

hovid
Continuous Innovation & Quality



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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty-fifth (25th) Annual General Meeting ("AGM") of Hovid Berhad ("the Company") will 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. for the following purposes:-

AGENDA

1. To receive and adopt the Audited Financial Statements for the financial year ended 30 June 2005 together with the Reports of the Directors and Auditors thereon. **Ordinary Resolution 1**
2. To approve the payment of Directors' fees of RM89,600 for the financial year ended 30 June 2005 to be divided amongst the Directors in such manner as the Directors may determine. **Ordinary Resolution 2**
3. To re-elect the following retiring Directors:-
 - (a) Mr Ho Sue San @ David Ho Sue San who retires pursuant to Article 83 of the Company's Articles of Association. **Ordinary Resolution 3**
 - (b) Datuk Haji Ibrahim Bin Haji Ahmad who retires pursuant to Article 90 of the Company's Articles of Association. **Ordinary Resolution 4**
 - (c) YM Raja Shamsul Kamal Bin Raja Shahruzzaman who retires pursuant to Article 90 of the Company's Articles of Association. **Ordinary Resolution 5**
 - (d) Mr Leong Kwok Yee who retires pursuant to Article 90 of the Company's Articles of Association. **Ordinary Resolution 6**
 - (e) Mr Chuah Chaw Teo who retires pursuant to Article 90 of the Company's Articles of Association. **Ordinary Resolution 7**
4. 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. **Ordinary Resolution 8**

Notice of Nomination pursuant to Section 172(11) of the Companies Act, 1965 (a copy of which is annexed hereto) has been received by the Company of the intention to propose the following ordinary resolution:

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

5. To consider any other business of which due notice shall have been given.

By Order of the Board

Goh Tian Hock
Ng Yuet Seam
Secretaries

Ipoh, Perak Darul Ridzuan
Date: 2 November 2005

NOTES:-

1. A member entitled to attend and vote at the meeting is entitled to appoint more than two (2) proxies to attend and vote in his/her stead at the same meeting. A proxy may but need not be a member of the Company and Section 149(1)(a) and (b) of the Companies Act, 1965 shall not apply to the Company.
2. The instrument appointing a proxy shall be deposited at the Registered Office of the Company at No. 121, Jalan Tunku Abdul Rahman (formerly known as Jalan Kuala Kangsar), 30010 Ipoh, Perak Darul Ridzuan not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting.
3. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or if the appointor is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING (Pursuant to Para 8.28(2) of the Listing Requirements of Bursa Malaysia Securities Berhad)

1. Directors Standing For Re-Election At The Forthcoming Twenty-Fifth (25th) Annual General Meeting

Pursuant to Article 83 of the Company's Articles of Association

Mr Ho Sue San @ David Ho Sue San

Pursuant to Article 90 of the Company's Articles of Association

- (a) Datuk Haji Ibrahim Bin Haji Ahmad
- (b) YM Raja Shamsul Kamal Bin Raja Shahrizzaman
- (c) Mr Leong Kwok Yee
- (d) Mr Chuah Chaw Teo

2. Directors' Profiles

The Directors' Profiles are set out in Page 6 to 7 of the Annual Report.

3. Details Of Attendance Of Directors At Board Meetings

One (1) Board Meeting was held during the financial year ended 30 June 2005. Details of attendance of the Directors are set out in the Directors' Profiles appearing on Page 6 to 7 of the Annual Report.

4. Place, Date And Time Of The Annual General Meeting

The forthcoming Twenty-fifth (25th) Annual General Meeting will 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..

5. Individual Seeking Election As Director

No individual is seeking election as a Director at the forthcoming Twenty-fifth (25th) Annual General Meeting of the Company.

CORPORATE INFORMATION

Board Of Directors

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

Non-Executive Chairman
 Managing Director
 Executive Director
 Independent Non-Executive Director
 Independent Non-Executive Director
 Non-Executive Director

Company Secretaries

Goh Tian Hock (MIA 8222)

Ng Yuet Seam (MAICSA 7005639)

Registered Office / Business Address

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

Principal Bankers

OCBC Bank (M) Berhad
 No. 2, Jalan Dato' Maharaja Lela
 30000 Ipoh
 Perak Darul Ridzuan

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

Share Registrar

Tenaga Koperat Sdn Bhd
 20th Floor, Plaza Permata
 Jalan Kampar
 Off Jalan Tun Razak
 50400 Kuala Lumpur
 Telephone : +6 03 4041 6522
 Facsimile : +6 03 4042 6352

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

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

Auditors

PricewaterhouseCoopers
 1st Floor, Standard Chartered Bank Chambers
 No. 21-27, Jalan Dato' Maharaja Lela
 P.O. Box 136
 30710 Ipoh
 Perak Darul Ridzuan

Stock Exchange Listing

Second Board of Bursa Malaysia Securities Berhad

CORPORATE STRUCTURE as at 30 June 2005



Main Office (Registered Office)

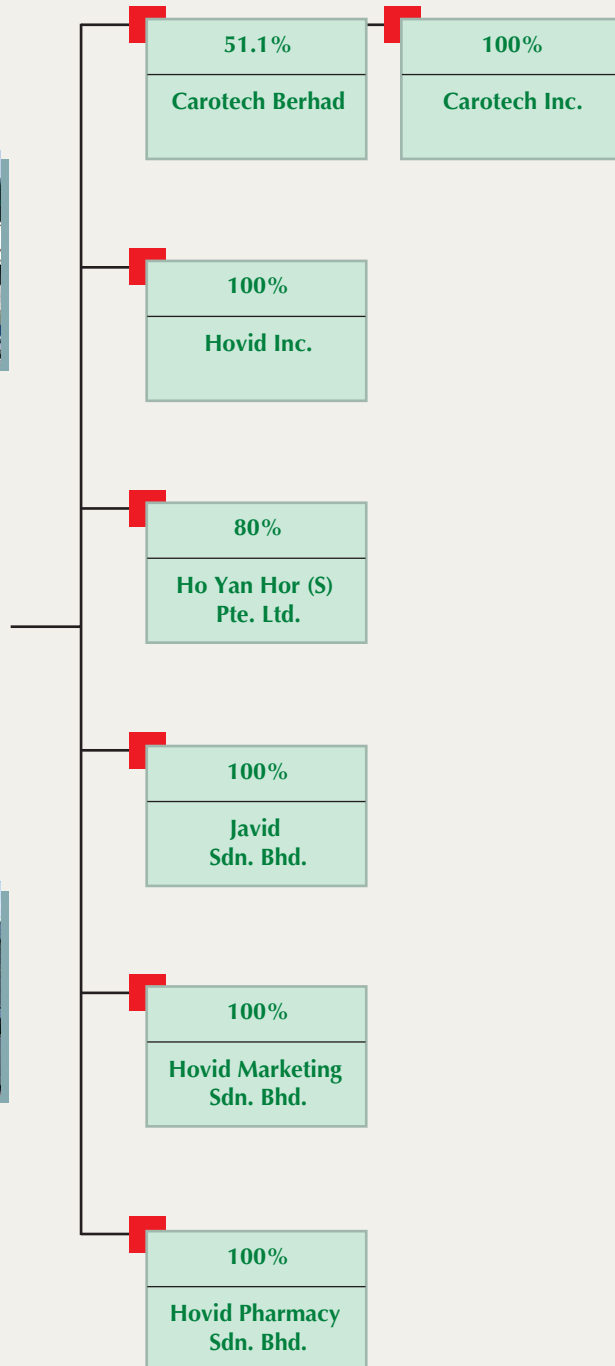
hovid

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Hovid Berhad



Chemor Plant



DIRECTORS' PROFILES

Datuk Haji Ibrahim Bin Haji Ahmad

Datuk Haji Ibrahim Bin Haji Ahmad, a Malaysian aged 58, is a food technologist and entrepreneur. He was appointed to the Board of the Company on 22 December 2004 as the Non-Executive Chairman. He obtained a Diploma in Agriculture in 1969 from Universiti Putra Malaysia and a Masters in Food Technology in 1974 from Louisiana State University, United States of America in 1974. He returned to be a lecturer in Universiti Putra Malaysia in the Faculty of Food and Biotechnology from 1975 to 1980. From 1980 to 1986, he was the Head of Corporate Research and Development at Kumpulan FIMA Bhd. He left Kumpulan FIMA Bhd to venture into other businesses and has been the Executive Chairman and Group Managing Director of the Dewina Group of companies since 1986 until to date. He is also sitting on the Boards of Carotech Berhad as the Non-Executive Chairman and Kawan Food Berhad.

Datuk Haji Ibrahim Bin Haji Ahmad is the Chairman of the Nomination & Remuneration Committee of the Company. He has attended one of one (1/1) Board meeting held during the financial year ended 30 June 2005 as the Company was listed on Bursa Malaysia Securities Berhad on 5 April 2005. He does not have any family relationship with any Director and/or major shareholder of the Company, nor he has any conflict of interest with the Company. He has had no conviction for any offences within the past ten (10) years. Additionally, he is a major shareholder of the Company as at 30 June 2005.

Ho Sue San @ David Ho Sue San

Ho Sue San @ David Ho Sue San, a Malaysian aged 56, is the Managing Director of the Company. He was appointed to the Board, being the first Director since incorporation of the Company on 20 May 1980. He obtained a Bachelor of Pharmacy degree from the University of Otago in 1974. He later obtained a Master of Pharmacy degree from the University of Otago in 1976. He was registered as a pharmacist with the Pharmaceutical Society of New Zealand in 1974 and as a pharmaceutical chemist with the Pharmaceutical Society of Great Britain in 1977. He was registered as a pharmacist with the Malaysian Pharmacist Board in 1980. He has also completed the Applied International Management Programme organised by the Swedish Institute of Management, in 1990, and the International Top Management Seminar in the field of Quality Leadership organised by ISO Swedish Management Group in 1996. From 1978 to 1979, he was a research pharmacist with Wyeth Laboratories Ltd. Thereafter, he formed and incorporated Hovid Berhad in 1980. He is also the Managing Director of Carotech Berhad.

Ho Sue San @ David Ho Sue San is a member of the Audit Committee of the Company. He has attended one of one (1/1) Board meeting held during the financial year ended 30 June 2005 since the Company was listed on Bursa Malaysia Securities Berhad on 5 April 2005. He does not have any family relationship with any Director and/or major shareholder of the Company, nor he has any conflict of interest with the Company. He has had no conviction for any offences within the past ten (10) years. Additionally, he is a major shareholder of the Company as at 30 June 2005.

Liong Kam Hon

Liong Kam Hon, a Malaysian aged 59, is the Executive Director of the Company and was appointed to the Board of the Company on 11 February 1999. He joined the Company and its subsidiaries ("the Group") on 16 June 1981 as a Manager in Hovid Pharmacy Sdn. Bhd.. Prior to that, he served as a manager with Public Medical Supplies from 1978 to 1980. Between 1967 and 1977, he was the chief dispenser with Georgetown Dispensary Ltd.

Liong Kam Hon has attended one of one (1/1) Board meeting held during the financial year ended 30 June 2005 since the Company was listed on Bursa Malaysia Securities Berhad on 5 April 2005. He does not have any family relationship with any Director and/or major shareholder of the Company, nor he has any conflict of interest with the Company. He has had no conviction for any offences within the past ten (10) years.

DIRECTORS' PROFILES (continued)

Chuah Chaw Teo

Chuah Chaw Teo, a Malaysian aged 54, is a chemist by profession. He was appointed to the Board of the Company on 22 December 2004 as an Independent Non-Executive Director. He obtained a Bachelor of Science degree with Honours in 1975 from the University of Otago, where he was also given the University of Otago Science Award for ranking first in the class. Thereafter, he obtained a Doctorate degree in Applied Organic Chemistry in 1979, also from the University of Otago. He has a Diploma in Management from the Malaysian Institute of Management, which he obtained with Merit in 1987. After he obtained his Doctorate degree in 1979, Dr. Chuah worked as a post-doctoral research associate with the College of Environmental Science and Forestry of the State University of New York, a position which he held for the next two (2) years. From 1982 to 1983, he served as a lecturer in the University of Malaya, Malaysia. After he left the University of Malaya, he was attached to Yee Lee Edible Oils Sdn. Bhd. as General Manager for Research and Development. He held this position for ten (10) years, from 1983 to 1993. Presently, he is an Executive Director of Spritzer Berhad, a position that he has held since 1994 and also an Independent Non-Executive Director of Carotech Berhad since 1991.

Chuah Chaw Teo is a member of the Nomination & Remuneration Committee as well as the Audit Committee of the Company. He has attended one of one (1/1) Board meeting held during the financial year ended 30 June 2005 as the Company was listed on Bursa Malaysia Securities Berhad on 5 April 2005. He does not have any family relationship with any Director and/or major shareholder of the Company, nor he has any conflict of interest with the Company. He has had no conviction for any offences within the past ten (10) years.

Leong Kwok Yee

Leong Kwok Yee, an Australian aged 55, is an accountant by profession. He was appointed to the Board of the Company on 22 December 2004 as an Independent Non-Executive Director. He obtained a Bachelor of Commerce degree in 1974 from the University of Otago and a Masters in Business Administration from University of Macquarie in 1989. He is a Fellow Member of both the New Zealand Institute of Chartered Accountants and Australian Institute of Chartered Accountants, having trained at Ernst & Young in Wellington, New Zealand and Sydney, Australia. He left Ernst & Young in 1981 to join Encyclopaedia Britannica (Sydney) as their Financial Controller before joining Hunter Douglas Ltd (Sydney) in 1988 as their Treasurer/Management Accountant. He subsequently joined Dodwell, Inchcape Buying Services (Hong Kong) as their Financial Controller in 1990 and became the Finance Director in 1993. He left in 1995 to be the Chief Financial Officer of Li & Fung, Ltd (Hong Kong) and retired from 1 September 2004. He is also an Independent Non-Executive Director of Carotech Berhad.

Leong Kwok Yee is the Chairman of the Audit Committee and a member of the Nomination & Remuneration Committee of the Company. He has attended one of one (1/1) Board meeting held during the financial year ended 30 June 2005 as the Company was listed on Bursa Malaysia Securities Berhad on 5 April 2005. He does not have any family relationship with any Director and/or major shareholder of the Company, nor he has any conflict of interest with the Company. He has had no conviction for any offences within the past ten (10) years.

YM Raja Shamsul Kamal Bin Raja Shahruzzaman

YM Raja Shamsul Kamal Bin Raja Shahruzzaman, a Malaysian aged 44, was appointed to the Board of the Company on 22 December 2004 as a Non-Executive Director. He obtained a Bachelor of Science degree with Honours in Civil Engineering from the University of Newcastle upon Tyne, England. He joined Shah Alam Properties Sdn. Bhd. as a project engineer in 1984 to 1987. He left in 1987 to join Bank of Commerce Bhd. before leaving as Vice President & Group Head of Corporate Banking Department in 1991 to join Commerce-Asset Holding Bhd.. Since joining Commerce-Asset Holding Bhd, he has been in numerous positions including the General Manager & Chief Executive Officer of Commerce Asset Leasing Sdn. Bhd. (1991 to 1996), General Manager of Commerce Asset Fund Managers Sdn. Bhd. (1996 to 1997) before assuming his current position as the Executive Director and Chief Executive Officer of Commerce Asset Ventures Sdn. Bhd.. Additionally, he also sits on the Boards of Carotech Berhad as a Non-Executive Director and Scan Associated Berhad.

YM Raja Shamsul Kamal Bin Raja Shahruzzaman has attended one of one (1/1) Board meeting held during the financial year ended 30 June 2005 as the Company was listed on Bursa Malaysia Securities Berhad on 5 April 2005. He does not have any family relationship with any Director and/or major shareholder of the Company, nor he has any conflict of interest with the Company. He has had no conviction for any offences within the past ten (10) years.

CHAIRMAN'S STATEMENT



Dear Valued Shareholders

On behalf of the Board of Directors of Hovid Berhad, I have the contentment in presenting the Annual Report and Financial Statements for the financial year ended 30 June 2005.

Corporate Development

Hovid Berhad was incorporated on 20 May 1980 under the name of Ho Yan Hor (Kausing Brand) Medical Hall Sdn. Bhd.. It underwent several name changes, to Ho Yan Hor Pharmaceuticals Sdn. Bhd. on 21 May 1984, to Ho Yan Hor Sdn. Bhd. on 21 April 1989, and to Hovid Sdn. Bhd. on 24 March 1998. Then on 5 December 2003, the Company was converted into a public company under its present name. Its principal activities are manufacturing of pharmaceutical and herbal products.

The Company has seven (7) subsidiaries including one (1) sub-subsidiary, whereby its shareholdings in each of the subsidiaries as at 30 June 2005 are demonstrated in the Corporate Structure of this Annual Report. The principal activities of its subsidiaries are ranging from trading, distribution, sales and marketing and manufacturing of pharmaceutical, phytonutrient and herbal products.

The persistent efforts of the Company and its subsidiaries ("Group") in expanding its business locally and globally over the years has resulted in the Company being successfully listed on the Second Board of the Bursa Securities Malaysia Berhad on 5 April 2005, assuming its present name, Hovid Berhad.

Subsequently, Hovid Marketing Sdn. Bhd., has launched its multi-level network marketing business, a direct marketing channel promoting wellness and health products direct to end user.

On 29 September 2005, Hwang-DBS Securities Berhad, on behalf of the Board of the Company, announced and proposed to undertake the following:

- (i) seek approval from its shareholders at the forthcoming Extraordinary General Meeting of the Company on the shareholders' mandate in relation to the recurrent related party transactions of a revenue or trading nature, which are necessary for the day-to-day operations and are in the ordinary course of business of the Group to be entered into by the Group from the period commencing from the conclusion of the forthcoming AGM to the date of the next AGM;
- (ii) a bonus issue of 57,156,000 new ordinary shares of RM0.50 each in the Company to be credited as fully paid-up on the basis of three (3) new ordinary shares of RM0.50 each in the Company for every five (5) existing Company's shares held;
- (iii) establishment of an Employees Shares Option Scheme for Eligible Employees and Directors of the Group;
- (iv) a shareholders mandate for the Company to purchase its own ordinary shares on Bursa Malaysia Securities Berhad of not more than ten percent (10%) of the issued and paid-up share capital of the Company; and
- (v) an increase in authorised share capital ("IASC") from RM50,000,000 comprising 100,000,000 of the Company's ordinary shares of RM0.50 each to RM100,000,000 comprising 200,000,000 of the Company's ordinary shares of RM0.50 each.

Corporate Development (continued)

The Company will also obtain the authority from its shareholders to allot and issue the Company's ordinary shares of RM0.50 each pursuant to Section 132D of the Companies Act, 1965 of up to ten per cent (10%) of the issued and paid-up share capital of the Company.

The Proposed Bonus Issue is conditional upon Proposed IASC but Proposed IASC is not conditional upon Proposed Bonus Issued. Save for the above proposals, there is no outstanding proposal which has been announced but not yet completed prior to printing of this Annual Report.

In addition, on 29 September 2005, Hwang-DBS Securities Berhad, on behalf of the Board of Carotech Berhad, announced and proposed to undertake the following:

- (i) seek approval from its shareholders at the forthcoming Extraordinary General Meeting of Carotech Berhad on the shareholders' mandate in relation to the recurrent related party transactions of a revenue or trading nature, which are necessary for the day-to-day operations and are in the ordinary course of business of Carotech Berhad and its subsidiary ("Carotech Group") to be entered into by Carotech Group from the period commencing from the conclusion of the forthcoming AGM to the date of the next AGM;
- (ii) a bonus issue of 171,054,000 new ordinary shares of RM0.10 each in Carotech Berhad to be credited as fully paid-up on the basis of three (3) new ordinary shares of RM0.10 each in Carotech Berhad for every five (5) existing Carotech Berhad's shares held;
- (iii) establishment of an Employees Shares Option Scheme for Eligible Employees and Directors of the Carotech Group; and
- (iv) an increase in authorised share capital from RM50,000,000 comprising 500,000,000 of the Carotech Berhad's ordinary shares of RM0.10 each to RM100,000,000 comprising 1,000,000,000 of the Carotech Berhad's ordinary shares of RM0.10 each.

Corporate Development (continued)

Carotech Berhad will also obtain the authority from its shareholders to allot and issue Carotech Berhad's ordinary shares of RM0.10 each pursuant to Section 132D of the Companies Act, 1965 of up to ten per cent (10%) of the issued and paid-up share capital of Carotech Berhad.

Save for the above proposals, there is no outstanding proposals which has been announced but not yet completed prior to printing of this Annual Report.

On 24 October 2005, Hwang-DBS Securities Berhad, on behalf of the Board of the Company and Carotech Berhad announced that the Company and Carotech Berhad have decided to keep the Proposed Employees Share Option Scheme in abeyance pending Malaysian Accounting Standards Board ("MASB") issuing the accounting standard on Share-Based Payment so that the management is clear on the accounting treatment for, amongst others, Employees Share Option Scheme and allow the management to obtain professional advice to assess the full impact of the accounting standard.

Financial Performance Review

For the financial year ended 30 June 2005 under review, the Group achieved a turnover of RM118 million resulting in a profit before taxation and profit after taxation after minority interest of RM27 million and RM23 million respectively. There is no comparative figure as the Group only came into existence on 1 December 2004 and the results for the financial year ended 30 June 2005 includes only seven (7) months' results of the Company's subsidiaries. The results of the Group based on its two (2) main business segments, which are pharmaceutical and phytonutrient industry are as shown in the Financial Highlights of this Annual Report.

CHAIRMAN'S STATEMENT (continued)

Financial Performance Review (continued)

There is an exceptional gain of RM10.8 million arising from the dilution of the Company's shareholding in Carotech Berhad from 69.9% to 51.1% as described in the Business Review of this Annual Report below. The Group's profit after taxation after minority interest of RM23 million is a significant improvement against the forecast profit. This is due to the increased pharmaceutical sales, partly arising from delivery of goods to tender customers in the fourth (4th) quarter and optimal operation of the new expansion plant of a subsidiary.

Business Review

The Group activities in 2005 remained focus on its core business of manufacturing and trading of pharmaceutical and phytonutrient products for the local market as well as exporting to other countries globally.

There were no items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidence save for the non-recurring deemed gain of RM10.8 million arising from the dilution of the Company's shareholding in Carotech Berhad from 69.9% to 51.1%, whereby the gain represents the difference between the Group's share of Carotech Berhad's net assets immediately before and immediately after the dilution and the realisation of the corresponding portion of reserve on consolidation. The dilution of the Company's shareholding in Carotech Berhad from 69.9% to 51.1% resulted from Carotech Berhad issuing 76,690,000 new ordinary shares of RM0.10 each in Carotech Berhad pursuant to its Public Issue in conjunction with its Initial Public Offering and listing on the MESDAQ Market of Bursa Malaysia Securities Berhad.

Barring any unforeseen circumstances, the outlook for the Group would be satisfactory as the Group managed to secure overseas tenders and registration of new products are in the pipeline.

Corporate Governance

The Board and the management appreciate the importance of good corporate governance compliance and to undertake further steps to enhance Corporate Governance. A Risk Management Committee has been formed and established in August 2005 and two (2) meetings were held subsequent to the financial year ended 30 June 2005.



Appreciation

I would like to extend my sincere thanks and appreciation to all shareholders and customers for their faith and continuous trust in us, the authorities, financiers and investors for their continuous support and assistance as well as members of the Board for contributing their skills and wise counsel for the Group.

The Management and employees of the Group deserve special accord for their hard work cum dedication throughout these years especially in rendering their efforts in bringing the successful listing of the Company on the Second Board of the Bursa Malaysia Securities Berhad.

Datuk Haji Ibrahim Bin Haji Ahmad
Chairman

FINANCIAL HIGHLIGHTS

Group Financial Year Ended 30 June 2005	Pharmaceutical RM '000	Phytonutrient RM '000
Turnover	84,143	33,609
Profit before taxation	20,635	6,446
Profit after taxation after minority interest	19,550	3,644

Financial Year Ended 30 June 2005	Sen
Basic earnings per share	40.0
Net tangible assets per share	120.0

* There is no comparative figure as the Group only came into existence on 1 December 2004, applying acquisition method of accounting for its consolidated results. Therefore, the results for the financial year ended 30 June 2005 included only seven (7) months' results of the Company's subsidiaries.

STATEMENT OF CORPORATE GOVERNANCE

The Code

The Board appreciates the importance of good corporate governance within the Group, as it is a fundamental part of discharging its responsibilities to enhance shareholders' value and financial performance of the Group. The Board will undertake steps as far as practical, towards compliance with the recommendations in the Malaysian Code on Corporate Governance as tabulated below.

The Board Of Directors

The Board retains full and effective control of the Group. The Board currently has six (6) members, comprising two (2) Independent Non-Executive Directors, two (2) Non-Executive Directors (including the Chairman), one (1) Executive Director and one (1) Managing Director. Together, the Directors bring a wide range of experience and expertise in various industries to enable the Board to lead and control the Group effectively. Profiles of each Director are presented in the Directors' Profiles of this Annual Report.

The Board has a balanced composition of Executive Directors and Non-Executive Directors, with one third (1/3) Independent Non-Executive Directors. The Board has met one (1) time during the financial year ended 30 June 2005 since the Company was listed on Bursa Malaysia Securities Berhad on 5 April 2005 and will convene additional meetings as and where necessary. All Board members bring an independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

The Board is assisted by two (2) Board Committees, namely the Audit Committee and the Remuneration & Nomination Committee, each entrusted with specific tasks. The Audit Committee is assisted by the Risk Management Committee which forms the second layer of assistance to the Board.

There is a clear division of responsibility between the Chairman and the Managing Director to ensure that there is a balance of power and authority.

Supply Of Information

The Board deliberated and considered a variety of matters including the Group's financial results, strategic and business plan in the meeting held. In arriving at any decisions on recommendations by the Management, thorough discussion and consideration by the Board is pre-requisite. A Board meeting was held during the financial year since the Company was listed on Bursa Malaysia Securities Berhad on 5 April 2005. Proceedings of the Board meeting is minuted and signed by the Chairman of the meeting in accordance with the provision of Section 156 of the Companies Act, 1965.

Details of the Directors' meeting attendances during the financial year are as follows:

Board of Directors	Status	No. of Meetings Attended
Datuk Haji Ibrahim Bin Haji Ahmad	Non-Executive Chairman	1/1
Ho Sue San @ David Ho Sue San	Managing Director	1/1
Liong Kam Hon	Executive Director	1/1
Chuah Chaw Teo	Independent Non-Executive Director	1/1
Leong Kwok Yee	Independent Non-Executive Director	1/1
YM Raja Shamsul Kamal Bin Raja Shahruzzaman	Non-Executive Director	1/1

Nomination & Remuneration Committee

The Nomination & Remuneration Committee which was established on 22 December 2004 comprises wholly of Non-Executive Directors as follows:

Name	Position
Datuk Haji Ibrahim Bin Haji Ahmad	Chairman (Non-Executive Chairman)
Chuah Chaw Teo	Member (Independent Non-Executive Director)
Leong Kwok Yee	Member (Independent Non-Executive Director)

STATEMENT OF CORPORATE GOVERNANCE (continued)

Nomination & Remuneration Committee (continued)

The objectives of the Nomination Committee are to review and assess the composition of the Board to ensure that there is an appropriate balance of skills, experience and expertise among the Board members. The Nomination Committee is also empowered to make recommendations in regards to appointment of new Directors besides assisting in carrying out an annual review on the balance and size of non-executive participation in the Board as well as establishing procedures and processes for the annual assessment of the Board as a whole.

In addition, the objectives of the Remuneration Committee are to establish a remuneration framework for Directors and make recommendations to the Board on all elements of remuneration, terms of employment, reward structure and fringe benefits for Directors.

Directors' Training

The Board acknowledges that continuous education is vital in keeping abreast with changes in laws and regulations, business environment and corporate governance developments, besides enhancing professionalism and knowledge in enabling them to discharge their duties more effectively. Accordingly, the Company is committed to continuously provide pertinent educational program to the Board through both internal and external means. All Directors receive updates from time to time, on relevant new laws and regulations to enhance their business acumen and skills to meet changing commercial risks and challenges. The directors are scheduled to attend the Mandatory Accreditation Programme ("MAP") as required by the authorities. The Board would evaluate and determine the training needs of its Directors on a continuous basis.

Re-election

The Company's Articles of Association provides that at the first AGM of the Company, all the Directors shall retire from office and at the AGM in every subsequent year, one third (1/3) of the Directors for the time being, or, if their number is not three (3) or a multiple of three (3), then the number nearest to one third (1/3) shall retire from office and be eligible for re-election. Notwithstanding any provision to the contrary contained in the Articles, an election of the Directors of the Company shall take place every year and all the Directors (including the Managing Director) shall retire from office once at least in every three (3) years but shall be eligible for re-election. The Directors to retire in each year shall be those who have been the longest in office since their last election. To assist shareholders in their decision, sufficient information such as personal profile, meeting attendance and the shareholdings in the Company of each Director standing for election are furnished in a separate Statement Accompanying the Notice of Annual General Meeting.

Directors' Remuneration

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

Remuneration Band	Executive Directors	Non-Executive Directors
Below RM50,000	-	4
RM200,001 - RM250,000	1	-
RM900,001 - RM950,000	1	-

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

Dialogue Between The Company And Investors

The Board recognises the importance of maintaining effective communications by ensuring timely and accurate disclosure of information to the shareholders and investors of the Group. Various announcements on significant events are made throughout the financial year since the Company was listed on Bursa Malaysia Securities Berhad on 5 April 2005. Quarterly financial results are announced via Bursa Malaysia Securities Berhad to ensure shareholders and investors are up-to-date on of the Group's performance and operations.

AGM is the principal forum for dialogue and interaction with shareholders of the Company. Notice of the AGM and Annual Reports are sent out to the shareholders at least 21 days before the date of the AGM. The Board presents the progress and performance of the business and encourages shareholders to participate in the question and answer session to seek further clarification on the business climate. All members of the Board are available to respond to shareholders' queries raised at the AGM.

Briefing for fund managers, institution investors and investment analysts are held continuously to provide up-to-date information on the Group's performance extending to the current and future development of the Group.

STATEMENT OF CORPORATE GOVERNANCE (continued)

Financial Reporting

The Board is responsible for presenting a fair assessment of the Group's financial performance and prospects through quarterly reports to the Bursa Malaysia Securities Berhad and Annual Report to shareholders. The Audit Committee assists the Board in examining and reviewing information for disclosure to ensure accuracy, completeness and quality of reporting.

Statement Of Directors' Responsibilities For Preparing The Financial Statements

The Directors are required by the Companies Act, 1965 to prepare financial statements for each financial year which gives a true and fair view of the state of affairs of the Group as at the end of the financial year and of the results and cash flow of the Group for the year thereat.

The Directors are required to select appropriate accounting policies and apply them consistently and at the same time to make reasonable and prudent judgements cum estimates, and to state all accounting standards which they consider to be applicable have been followed in preparing the financial statements. The Directors are also required to prepare the financial statements on the on going concern basis unless it is inappropriate to do so.

Directors have responsibility for ensuring that the Group keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and enables them to ensure that the financial statements comply with the Companies Act, 1965 and the MASB approved accounting standards in Malaysia. The Directors also have responsibility for taking such steps that are reasonable to safeguard the assets of the Group and for the prevention and detection of fraud and other irregularities.

Utilisation Of Proceeds

The offer for sales of 24,177,000 ordinary shares of RM0.50 in the Company at an offer price of RM1.76 per share payable in full on application to bumiputera investors nominated and approved by the Ministry of International Trade and Industry, Malaysia and public issue of 12,800,000 new ordinary shares of RM0.50 in the Company at an issue price of RM1.76 per share payable in full on application were completed and the Company was listed on the Second Board of Bursa Malaysia Securities Berhad on 5 April 2005. With this, all its corporate proposals have been duly completed. The utilisation of proceeds is shown in the Directors' Report of the financial statements for the financial year ended 30 June 2005 in this Annual Report.

Non-Audit Fee

There was no non-audit fee paid to external auditors of the Company for the financial year ended 30 June 2005, except for RM178,839 paid for the taxation service and listing exercise of the Group.

Material Contracts

Save as disclosed in the prospectus of the Company, there was no material contract involving Directors' and major shareholders' interest, either still subsisting at the end of the financial year ended 30 June 2005 or entered into since the end of the previous financial year.

Profit Forecast And Profit Guarantee

The Group is reporting a net profit for the financial year ended 30 June 2005 of RM23 million which is a 78% improvement against the forecast profit. This is due to the non-recurring exceptional gain of RM10.8 million arising from the dilution of the Company's shareholding in Carotech Berhad from 69.9% to 51.1%, whereby the gain represents the difference between the Group's share of Carotech Berhad's net assets immediately before and immediately after the dilution and the realisation of the corresponding portion of reserve on consolidation.

There was no profit guarantee given by the Company during the financial year.

STATEMENT OF CORPORATE GOVERNANCE (continued)

Others

There were no share buybacks having taken place and no options, warrants or convertible securities being issued/exercised during the financial year. The Company did not sponsor any ADR or GDR programme during the financial year as well as any sanctions and/or penalties imposed on the Group, Directors or management by the relevant regulatory bodies.

Internal Control

The Directors are fully aware of the responsibilities to maintain a sound system of internal control to safeguard shareholders' investment and the Group's assets. The Directors' responsibilities for the Group's system of internal controls cover not only the financial aspects but also compliance and operational controls as well as risk management matters.

The Statement on Internal Control is presented in this Annual Report to provide an overview of the state of internal controls within the Group.

Relationship With The Auditors

The Company has established and maintained a professional and transparent relationship with the Company's external auditors, Messrs PricewaterhouseCoopers in seeking advice and ensuring compliance with the provisions of the Companies Act, 1965 and the MASB approved accounting standards in Malaysia.

This statement is made in accordance with a resolution of the Board dated 25 October 2005.

STATEMENT ON INTERNAL CONTROL

Introduction

The Principles and Best Practices in the Malaysian Code on Corporate Governance states that the Board should maintain a sound system of internal control to safeguard shareholders' investment and the Company's assets. The Board is committed to maintain a sound system of internal control in the Group and is pleased to provide the following Statement on Internal Control ("Statement") pursuant to paragraph 15.27(b) of the Bursa Malaysia Securities Berhad Listing Requirements ("Listing Requirements").

Pursuant to paragraph 15.24 of the Listing Requirements, the external auditors have reviewed this Statement and have reported to the Board that this Statement is consistent with their understanding of and appropriately reflects the processes the Board has adopted, in reviewing the adequacy and integrity of the internal control system.

Internal Control

The Board acknowledges its responsibility as well as in reviewing the adequacy and the integrity of the Group's system of internal control. It should be appreciated that such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The system of internal controls cover financial, organisational, operational and compliance controls to safeguard shareholders' investment and the Group's assets.

Risk Management Framework

The Board has established an organisation structure with clearly defined lines of accountability and delegated authority for risk management. In August 2005, the Group has initiated an in-house structured risk management framework for an on-going process to identify, evaluate and manage significant risk faced by the Group. This process will involve the establishment of an appropriate risk management framework and functions to embed risk management in the activities of the Group. This includes identifying the principal business risks in critical areas, assessing the likelihood and impact of material exposures and determining its corresponding risk mitigation treatment measures.

To facilitate risk analysis, the Risk Management Committee has conducted a risk management workshop in August 2005. The workshops besides increasing senior management's risk awareness and implications, served to capture a database of likelihood and impact of risk profiles and its associated controls.

Other Components Of Internal Control System

The other key components of the Group's internal control systems are described below:

Board and management meetings

Meetings are carried out regularly with a formal agenda on matters for discussion. Any pertinent issues and recommendations are discussed and explained comprehensively. In addition, a thorough deliberation and discussion by the Board is a pre-requisite in any decision making. The Board is kept updated on the Group's activities on a regular basis.

Audit Committee

The Audit Committee continuously reports to the Board the activities of the internal audit function, significant findings and the necessary recommendations in relations to adequacy and effectiveness of the internal controls and procedures. The Audit Committee also ensures there are continuous efforts by management to address and resolve areas with control weaknesses.

Organisation structure

The Group organisation structure has formally defined lines of responsibilities and delegation of authorities which promotes appropriate levels of accountability for risk management and control procedures. The procedures include the establishment of limits of authority for all aspects which are subject to periodic review of their suitability. Capital and non-capital expenditures are subject to appropriate approval procedures as well.

STATEMENT ON INTERNAL CONTROL (continued)

Other Components Of Internal Control System (continued)

Performance management framework

Management reports are generated on a regular and consistent basis to facilitate the Board and the management to perform review on a range of operating units. The reviews encompass financial and non-financial areas which includes compliance matters.

Operational policies and procedures

The Group's policies and procedures form an integral part of the internal control system to safeguard the Group's assets against material losses. These include memorandum, manuals and handbooks that are continuously being revised and updated to meet the changing environment requirements.

Internal Audit Functions

An independent internal auditor is engaged on 20 June 2005 to assist the Audit Committee, and by extension, the Board, by providing independent assurance on the effectiveness of the Group's system of internal control.

In particular, independent internal auditor appraises and contributes towards improving the Group's risk management and control systems and reports to the Audit Committee on a quarterly basis.

The internal audit work plan, which reflects the risk profile of the Group's major business sectors will be routinely reviewed and approved by the Audit Committee. The scope of the independent internal auditor function will cover the audit of all significant operating business units and operations.

The Board and Audit Committee are in the view that the assurance to be received from the line function management and the independent assurance from the independent internal auditor is sufficient to provide reasonable assurance on the effectiveness of the control environment of the Group.

Weaknesses In Internal Controls

There were no material losses which occurred during the financial year ended 30 June 2005 that resulted from the weaknesses in the internal control system that would require separate disclosure in this Annual Report. The Board continues to take the necessary measures to strengthen the Group's internal control environment.

This statement is made in accordance with a resolution of the Board dated 25 October 2005.

AUDIT COMMITTEE REPORT

The Audit Committee ("Committee") was established on 22 December 2004 to assist the Board in the effective discharge of its fiduciary responsibilities for corporate governance, financial reporting to shareholders, the public and internal control.

Membership

The Committee was appointed by the Board on 22 December 2004 and comprises of the following members:

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

Terms Of Reference

Authority

The Committee is authorised by the Board to consider and investigate any matter within its terms of reference. In discharging its duties, the Committee should have full access to information, obtain external professional advice and may invite outsiders with relevant experience to attend their meetings, if necessary.

Composition

1. The Committee shall consist of at least three (3) Directors, a majority of whom shall be Independent Non-Executive Directors. No member of the Committee shall be:-
 - (a) a person having a relationship which, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the duties of the Committee.
 - (b) an alternate Director.
2. The Chairman of the Committee shall be an Independent Non-Executive Director.
3. At least one (1) member of the Committee:-
 - (a) must be a member of the Malaysian Institute of Accountants; or
 - (b) if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years' working experience and:
 - (i) he must have passed the examinations specified in the Accountants Act 1967; or
 - (ii) he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act, 1967; or
 - (c) fulfills such other requirements as may be prescribed by Bursa Malaysia Securities Berhad; or
 - (d) has been granted a waiver or approval by the Bursa Malaysia Securities Berhad from otherwise having to comply with any of its prescribed qualification under 3 (a)-(c) above.
4. If a member of the Committee resigns, dies or for any reason ceases to be a member with the result that the number of members is reduced below three (3), the Board shall, within three (3) months of that event, appoint such new members as may be required to make up the minimum number of three (3) members.
5. The term of office and performance of the Committee and each of its members will be reviewed by the Board at least once every three (3) years. However, the Committee member will cease to become a member when he ceases to be a Director.

AUDIT COMMITTEE REPORT (continued)

Terms Of Reference (continued)

Meetings

1. A quorum shall consist of a minimum of two (2) Independent Non-Executive Director members.
2. Minutes of each meeting shall be kept and distributed to each member of the Committee and of the Board. The Chairman of the Committee shall report on each meeting to the Board.
3. The Committee shall meet not less than four (4) times in a year. In addition, the Chairman may call a meeting of the Committee if a request is made by any committee members, the Chairman/Managing Director or the internal or external auditors if they consider it necessary. Notice of meetings shall be circulated to the members one (1) week in advance or at a shorter notice as may be agreed by all the members of the Committee.

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

4. Questions arising at any meeting shall be decided by a majority vote, each member having one (1) vote and in the event of a tie, the Chairman shall have a second or casting vote. However, at meetings where two (2) members form a quorum, or when only two (2) members are competent to vote on an issue, the Chairman will not have a casting vote.
5. The Secretary to the Committee is, but need not be, the Company Secretary.
6. The Group Financial Controller or equivalent, the Group internal auditor or equivalent and a representative of the external auditors shall normally attend meetings. Other Board members may attend meetings upon the invitation of the Committee. However, at least once a year the Committee shall meet with the internal and external auditors independently.

Responsibility

1. To consider and recommend the appointment of the external auditors, the audit fee and any questions of resignation dismissal or reappointment.
2. To discuss with the external auditors before the audit commences, the audit plan, the nature and scope of the audit, and ensure co-ordination when more than one (1) audit firm is involved.
3. To review and discuss with the external auditors the following:-
 - (a) his evaluation of the system of internal controls;
 - (b) his audit report;
 - (c) the assistance given by the employees to him;
 - (d) problems and reservations arising from the interim and final audits, and any matter he may wish to discuss (in the absence of management where necessary);
 - (e) his management letter and management's response.
4. Where the internal audit function is concerned:-
 - (a) review the adequacy of the scope, functions and resources of the internal audit function, and that it has the necessary authority to carry out its work;
 - (b) review the internal audit programme and processes and results of the internal audit process and where necessary ensure that appropriate action is taken on the recommendations of the internal audit function;
 - (c) review any appraisal or assessment of the performance of members of the internal audit function.
5. To review the quarterly results and year-end financial statements of the Company, prior to submission to the Board for approval, focusing particularly on:-
 - (a) any changes in accounting policies and practices;

AUDIT COMMITTEE REPORT (continued)

Terms Of Reference (continued)

Responsibility (continued)

- (b) compliance with accounting standards and other legal requirements;
 - (c) significant and unusual events;
 - (d) the going concern assumption.
6. To review the risk management process to ensure it fulfils the Group's strategic objectives and is for the practice of good governance in the organisation.
 7. To review any related party transactions and conflict of interest situation that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of management integrity.
 8. To consider the major findings of internal investigations and management's response.
 9. To consider other topics as defined by the Board.

Meetings

The Committee has convened one (1) meeting during the financial year ended 30 June 2005 since the Company was listed on Bursa Malaysia Securities Berhad on 5 April 2005, which was attended by all the members. The meeting was appropriately structured through the use of agendas, which were distributed to members with sufficient notification.

Representatives of the external auditors, Messrs PricewaterhouseCoopers and Liong Kam Hon, an Executive Director were present by invitation in the meeting.

Summary Of Activities

The Committees carried out its duties in accordance with its terms of reference and the activities undertaken during the financial year 30 June 2005 up to 24 Oct 2005 were as follows:

1. reviewed external auditors' scope of work and audit plan for the year and the external auditors presented their audit strategy and plan;
2. reviewed the results of the audit, audit report and the Committee report containing internal control recommendations including the responses with the external auditors;
3. reviewed the audited financial statements of the Group prior to submission to the Board for consideration and approval;
4. reviewed the quarterly unaudited financial results before recommending to the Board for approval;
5. reviewed the recurrent related party transactions by the Group;
6. reviewed the terms of reference of the Committee and recommend any amendments, where necessary to the Board for approval.

Internal Audit Function

On 20 June 2005, the Company engaged an external independent internal auditor to carry out the internal audit function to assist the Audit Committee and Risk Management Committee. The internal audit functions are as set out in the Statement on Internal Control. Subsequent to the financial year ended 30 June 2005, a comprehensive risk assessment workshop was carried out to identify the risk profiles via assessing the potential risk areas, which includes risks evaluation, risks mapping and risks catalogue with action plans being identified.