605,951**
At 30 June 2005	**47,630,000**	**14,553,410**	**1,622,909**	**16,702,518**	**80,508,837**

Cash flow statements

for the financial year ended 30 June 2005

	Group	Company	
	2005	2005	2004
	RM	RM	RM
Operating activities			
Net profit for the financial year	**23,194,500**	**11,605,951**	8,987,378
Adjustments for:			
Amortisation of intangible assets	**576,228**	**322,441**	367,570
Product development expenditure written off	**192,280**	**192,280**	108,165
Depreciation of property, plant and equipment	**4,341,510**	**2,580,752**	2,514,531
Property, plant and equipment written off	**402,252**	**377,961**	2,060
Gains on disposals of property, plant and equipment	**(33,956)**	**(1,610,695)**	(27,257)
Defined benefit plan expense for a director	**226,767**	**226,767**	0
Interest expense	**3,338,734**	**2,405,013**	2,492,093
Interest income	**(1,480,310)**	**(1,761,985)**	(2,212,310)
Gain on dilution of interest in a subsidiary	**(10,762,581)**	**0**	0
Taxation	**1,500,875**	**1,646,591**	1,860,395
Minority interests	**2,385,379**	**0**	0
	23,881,678	**15,985,076**	14,092,625
Net movements in working capital:			
Inventories	**(1,975,269)**	**11,006**	723,043
Trade and other receivables	**(5,781,510)**	**(2,761,978)**	(1,228,128)
Trade and other payables	**(506,504)**	**(1,586,919)**	1,029,658
Intercompany balances	**0**	**(806,152)**	(2,727,457)
Cash generated from operations	**15,618,395**	**10,841,033**	11,889,741
Interest paid	**(3,205,451)**	**(2,339,549)**	(2,563,248)
Interest received	**309,146**	**597,110**	430,750
Tax paid	**(1,021,868)**	**(919,529)**	(399,069)
Net cash flow from operating activities	**11,700,222**	**8,179,065**	9,358,174
Investing activities			
Purchase of property, plant and equipment	**(10,572,822)**	**(3,267,107)**	(4,516,433)
Proceeds from disposals of property, plant and equipment	**87,839**	**3,087,500**	73,888
Product development expenditure incurred	**(3,289,543)**	**(3,289,543)**	(2,187,676)
Advances to former holding company	**(5,173,361)**	**(5,173,361)**	(6,583,612)
Repayments from former holding company	**2,245,620**	**2,245,620**	0
Repayments from fellow subsidiaries	**0**	**0**	668,569
Advances to a subsidiary	**0**	**(111,454)**	0
Repayments from subsidiaries	**0**	**295,647**	0
Acquisition of additional shares in a subsidiary	**0**	**(1,499,998)**	0
Acquisitions of subsidiaries	**(3,208,699)**	**0**	0
Net cash flow used in investing activities	**(19,910,966)**	**(7,712,696)**	(12,545,264)

Cash flow statements (continued)
for the financial year ended 30 June 2005

	Group	Company	
	2005	2005	2004
	RM	RM	RM
Financing activities			
Proceeds from issuance of shares	**22,528,000**	**22,528,000**	1,221,000
Proceeds from public issue of a subsidiary net of share issue expenses	**29,918,569**	**0**	0
Payments of share issue expenses	**(1,078,899)**	**(1,078,899)**	0
Advances from former holding company	**0**	**0**	898,481
Advances from fellow subsidiaries	**0**	**0**	600,830
Advances from subsidiaries	**0**	**1,578,061**	0
Repayments to subsidiaries	**0**	**(1,551,608)**	0
(Repayments of)/proceeds from short term bank borrowings	**(9,633,403)**	**(4,624,403)**	4,534,852
Term loans obtained	**119,894**	**119,894**	3,190,298
Repayments of term loans	**(11,272,911)**	**(5,734,443)**	(1,561,111)
Repayments of hire-purchase creditors	**(12,324,271)**	**(1,349,513)**	(1,381,806)
Net cash flow from financing activities	**18,256,979**	**9,887,089**	7,502,544
Net changes in cash and cash equivalents during the financial year	**10,046,235**	**10,353,458**	4,315,454
Effect of exchange rate changes	**(1,369)**	**0**	0
Cash and cash equivalents at beginning of the financial year	**(5,070,645)**	**(5,070,645)**	(9,386,099)
Cash and cash equivalents at end of the financial year (Note 22)	**4,974,221**	**5,282,813**	(5,070,645)

Notes to the financial statements

1 General information

The principal activity of the Company is the manufacture of pharmaceutical and herbal products. The principal activities of the subsidiaries are shown in Note 14 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

The numbers of employees in the Group and the Company as at 30 June 2005 are 1,013 and 675 (2004: 658) respectively.

The Company is a public listed company incorporated, domiciled in Malaysia and quoted on the Second Board of Bursa Securities as of 5 April 2005.

The address of the registered office and principal place of business of the Company is:

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

2 Basis of preparation

The financial statements of the Group and the Company have been prepared under the historical cost convention unless otherwise indicated in the individual policy statements set out below.

The financial statements comply with the provisions of the Companies Act, 1965 and the MASB approved accounting standards in Malaysia.

Consolidated financial statements are prepared by the Company for the first time in the current financial year after its acquisitions of subsidiaries as set out in Note 34 to the financial statements.

The preparation of financial statements in conformity with the provisions of the Companies Act, 1965 and the MASB approved accounting standards in Malaysia requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. Although these estimates are based on the directors' best knowledge of current events and actions, actual results may differ from those estimates.

3 Summary of significant accounting policies

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements.

(a) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to the end of the financial year. Subsidiaries are those companies in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities.

Subsidiaries are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

The cost of an acquisition is the amount of cash paid and the fair value at the date of acquisition of other purchase consideration given by the acquirer, together with directly attributable expenses of the acquisition (other than costs of issuing shares). At the date of acquisition, the fair values of the subsidiaries' identifiable net assets are determined and these values are reflected in the consolidated financial statements.

Notes to the financial statements (continued)

3 Summary of significant accounting policies (continued)

(a) Basis of consolidation (continued)

The difference between the fair value of the Group's share of the fair value of the identifiable net assets of the subsidiary acquired at the date of acquisition over cost of acquisition is reflected as reserve on consolidation. Reserve on consolidation is not amortised.

Where an indication of impairment exists, the carrying amount of goodwill is assessed and written down immediately to its recoverable amount.

Minority interest is measured at the minorities' share of the post acquisition fair values of the identifiable assets and liabilities of the acquiree. Separate disclosure is made of minority interest.

Intragroup transactions, balances and unrealised gains on transactions are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and the Group's share of its net assets as at date of disposal.

When a subsidiary issues new equity shares to minority interests for cash consideration at an issue price established at fair value, the reduction in the Group's interests in the subsidiary is treated as disposal of equity interests for which the gain or loss is recognised in the income statement. The gain or loss on such disposal is the difference between the Group's share of net assets immediately before and immediately after the disposal and a ratable portion of reserve on consolidation realised.

(b) Property, plant and equipment

All property, plant and equipment are initially stated at cost. Certain land and buildings are subsequently shown at market value, based on valuations by external independent valuers less subsequent depreciation/amortisation/impairment. All other property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses.

Freehold and long term leasehold land and buildings are revalued at regular intervals of at least once in every 5 years by external independent professional valuers.

Surpluses arising on revaluation are credited to revaluation reserve. Any deficit arising from revaluation is charged against the revaluation reserve to the extent of a previous surplus held in the revaluation reserve for the same asset. In all other cases, a decrease in carrying amount is charged to income statement.

Freehold land and capital work in progress are not depreciated. Depreciation on assets under construction commences when the assets are ready for their intended use. The leasehold land is amortised over the periods of the respective leases that range from 35 years to 891 years. All other property, plant and equipment are depreciated on a reducing balance basis to write off the cost of the assets or the revalued amounts to their residual values over their estimated useful lives at the following annual rates:

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

Notes to the financial statements (continued)

3 Summary of significant accounting policies (continued)

(b) Property, plant and equipment (continued)

Gains and losses on disposals of property, plant and equipment are determined by comparing proceeds with their carrying amount and are included in profit from operations. On disposal of revalued assets, amounts in revaluation reserve relating to those assets are transferred to retained earnings.

At each balance sheet date, the Group assesses whether there is any indication of impairment. If such indication exists, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount.

(c) Investments

Investments in subsidiaries are stated at cost. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount.

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is charged or credited to the income statement.

(d) Intangible assets

(i) Product development expenditure

Product development expenditure is recognised as an intangible asset when it is probable that the project will be a success considering its commercial and technological feasibility, and only if the cost can be measured reliably. It comprises expenses relating to the development projects of extraction and production of pharmaceutical products. This expenditure includes labour, materials and services consumed and an allocation of overheads relating to development of such pharmaceutical products. The expenditure is amortised over the estimated economic lives of the products (not exceeding a period of 10 years) from the date production commences.

Other research or development expenditure is recognised as an expense when incurred.

(ii) Other intangible assets

Expenditure on acquired patents, trademarks and licenses is capitalised and amortised using the straight line method over a period of 10 years from the date of its commercial production. Intangible assets are not revalued.

(iii) Impairment of intangible assets

Where an indication of impairment exists, the carrying amount of the intangible assets is assessed and written down immediately to its recoverable amount.

(e) Impairment of assets

Property, plant and equipment and other non current assets, including intangible assets, are reviewed for impairment losses at whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there is separately identifiable cash flows.

The impairment loss is charged to the income statement unless it reverses a previous revaluation in which case it is charged to the revaluation reserve. Any subsequent increase in recoverable amount is recognised in the income statement unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation reserve.

Notes to the financial statements (continued)

3 Summary of significant accounting policies (continued)

(f) Inventories

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

Cost is determined using the weighted average basis. The cost of work in progress and finished goods comprises raw materials, direct labour, other direct costs and related production overheads.

Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

(g) Trade and other receivables

Trade and other receivables are carried at anticipated realisable value. Bad debts are written off in the financial year in which they are identified. An estimate is made for doubtful debts based on review of all outstanding amounts at the end of the financial year.

(h) Hire-purchase creditors

Assets acquired under hire-purchase are included in property, plant and equipment and the capital elements of the hire-purchase instalments are shown as hire-purchase creditors. Each hire-purchase instalment is allocated between the liability and finance charges so as to achieve a periodic constant rate of interest on the balance outstanding. The corresponding instalment obligations, net of finance charges, are included in borrowings. The interest element of the finance charge is charged to the income statement over the hire-purchase period. Property, plant and equipment held under hire-purchase are depreciated over the useful lives of equivalent owned assets.

(i) Income taxes

Current tax expense is determined according to the tax laws where the individual companies within the Group operates and includes all taxes based upon the taxable profits.

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements.

Deferred tax asset is recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences or unused tax losses can be utilised.

Tax rates enacted or substantively enacted by the balance sheet date are used to determine deferred tax.

(j) Employee benefits

(i) Short term employee benefits

Wages, salaries, paid annual leave and sick leave and bonuses are accrued in the financial year in which the associated services are rendered by employees of the Group and the Company.

Notes to the financial statements (continued)

3 **Summary of significant accounting policies (continued)**

(j) **Employee benefits (continued)**

(ii) Post-employment benefits

The Group and the Company have various post employment benefit schemes in accordance with local conditions and practices. These benefit plans are either defined contribution or defined benefit plans.

Defined contribution plan

The Group and the Company contribute to the Employees Provident Fund (EPF), the national defined contribution plan. The contributions are charged to the income statement in the financial year to which they relate. Once the contributions have been paid, the Group and the Company have no further payment obligations.

Unfunded retirement benefits

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

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

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

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

(k) **Borrowing costs**

Borrowing costs incurred to finance the construction of property, plant and equipment are capitalised as part of the cost of the asset during the period of time that is required to complete and prepare the asset for its intended use. All other borrowing costs are expensed to the income statement.

(l) **Foreign currencies**

Foreign currency transactions are accounted for at exchange rates ruling at the transaction dates, unless hedged by foreign currency forward contracts, in which case the rates specified in such forward contracts are used. Foreign currency monetary assets and liabilities are translated into Ringgit Malaysia at exchange rates ruling at the balance sheet date, unless hedged by foreign currency forward contracts, in which case the rates specified in such forward contracts are used.

Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in the income statement.

Notes to the financial statements (continued)

3 Summary of significant accounting policies (continued)

(l) Foreign currencies (continued)

The Group's foreign entities comprise operations that are not an integral part of the operations of the Group. Income statements of the foreign consolidated subsidiaries are translated at average exchange rates for the financial year and balance sheets are translated at exchange rates ruling at the balance sheet date. All resulting translation differences are taken to exchange fluctuation reserve. Reserve arising on acquisition of a foreign entity is translated at the closing rate at each balance sheet date.

The principal closing rates used in the translation of major foreign currency amounts are as follows:

Foreign currency	2005 RM	2004 RM
1 US Dollar ("USD")	**3.77**	3.77
1 Singapore Dollar ("SGD")	**2.25**	2.18
1 Euro	**4.77**	4.47
100 Philippines Peso ("Peso")	**6.48**	6.47

(m) Revenue recognition

Revenue from sales is recognised upon delivery of products, net of rebates, returns and discounts allowed, and after eliminating sales within the Group.

Rental and interest income are recognised on accrual basis.

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, balances with bankers net of bank overdrafts, demand deposits and short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(o) Financial instruments

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable, or an equity instrument of another enterprise.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

(i) Financial instruments recognised on the balance sheet

The particular recognition method adopted for financial instruments recognised on the balance sheet is disclosed in the individual policy statements associated with each item.

Notes to the financial statements (continued)

3 Summary of significant accounting policies (continued)

(o) Financial instruments (continued)

(ii) Financial instruments not recognised on the balance sheet

The Group enters into foreign currency forward contracts with the licensed banks. This financial instrument is not recognised in the financial statements on inception.

The purpose of entering into these foreign currency forward contracts is to protect the Group from movements in the exchange rates by establishing the rate at which a foreign currency asset or liability will be settled.

Exchange gains and losses arising on contracts entered into as hedges of anticipated future transactions are deferred until the date of such transaction, at which time they are included in the measurement of such transactions.

All other exchange gains and losses relating to hedge instruments are recognised in the income statement in the same period as the exchange differences on the underlying hedged items. Gains and losses in contracts which are no longer designated as hedges are included in the income statement.

(iii) Fair value estimation for disclosure purposes

The fair value of foreign currency forward contracts is determined using the forward exchange market rates at the balance sheet date.

The fair values of financial liabilities with fixed interest rates are estimated by discounting the future contractual cash flows at the current market interest rates available to the Group and the Company for similar financial instruments. The carrying amounts of financial liabilities with floating interest rates are assumed to approximate their fair values.

The quoted market prices of marketable securities at the balance sheet date reflect their fair values.

The face values for the financial assets (less any estimated credit adjustments) and financial liabilities with a maturity period of less than one year are assumed to approximate their fair values.

4 Financial risk management objectives and policies

The Group's activities in the normal course of business expose it to a variety of financial risks, including foreign currency exchange risk, credit risk, interest rate risk, market risk and liquidity and cash flow risk. The Group's overall financial risk management objective is to minimise potential adverse effects of these risks on the financial performance of the Group. Financial risk management is carried out through risk reviews, internal control systems and adherence to prudent risk management policies. The Group does not trade in financial instruments. The nature of these risks and the Group's approaches in managing these risks are listed below:

(a) Foreign currency exchange risk

The Group's exposure to foreign currency exchange risk arises from import of raw materials and export of finished goods that are generally denominated in USD, which is pegged at RM3.80 per USD as at 30 June 2005. Additionally, the availability of both inflow and outflow of USD arising from the normal business transactions of the Group provides a natural hedge to foreign currency exchange risk. Nevertheless, the Group enters into foreign currency forward contracts to hedge its exposure on certain foreign currency receivables and payables.

Notes to the financial statements (continued)

4 **Financial risk management objectives and policies (continued)**

(b) **Credit risk**

Credit risk arises when sales are made on deferred credit terms. The Group seeks to control credit risk by setting counter-party limits and ensuring sales of products are made to customers with an appropriate credit history. The Group considers the risk of material loss in the event of non-performance by a counter-party to be unlikely.

(c) **Interest rate risk**

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

(d) **Market risk**

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

(e) **Liquidity and cash flow risk**

Liquidity and cash flow risk is managed by maintaining an adequate level of cash reserves and committed credit facilities and close monitoring of working capital requirements. The Group seeks to maintain flexibility in funding by keeping committed credit lines available.

5 **Segment reporting**

(a) **Primary reporting format - business segments**

The Group is organised into two business segments:

- Pharmaceutical - manufacture and sale of pharmaceutical products
- Phytonutrient - extraction and processing of nutrients from palm oil for the purpose of manufacturing and producing of pharmaceutical, phytonutrient and oleochemicals/biodiesel products

	Pharmaceutical RM	**Phytonutrient RM**	**Eliminations RM**	**Group RM**
Financial year ended 30 June 2005				
Revenue				
External revenue	84,142,820	33,608,528	0	117,751,348
Intersegment revenue	16,567,513	800,015	(17,367,528)	0
Total revenue	100,710,333	34,408,543	(17,367,528)	117,751,348

Notes to the financial statements (continued)

5 Segment reporting (continued)

(a) Primary reporting format - business segments (continued)

	Pharmaceutical RM	Phytonutrient RM	Group RM
Financial year ended 30 June 2005			
Results			
Segment results	11,011,635	7,164,962	18,176,597
Gain on dilution of interest in a subsidiary			10,762,581
Profit from operations			28,939,178
Finance cost			(1,858,424)
Profit from ordinary activities before taxation			27,080,754
Taxation			(1,500,875)
Profit after taxation			25,579,879
Minority interests			(2,385,379)
Net profit for the financial year			23,194,500
At 30 June 2005			
Other information			
Segment assets	122,063,589	68,578,576	190,642,165
Unallocated assets			1,582,293
Total assets			192,224,458
Segment liabilities	44,645,059	9,735,784	54,380,843
Unallocated liabilities			8,309,109
Total liabilities			62,689,952
Financial year ended 30 June 2005			
Other information			
Capital expenditure	13,693,076	8,594,012	22,287,088
Depreciation and amortisation	3,365,827	1,809,377	5,175,204

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

(b) Secondary reporting format - geographical segments

Group

The Group operates in four main geographical areas:

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

* Group's home region

Notes to the financial statements (continued)

5 Segment reporting (continued)

(b) Secondary reporting format - geographical segments (continued)

	2005		
	Sales RM	**Total assets RM**	**Capital expenditure RM**
(i) Asia	63,444,993	192,165,467	22,283,706
(ii) Africa	28,397,844	0	0
(iii) North and South America	6,156,556	58,991	3,382
(iv) Europe	19,751,955	0	0
	117,751,348	192,224,458	22,287,088

In determining the geographical segments of the Group, sales are based on the country in which the customer is located. Total assets and capital expenditure are determined based on where the assets are located.

6 Revenue

	Group	Company	
	2005 RM	**2005 RM**	**2004 RM**
Manufacturing sales	**89,880,008**	**74,893,974**	65,487,025
Trading sales	**27,871,340**	**0**	0
	117,751,348	**74,893,974**	65,487,025

7 Exceptional gain - gain on dilution of interest in a subsidiary

The gain on dilution of the Company's shareholding in its subsidiary, Carotech Berhad ("Carotech") from 69.9% to 51.1% resulted from Carotech issuing 76,690,000 new ordinary shares of RM0.10 each for cash and at fair value pursuant to Carotech's Public Issue in conjunction with its listing on the MESDAQ Market of Bursa Securities.

8 Profit from operations

	Group	Company	
	2005 RM	**2005 RM**	**2004 RM**
Profit from operations is stated after charging/(crediting):			
Directors' remuneration			
- fees	167,300	89,600	0
- other emoluments	1,124,700	494,112	460,500
- defined benefit plan expense for a director	226,767	226,767	0
Defined contribution plan expenses	1,901,926	1,345,942	1,098,604
Auditors' remuneration	76,380	21,500	14,500
Allowance for doubtful debts	798,970	102,241	92,298
Amortisation of intangible assets	576,228	322,441	367,570
Product development expenditure written off	192,280	192,280	108,165
Property, plant and equipment			
- depreciation	4,341,510	2,580,752	2,514,531
- write off	402,252	377,961	2,060
- gains on disposals	(33,956)	(1,610,695)	(27,257)
Rental expense of premises	273,856	136,702	243,350
Rental expense of equipment	31,348	0	0
Rental expense of motor vehicle	13,862	0	0
Inventories write down	159,040	159,040	0
Allowance for doubtful debts written back	(60,084)	(10,668)	(391,003)
Rental income of premises	(101,950)	(69,750)	(264,000)
Gains on foreign exchange			
- realised	(393,620)	(398,714)	(384,130)
- unrealised	(28,566)	(26,170)	(68,044)

Notes to the financial statements (continued)

8 Profit from operations (continued)

Included in defined contribution plan expenses are contributions in respect of the directors of the Group and the Company amounting to RM167,286 and RM69,941 (2004: RM64,470) respectively.

9 Finance cost

	Group	Company	
	2005	2005	2004
	RM	RM	RM
This comprises interest expense on:			
- bank overdrafts	**525,417**	**365,732**	549,548
- term loans	**922,363**	**793,446**	738,793
- other borrowings	**1,890,954**	**1,245,835**	1,203,752
	3,338,734	**2,405,013**	2,492,093
Less: Interest income	**(1,480,310)**	**(1,761,985)**	(2,212,310)
	1,858,424	**643,028**	279,783

10 Taxation

	Group	Company	
	2005	2005	2004
	RM	RM	RM
Current financial year:			
- Malaysia income tax charge	**777,950**	**652,002**	1,269,395
- Foreign income tax charge	**59,187**	**0**	0
- Deferred tax charge	**1,091,863**	**1,508,000**	591,000
	1,929,000	**2,160,002**	1,860,395
Previous financial years:			
- Income tax (credit)	**(428,125)**	**(513,411)**	0
	1,500,875	**1,646,591**	1,860,395

Numerical reconciliation between the average effective tax rate and the statutory income tax rate is as shown below:

	Group	Company	
	2005	2005	2004
	%	%	%
Statutory income tax rate of Malaysia	**28**	**28**	28
Tax effects of:			
- expenses not deductible for tax purposes	**3**	**4**	3
- tax incentives exemption	**(6)**	**0**	0
- tax rate of 20% on initial RM500,000 of chargeable income	*	**0**	0
- reinvestment allowances utilised	**(4)**	**(8)**	(10)
- different tax rates in foreign countries	*	**0**	0
- income (including the gain on dilution of interest in a subsidiary stated in Note 7) not subject to tax	**(12)**	**(4)**	0
- double deduction claimed for investment incentives	**(2)**	**(4)**	(4)
- underprovision of income tax in current financial year	*	**0**	0
- overprovision of income tax in previous financial years	**(1)**	**(4)**	0
Average effective tax rate	**6**	**12**	17

* Less than 1%

Notes to the financial statements (continued)

10 Taxation (continued)

One of the subsidiaries has been granted the Incentive for High Technology Companies under the Promotion of Investments Act, 1986 for a period of 5 years from 1 December 2003 to 30 November 2008 for the development, testing and production of palm mixed carotenoids, palm tocotrienols, palm fatty acid methyl esters, crude glycerine and palm phyto sterols. Statutory income of this subsidiary is fully exempted from income tax under this incentive.

11 Earnings per share - Basic

Basic earnings per share of the Group is calculated by dividing the net profit for the financial year by the weighted average number of ordinary shares in issue (adjusted to incorporate bonus issue and share split) during the financial year.

	Group
	2005
Net profit for the financial year (RM)	23,194,500
Weighted average number of ordinary shares in issue (unit)	57,898,881
Basic earnings per share (sen)	40

The Group has no potential dilutive ordinary shares as at 30 June 2005.

12 Special dividends

Dividends declared and paid during the financial year are as follows:

	Group	Company	
	2005	2005	2004
	RM	RM	RM
Special tax exempt dividend of 194.44% per share	7,000,000	7,000,000	0
Special dividend of 38.58% per share, less 28% income tax	1,000,000	1,000,000	0
	8,000,000	8,000,000	0

13 Property, plant and equipment

	Land and buildings RM	Plant, machinery and electrical equipment RM	Motor vehicles RM	Furniture, fittings, office, laboratory and factory equipment, electrical installation and renovation RM	Capital work in progress RM	Total RM
Group						
Cost/valuation						
At 1 July 2004	10,570,629	26,355,031	2,105,021	10,596,549	897,046	50,524,276
Transfer from accumulated depreciation on revaluation	(309,729)	0	0	0	0	(309,729)
Revaluation surplus (Note 32)	5,815,927	0	0	0	0	5,815,927
Acquisitions of subsidiaries	14,972,518	21,621,532	881,003	1,899,498	19,407	39,393,958
Additions	8,657,000	5,242,023	159,055	2,597,031	5,631,979	22,287,088
Transfer	410,897	2,517,396	0	318,029	(3,246,322)	0
Write off	(361,743)	(114,456)	0	(189,033)	0	(665,232)
Disposals	0	0	(141,098)	(4,686)	0	(145,784)
Currency exchange difference	0	0	0	48	0	48
At 30 June 2005	39,755,499	55,621,526	3,003,981	15,217,436	3,302,110	116,900,552
At cost	23,985,499	55,621,526	3,003,981	15,217,436	3,302,110	101,130,552
At valuation	15,770,000	0	0	0	0	15,770,000
	39,755,499	55,621,526	3,003,981	15,217,436	3,302,110	116,900,552

Notes to the financial statements (continued)

13 Property, plant and equipment (continued)

	Land and buildings RM	Plant, machinery and electrical equipment RM	Motor vehicles RM	Furniture, fittings, office, laboratory and factory equipment, electrical installation and renovation RM	Capital work in progress RM	Total RM
Less:						
Accumulated depreciation						
At 1 July 2004	396,415	11,022,074	1,234,683	3,856,611	0	16,509,783
Transfer to cost/valuation on revaluation	(309,729)	0	0	0	0	(309,729)
Charge for the financial year	245,669	3,051,288	282,912	1,019,107	0	4,598,976
Write off	(25,512)	(94,599)	0	(142,869)	0	(262,980)
Disposals	0	0	(88,682)	(3,219)	0	(91,901)
Currency exchange difference	0	0	0	(35)	0	(35)
At 30 June 2005	306,843	13,978,763	1,428,913	4,729,595	0	20,444,114
Net book value						
At 30 June 2005	**39,448,656**	**41,642,763**	**1,575,068**	**10,487,841**	**3,302,110**	**96,456,438**

Land and buildings of the Group are as follows:

	Freehold land RM	Long leasehold land RM	Short leasehold land RM	Total land RM	Buildings RM	Total land and buildings RM
Group						
Cost/valuation						
At 1 July 2004	4,393,941	0	0	4,393,941	6,176,688	10,570,629
Transfer from accumulated depreciation on revaluation	0	0	0	0	(309,729)	(309,729)
Revaluation surplus (Note 32)	2,916,059	0	0	2,916,059	2,899,868	5,815,927
Acquisitions of subsidiaries	6,468,905	1,796,254	0	8,265,159	6,707,359	14,972,518
Additions	160,000	3,960,000	870,400	4,990,400	3,666,600	8,657,000
Transfer	0	0	0	0	410,897	410,897
Write off	0	0	0	0	(361,743)	(361,743)
At 30 June 2005	13,938,905	5,756,254	870,400	20,565,559	19,189,940	39,755,499
At cost	6,628,905	5,756,254	870,400	13,255,559	10,729,940	23,985,499
At valuation	7,310,000	0	0	7,310,000	8,460,000	15,770,000
	13,938,905	5,756,254	870,400	20,565,559	19,189,940	39,755,499
Less:						
Accumulated depreciation						
At 1 July 2004	0	0	0	0	396,415	396,415
Transfer to cost/valuation on revaluation	0	0	0	0	(309,729)	(309,729)
Charge for the financial year	0	13,557	15,130	28,687	216,982	245,669
Write off	0	0	0	0	(25,512)	(25,512)
At 30 June 2005	0	13,557	15,130	28,687	278,156	306,843
Net book value						
At 30 June 2005	**13,938,905**	**5,742,697**	**855,270**	**20,536,872**	**18,911,784**	**39,448,656**

Notes to the financial statements (continued)

13 Property, plant and equipment (continued)

	Freehold land RM	Long leasehold land RM	Short leasehold land RM	Buildings RM	Plant, machinery and electrical equipment RM	Motor vehicles RM	Furniture, fittings, office, laboratory and factory equipment RM	Capital work in progress RM	Total RM
Company									
Cost/valuation									
At 1 July 2004	4,393,941	0	0	6,176,688	26,355,031	2,105,021	10,596,549	897,046	50,524,276
Transfer from accumulated depreciation on revaluation	0	0	0	(75,200)	0	0	0	0	(75,200)
Revaluation surplus (Note 32)	1,115,470	0	0	3,169,366	0	0	0	0	4,284,836
Additions	160,000	3,960,000	870,400	3,666,600	1,463,342	48,800	1,715,896	1,532,870	13,417,908
Transfer	0	0	0	173,141	125,930	0	318,029	(617,100)	0
Write off	0	0	0	(361,743)	(114,456)	0	(100,850)	0	(577,049)
Disposals	(2,939,411)	0	0	(1,429,507)	0	(141,098)	0	0	(4,510,016)
At 30 June 2005	2,730,000	3,960,000	870,400	11,319,345	27,829,847	2,012,723	12,529,624	1,812,816	63,064,755
At cost	160,000	3,960,000	870,400	3,829,345	27,829,847	2,012,723	12,529,624	1,812,816	53,004,755
At valuation	2,570,000	0	0	7,490,000	0	0	0	0	10,060,000
	2,730,000	3,960,000	870,400	11,319,345	27,829,847	2,012,723	12,529,624	1,812,816	63,064,755
Less: Accumulated depreciation									
At 1 July 2004	0	0	0	396,415	11,022,074	1,234,683	3,856,611	0	16,509,783
Transfer to cost/ valuation on revaluation	0	0	0	(75,200)	0	0	0	0	(75,200)
Charge for the financial year	0	2,541	15,130	170,669	1,712,238	164,120	773,520	0	2,838,218
Write off	0	0	0	(25,512)	(94,599)	0	(78,977)	0	(199,088)
Disposals	0	0	0	(234,529)	0	(88,682)	0	0	(323,211)
At 30 June 2005	0	2,541	15,130	231,843	12,639,713	1,310,121	4,551,154	0	18,750,502
Net book value									
At 30 June 2005	**2,730,000**	**3,957,459**	**855,270**	**11,087,502**	**15,190,134**	**702,602**	**7,978,470**	**1,812,816**	**44,314,253**
Net book value									
At 30 June 2004	4,393,941	0	0	5,780,273	15,332,957	870,338	6,739,938	897,046	34,014,493

Notes to the financial statements (continued)

13 Property, plant and equipment (continued)

	Group 2005 RM	Company 2005 RM	Company 2004 RM
Depreciation charge for the financial year includes:			
- charged to income statement	**4,341,510**	**2,580,752**	2,514,531
- capitalised as product development expenditure	**257,466**	**257,466**	206,569
	4,598,976	**2,838,218**	2,721,100

The land and buildings of the Group and Company which were revalued on 30 October 2003 based on valuations carried out by an external independent professional valuer were approved by the Securities Commission and recognised in the financial statements during the current financial year as follows:

Description of property	**Valuation method**	**Valuation amount RM**
Freehold land	Comparative/cost	7,310,000
Buildings	Comparative/cost	8,460,000
		15,770,000

The external independent professional valuer is as follows:

Thoo Sing Choon, Registered Valuer (V-132)
Colliers, Jordan Lee & Jaafar Sdn. Bhd.
Suites 1, 2 & 3, Tingkat Satu, Labrooy House
Jalan Dato Sagor, 30000 Ipoh, Perak Darul Ridzuan

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

	Group 2005 RM	Company 2005 RM	Company 2004 RM
Freehold land	**1,788,941**	**666,370**	1,145,000
Buildings	**5,224,701**	**4,049,706**	0

Details of assets being financed under hire-purchase arrangements are as follows:

	Group 2005 RM	Company 2005 RM	Company 2004 RM
Plant, machinery and electrical equipment			
- additions during the financial year	**2,395,755**	**691,123**	0
- assets acquired in the previous financial year	**180,657**	**180,657**	0
- net book value at end of the financial year	**3,020,041**	**3,020,041**	3,017,069
Motor vehicles			
- additions during the financial year	**159,056**	**48,800**	74,700
- net book value at end of the financial year	**1,206,661**	**664,231**	791,960
Furniture, fittings, office, laboratory and factory equipment			
- additions during the financial year	**899,701**	**469,701**	0
- assets acquired in the previous financial year	**69,424**	**69,424**	0
- net book value at end of the financial year	**1,078,729**	**1,078,729**	618,560
Capital work in progress			
- additions during the financial year	**454,241**	**454,241**	0
- net book value at end of the financial year	**454,241**	**454,241**	51,447

Notes to the financial statements (continued)

13 Property, plant and equipment (continued)

Net book value of property, plant and equipment pledged as securities for credit facilities granted to the Group and the Company amounted to RM68,073,016 and RM21,297,669 (2004: RM17,130,156) respectively.

The land title of the freehold and leasehold land acquired by the Company during the financial year have not been registered in the name of the Company as at 30 June 2005.

The land title of the freehold land acquired by a subsidiary from the Company during the financial year has not been registered in the name of the subsidiary as at 30 June 2005.

14 Subsidiaries

	Company	
	2005 RM	**2004 RM**
At cost,		
Quoted shares in Malaysia	13,949,391	0
Unquoted shares in Malaysia	8,111,627	0
Unquoted shares outside Malaysia	494,648	0
	22,555,666	0
Market value of quoted shares in Malaysia as at 30 June	56,771,306	0

The subsidiaries are:

	Name of company	Country of incorporation	Effective holding in equity 2005	Principal activities
	Carotech Berhad ("Carotech")	Malaysia	51.1%	Extraction and processing of nutrients from palm oil for the purpose of manufacturing and producing pharmaceutical, phytonutrient and oleochemical products
	Hovid Pharmacy Sdn. Bhd.	Malaysia	100.0%	Trading of medical supplies, pharmaceutical and consumer products
+	Hovid Inc.	Philippines	100.0%	Trading of goods such as medical supplies, consumer goods, on wholesale/importation and distribution of pharmaceutical products
+	Hovid Marketing Sdn. Bhd.	Malaysia	100.0%	General trading (dormant as at 30 June 2005)
+	Javid Sdn. Bhd.	Malaysia	100.0%	Dealers in all kinds of pharmaceutical, medicated herbs and nutritional products and land development (dormant as at 30 June 2005)
+	Ho Yan Hor (S) Pte. Ltd.	Singapore	80.0%	Wholesalers, distributors, agents of and dealers in all kinds of pharmaceutical products, embrocation oil, herbal tea and Chinese patented medicines
*	Carotech, Inc.	U.S.A.	51.1%	Sales agency and marketing of pharmaceutical, phytonutrient and oleochemical products

\+ Audited by firm other than PricewaterhouseCoopers, Malaysia
* Subsidiary of Carotech Berhad

Notes to the financial statements (continued)

14 Subsidiaries (continued)

Certain of the above companies, which were formerly the Company's fellow subsidiaries became its subsidiaries pursuant to the listing exercise of the Company. Comparatives disclosed below have been reclassified accordingly from amount owing by/(to) fellow subsidiaries in 2004 to amount owing by/(to) subsidiaries to conform with the current financial year's presentation.

	Company	
	2005	**2004**
	RM	**RM**
Amounts owing by subsidiaries		
Trade account		
- interest bearing	**16,639,035**	14,571,976
- non interest bearing	**381,082**	770,813
	17,020,117	15,342,789
Non trade account		
- interest bearing	**181,283**	379,333
- non interest bearing	**1,772,427**	105,597
	1,953,710	484,930
Total amounts owing by subsidiaries	**18,973,827**	15,827,719
Credit term for trade account	**150 days**	150 days
Effective interest rate per annum	**7.25%**	7.25%
Currency exposure profile:		
Ringgit Malaysia	**18,592,745**	15,217,195
USD	**381,082**	610,524
	18,973,827	15,827,719
Amounts owing to subsidiaries		
Trade account	**(4,491,426)**	(3,602,417)
Non trade account		
- interest bearing	**(763,240)**	0
- non interest bearing	**(1,505,801)**	(3,922,230)
	(2,269,041)	(3,922,230)
Total amounts owing to subsidiaries	**(6,760,467)**	(7,524,647)
Credit terms for trade account	**60 to 90 days**	60 to 90 days
Effective interest rate per annum	**3.00%**	3.00%
Currency exposure profile:		
Ringgit Malaysia	**(6,682,406)**	(7,524,647)
SGD	**(78,061)**	0
	(6,760,467)	(7,524,647)

The non trade amounts are unsecured with no fixed terms of repayment.

Notes to the financial statements (continued)

15 Intangible assets

	Product development expenditure RM	Acquired trademark RM	Total RM
Group			
Cost			
At 1 July 2004	15,806,873	770,000	16,576,873
Acquisitions of subsidiaries	253,787	0	253,787
Additions	3,575,291	0	3,575,291
Write off	(192,280)	0	(192,280)
At 30 June 2005	19,443,671	770,000	20,213,671
Less:			
Accumulated amortisation			
At 1 July 2004	3,962,083	154,000	4,116,083
Charge for the financial year	499,228	77,000	576,228
At 30 June 2005	4,461,311	231,000	4,692,311
Net book value			
At 30 June 2005	**14,982,360**	**539,000**	**15,521,360**
Company			
Cost			
At 1 July 2004	15,806,873	770,000	16,576,873
Additions	3,575,291	0	3,575,291
Write off	(192,280)	0	(192,280)
At 30 June 2005	19,189,884	770,000	19,959,884
Less:			
Accumulated amortisation			
At 1 July 2004	3,962,083	154,000	4,116,083
Charge for the financial year	245,441	77,000	322,441
At 30 June 2005	4,207,524	231,000	4,438,524
Net book value			
At 30 June 2005	**14,982,360**	**539,000**	**15,521,360**
Cost			
At 1 July 2003	13,508,029	770,000	14,278,029
Additions	2,407,009	0	2,407,009
Write off	(108,165)	0	(108,165)
At 30 June 2004	15,806,873	770,000	16,576,873
Less:			
Accumulated amortisation			
At 1 July 2003	3,671,513	77,000	3,748,513
Charge for the financial year	290,570	77,000	367,570
At 30 June 2004	3,962,083	154,000	4,116,083
Net book value			
At 30 June 2004	11,844,790	616,000	12,460,790

Notes to the financial statements (continued)

15 Intangible assets (continued)

Included under the Group's and the Company's product development expenditure incurred for the financial year are the following expenses:

	Group	Company	
	2005	2005	2004
	RM	RM	RM
Interest expenses	**28,282**	**28,282**	12,764
Rental of premises	**49,778**	**49,778**	40,680
Depreciation of property, plant and equipment	**257,466**	**257,466**	206,569
Staff costs	**1,748,967**	**1,748,967**	1,174,588
Included in staff costs are:			
- defined contribution plan expenses	**174,204**	**174,204**	118,954

16 Deferred taxation

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred tax relates to the same tax authority. The following amounts are shown in the balance sheet:

	Group	Company	
	2005	2005	2004
	RM	RM	RM
Deferred tax assets			
- subject to income tax	**(22,194)**	**0**	0
Deferred tax liabilities			
- subject to income tax	**7,699,389**	**6,872,285**	4,449,000
- subject to real property gains tax	**524,275**	**88,716**	119,000
	8,223,664	**6,961,001**	4,568,000
At beginning of the financial year	**4,568,000**	**4,568,000**	3,977,000
Acquisitions of subsidiaries	**1,657,036**	**0**	0
Charged/(credited) to income statement:			
- property, plant and equipment	**895,312**	**564,598**	236,000
- intangible assets	**943,402**	**943,402**	355,000
- utilisation of tax losses	**7,001**	**0**	0
- other temporary differences	**(753,852)**	**0**	0
	1,091,863	**1,508,000**	591,000
Charged to equity:			
- property, plant and equipment	**885,001**	**885,001**	0
- currency exchange differences	**(430)**	**0**	0
At end of the financial year	**8,201,470**	**6,961,001**	4,568,000
Subject to income tax:			
Deferred tax liabilities (before offsetting)			
- property, plant and equipment	**4,654,883**	**3,083,883**	1,604,000
- intangible assets	**3,788,402**	**3,788,402**	2,845,000
- other temporary differences	**758**	**0**	0
	8,444,043	**6,872,285**	4,449,000
Offsetting	**(744,654)**	**0**	0
Deferred tax liabilities (after offsetting)	**7,699,389**	**6,872,285**	4,449,000
Deferred tax assets (before offsetting)			
- other temporary differences	**(766,848)**	**0**	0
Offsetting	**744,654**	**0**	0
Deferred tax assets (after offsetting)	**(22,194)**	**0**	0
Subject to real property gains tax:			
Deferred tax liabilities			
- property, plant and equipment	**524,275**	**88,716**	119,000

Notes to the financial statements (continued)

16 **Deferred taxation (continued)**

Subject to the agreement by the Inland Revenue Board, the Company has unutilised reinvestment allowances carried forward amounting to approximately RM6,500,000 (2004: RM7,678,000) of which the deferred tax benefit has not been recognised.

Subject to the agreement by the relevant tax authorities, a subsidiary has unutilised tax losses for which no deferred tax asset is recognised in the financial statements amounting to approximately RM528,000.

17 **Retirement benefit plan**

This retirement benefit plan is for the managing director in accordance with his employment contract signed with the Company.

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

	Group	Company	
	2005	2005	2004
	RM	RM	RM
Non current assets			
Right to reimbursement under insurance policies	144,345	144,345	0
Non current liabilities			
Provision for retirement benefit			
- present value of unfunded obligation	371,112	371,112	0

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

	Group	Company	
	2005	2005	2004
	RM	RM	RM
Current service cost	360,626	360,626	0
Interest cost	10,486	10,486	0
Benefit expense	371,112	371,112	0
Reimbursement right under insurance policies that exactly match the amount and timing of some of benefits payable under the plan	(144,345)	(144,345)	0
Expense recognised in the income statement net of the amount recognised for the reimbursement right under insurance policies	226,767	226,767	0

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

The unfunded retirement benefit scheme is a defined benefit scheme. Obligation is determined by independent actuaries using the Projected Unit Credit actuarial method. The actuarial valuation was carried out as at 4 October 2005 by Ho Chee Seng, Fellow of the Society of Actuaries, Watson Wyatt (Malaysia) Sdn Bhd.

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

(i) salary escalation of 6 % per annum
(ii) discount interest rate of 6% per annum.

Notes to the financial statements (continued)

18 Inventories

	Group 2005 RM	Company 2005 RM	Company 2004 RM
At cost,			
Raw materials	**3,979,381**	**3,702,682**	4,248,329
Work in progress	**12,162,006**	**1,345,212**	1,484,380
Finished goods	**6,484,083**	**3,404,793**	3,676,065
Trading goods	**7,446,248**	**0**	0
Packing materials	**2,088,345**	**2,088,345**	1,881,934
	32,160,063	**10,541,032**	11,290,708
At net realisable value,			
Finished goods	**738,670**	**738,670**	0
Trading goods	**389,057**	**0**	0
	33,287,790	**11,279,702**	11,290,708

19 Trade receivables

	Group 2005 RM	Company 2005 RM	Company 2004 RM
Trade receivables, net of allowance for doubtful debts	**35,994,099**	**11,923,570**	9,818,197
Currency exposure profile:			
USD	**20,984,456**	**10,316,830**	8,076,136
Ringgit Malaysia	**13,810,622**	**824,578**	906,598
SGD	**782,162**	**782,162**	832,474
Peso	**416,859**	**0**	0
Others	**0**	**0**	2,989
	35,994,099	**11,923,570**	9,818,197
Credit terms granted for trade receivables	**30 to 150 days**	**30 to 150 days**	30 to 150 days

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.

20 Other receivables, deposits and prepayments

	Group 2005 RM	Company 2005 RM	Company 2004 RM
Other receivables	**292,103**	**263,431**	576,703
Deposits	**568,844**	**434,886**	200,935
Prepayments	**1,728,551**	**1,511,963**	1,263,940
	2,589,498	**2,210,280**	2,041,578
Currency exposure profile of other receivables:			
Ringgit Malaysia	**281,710**	**263,431**	576,703
Peso	**10,148**	**0**	0
SGD	**245**	**0**	0
	292,103	**263,431**	576,703

Included in deposits of the Group and the Company are down payments of RM254,530 and RM187,550 (2004: Nil) paid respectively for the purchase of plant and equipment with the remaining contracted sum included in capital commitments disclosed in Note 36 to the financial statements.

Notes to the financial statements (continued)

21 Amounts owing by/(to) former holding company

	Group	Company	
	2005	2005	2004
	RM	RM	RM
Non trade - interest bearing	0	0	20,530,894
Non trade - non interest bearing	0	0	(10,169,451)
Effective interest rate per annum	0	0	9.00%

Both the non trade amounts owing by former holding company as at 30 June 2004 which were denominated in Ringgit Malaysia, were unsecured with no fixed terms of repayment.

Both balances were fully settled during the financial year.

During the financial year, Ho Yan Hor Holdings Sdn. Bhd. ceased to be the holding company in conjunction with the listing of the Company on the Second Board of Bursa Securities.

22 Cash and cash equivalents

	Group	Company	
	2005	2005	2004
	RM	RM	RM
Cash and bank balances	6,648,635	5,282,813	1,740,403
Bank overdrafts (Note 29)	(1,674,414)	0	(6,811,048)
	4,974,221	5,282,813	(5,070,645)
Currency exposure profile of cash and bank balances:			
Ringgit Malaysia	4,735,810	3,666,900	44,528
USD	1,677,952	1,549,180	1,365,609
SGD	57,944	57,944	330,266
Peso	168,140	0	0
Other currencies	8,789	8,789	0
	6,648,635	5,282,813	1,740,403

Bank balances are deposits placed in current accounts at various licensed banks in Malaysia which do not earn any interest except for amounts of RM1,668,281 and RM1,596,382 (2004: RM1,671,457) of the Group and the Company placed in foreign currency accounts with interest rates ranging from 0.20% to 3.00% and 0.20% to 3.00% (2004: 0.20% to 1.00%) per annum respectively.

23 Trade payables

	Group	Company	
	2005	2005	2004
	RM	RM	RM
Currency exposure profile of trade payables:			
USD	2,612,136	2,568,251	4,737,031
Ringgit Malaysia	7,441,561	3,700,506	3,563,070
Euro	29,566	29,566	32,475
SGD	5,459	2,990	43,074
Others	9,556	9,556	4,638
	10,098,278	6,310,869	8,380,288
Credit terms extended by trade creditors	Payment in advance to 120 days	30 to 120 days	30 to 120 days

Included in trade payables of the Group as at 30 June 2005 is payment in advance to Chengdu Gao Shen Natural Products Co. Ltd., a company in which a director has financial interest for the purchase of raw materials of RM103,579.

Notes to the financial statements (continued)

24 Other payables and accruals

	Group 2005 RM	Company 2005 RM	Company 2004 RM
Other payables	**4,474,242**	**2,744,025**	2,448,422
Payroll liabilities	**1,792,465**	**1,107,939**	947,786
Accruals	**1,869,586**	**221,543**	165,484
Deposit (Note 37 (b))	**60,000**	**60,000**	60,000
	8,196,293	**4,133,507**	3,621,692

Currency exposure profile of other payables and accruals:

	Group 2005 RM	Company 2005 RM	Company 2004 RM
Ringgit Malaysia	**7,540,625**	**3,649,676**	3,319,817
Euro	**366,970**	**366,970**	6,534
USD	**193,420**	**110,485**	245,132
SGD	**53,299**	**6,376**	47,393
Peso	**41,979**	**0**	0
Others	**0**	**0**	2,816
	8,196,293	**4,133,507**	3,621,692

Included in other payables of the Group and the Company is an amount owing to a company in which a person connected with a director has financial interest, Future Express Sdn. Bhd., amounting to RM86,248 and RM82,175 (2004: RM79,205) respectively for the purchase of computer equipment and accessories.

25 Amount owing to a fellow subsidiary

The amount owing to a fellow subsidiary denominated in USD, was trade in nature and had credit term of 90 days.

26 Hire-purchase creditors

	Group 2005 RM	Company 2005 RM	Company 2004 RM
Payable not later than one year	**1,557,691**	**1,435,530**	1,480,454
Payable later than one year and not later than five years	**2,115,191**	**1,767,367**	1,316,005
	3,672,882	**3,202,897**	2,796,459
Less: Finance charges	**(516,090)**	**(455,099)**	(437,751)
	3,156,792	**2,747,798**	2,358,708
Present value of hire-purchase creditors:			
Payable not later than one year	**1,321,547**	**1,226,093**	1,342,984
Payable later than one year and not later than five years	**1,835,245**	**1,521,705**	1,015,724
	3,156,792	**2,747,798**	2,358,708
Fair values of hire-purchase creditors	**3,116,648**	**2,715,562**	2,538,192
	%	**%**	%
Effective interest rates per annum	**6.09 - 10.01**	**6.19 - 10.01**	6.18 - 11.68

All hire-purchase creditors are denominated in Ringgit Malaysia.

Hire-purchase creditors are effectively secured as the rights to the leased assets revert to the lessors in the event of default.

Notes to the financial statements (continued)

27 Term loans

	Note	Group 2005 RM	Company 2005 RM	Company 2004 RM
Secured				
Term loan A repayable by 120 monthly instalments commencing November 2000	(a)	**1,530,596**	**1,530,596**	1,783,613
Term loan B repayable by 60 monthly instalments commencing December 2002	(b)	**1,508,857**	**1,508,857**	2,109,608
Term loan C repayable by 60 monthly instalments commencing June 2004	(b)	**806,500**	**806,500**	980,758
Term loan D repayable by 132 monthly instalments commencing January 2003	(c)	**0**	**0**	2,564,196
Term loan E repayable by 120 monthly instalments commencing July 2003	(c)	**0**	**0**	978,177
Term loan F repayable by 60 monthly instalments commencing August 2003	(d)	**0**	**0**	131,450
Term loan G repayable by 60 monthly instalments commencing May 2003	(e)	**1,909,086**	**1,909,086**	2,250,263
		5,755,039	**5,755,039**	10,798,065
Unsecured				
Term loan H repayable by 120 monthly instalments commencing January 2003	(f)	**0**	**0**	571,523
		5,755,039	**5,755,039**	11,369,588
Current liabilities				
Payable not later than one year		**1,604,242**	**1,604,242**	1,998,973
Non current liabilities				
Payable later than one year and not later than five years		**4,143,849**	**4,143,849**	7,816,943
Payable later than five years		**6,948**	**6,948**	1,553,672
		4,150,797	**4,150,797**	9,370,615
		5,755,039	**5,755,039**	11,369,588

Note:

(a) Term loan A is secured by fixed charges over a leasehold land and building of the Company, which is registered in the name of its former holding company as at 30 June 2005 awaiting for transfer of titles.

(b) Term loans B and C are secured by way of a debenture incorporating fixed charges over certain plant and machinery of the Company.

(c) Term loans D and E were secured by fixed charges over a freehold land and buildings of the Company and a subsidiary. These term loans were fully repaid during the financial year.

(d) Term loan F was secured by fixed charges over a factory lot of the Company. This term loan was fully repaid during the financial year.

(e) Term loan G is secured by way of a debenture incorporating a fixed charge over certain plant and machinery of the Company.

(f) Term loan H was fully settled during the financial year.

All balances are denominated in Ringgit Malaysia.

Interest expenses on these loans are calculated based on floating interest rates which may be varied at any time at the banks' discretions. The effective interest rates of term loans of the Group and the Company as at 30 June 2005 ranged from 7.25% to 7.40% (2004: 7.25% to 7.75%) per annum.

28 Short term bank borrowings

	Group 2005 RM	Company 2005 RM	Company 2004 RM
Secured	**8,292,454**	**2,771,454**	7,926,152
Unsecured	**16,836,461**	**16,401,461**	15,871,166
	25,128,915	**19,172,915**	23,797,318

Notes to the financial statements (continued)

28 Short term bank borrowings (continued)

	Group 2005 RM	Company 2005 RM	Company 2004 RM
Currency exposure profile of short term bank borrowings:			
Ringgit Malaysia	**23,320,264**	**17,364,264**	20,724,854
USD	**1,808,651**	**1,808,651**	3,072,464
	25,128,915	**19,172,915**	23,797,318

Short term bank borrowings comprise bankers' acceptances, trust receipts and revolving credits. The effective interest rates per annum of short term bank borrowings are as follows:

	Group 2005 %	Company 2005 %	Company 2004 %
Bankers' acceptances	**2.79 - 4.36**	**2.79 - 3.50**	2.65 - 4.80
Trust receipts	**5.00 - 8.50**	**5.00 - 8.50**	5.00 - 8.50
Revolving credits	**0**	**0**	4.90

The ranges of credit periods of these short term bank borrowings are as follows:

	Group 2005 Days	Company 2005 Days	Company 2004 Days
Bankers' acceptances	**28 - 150**	**28 - 150**	30 - 150
Trust receipts	**28 - 150**	**28 - 150**	30 - 150
Revolving credits	**0**	**0**	90

The secured short term bank borrowings of the Company are secured by:

(a) fixed charges over a leasehold land and building of the Company; and
(b) fixed charges over a freehold land and buildings of the Company and a subsidiary.

The secured short term bank borrowings of the subsidiaries are secured by fixed charges over certain freehold and leasehold land and buildings and debentures incorporating floating and/or fixed charges over all assets of the respective borrowing subsidiaries.

The short term bank borrowings are also jointly and severally guaranteed by a director of the Group and the Company.

29 Bank overdrafts

	Group 2005 RM	Company 2005 RM	Company 2004 RM
Secured	**903,247**	**0**	5,478,487
Unsecured	**771,167**	**0**	1,332,561
	1,674,414	**0**	6,811,048
	%	**%**	%
Effective interest rates per annum	**7.50 - 8.00**	**0**	7.00 - 8.50

All balances are denominated in Ringgit Malaysia.

The secured bank overdrafts of the Company are secured by:

(a) fixed charges over a leasehold land and building of the Company; and
(b) fixed charges over a freehold land and buildings of the Company and a subsidiary.

Notes to the financial statements (continued)

29 Bank overdrafts (continued)

The secured bank overdrafts of the subsidiaries are secured by fixed charges over certain freehold and leasehold land and buildings and debentures incorporating floating and/or fixed charges over all assets of the repective borrowing subsidiaries. The bank overdrafts are also jointly and severally guaranteed by a director of the Group and the Company.

30 Share capital

	Group and Company 2005		Company 2004	
	Number of shares	**RM**	**Number of shares**	**RM**
Authorised				
At 1 July 2004 / 1 July 2003	**10,000,000**	**10,000,000**	10,000,000	10,000,000
Creation of new ordinary shares of RM1.00 each during the financial year	**40,000,000**	**40,000,000**	0	0
	50,000,000	**50,000,000**	10,000,000	10,000,000
Sub-division of shares to RM0.50 each during the financial year	**50,000,000**	**0**	0	0
At 30 June 2005 / 30 June 2004	**100,000,000**	**50,000,000**	10,000,000	10,000,000
Issued and fully paid				
At 1 July 2004 / 1 July 2003	**3,886,000**	**3,886,000**	3,600,000	3,600,000
Rights issue	**0**	**0**	286,000	286,000
Issuance of new ordinary shares of RM1.00 each during the financial year	**16,208,898**	**16,208,898**	0	0
Bonus issue	**21,135,102**	**21,135,102**	0	0
	41,230,000	**41,230,000**	3,886,000	3,886,000
Sub-division of shares to RM0.50 each during the financial year	**41,230,000**	**0**	0	0
Issuance of new ordinary shares of RM0.50 each during the financial year	**12,800,000**	**6,400,000**	0	0
At 30 June 2005 / 30 June 2004	**95,260,000**	**47,630,000**	3,886,000	3,886,000

During the financial year, the authorised share capital of the Company was increased from RM10,000,000 to RM50,000,000 by the creation of 40,000,000 ordinary shares of RM1.00 each at par on 17 November 2004. This authorised share capital was subsequently altered to 100,000,000 ordinary shares of RM0.50 each on 1 December 2004.

On 17 November 2004, the Company issued 9,235,328 and 2,715,603 ordinary shares of RM1.00 each at par and at an issue price of RM1.74 (rounded to nearest 2 decimal places) respectively as the purchase consideration for the acquisition of 69.9% shareholding in Carotech.

On 1 December 2004, the Company completed the following transactions:

- the allotment of 3,528,995 and 728,972 ordinary shares of RM1.00 each at par and at an issue price of RM8.55 (rounded to nearest 2 decimal places) respectively as the purchase considerations for the acquisitions of subsidiaries and properties.
- a bonus issue of 21,135,102 new ordinary shares of RM1.00 each on the basis of 1.05 (rounded to 2 decimal places) new ordinary shares for every one existing ordinary share held in the Company.
- sub-division of every ordinary share of RM1.00 each into 2 ordinary shares of RM0.50 each.

In conjunction with the listing of the Company on the Second Board of Bursa Securities, the Company issued 12,800,000 ordinary shares of RM0.50 each for cash at an issue price of RM1.76 per share. These new ordinary shares were fully subscribed for and the entire issued shares were successfully listed on the Second Board of Bursa Securities on 5 April 2005.

The newly issued shares rank pari passu in all respects with the existing ordinary shares of the Company.

Notes to the financial statements (continued)

31 Share premium

	Group 2005 RM	Company 2005 RM	Company 2004 RM
Non distributable			
At 1 July 2004 / 1 July 2003	**935,000**	**935,000**	0
Rights issue	**0**	**0**	935,000
Issue of shares in relation to acquisitions of subsidiaries and purchase of properties	**7,499,743**	**7,499,743**	0
Capitalisation for bonus issue	**(8,434,743)**	**(8,434,743)**	0
Public Issue	**16,128,000**	**16,128,000**	0
Share issue expenses	**(1,574,590)**	**(1,574,590)**	0
At 30 June 2005 / 30 June 2004	**14,553,410**	**14,553,410**	935,000

32 Revaluation and other reserves

	Group 2005 RM	Company 2005 RM	Company 2004 RM
Non distributable			
Reserve on consolidation:			
At 1 July 2004 / 1 July 2003	**0**	**0**	0
Acquisitions of subsidiaries	**6,280,331**	**0**	0
Dilution of interest in a subsidiary	**(1,556,852)**	**0**	0
At 30 June 2005 / 30 June 2004	**4,723,479**	**0**	0
Non distributable			
Exchange fluctuation reserve:			
At 1 July 2004 / 1 July 2003	**0**	**0**	0
Movement during the financial year	**(1,083)**	**0**	0
At 30 June 2005 / 30 June 2004	**(1,083)**	**0**	0
Non distributable			
Revaluation reserve:			
Surplus on revaluation of freehold land and buildings			
At 1 July 2004 / 1 July 2003	**325,001**	**325,001**	325,001
Additions during the financial year	**5,815,927**	**4,284,836**	0
Realised upon disposal of revalued property	**0**	**(218,619)**	0
Capitalisation for bonus issue	**(1,764,308)**	**(1,764,308)**	0
At 30 June 2005 / 30 June 2004	**4,376,620**	**2,626,910**	325,001
Less:			
Deferred taxation			
At 1 July 2004 / 1 July 2003	**119,000**	**119,000**	119,000
Deferred tax written back	**(80,058)**	**(80,058)**	0
Additions during the financial year	**965,059**	**965,059**	0
	885,001	**885,001**	0
At 30 June 2005 / 30 June 2004	**1,004,001**	**1,004,001**	119,000
Revaluation reserve, net of tax at 30 June 2005 / 30 June 2004	**3,372,619**	**1,622,909**	206,001
Total revaluation and other reserves	**8,095,015**	**1,622,909**	206,001

Notes to the financial statements (continued)

33 Retained earnings

Subject to the agreement by the Inland Revenue Board, the Company has sufficient tax credit under Section 108 of the Income Tax Act, 1967 and tax exempt income accounts to frank all its retained earnings as at 30 June 2005, if paid out as dividends.

34 Acquisitions of subsidiaries

The Company acquired the following equity interest of the respective companies in conjunction with the listing of the Company during the current financial year:

On 17 November 2004:

- acquisitions of equity interests in Carotech through:

  (i) 46.2% issued and fully paid share capital of Carotech for a purchase consideration of RM9,235,328 satisfied by the issuance of 9,235,328 new ordinary shares of RM1.00 each at par in the Company; and

  (ii) 23.7% issued and fully paid share capital of Carotech for a purchase consideration of RM4,714,063 satisfied by the issuance of 2,715,603 new ordinary shares of RM1.00 each at an issue price of RM1.74 (rounded to nearest 2 decimal places) per share in the Company.

On 1 December 2004:

- acquisition of the entire issued and fully paid share capital of Hovid Pharmacy Sdn. Bhd. for a purchase consideration of RM3,034,345 satisfied by the issuance of 3,034,345 new ordinary shares of RM1.00 each at par in the Company.

- acquisition of the entire issued and fully paid share capital of Hovid Inc. for a purchase consideration of RM460,344 satisfied by the issuance of 460,344 new ordinary shares of RM1.00 each at par in the Company.

- acquisition of 80% issued and fully paid share capital of Ho Yan Hor (S) Pte. Ltd. for a purchase consideration of RM34,304 satisfied by the issuance of 34,304 new ordinary shares of RM1.00 each at par in the Company.

- acquisition of the entire issued and fully paid share capital of Javid Sdn. Bhd. and the transfer of shareholders' advances due by Javid Sdn. Bhd. to the director, Ho Sue San @ David Ho Sue San of RM1,652,973 for a total purchase consideration of RM5,230,255 satisfied by the issuance of 611,967 new ordinary shares of RM1.00 each at an issue price of RM8.55 (rounded to nearest 2 decimal places) per share in the Company.

- acquisition of the entire issued and fully paid share capital of Hovid Marketing Sdn. Bhd. for a purchase consideration of RM2.00 satisfied by the issuance of 2 new ordinary shares of RM1.00 each at par in the Company.

The Company applies the acquisition method of accounting to consolidate the financial results and positions of the subsidiaries acquired above.

Subsequent to the above acquisitions, there was a dilution of the Company's shareholding in Carotech from 69.9% to 51.1% which resulted from Carotech issuing 76,690,000 new ordinary shares of RM0.10 each for cash and at fair value pursuant to Carotech's Public Issue in conjunction with its listing on the MESDAQ Market of Bursa Securities.

Notes to the financial statements (continued)

34 Acquisitions of subsidiaries (continued)

The effect of the acquisitions during the financial year in arriving at the Group's financial results is shown below:

	7 months ended 30 June 2005 RM
Revenue	42,857,374
Expenses	(38,576,347)
Gain on dilution of interest in a subsidiary	10,762,581
Profit from operations	15,043,608
Finance cost	(1,215,396)
Profit from ordinary activities before taxation	13,828,212
Taxation	145,716
Profit after taxation	13,973,928
Minority interests	(2,385,379)
Net profit for the financial year	11,588,549

The effect of the acquisitions at the financial year end in arriving at the Group's financial position is shown below:

	30 June 2005 RM
Non current assets	52,164,379
Current assets	48,868,027
Current liabilities	(15,661,508)
Non current liabilities	(1,576,203)
Net assets	83,794,695
Minority interests	(10,913,362)
Increase in Group net assets	72,881,333

Details of net assets acquired, reserve on consolidation and cash flows arising from the acquisition is shown below:

	At date of acquisition RM
Non current assets	39,636,619
Current assets	50,091,420
Current liabilities	(39,928,838)
Non current liabilities	(13,935,219)
Fair value of total net assets	35,863,982
Minority interests	(8,527,983)
Fair value of net assets acquired at date of acquisition	27,335,999
Reserve on consolidation	(6,280,331)
	21,055,668
Reassignment of debt in conjunction with acquisition	1,652,973
Cost of acquisition	22,708,641
Total purchase consideration	22,708,641
Purchase consideration discharged by issuance of shares	(22,708,641)
Purchase consideration discharged by cash	0
Less: Cash and cash equivalents of subsidiaries acquired	3,208,699
Cash outflow of the Group on acquisition	(3,208,699)

Notes to the financial statements (continued)

35 Significant related party disclosures

The significant related parties and their relationship with the Group and the Company are as follows:

Related party	Relationship
Carotech Berhad	Subsidiary
Hovid Pharmacy Sdn. Bhd.	Subsidiary
Hovid Inc.	Subsidiary
Carotech, Inc.	Subsidiary
Javid Sdn. Bhd.	Subsidiary
Hovid Marketing Sdn. Bhd.	Subsidiary
Ho Yan Hor (S) Pte. Ltd.	Subsidiary
Chengdu Gao Shen Natural Products Co. Ltd.	A company in which a director has financial interest
Fernwood Valley Sdn. Bhd.	A company in which a director has financial interest
Gao Shen Sdn. Bhd.	A company in which a director has financial interest
Ho Yan Hor Holdings Sdn. Bhd.	A company in which a director has financial interest
Hovid Teoranta	A subsidiary of Ho Yan Hor Holdings Sdn. Bhd., a company in which a director has financial interest
Future Express Sdn. Bhd.	A company in which a person connected with a director has financial interest

During the financial year, Ho Yan Hor Holdings Sdn. Bhd. ceased to be the holding company as part of the listing of the Company on the Second Board of Bursa Securities.

In addition to the related party disclosures mentioned elsewhere in the financial statements, the Group and the Company have the following significant transactions with the related parties based on terms agreed between the parties:

	Group	Company	
	2005	2005	2004
	RM	RM	RM
Transactions with Ho Yan Hor Holdings Sdn. Bhd.			
- Interest income	**1,164,875**	**1,164,875**	1,679,155
- Interest expense	**34,417**	**34,417**	0
- Reallocation of common cost	**142,364**	**142,364**	303,658
- Rental expense of premises	**75,000**	**75,000**	180,000
- Purchase of land and buildings	**7,450,000**	**7,450,000**	0
Transaction with a company in which a director has financial interest, Chengdu Gao Shen Natural Products Co. Ltd.			
- Purchases of trading goods	**2,312,110**	**0**	0
Transactions with a company in which a person connected with a director has substantial financial interest, Future Express Sdn. Bhd.			
- Purchases of computer equipment and accessories	**223,178**	**204,382**	163,344

The balances outstanding for the Group and the Company in connection with the transactions stated above are disclosed in Note 23 and Note 24 to the financial statements.

Notes to the financial statements (continued)

36 Capital commitments

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

	Group	Company	
	2005	2005	2004
	RM	RM	RM
Authorised but not contracted:			
- construction of factory buildings and warehouse	**29,000,000**	**29,000,000**	2,400,000
- purchase of plant and equipment	**1,296,855**	**1,296,855**	10,330,000
	30,296,855	**30,296,855**	12,730,000
Authorised and contracted:			
- purchase of plant and equipment	**2,081,312**	**1,204,242**	0
- purchase of motor vehicles	**1,154,414**	**804,414**	0
	3,235,726	**2,008,656**	0

37 Contingent liabilities (unsecured)

(a) Corporate guarantees

The Company had given corporate guarantees to banks amounting to RM11,997,134 (2004: RM5,250,000) for credit facilities extended to a subsidiary. The amount of credit facilities utilised by the subsidiary amounted to RM1,206,167 as at 30 June 2005 (2004: RM1,414,609).

(b) Litigations

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

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

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

Other than the claim for the refund of RM60,000, the quantum of the other claim is not specified by the claimants. The directors are of the opinion that these claims will not materialise as they are of the view that there was no infringement on the part of the Company. No liability is recognised in the financial statements other than the RM60,000 shown as a deposit under other payables and accruals disclosed in Note 24 to the financial statements.

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

Notes to the financial statements (continued)

38 Financial instruments

(i) Foreign currency forward contracts

Foreign currency forward contracts are entered into by the Group and the Company in currencies other than their functional currency to manage exposure to fluctuations in foreign currency exchange rates on specific transactions.

The details of the outstanding forward contracts as at 30 June 2005 of the Group are as follows:

Group

	Currency bought	Currency sold	Contractual rates	RM equivalent
2005				
Trade receivables and future sales of goods				
Sales contracts in July 2005 to December 2005	RM	USD	3.7805 to 3.7945	18,239,825

The fair value of the outstanding forward contracts of the Group as at 30 June 2005 was an unfavourable net position of RM17,823.

Company
2005

There was no outstanding foreign currency forward contracts as at 30 June 2005.

	Currency bought	Currency sold	Contractual rates	RM equivalent
2004				
Trade receivables				
Sales contract in July 2004	RM	USD	3.8075	266,525
Sales contract in July 2004	RM	SGD	2.2080	220,800

The fair value of the outstanding forward contracts of the Company as at 30 June 2004 was a favourable net position of RM5,275.

(ii) Fair values of financial assets and liabilities on the balance sheet

The carrying amounts of recognised financial assets and liabilities of the Group and the Company as at 30 June 2005 and 30 June 2004 approximated their fair values.

39 Non cash transactions

The principal non cash transactions during the financial year are as follows:

	Group 2005 RM	Company 2005 RM	Company 2004 RM
Acquisition of property, plant and equipment through:			
- Hire-purchase	**3,302,068**	**1,738,603**	69,000
- Contra with amount owing by former holding company	**7,450,000**	**7,450,000**	0
- Issue of shares by the Company	**1,000,000**	**1,000,000**	0
Settlement of amount owing by former holding company by way of:			
- Special dividends	**8,000,000**	**8,000,000**	0
- Transfer to amount owing by a subsidiary	**0**	**1,030,358**	0
Acquisitions of subsidiaries by way of:			
- Issue of shares by the Company	**0**	**21,055,668**	0
Disposal of land and buildings to a subsidiary			
- Contra with amount owing to a subsidiary	**0**	**2,710,000**	0

Notes to the financial statements (continued)

40 Non cancellable operating lease commitments

	Group	Company	
	2005	2005	2004
	RM	RM	RM
Not later than one year	**43,624**	**0**	0

The non cancellable operating lease commitments are in respect of a tenancy agreement committed by the subsidiary.

41 Events subsequent to the balance sheet date

(a) On 11 August 2005, Hovid Marketing Sdn. Bhd. ("HMSB"), a wholly owned subsidiary of the Company, has obtained the approval from the Ministry of Domestic Trade and Consumer Affairs to operate a multi-level marketing business in Malaysia. HMSB commenced its marketing of health and wellness products via the multi-level marketing direct selling model on 29 August 2005.

(b) The Company acquired additional 5,000,000 units of ordinary shares each in Carotech on 18 July 2005 and 13 September 2005 respectively, resulting in an increase in its effective shareholding in Carotech from 51.1% to 54.6%.

(c) On 23 September 2005, the Board of Directors approved the Company's investment in the capital of a proposed wholly owned subsidiary, Hovid Nutriworld Sdn. Bhd., which consists of two ordinary shares of RM1.00 each.

(d) On 29 September 2005, the Company announced that it will be seeking its shareholders' approval for the following proposals:

   (i) a bonus issue of 57,156,000 new ordinary shares of RM0.50 each in the Company to be credited as fully paid on the basis of three new ordinary shares of RM0.50 each in the Company for every five existing ordinary shares held;

   (ii) establishment of an Employees' Share Option Scheme for eligible employees and directors of the Company and its subsidiaries;

   (iii) a shareholders' mandate for the Company to purchase its own ordinary shares on Bursa Securities of not more than ten percent of the issued and paid up share capital of the Company; and

   (iv) an increase in the Company's authorised share capital from RM50,000,000 comprising 100,000,000 ordinary shares of RM0.50 each to RM100,000,000 comprising 200,000,000 ordinary shares of RM0.50 each.

(e) On 29 September 2005, its subsidiary, Carotech, announced that it will be seeking its shareholders' approval for the following proposals:

   (i) a bonus issue of 171,054,000 new ordinary shares of RM0.10 each in Carotech to be credited as fully paid up on the basis of three new ordinary shares of RM0.10 each in Carotech for every five existing ordinary shares held;

   (ii) establishment of an Employees' Share Option Scheme for eligible employees and directors of Carotech and its subsidiary up to a maximum of ten percent of the issued and paid up share capital of Carotech; and

   (iii) an increase in authorised share capital from RM50,000,000 comprising 500,000,000 ordinary shares of RM0.10 each to RM100,000,000 comprising 1,000,000,000 ordinary shares of RM0.10 each.

(f) On 24 October 2005, the Company and its subsidiary, Carotech, made seperate announcements that the respective Board of Directors have decided to keep the proposed Employees’ Share Option Scheme in abeyance pending the issuance of a new accounting standard on Share-based Payment, which is expected to come into effect in 2006.

Notes to the financial statements (continued)

42 Comparatives

There are no comparative figures for the Group as the Group only came into existence on 1 December 2004, applying the acquisition method of accounting for its consolidated financial statements.

Certain comparative figures of the Company have been reclassified to conform with the current financial year's presentation.

43 Approval of financial statements

The financial statements have been approved for issuance in accordance with a resolution of the Board of Directors on 25 October 2005.

LIST OF PROPERTIES

The following landed properties are owned by the Group.

Postal address / Location / Title details of the Properties	Description / Existing use	Tenure of Lease / Approximate age of building	Land Area / Gross Built-up Area	Date of acquisition / valuation and Methods of valuation	Audited NBV as at 30 June 2005
No. 121, Jalan Tunku Abdul Rahman, 30010 Ipoh, Perak Darul Ridzuan. Lot 8811N, Title Pajakan Negeri 68053, Town of Ipoh, District of Kinta, Perak Darul Ridzuan.	Comprising a parcel of industrial land and erected upon with a pharmaceutical factory complex together with administrative office and ancillary buildings.	Tenure: 999 years leasehold interest expiring 14 June 2895 Approximate age: The ages of the buildings are between 6 to 41 years old	Land area: 123,915 sq. ft. Gross built-up area: 75,692 sq. ft.	Date of acquisition: 1 December 2004	RM7,427,415
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 an end 2-storey pre-war shophouse.	Tenure: Freehold Approximate age: More than 60 years	Land area: 1,331 sq. ft. Gross built-up area: 2,331 sq. ft.	Date of acquisition: 1 December 2004	RM189,650
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 an end 1½ storey terrace industrial factory.	Tenure: Freehold Approximate age: 6 years	Land area: 2,050 sq. ft. Gross built-up area: 2,974 sq. ft.	Date of acquisition: 5 April 2002	RM260,969

LIST OF PROPERTIES (continued)

Postal address / Location / Title details of the Properties	Description / Existing use	Tenure of Lease / Approximate age of building	Land Area / Gross Built-up Area	Date of acquisition / valuation and Methods of valuation	Audited NBV as at 30 June 2005
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 specialized pharmaceutical plant and some ancillary buildings.	Tenure: Freehold Approximate age: 3 years	Land area: 286,350 sq. ft. Gross built-up area: 40,744 sq. ft.	Date of valuation: 30 October 2003 Methods of valuation: Cost Method of Valuation with Investment Approach as a check.	RM9,745,998
Lot 56442, 7½ mile, Jalan Ipoh/Chemor, 31200 Chemor, Perak Darul Ridzuan. Lot 56442, Title Geran 6107, Mukim of Hulu Kinta, District of Kinta, Perak Darul Ridzuan.	Comprising the eastern portion of Lot 56442, an industrial land and erected upon with an existing pharmaceutical plant / ancillary buildings and also the newly constructed pharmaceutical plant.	Tenure: Freehold Approximate age: The age of the buildings are between less than 1 to 10 years old	Land area: 588,334 sq. ft. Gross floor area: 48,138 sq. ft.	Date of valuation: 30 October 2003 Methods of valuation: Cost Method of Valuation with Investment Approach as a check.	RM10,973,768
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: 35 years	Land area: 1,740 sq. ft. Gross built-up area: 3,439 sq. ft.	Date of acquisition: 6 April 1987	RM407,743

LIST OF PROPERTIES (continued)

Postal address / Location / Title details of the Properties	Description / Existing use	Tenure of Lease / Approximate age of building	Land Area / Gross Built-up Area	Date of acquisition / valuation and Methods of valuation	Audited NBV as at 30 June 2005
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: 24 years	Land area: 1,336 sq. ft. Gross built-up area: 4,361 sq. ft.	Date of acquisition: 19 September 1996	RM634,123
No. 71, Jalan Pengkalan Indah 2, Bandar Pengkalan Indah, 31650 Ipoh, Perak Darul Ridzuan. Lot P.T. 143393, Title H.S.(D)KA 55668, Mukim of Hulu Kinta, District of Kinta, Perak Darul Ridzuan.	Comprising an intermediate double-storey shopoffice being used as a store.	Tenure: 99 years leasehold interest expir-ing on 19 November 2095 Approximate age: 6 years	Land area: 1,400 sq. ft. Gross built-up area: 2,722 sq. ft.	Date of acquisition: 17 April 1996 .	RM188,198
No. 16, Jalan SS4D/14, 47301 Petaling Jaya, Selangor Darul Ehsan. Lot P.T. 27742, Title H.S.(M) 11828, Mukim of Sungai Buloh, District of Petaling, Selangor Darul Ehsan.	Comprising an end lot 3-storey shopoffice being used as catering services office at the ground floor and other offices at the upper floors.	Tenure: Freehold Approximate age: 23 years	Land area: 1,750 sq. ft. Gross built-up area: 5,250 sq. ft.	Date of acquisition: 21 August 1990	RM845,974
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 holiday bungalow.	Tenure: Leasehold interest expiring on 13 September 2039 Approximate age: More than 50 years	Land area: 52,525 sq. ft. Gross built-up area: 3,364 sq. ft.	Date of acquisition: 1 December 2004	RM1,006,200

LIST OF PROPERTIES (continued)

Postal address / Location / Title details of the Properties	Description / Existing use	Tenure of Lease / Approximate age of building	Land Area / Gross Built-up Area	Date of acquisition / valuation and Methods of valuation	Audited NBV as at 30 June 2005
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 mid 1½ storey terraced 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 4 to 6 years old	Total land area: 8,000 sq. ft. (or 2,000 sq. ft. per lot) Gross built-up area: 11,500 sq. ft. (or 2,875 sq. ft. per unit)	Lots 312, 313, 314 Date of aquisition: 8 July 1996 Lot 315 Date of acquisition: 14 November 2000	Lots 312, 313 and 314 RM1,055,809 Lot 315 RM346,024
No. 52A, B & C, Lintang Angsana, Bandar Baru Ayer Itam, 11500 Pulau Pinang. Lot 8265, Title Geran No. Pendaftaran 57174, Mukim of 13, District of North-East, Pulau Pinang.	Comprising an end lot 3-storey shophouse being used as a pharmaceutical retail outlet at the ground floor and offices at the upper floor.	Tenure: 99 years sublease interest created by way of Agreement dated 23rd March, 1992 between Registered Proprietors, Trustees of Leong San Toong Khoo Kongsi (Penang) and Vendor, Perumahan Farlim (Malaysia) Sdn. Bhd. Approximate age: 14 years	Land area: 1,776 sq. ft. Gross built-up area: 4,312 sq. ft.	Date of acquisition: 23 March 1992	RM644,035

LIST OF PROPERTIES (continued)

Postal address / Location / Title details of the Properties	Description / Existing use	Tenure of Lease / Approximate age of building	Land Area / Gross Built-up Area	Date of acquisition / valuation and Methods of valuation	Audited NBV as at 30 June 2005
No. 25 & 25A, Jalan Sri Bahagia 5, Taman Sri Bahagia, 81200 Tampoi, Johor Darul Takzim. Lot PTD 17128, Title H.S.(D) 70280, Mukim of Tebrau, District of Johor Bahru, Johor Darul Takzim.	Comprising a mid 2-storey shopoffice being used as a pharmacy retail outlet at the ground floor and an office at the first floor.	Tenure: Freehold Approximate age: 13 years	Land area: 1,540 sq. ft. Gross built-up area: 3,016 sq. ft.	Date of acquisition: 29 June 1990	RM428,369
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.	Comprising a small proposed Small-Medium Industry ("SMI") Industrial Scheme consisting 18 vacant terrace industrial lots, 55 vacant semi-detached industrial lots and 1 vacant TNB sub-station site and located in the vicinity of the ongoing Bandar Baru Sri Klebang.	Tenure: Freehold Approximate age: N/A	Land area: 386,226 sq. ft.	Date of acquisition: 27 March 1999	RM5,338,905

ANALYSIS OF SHAREHOLDINGS
As At 14 October 2005

Share Capital

Authorised Share Capital	RM50,000,000.00
Issued and Fully Paid Share Capital	RM47,630,000.00
Class of Shares	Ordinary Shares of RM0.50 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	5	0.41	110	0.00
100 - 1,000 shares	367	29.96	342,250	0.36
1,001 - 10,000 shares	653	53.31	2,822,500	2.96
10,001 - 100,000 shares	139	11.35	4,384,790	4.60
100,001 - less than 5% of issued shares	55	4.49	39,831,490	41.81
5% and above of issued shares	6	0.48	47,878,860	50.27
Total	1,225	100.00	95,260,000	100.00

Directors' Shareholdings As Per Register Of Directors As At 14 October 2005

	No. of Shares Held			
Name	**Direct**	**%**	**Indirect**	**%**
Datuk Haji Ibrahim Bin Haji Ahmad	5,000,000	5.25	0	0
Ho Sue San @ David Ho Sue San	47,744,460	50.12	0	0
Liong Kam Hon	986,920	1.03	0	0
Chuah Chaw Teo	0	0	0	0
Leong Kwok Yee	0	0	36,300*	0.04*
YM Raja Shamsul Kamal Bin Raja Shahruzzaman	0	0	0	0

** Deemed interested by virtue of his spouse, Phyllis Yew Lean Choo's shareholdings in the Company*

Substantial Shareholders As Per Register Of Substantial Shareholders As At 14 October 2005

	No. of Shares Held			
Name	**Direct**	**%**	**Indirect**	**%**
Ho Sue San @ David Ho Sue San	47,744,460	50.12	0	0
Datuk Haji Ibrahim Bin Haji Ahmad	5,000,000	5.25	0	0

ANALYSIS OF SHAREHOLDINGS (continued)

As At 14 October 2005

List of Top Thirty (30) Shareholders/Depositors

No	Name of Securities Account Holders	No. of Shares Held	%
1	Ho Sue San @ David Ho Sue San	12,001,600	12.60
2	Ho Sue San @ David Ho Sue San	10,011,800	10.51
3	HDM Nominees (Tempatan) Sdn Bhd HDM Capital Sdn Bhd for Ho Sue San @ David Ho Sue San	10,000,060	10.50
4	Bumiputera-Commerce Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Ho Sue San @ David Ho Sue San	5,682,000	5.96
5	Ho Sue San @ David Ho Sue San	5,183,400	5.44
6	Tasec Nominees (Tempatan) Sdn Bhd TA First Credit Sdn Bhd for Ibrahim Bin Haji Ahmad	5,000,000	5.25
7	EB Nominees (Tempatan) Sendirian Berhad Pledged Securities Account for Ho Sue San @ David Ho Sue San	4,740,000	4.98
8	Fajar Kinabalu Sdn Bhd	3,700,000	3.88
9	Bumiputera-Commerce Nominees (Tempatan) Sdn. Bhd. Bumiputera-Commerce Trustee Berhad for Pacific Dana Aman (3717 TRO1)	3,683,800	3.87
10	Permodalan Nasional Berhad	3,646,500	3.83
11	BHLB Trustee Berhad Prugrowth Fund	2,400,000	2.52
12	Lembaga Tabung Angkatan Tentera	2,043,200	2.14
13	Amanah Raya Berhad SBB Dana Al-Faiz	1,500,000	1.57
14	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for OSK-UOB Emerging Opportunity Unit Trust (4611)	1,253,200	1.32
15	Amanah Raya Nominees (Tempatan) Sdn Bhd Skim Amanah Saham Bumiputera	1,200,000	1.26
16	BHLB Trustee Berhad Prusmall-Cap Fund	985,000	1.03
17	HDM Nominees (Tempatan) Sdn Bhd HDM Capital Sdn Bhd for Liong Kam Hon	909,320	0.95
18	Gan Ee Kiang @ Gan Boon Seng	869,776	0.91

ANALYSIS OF SHAREHOLDINGS (continued)
As At 14 October 2005

List of Top Thirty (30) Shareholders/Depositors (continued)

No	Name of Securities Account Holders	No. of Shares Held	%
19	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (DR)	869,700	0.91
20	Amanah Raya Nominees (Tempatan) Sdn Bhd Public Islamic Opportunities Fund	769,100	0.81
21	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for OSK-UOB Smart Treasure Fund (4694-002)	763,300	0.80
22	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Prudential Dana Al-Ilham (4173)	750,000	0.79
23	BHLB Trustee Berhad Prubalanced Fund	748,000	0.79
24	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (LGF)	704,800	0.74
25	Amanah Raya Nominees (Tempatan) Sdn Bhd Amanah Saham Wawasan 2020	467,000	0.49
26	Mayban Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Gan Tee Jin (101AB0525)	400,000	0.42
27	Cartaban Nominees (Tempatan) Sdn Bhd Meridian Asset Management Sdn Bhd for Malaysian Assurance Alliance Bhd (1/154-6)	399,500	0.42
28	HDM Nominees (Tempatan) Sdn Bhd HDM Capital Sdn Bhd for Choong Foo Wah	381,108	0.40
29	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for MAAKL Al-Faid (4389)	375,000	0.39
30	HDM Nominees (Tempatan) Sdn Bhd HDM Capital Sdn Bhd for Goh Tian Hock	335,054	0.35
		81,772,218	85.84

NOTICE OF NOMINATION

Ho Sue San @ David Ho Sue San
51 Jalan Chin Hwa
Chateau Garden
30250 Ipoh
Perak Darul Ridzuan

25 October 2005

The Board of Directors
Hovid Berhad
121 Jalan Kuala Kangsar
30010 Ipoh
Perak Darul Ridzuan

Dear Sirs

Notice of Nomination of Auditors

I, being a registered shareholder of Hovid Berhad, hereby give notice pursuant to Section 172(11) of the Companies Act, 1965 of my intention to nominate Messrs KPMG for appointment as auditors of Hovid Berhad and to propose the following as an ordinary resolution to be tabled at the forthcoming Twenty-fifth Annual General Meeting of Hovid Berhad to replace the retiring auditors, Messrs PricewaterhouseCoopers:-

"THAT Messrs KPMG be and are hereby appointed as Auditors of the Company in place of the retiring auditors, Messrs PricewaterhouseCoopers, and to hold office until the conclusion of the next Annual General Meeting at a remuneration to be determined by the Directors."

Yours faithfully

………………………………..
Ho Sue San @ David Ho Sue San

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HOVID BERHAD

(Company No.: 58476-A)
(Incorporated in Malaysia)

Annual Report for the Financial year ended 30 June 2005

PROXY FORM
TWENTY-FIFTH (25TH) ANNUAL GENERAL MEETING

CDS Account No. of authorised nominee

*I/We, (full name in block capitals) ....

NRIC No./Company No. .... of ....

....being a Member of

HOVID BERHAD, hereby appoint...

(NRIC No.) .... of...

....or failing him/her, ...

(NRIC No.) .... of...

....or failing him/her, *the Chairman of the meeting as *my/our proxy to vote for *me/us and on *my/our behalf at the Twenty-fifth (25th) Annual General Meeting of the Company, to be held at Heritage Ballroom, Heritage Hotel Ipoh, Jalan Raja DiHilir, 30350 Ipoh, Perak Darul Ridzuan on **Thursday, 24 November 2005**, at 11.30 a.m. and, at every adjournment thereof.

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

	RESOLUTIONS	**FOR**	**AGAINST**
Resolution 1	Adoption of Audited Financial Statements and Reports for the year ended 30 June 2005		
Resolution 2	Approval of Directors' fees		
Resolution 3	Re-election of Mr Ho Sue San @ David Ho Sue San		
Resolution 4	Re-election of Datuk Haji Ibrahim Bin Haji Ahmad		
Resolution 5	Re-election of YM Raja Shamsul Kamal Bin Raja Shahruzzaman		
Resolution 6	Re-election of Mr Leong Kwok Yee		
Resolution 7	Re-election of Mr Chuah Chaw Teo		
Resolution 8	To appoint Messrs KPMG, to act as Auditors of the Company in place of the retiring auditors, Messrs PricewaterhouseCoopers and to authorise the Directors to fix their remuneration		

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 2005

No. of ordinary shares held

....
Signature/Common Seal of Member

Notes:-

1. Section 149(1)(a) and (b) shall not apply to the Company, a proxy may but need not be a member of the Company.
2. The instrument duly completed must be deposited at the Registered Office of the Company at No. 121, Jalan Tunku Abdul Rahman (formerly known as Jalan Kuala Kangsar) not less than forty-eight (48) hours before the time appointed for the holding of the meeting.
3. The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or if such appointor is a corporation, under its common seal or the hand of its attorney.
4. A member shall be entitled to appoint more than two (2) proxies to attend and vote at the same meeting, and where a member appoints two (2) or more proxies, the appointment shall be invalid unless he specifies the proportion of his shareholding to be represented by each proxy. Each proxy appointed, shall represent a minimum of 100 shares held by the member.

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AFFIX
STAMP

THE COMPANY SECRETARY

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

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