

10. REPORTING ACCOUNTANT'S REPORT (CONTINUED)


Hovid Berhad
Accountants' Report

8.7 Notes to the financial statements (continued)

8.7.6 Property, plant and equipment (continued)

	Freehold land RM'000	Buildings RM'000	Plant and equipment RM'000	Office and laboratory equipment RM'000	Furniture, fittings and electrical installation RM'000	Motor vehicles RM'000	Capital work in progress RM'000	Total RM'000
<u>2002</u>								
Cost								
At 1 July 2001	0	0	6,403	657	40	117	0	7,217
Additions	0	0	432	31	162	126	684	1,435
At 30 June 2002	0	0	6,835	688	202	243	684	8,652
Less:								
Accumulated depreciation								
At 1 July 2001	0	0	2,589	211	25	57	0	2,882
Charge for the financial year	0	0	411	47	9	24	0	491
At 30 June 2002	0	0	3,000	258	34	81	0	3,373
Net book value								
At 30 June 2002	0	0	3,835	430	168	162	684	5,279
<u>2003</u>								
Cost								
At 1 July 2002	0	0	6,835	688	202	243	684	8,652
Additions	0	0	265	47	50	294	98	754
At 30 June 2003	0	0	7,100	735	252	537	782	9,406
Less:								
Accumulated depreciation								
At 1 July 2002	0	0	3,000	258	34	81	0	3,373
Charge for the financial year	0	0	392	47	30	47	0	516
At 30 June 2003	0	0	3,392	305	64	128	0	3,889
Net book value								
At 30 June 2003	0	0	3,708	430	188	409	782	5,517

10. REPORTING ACCOUNTANT'S REPORT (CONTINUED)


Hovid Berhad
Accountants' Report

8.7 Notes to the financial statements (continued)

8.7.6 Property, plant and equipment (continued)

	Freehold land RM'000	Buildings RM'000	Plant and equipment RM'000	Office and laboratory equipment RM'000	Furniture, fittings and electrical installation RM'000	Motor vehicles RM'000	Capital work in progress RM'000	Total RM'000
<u>2004</u>								
Cost								
At 1 July 2003	0	0	7,100	735	252	537	782	9,406
Additions	0	0	577	125	107	0	16,666	17,475
At 30 June 2004	0	0	7,677	860	359	537	17,448	26,881
Less:								
Accumulated depreciation								
At 1 July 2003	0	0	3,392	305	64	128	0	3,889
Charge for the financial year	0	0	413	48	34	82	0	577
At 30 June 2004	0	0	3,805	353	98	210	0	4,466
Net book value								
At 30 June 2004	0	0	3,872	507	261	327	17,448	22,415
<u>4 months ended 31 October 2004</u>								
Cost								
At 1 July 2004	0	0	7,677	860	359	537	17,448	26,881
Additions	4,740	970	60	121	53	0	3,547	9,491
Transfers	0	4,811	16,184	0	0	0	(20,995)	0
At 31 October 2004	4,740	5,781	23,921	981	412	537	0	36,372
Less:								
Accumulated depreciation								
At 1 July 2004	0	0	3,805	353	98	210	0	4,466
Charge for the financial period	0	19	442	19	13	22	0	515
At 31 October 2004	0	19	4,247	372	111	232	0	4,981
Net book value								
At 31 October 2004	4,740	5,762	19,674	609	301	305	0	31,391

10. REPORTING ACCOUNTANT'S REPORT (CONTINUED)


Hovid Berhad
Accountants' Report

8.7 Notes to the financial statements (continued)

8.7.6 Property, plant and equipment (continued)

	Financial year ended 30 June					4 months ended 31 October
	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000	2004 RM'000
Assets under hire-purchase						
Plant and equipment						
- additions during the financial year/period	0	0	206	0	0	2,221
- net book value as at 30 June/31 October	2,117	1,834	1,771	1,500	149	11,089
Motor vehicles						
- additions during the financial year/period	0	0	126	295	0	0
- net book value as at 30 June/31 October	74	59	113	371	296	277
Capital work in progress						
- additions during the financial year/period	0	0	0	0	7,920	0
- net book value as at 30 June/31 October	0	0	0	0	7,920	0

Interest expense on borrowings and director's remuneration directly related to factory buildings, plant and machinery under construction that have been capitalised within additions of Carotech Group during the four months ended 31 October 2004 amounted to RM104,000 (30 June 2004: RM105,000) (Note 8.7.3) and RM62,000 (30 June 2004: RM210,000) respectively.

Net book value of property, plant and equipment pledged as securities for the credit facilities granted to Carotech as disclosed in Notes 8.7.15 to 8.7.17 to the financial statements is as follows:

	As at 30 June					As at 31 October
	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000	2004 RM'000
Net book value of property, plant and equipment pledged	4,430	4,326	5,267	5,503	22,401	31,375

The land title of the freehold land acquired during the four months ended 31 October 2004 has not been transferred and registered in the name of Carotech as at 31 October 2004 as it is still awaiting approval from the relevant authorities.

10. REPORTING ACCOUNTANT'S REPORT (CONTINUED)


Hovid Berhad
Accountants' Report

8.7 Notes to the financial statements (continued)

8.7.7 Product development expenditure

	As at 30 June					As at
	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000	31 October 2004 RM'000
At cost	4,351	4,351	4,351	4,351	4,351	4,351
Less: Accumulated amortisation						
At 1 July	1,741	2,176	2,611	3,046	3,481	3,916
Amortisation for the financial year	435	435	435	435	435	145
At 30 June/31 Oct	2,176	2,611	3,046	3,481	3,916	4,061
Net book value	2,175	1,740	1,305	870	435	290

8.7.8 Inventories

	As at 30 June					As at
	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000	31 October 2004 RM'000
At cost,						
Raw materials	172	67	51	540	419	44
Work in progress	4,429	4,367	5,588	4,842	6,798	8,706
Finished goods	2,070	372	2,638	3,603	978	4,862
	6,671	4,806	8,277	8,985	8,195	13,612
At net realisable value,						
Work in progress	0	292	564	0	0	0
	6,671	5,098	8,841	8,985	8,195	13,612

8.7.9 Trade and other debtors

	As at 30 June					As at
	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000	31 October 2004 RM'000
Trade debtors	2,249	4,302	3,826	3,062	8,142	7,107
Other debtors	441	168	101	77	337	73
Deposits	8	106	18	322	19	19
Prepayments	42	37	36	82	422	994
	2,740	4,613	3,981	3,543	8,920	8,193
Currency exposure profile of trade and other debtors:						
RM			1,461	351	3,083	1,542
USD			2,466	2,788	5,396	5,638
			3,927	3,139	8,479	7,180
Credit terms of trade debtors (days)			30-90	30-90	30-90	30-90

10. REPORTING ACCOUNTANT'S REPORT (CONTINUED)


Hovid Berhad
Accountants' Report

8.7 Notes to the financial statements (continued)

8.7.9 Trade and other debtors

Concentration of credit risk with respect to trade debtors is limited due to Carotech Group's broad customer base. The base is internationally dispersed, covers a wide spectrum of manufacturing and distribution sectors and has a variety of end markets. Carotech Group's historical experience in collection shows full recovery with no major default. Due to this factor, management believes that there will not be any foreseeable collection losses inherent in Carotech Group's trade debtors.

Included in deposits as at 30 June 2003 were deposits of RM304,000 paid for the purchase of property, plant and equipment with the remaining contracted sum included in capital commitments disclosed in Note 8.7.23.

8.7.10 Amount owing by HYH

The amount owing by HYH is in respect of non trade advances granted to HYH denominated in Ringgit Malaysia. It is unsecured with no fixed terms of repayment and carries an interest rate of 3.00% (30 June 2004: 3.00%) per annum.

8.7.11 Amounts owing by/(to) fellow subsidiaries

	As at 30 June					As at
	2000	2001	2002	2003	2004	31 October
	RM'000	RM'000	RM'000	RM'000	RM'000	2004
						RM'000
Amount owing by:						
Trade account	1,359	1,772	2,403	3,089	3,603	3,888
Non trade account	0	0	0	3,298	3,922	0
	<u>1,359</u>	<u>1,772</u>	<u>2,403</u>	<u>6,387</u>	<u>7,525</u>	<u>3,888</u>
Amount owing to:						
Trade account	0	0	0	0	(160)	(162)
Non trade account	(1,362)	(1,806)	(1,726)	0	0	(73)
	<u>(1,362)</u>	<u>(1,806)</u>	<u>(1,726)</u>	<u>0</u>	<u>(160)</u>	<u>(235)</u>
Credit terms of trade accounts (days)			<u>60-90</u>	<u>60-90</u>	<u>60-90</u>	<u>60-90</u>

All the balances are denominated in Ringgit Malaysia.

The non trade amounts owing by and to are unsecured with no fixed terms of repayment and carry the following interest rates:

	As at 30 June					As at
	2000	2001	2002	2003	2004	31 October
	%	%	%	%	%	2004
						%
Interest rate per annum:						
Non trade amount owing by	N/A	N/A	N/A	3.00	3.00	3.00
Non trade amount owing to	8.80	8.80	0	N/A	N/A	N/A

10. REPORTING ACCOUNTANT'S REPORT (CONTINUED)


Hovid Berhad
Accountants' Report

8.7 Notes to the financial statements (continued)

8.7.12 Cash and cash equivalents

	As at 30 June					As at
	2000	2001	2002	2003	2004	31 October
	RM'000	RM'000	RM'000	RM'000	RM'000	2004
						RM'000
Cash and bank balances	1	1,152	1,323	2,691	1,026	1,073
Bank overdrafts (Note 8.7.17)	(547)	(640)	(635)	(749)	(986)	(4,448)
	<u>(546)</u>	<u>512</u>	<u>688</u>	<u>1,942</u>	<u>40</u>	<u>(3,375)</u>

Currency exposure profile of cash and bank balances:

RM		546	2,063	36	2
USD		777	628	990	1,071
		<u>1,323</u>	<u>2,691</u>	<u>1,026</u>	<u>1,073</u>

Included in the bank balances as at 30 June 2003, 30 June 2004 and 31 October 2004 are deposits of RM628,000, RM990,000 and RM1,071,000 respectively, placed with licensed banks which earn an average effective interest rate of 1.00% per annum.

8.7.13 Trade and other creditors

	As at 30 June					As at
	2000	2001	2002	2003	2004	31 October
	RM'000	RM'000	RM'000	RM'000	RM'000	2004
						RM'000
Trade creditors	302	664	950	2,268	2,459	3,473
Other creditors and accruals	582	637	983	765	2,206	1,210
	<u>884</u>	<u>1,301</u>	<u>1,933</u>	<u>3,033</u>	<u>4,665</u>	<u>4,683</u>

Currency exposure profile:

RM		1,759	2,440	4,457	4,226
USD		174	593	149	454
Euro		0	0	40	0
GBP		0	0	19	0
SGD		0	0	0	3
		<u>1,933</u>	<u>3,033</u>	<u>4,665</u>	<u>4,683</u>

Credit terms of trade creditors (days)		<u>7-90</u>	<u>7-90</u>	<u>7-90</u>	<u>7-90</u>
--	--	-------------	-------------	-------------	-------------

10. REPORTING ACCOUNTANT'S REPORT (CONTINUED)


Hovid Berhad
Accountants' Report

8.7 Notes to the financial statements (continued)

8.7.14 Hire-purchase creditors

	As at 30 June					As at
	2000	2001	2002	2003	2004	31 October
	RM'000	RM'000	RM'000	RM'000	RM'000	2004
						RM'000
Gross amounts due:						
Payable not later than one year	626	502	545	202	2,375	2,483
Payable later than one year and not later than five years	1,018	516	257	295	7,458	8,838
Payable later than five years	0	0	0	88	87	24
	<u>1,644</u>	<u>1,018</u>	<u>802</u>	<u>585</u>	<u>9,920</u>	<u>11,345</u>
Less: Finance charges	(62)	(10)	(53)	(99)	(1,836)	(1,765)
	<u>1,582</u>	<u>1,008</u>	<u>749</u>	<u>486</u>	<u>8,084</u>	<u>9,580</u>
Present value of hire-purchase creditors:						
Payable not later than one year	591	500	520	172	1,690	1,809
Payable later than one year and not later than five years	991	508	229	233	6,308	7,747
Payable later than five years	0	0	0	81	86	24
	<u>991</u>	<u>508</u>	<u>229</u>	<u>314</u>	<u>6,394</u>	<u>7,771</u>
	<u>1,582</u>	<u>1,008</u>	<u>749</u>	<u>486</u>	<u>8,084</u>	<u>9,580</u>
Fair value of hire-purchase creditors			724	427	8,202	9,298
Interest rates per annum (%)	8.30-16.25	8.90-17.22	8.90-17.22	6.44-11.08	6.44-11.08	6.44-11.08

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.

10. REPORTING ACCOUNTANT'S REPORT (CONTINUED)


Hovid Berhad
Accountants' Report

8.7 Notes to the financial statements (continued)

8.7.15 Term loans

	As at 30 June					As at
	2000	2001	2002	2003	2004	31 October
	RM'000	RM'000	RM'000	RM'000	RM'000	2004
						RM'000
Term loan 1	187	0	0	0	0	0
Term loan 2	0	0	0	0	3,079	3,885
Term loan 3	0	0	0	0	0	1,000
	<u>187</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,079</u>	<u>4,885</u>
Current liabilities						
Payable not later than one year	187	0	0	0	633	891
Non current liabilities						
Payable later than one year and not later than five years	0	0	0	0	2,446	3,994
	<u>187</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,079</u>	<u>4,885</u>
Fair value			0	0	3,079	4,770
Interest rates per annum (%)	9.30-9.75	N/A	N/A	N/A	6.00	6.00

Term loan 1 was secured by fixed and floating charges over all the assets of Carotech. It was repayable by 60 monthly instalments commencing October 1995 and was fully settled in the financial year ended 30 June 2001.

Term loans 2 and 3 are repayable over 60 monthly instalments commencing 1 September 2004 and 1 November 2004 respectively. They carry a fixed interest rate of 6.00% per annum, subject to the bank's right to vary the rate from time to time.

Term loans 2 and 3 are secured by fixed charge to be created over a piece of freehold industrial land with the buildings erected thereon ("Said Property") of Carotech. Although Carotech has fully settled the purchase consideration for the Said Property, the subdivision and transfer of the individual title is still awaiting approval from the relevant authorities. A deed of assignment on the Said Property in favour of the bank was entered into on 28 April 2004 as security for the term loans.

All balances are denominated in Ringgit Malaysia.

10. REPORTING ACCOUNTANT'S REPORT (CONTINUED)


Hovid Berhad
Accountants' Report

8.7 Notes to the financial statements (continued)

8.7.16 Bankers' acceptances

	As at 30 June					As at
	2000	2001	2002	2003	2004	31 October
	RM'000	RM'000	RM'000	RM'000	RM'000	2004
						RM'000
Secured	3,880	2,516	2,319	1,451	4,717	6,831
Unsecured	0	656	924	813	575	1,185
	<u>3,880</u>	<u>3,172</u>	<u>3,243</u>	<u>2,264</u>	<u>5,292</u>	<u>8,016</u>
Interest rates per annum (%)	<u>3.50-6.20</u>	<u>3.60-6.40</u>	<u>2.95-5.75</u>	<u>4.40-5.55</u>	<u>3.10-5.05</u>	<u>4.00-4.90</u>
Credit period (days)			<u>66-117</u>	<u>88-119</u>	<u>58-141</u>	<u>88-147</u>

All balances are denominated in Ringgit Malaysia.

The secured bankers' acceptances of Carotech Group are secured by debentures incorporating fixed and floating charges over all the assets of Carotech.

8.7.17 Bank overdrafts

	As at 30 June					As at
	2000	2001	2002	2003	2004	31 October
	RM'000	RM'000	RM'000	RM'000	RM'000	2004
						RM'000
Secured	547	200	464	400	896	3,468
Unsecured	0	440	171	349	90	980
	<u>547</u>	<u>640</u>	<u>635</u>	<u>749</u>	<u>986</u>	<u>4,448</u>
Interest rates per annum (%)	<u>8.80-9.25</u>	<u>8.80-9.30</u>	<u>8.40-9.05</u>	<u>8.00-8.25</u>	<u>7.25-8.50</u>	<u>7.25-8.50</u>

All balances are denominated in Ringgit Malaysia.

The secured bank overdrafts of Carotech Group are secured by debentures incorporating fixed and floating charges over all the assets of Carotech.

10. REPORTING ACCOUNTANT'S REPORT (CONTINUED)


Hovid Berhad
Accountants' Report

8.7 Notes to the financial statements (continued)

8.7.18 Deferred tax liabilities

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, after appropriate offsetting are shown in the balance sheets:

	As at 30 June					As at
	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000	31 October 2004 RM'000
Deferred tax liabilities						
- subject to income tax	505	510	865	662	777	930
At 1 July	0	505	510	865	662	777
Charged/(credited) to income statements:						
- property, plant and equipment	262	156	121	123	115	153
- intangible asset	543	(126)	(91)	(326)	0	0
- general provisions on slow moving inventories	(96)	(229)	325	0	0	0
- unabsorbed tax losses	(204)	204	0	0	0	0
At 30 June/31 October	505	510	865	662	777	930
Subject to income tax:						
Deferred tax liabilities						
- property, plant and equipment	262	418	539	662	777	930
- intangible asset	543	417	326	0	0	0
Deferred tax liabilities (before offsetting)	805	835	865	662	777	930
Offsetting	(300)	(325)	0	0	0	0
Deferred tax liabilities (after offsetting)	505	510	865	662	777	930
Subject to income tax:						
Deferred tax assets						
- general provisions	(96)	(325)	0	0	0	0
- unabsorbed tax losses	(204)	0	0	0	0	0
Deferred tax assets (before offsetting)	(300)	(325)	0	0	0	0
Offsetting	300	325	0	0	0	0
Deferred tax assets (after offsetting)	0	0	0	0	0	0

10. REPORTING ACCOUNTANT'S REPORT (CONTINUED)


Hovid Berhad
Accountants' Report

8.7 Notes to the financial statements (continued)

8.7.19 Share capital

	As at 30 June					As at
	2000	2001	2002	2003	2004	31 October
	RM'000	RM'000	RM'000	RM'000	RM'000	2004
						RM'000
Ordinary shares of RM1 each						
Authorised	5,000	5,000	5,000	5,000	5,000	5,000
Issued and fully paid						
At 1 July	3,300	3,300	3,300	3,300	3,300	3,432
Rights issue	0	0	0	0	132	0
At 30 June/31 October	3,300	3,300	3,300	3,300	3,432	3,432

During the financial year ended 30 June 2004, Carotech increased its issued and fully paid share capital by way of a renounceable rights issue of 132,000 new ordinary shares of RM1 each at par in connection with the listing exercise of Carotech.

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

8.7.20 Retained earnings

Subject to the agreement with the Inland Revenue Board, Carotech has sufficient tax credit under Section 108 of the Income Tax Act, 1967 and exempt income account to frank dividends out of all its retained earnings as at 31 October 2004.

8.7.21 Significant related party disclosures

The significant related parties and their relationship are disclosed in Note 7.7.25 of this Report.

In addition to the related party information disclosed elsewhere in the Report, Carotech Group has the following significant transactions with related parties based on prices agreed between the parties:

	Financial year ended 30 June					4 months
	2000	2001	2002	2003	2004	ended
	RM'000	RM'000	RM'000	RM'000	RM'000	31 October
						2004
						RM'000
Hovid						
- sales of goods	682	279	676	1,045	977	285
- rental expenses	180	180	180	264	264	44
- reallocation of common cost	0	0	42	1,035	389	115
- interest expenses	89	101	0	0	0	0
- interest income	0	0	0	58	109	29
- steam service income	0	0	0	0	570	120
- purchase of freehold land and buildings	0	0	0	0	0	5,710

10. REPORTING ACCOUNTANT'S REPORT (CONTINUED)


Hovid Berhad
Accountants' Report

8.7 Notes to the financial statements (continued)

8.7.21 Significant related party disclosures (continued)

	Financial year ended 30 June					4 months ended
	2000	2001	2002	2003	2004	31 October
	RM'000	RM'000	RM'000	RM'000	RM'000	2004
						RM'000
CGS						
- purchases of goods	0	0	69	830	1,182	1,771

The balances outstanding for Carotech Group in connection with the transactions stated above are disclosed in Note 8.7.11.

8.7.22 Tax incentives

Carotech has been granted pioneer status under the Promotion of Investments Act, 1986 for a period of 5 years from 1 December 1998 to 30 November 2003 for the production of carotenoids, Vitamin E (tocotrienols), crude glycerine and methyl esters. This incentive allowed Carotech to enjoy an exemption of 70% of its statutory income from income tax during the said pioneer period.

Subsequently, Carotech 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 is fully exempted from income tax under this incentive.

8.7.23 Capital commitments

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

	As at 30 June					As at
	2000	2001	2002	2003	2004	31 October
	RM'000	RM'000	RM'000	RM'000	RM'000	2004
						RM'000
Authorised and contracted:						
- freehold land and buildings	0	0	0	0	5,710	0
- buildings	0	0	0	0	1,128	0
- plant and equipment	0	185	52	865	530	384
	0	185	52	865	7,368	384
Authorised but not contracted:						
- building	0	0	0	350	0	0
- plant and equipment	0	0	0	3,658	0	0
- office and laboratory equipment	0	0	0	829	0	0
	0	0	0	4,837	0	0



Hovid Berhad Accountants' Report

8.7 Notes to the financial statements (continued)

8.7.24 Contingent liability

The following disclosure was made in the statutory financial statements of Carotech for the financial years ended 30 June 2001 and 2002:

On 11 April 2001, Inland Revenue Board ("IRB") assessed Carotech for income tax amounting to approximately RM1,037,000 in respect of the financial year ended 30 June 2000 pending the approval of its application for pioneer status. An appeal was lodged against this assessment. The directors were of the opinion that the assessment was excessive and had consequently provided for income tax amounting to approximately RM311,000 in the financial statements. In the event that Carotech's appeal was unsuccessful, Carotech would have a liability for the remaining balance not provided for amounting to approximately RM726,000.

The IRB agreed to the assessment of RM311,000 in December 2002.

8.7.25 Non cash transactions

The principal non cash transactions of Carotech Group during the financial year/period are the purchases of property, plant and equipment by means of the following:

	Financial year ended 30 June					4 months ended 31 October
	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000	2004 RM'000
Hire-purchase	0	0	275	270	7,920	1,996
Term loan	0	0	0	0	3,079	1,921

8.7.26 Non cancellable operating lease commitments

	As at 30 June					As at 31 October
	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000	2004 RM'000
Not later than one year	0	0	0	44	44	22

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

10. REPORTING ACCOUNTANT'S REPORT (CONTINUED)


Hovid Berhad
Accountants' Report

8.7 Notes to the financial statements (continued)

8.7.27 Fair values

The carrying amounts of financial assets and liabilities of Carotech Group as at 30 June 2002, 30 June 2003, 30 June 2004 and 31 October 2004 approximated their fair values.

8.7.28 Segment reporting

(a) Primary reporting format - business

Carotech Group has only one business segment as it operates only in the phytonutrients industry. Disclosures required under the primary reporting format are presented in the income statements, balance sheets and notes to the financial statements respectively.

(b) Secondary reporting format - geographical segments

Although Carotech Group's products are sold on a worldwide basis, Carotech Group operates in three main geographical areas:

- (i) Asia & Asia Pacific region *
- (ii) North and South America
- (iii) Europe

* Carotech's home region

	Financial year ended 30 June					4 months ended
	2000	2001	2002	2003	2004	31 October
	RM'000	RM'000	RM'000	RM'000	RM'000	2004
Revenue						RM'000
Asia and Asia Pacific region	5,156	7,595	7,238	11,746	15,507	3,261
North and South America	4,229	5,162	6,553	11,455	10,356	3,394
Europe	4,255	4,083	4,246	6,763	9,398	6,605
	<u>13,640</u>	<u>16,840</u>	<u>18,037</u>	<u>29,964</u>	<u>35,261</u>	<u>13,260</u>
	As at 30 June					As at
	2000	2001	2002	2003	2004	31 October
	RM'000	RM'000	RM'000	RM'000	RM'000	2004
Total assets						RM'000
Asia and Asia Pacific region	17,375	18,575	22,958	27,665	50,039	60,186
North and South America	0	135	174	328	121	339
Europe	0	0	0	0	0	0
	<u>17,375</u>	<u>18,710</u>	<u>23,132</u>	<u>27,993</u>	<u>50,160</u>	<u>60,525</u>

10. REPORTING ACCOUNTANT'S REPORT (CONTINUED)


Hovid Berhad
Accountants' Report

8.7 Notes to the financial statements (continued)

8.7.28 Segment reporting

	Financial year ended 30 June					4 months ended
	2000	2001	2002	2003	2004	31 October
	RM'000	RM'000	RM'000	RM'000	RM'000	2004
						RM'000
Capital expenditure						
Asia and Asia Pacific region	98	387	1,430	749	17,475	9,488
North and South America	0	10	5	5	0	3
Europe	0	0	0	0	0	0
	98	397	1,435	754	17,475	9,491

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

8.8 Statement of assets and liabilities

The statement of assets and liabilities based on the audited financial statements of Carotech Group as at 31 October 2004 has been included in the consolidated balance sheets stated in Note 8.4 above.

9. Hovid Pharmacy Sdn. Bhd.

9.1 General information

Hovid Pharmacy Sdn. Bhd. ("H Pharmacy") was incorporated in Malaysia on 16 June 1981 as a private limited company.

The principal activity of H Pharmacy is trading of medical supplies, pharmaceutical and consumer products.

H Pharmacy was an exempt private company prior to it becoming a wholly owned subsidiary company of Ho Yan Hor Holdings Sdn. Bhd., a company incorporated in Malaysia, on 31 December 1999.

The address of the registered office of H Pharmacy is 29 Jalan Yang Kalsom, 30250 Ipoh, Perak Darul Ridzuan.

10. REPORTING ACCOUNTANT'S REPORT (CONTINUED)


Hovid Berhad
Accountants' Report
9.1 General information (continued)

The addresses of the principal places of business of H Pharmacy are as follows:

- | | |
|---|--|
| 1) 29 Jalan Yang Kalsom
30250 Ipoh
Perak Darul Ridzuan | 5) 52 Lintang Angsana
Bandar Baru Ayer Itam
11500 Penang |
| 2) 40 Jalan TPJ 10
Taman Perindustrian Jaya
47200 Subang
Selangor Darul Ehsan | 6) Lot 57, Ground & 1 st Floor
WK Commercial Centre
Mile 4½ Jalan Penampang
88300 Kota Kinabalu, Sabah |
| 3) 25 Jalan Sri Bahagia 5
Taman Sri Bahagia
81200 Johor Bahru
Johor Darul Takzim | 7) Lot 2812, Jalan Tun Ahmad Zaidi Adruce
93150 Kuching
Sarawak |
| 4) 64 Jalan Leong Sin Nam
30300 Ipoh
Perak Darul Ridzuan | 8) No. 12, Laluan Kangsar 9,
Off Jalan Kuala Kangsar
30010 Ipoh, Perak Darul Ridzuan |

The number of employees in H Pharmacy as at each financial year/period end is as follows:

	As at 30 June					As at
	2000	2001	2002	2003	2004	31 October 2004
Number of employees	96	124	134	129	161	167

9.2 Financial statements and auditors

The financial statements included in this Report have been prepared under the historical cost convention except as disclosed in the summary of significant accounting policies and in accordance with the applicable approved accounting standards in Malaysia.

The financial statements are the responsibility of H Pharmacy's directors. We are the auditors of H Pharmacy for all the financial years/period relevant to this Report. The audited financial statements of H Pharmacy for the five financial years ended 30 June 2004 and the four months ended 31 October 2004 under review were audited and reported on by us without any modification.

10. REPORTING ACCOUNTANT'S REPORT (CONTINUED)


Hovid Berhad
Accountants' Report
9.3 Income statements

The income statements of H Pharmacy for the five financial years ended 30 June 2004 and the four months ended 31 October 2004, which are based on the audited financial statements of H Pharmacy are as follows:

	Note	Financial year ended 30 June					4 months ended
		2000	2001	2002	2003	2004	31 October
	9.7	RM'000	RM'000	RM'000	RM'000	RM'000	2004
							RM'000
Revenue	1	32,903	35,859	37,913	38,150	40,855	12,872
Other operating income		321	554	67	159	58	103
Purchase of trading goods		(30,173)	(26,167)	(30,172)	(27,752)	(30,052)	(10,032)
Changes in inventories of trading goods		3,018	(2,617)	1,273	(1,294)	(276)	1,027
Staff costs		(2,786)	(4,021)	(5,114)	(5,202)	(5,163)	(1,912)
Depreciation and amortisation		(306)	(315)	(326)	(277)	(275)	(104)
Reallocation of common cost		0	0	(477)	(546)	(811)	(299)
Bad debts written off		0	(163)	0	0	0	0
Other operating expenses		(1,869)	(1,887)	(1,996)	(2,352)	(2,546)	(986)
Profit from operations	2	1,108	1,243	1,168	886	1,790	669
Finance cost	3	(700)	(614)	(555)	(490)	(980)	(338)
Profit from ordinary activities before taxation		408	629	613	396	810	331
Taxation	4	(168)	(254)	(203)	(141)	(186)	(74)
Net profit for the financial year/period		240	375	410	255	624	257

THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK

10. REPORTING ACCOUNTANT'S REPORT (CONTINUED)


Hovid Berhad
Accountants' Report

9.4 Balance sheets

The balance sheets of H Pharmacy as at 30 June 2000 to 30 June 2004 and as at 31 October 2004, which are based on its audited financial statements after incorporating the adjustments set out in Note 9.7.20, are as follows:

	Note	As at 30 June					As at
		2000	2001	2002	2003	2004	31 October
	9.7	RM'000	RM'000	RM'000	RM'000	RM'000	2004
							RM'000
Non current assets							
Property, plant and equipment	5	5,996	5,942	5,991	5,757	6,019	6,193
Current assets							
Inventories	6	10,464	7,846	9,120	7,825	7,550	8,577
Trade and other debtors	7	8,670	9,545	11,130	10,616	12,699	10,669
Income tax recoverable		67	0	0	45	37	30
Cash and bank balances	8	1,006	588	423	607	756	774
		20,207	17,979	20,673	19,093	21,042	20,050
Current liabilities							
Trade and other creditors	9	1,097	1,162	1,518	1,303	1,327	1,064
Amount owing to HYH	10	7	0	0	0	0	0
Amounts owing to a fellow subsidiary	11	14,210	12,268	14,212	12,849	14,950	14,357
Hire-purchase creditors	12	130	96	82	61	80	108
Term loans	13	209	226	207	243	289	294
Bankers' acceptances	14	4,535	4,138	4,260	4,368	3,894	3,314
Bank overdrafts	15	2,129	1,973	2,160	1,943	1,801	2,052
Taxation		159	107	65	0	0	0
		22,476	19,970	22,504	20,767	22,341	21,189
Net current liabilities		(2,269)	(1,991)	(1,831)	(1,674)	(1,299)	(1,139)
Non current liabilities							
Hire-purchase creditors	12	110	134	130	61	108	286
Term loans	13	1,303	1,080	836	570	557	456
Deferred tax liabilities	16	342	390	437	440	419	419
		(1,755)	(1,604)	(1,403)	(1,071)	(1,084)	(1,161)
		1,972	2,347	2,757	3,012	3,636	3,893
Capital and reserves							
Share capital	17	1,212	1,212	1,212	1,212	1,212	1,212
Revaluation reserve	18	265	265	265	265	265	265
Retained earnings	19	495	870	1,280	1,535	2,159	2,416
		1,972	2,347	2,757	3,012	3,636	3,893

10. REPORTING ACCOUNTANT'S REPORT (CONTINUED)


Hovid Berhad
Accountants' Report
9.5 Statements of changes in equity

The statements of changes in equity of H Pharmacy for the five financial years ended 30 June 2004 and the four months ended 31 October 2004, which are based on its audited financial statements after incorporating the adjustments set out in Note 9.7.20, are as follows:

	Note of shares	Issued and fully paid ordinary shares of RM1 each		Non distributable Revaluation reserve RM'000	Distributable Retained earnings RM'000	Total RM'000
		Number '000	Share capital RM'000			
At 1 July 1999 as previously reported	9.7	303	303	1,397	255	1,955
Change in accounting policy relating to deferred taxation on revaluation surplus	20	0	0	(223)	0	(223)
At 1 July 1999 as restated		303	303	1,174	255	1,732
Bonus issue of shares capitalised from revaluation reserve during the financial year		909	909	(909)	0	0
Net profit for the financial year		0	0	0	240	240
At 30 June 2000		1,212	1,212	265	495	1,972
At 1 July 2000 as previously reported		1,212	1,212	488	495	2,195
Change in accounting policy relating to deferred taxation on revaluation surplus	20	0	0	(223)	0	(223)
At 1 July 2000 as restated		1,212	1,212	265	495	1,972
Net profit for the financial year		0	0	0	375	375
At 30 June 2001		1,212	1,212	265	870	2,347
At 1 July 2001 as previously reported		1,212	1,212	488	870	2,570
Change in accounting policy relating to deferred taxation on revaluation surplus	20	0	0	(223)	0	(223)
At 1 July 2001 as restated		1,212	1,212	265	870	2,347
Net profit for the financial year		0	0	0	410	410
At 30 June 2002		1,212	1,212	265	1,280	2,757
At 1 July 2002 as previously reported		1,212	1,212	488	1,280	2,980
Change in accounting policy relating to deferred taxation on revaluation surplus	20	0	0	(223)	0	(223)
At 1 July 2002 as restated		1,212	1,212	265	1,280	2,757
Net profit for the financial year		0	0	0	255	255
At 30 June 2003		1,212	1,212	265	1,535	3,012

10. REPORTING ACCOUNTANT'S REPORT (CONTINUED)



Hovid Berhad

Accountants' Report

9.5 Statements of changes in equity (continued)

	Issued and fully paid ordinary shares of RM1 each		Non distributable	Distributable	Total
	Number of shares	Share capital	Revaluation reserve	Retained earnings	
	Note 9.7	'000	RM'000	RM'000	RM'000
At 1 July 2003		1,212	1,212	265	3,012
Net profit for the financial year		0	0	0	624
At 30 June 2004		1,212	1,212	265	3,636
At 1 July 2004		1,212	1,212	265	3,636
Net profit for the financial period		0	0	0	257
At 31 October 2004		1,212	1,212	265	3,893

9.6 Cash flow statement

The cash flow statement of H Pharmacy for the four months ended 31 October 2004 which is based on its audited financial statements, is as follows:

	4 months ended 31 October 2004 RM'000
Operating activities	
Net profit for the financial period	257
Adjustments for:	
Depreciation and amortisation	104
Interest expense	338
Gains on disposals of plant and equipment	(56)
Property, plant and equipment written off	5
Taxation	74
	<u>722</u>
Net movements in working capital:	
Inventories	(1,027)
Trade and other debtors	2,024
Trade and other creditors	(263)
Intercompany balances	(427)
Cash generated from operations	<u>1,029</u>
Interest paid	(282)
Tax paid	(67)
Net cash flow from operating activities	<u>680</u>
Investing activities	
Proceeds from disposal of plant and equipment	105
Purchase of property, plant and equipment	(87)
Net cash flow from investing activities	<u>18</u>

10. REPORTING ACCOUNTANT'S REPORT (CONTINUED)


Hovid Berhad
Accountants' Report

9.6 Cash flow statement (continued)

	4 months ended 31 October 2004 RM'000
Financing activities	
Repayments of hire-purchase creditors	(39)
Repayments of term loans	(96)
Repayments of bankers' acceptances	(580)
Advances repaid to a fellow subsidiary	(216)
Net cash flow used in financing activities	(931)
Net changes in cash and cash equivalents during the financial period	(233)
Cash and cash equivalents at beginning of the financial period	(1,045)
Cash and cash equivalents at end of the financial period (Note 9.7.8)	(1,278)

9.7 Notes to the financial statements

9.7.1 Revenue

Revenue represents sales of medical supplies, pharmaceutical and consumer products at invoiced value net of discounts and returns.

9.7.2 Profit from operations

	Financial year ended 30 June					4 months ended 31 October
	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000	2004 RM'000
Profit from operations is stated after charging:						
Auditors' remuneration						
- current year/period	14	14	14	14	14	12
- underprovision in previous financial year/period	2	0	0	0	0	0
Rental of premises	80	80	102	103	109	34
Allowance for doubtful debts	0	66	45	30	86	50
Property, plant and equipment						
- amortisation/depreciation	306	315	326	277	275	104
- write off	0	66	17	0	12	5
and crediting:						
Gains on disposals of property, plant and equipment	100	118	13	93	13	56
Insurance compensation	200	378	0	0	0	0
Rental income	16	13	25	60	48	18

10. REPORTING ACCOUNTANT'S REPORT (CONTINUED)


Hovid Berhad
Accountants' Report

9.7 Notes to the financial statements (continued)

9.7.2 Profit from operations (continued)

	Financial year ended 30 June					4 months ended 31 October
	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000	2004 RM'000
Included in staff costs are:						
- directors' remuneration other than fees	351	524	560	616	540	247
- defined contribution plan expenses ("DCP")	342	460	544	591	583	244
	<u>342</u>	<u>460</u>	<u>544</u>	<u>591</u>	<u>583</u>	<u>244</u>
Included in the DCP are:						
- contributions in respect of the directors	48	73	79	86	76	35
	<u>48</u>	<u>73</u>	<u>79</u>	<u>86</u>	<u>76</u>	<u>35</u>

9.7.3 Finance cost

	Financial year ended 30 June					4 months ended 31 October
	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000	2004 RM'000
This comprises interest expense on:						
- term loans	(142)	(146)	(90)	(65)	(72)	(18)
- bank overdrafts	(237)	(213)	(201)	(212)	(185)	(55)
- other borrowings	(321)	(255)	(264)	(213)	(190)	(61)
- overdue trade balances due to Hovid	0	0	0	0	(533)	(204)
	<u>(700)</u>	<u>(614)</u>	<u>(555)</u>	<u>(490)</u>	<u>(980)</u>	<u>(338)</u>

9.7.4 Taxation

	Financial year ended 30 June					4 months ended 31 October
	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000	2004 RM'000
Current financial year/ period:						
- income tax charge	(141)	(231)	(188)	(138)	(211)	(74)
- deferred tax (charge)/credit	(9)	(48)	(47)	(3)	21	0
	<u>(150)</u>	<u>(279)</u>	<u>(235)</u>	<u>(141)</u>	<u>(190)</u>	<u>(74)</u>
(Under)/overprovision in respect of previous financial year	(18)	25	32	0	4	0
	<u>(168)</u>	<u>(254)</u>	<u>(203)</u>	<u>(141)</u>	<u>(186)</u>	<u>(74)</u>

10. REPORTING ACCOUNTANT'S REPORT (CONTINUED)


Hovid Berhad
Accountants' Report

9.7 Notes to the financial statements (continued)

9.7.4 Taxation (continued)

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

	Financial year ended 30 June					4 months ended
	2000	2001	2002	2003	2004	31 October 2004
	%	%	%	%	%	%
Statutory income tax rate	28	28	28	28	28	28
Tax effects of:						
- expenses not deductible for tax purposes	9	16	10	13	1	2
- tax rate of 20% on initial RM500,000 (2003: RM100,000) of chargeable income	0	0	0	(5)	(5)	(8)
- under/(over)provision of income tax in previous financial year	4	(4)	(5)	0	(1)	0
Average effective tax rate	<u>41</u>	<u>40</u>	<u>33</u>	<u>36</u>	<u>23</u>	<u>22</u>

* Less than 1%

9.7.5 Property, plant and equipment

	At valuation			At cost				Total
	Freehold land	Buildings on freehold land	Long term leasehold land and buildings	Long term leasehold land and buildings	Electrical installation and renovation	Office equipment, computer system, furniture and fittings	Motor vehicles	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2000								
Cost/valuation								
At 1 July 1999	1,240	605	650	2,160	372	632	1,790	7,449
Additions	0	0	0	0	118	310	32	460
Disposals	0	0	0	0	0	(4)	(343)	(347)
At 30 June 2000	<u>1,240</u>	<u>605</u>	<u>650</u>	<u>2,160</u>	<u>490</u>	<u>938</u>	<u>1,479</u>	<u>7,562</u>
Less:								
Accumulated depreciation								
At 1 July 1999	0	37	28	91	146	219	989	1,510
Charge for the financial year	0	13	12	32	41	50	158	306
Disposals	0	0	0	0	0	(2)	(248)	(250)
At 30 June 2000	<u>0</u>	<u>50</u>	<u>40</u>	<u>123</u>	<u>187</u>	<u>267</u>	<u>899</u>	<u>1,566</u>
Net book value								
At 30 June 2000	<u>1,240</u>	<u>555</u>	<u>610</u>	<u>2,037</u>	<u>303</u>	<u>671</u>	<u>580</u>	<u>5,996</u>

10. REPORTING ACCOUNTANT'S REPORT (CONTINUED)

PRICEWATERHOUSECOOPERS 

Hovid Berhad
Accountants' Report

9.7 Notes to the financial statements (continued)

9.7.5 Property, plant and equipment (continued)

	At valuation			At cost				Total RM'000
	Freehold land RM'000	Buildings on freehold land RM'000	Long term leasehold land and buildings RM'000	Long term leasehold land and buildings RM'000	Electrical installation and renovation RM'000	Office equipment, computer system, furniture and fittings RM'000	Motor vehicles RM'000	
<u>2001</u>								
Cost/valuation								
At 1 July 2000	1,240	605	650	2,160	490	938	1,479	7,562
Additions	0	0	0	0	49	222	177	448
Write off	0	0	0	0	(74)	(110)	0	(184)
Disposals	0	0	0	0	0	(2)	(414)	(416)
At 30 June 2001	1,240	605	650	2,160	465	1,048	1,242	7,410
Less:								
Accumulated depreciation								
At 1 July 2000	0	50	40	123	187	267	899	1,566
Charge for the financial year	0	14	11	32	38	97	123	315
Write off	0	0	0	0	(52)	(66)	0	(118)
Disposals	0	0	0	0	0	0	(295)	(295)
At 30 June 2001	0	64	51	155	173	298	727	1,468
Net book value								
At 30 June 2001	1,240	541	599	2,005	292	750	515	5,942
<u>2002</u>								
Cost/valuation								
At 1 July 2001	1,240	605	650	2,160	465	1,048	1,242	7,410
Additions	0	0	0	0	115	174	118	407
Write off	0	0	0	0	(29)	0	0	(29)
Disposals	0	0	0	0	0	(6)	(97)	(103)
At 30 June 2002	1,240	605	650	2,160	551	1,216	1,263	7,685
Less:								
Accumulated depreciation								
At 1 July 2001	0	64	51	155	173	298	727	1,468
Charge for the financial year	0	13	12	31	51	100	119	326
Write off	0	0	0	0	(12)	0	0	(12)
Disposals	0	0	0	0	0	(3)	(85)	(88)
At 30 June 2002	0	77	63	186	212	395	761	1,694
Net book value								
At 30 June 2002	1,240	528	587	1,974	339	821	502	5,991

10. REPORTING ACCOUNTANT'S REPORT (CONTINUED)

PRICEWATERHOUSECOOPERS 

Hovid Berhad
Accountants' Report

9.7 Notes to the financial statements (continued)

9.7.5 Property, plant and equipment (continued)

	At valuation			At cost				Total RM'000
	Freehold land RM'000	Buildings on freehold land RM'000	Long term leasehold land and buildings RM'000	Long term leasehold land and buildings RM'000	Electrical installation and renovation RM'000	Office equipment, computer system, furniture and fittings RM'000	Motor vehicles RM'000	
2003								
Cost/valuation								
At 1 July 2002	1,240	605	650	2,160	551	1,216	1,263	7,685
Additions	0	0	0	0	4	144	0	148
Disposals	0	0	0	0	0	0	(382)	(382)
At 30 June 2003	1,240	605	650	2,160	555	1,360	881	7,451
Less:								
Accumulated depreciation								
At 1 July 2002	0	77	63	186	212	395	761	1,694
Charge for the financial year	0	13	11	31	49	88	85	277
Disposals	0	0	0	0	0	0	(277)	(277)
At 30 June 2003	0	90	74	217	261	483	569	1,694
Net book value								
At 30 June 2003	1,240	515	576	1,943	294	877	312	5,757
2004								
Cost/valuation								
At 1 July 2003	1,240	605	650	2,160	555	1,360	881	7,451
Additions	0	0	0	355	8	37	162	562
Write off	0	0	0	0	(2)	(21)	0	(23)
Disposals	0	0	0	0	0	(3)	(84)	(87)
At 30 June 2004	1,240	605	650	2,515	561	1,373	959	7,903
Less:								
Accumulated depreciation								
At 1 July 2003	0	90	74	217	261	483	569	1,694
Charge for the financial period	0	13	11	35	41	109	66	275
Write off	0	0	0	0	(2)	(9)	0	(11)
Disposals	0	0	0	0	0	(2)	(72)	(74)
At 30 June 2004	0	103	85	252	300	581	563	1,884
Net book value								
At 30 June 2004	1,240	502	565	2,263	261	792	396	6,019

10. REPORTING ACCOUNTANT'S REPORT (CONTINUED)


Hovid Berhad
Accountants' Report

9.7 Notes to the financial statements (continued)

9.7.5 Property, plant and equipment (continued)

	At valuation			At cost				Total RM'000
	Freehold land RM'000	Buildings on freehold land RM'000	Long term leasehold land and buildings RM'000	Long term leasehold land and buildings RM'000	Electrical installation and renovation RM'000	Office equipment, computer system, furniture and fittings RM'000	Motor vehicles RM'000	
4 months ended <u>31 October 2004</u>								
Cost/valuation								
At 1 July 2004	1,240	605	650	2,515	561	1,373	959	7,903
Additions	0	0	0	0	1	46	285	332
Write off	0	0	0	0	0	(12)	0	(12)
Disposals	0	0	0	0	0	(2)	(223)	(225)
At 31 October 2004	1,240	605	650	2,515	562	1,405	1,021	7,998
Less:								
Accumulated depreciation								
At 1 July 2004	0	103	85	252	300	581	563	1,884
Charge for the financial period	0	4	3	12	12	33	40	104
Write off	0	0	0	0	0	(7)	0	(7)
Disposals	0	0	0	0	0	(2)	(174)	(176)
At 31 October 2004	0	107	88	264	312	605	429	1,805
Net book value								
At 31 October 2004	1,240	498	562	2,251	250	800	592	6,193

The freehold and long term leasehold land and buildings which are stated at directors' valuation, based on independent professional valuations, are as follows:

Year of valuation	Description of Property	Valuation RM'000	Basis of valuation
1996	Freehold land and shophouse located in Ipoh	520	Open market value
1996	Freehold land and shophouse located in Kuala Lumpur	825	Open market value
1996	Freehold land and shophouse located in Johor	500	Open market value
1997	Leasehold land and shophouse located in Penang	650	Open market value
		<u>2,495</u>	

As allowed by the transitional provisions of International Accounting Standard 16 (Revised), Property, Plant and Equipment as adopted by Malaysian Accounting Standards Board, these assets are stated on the basis of their 1996 and 1997 valuation less accumulated depreciation and impairment losses, where applicable.

10. REPORTING ACCOUNTANT'S REPORT (CONTINUED)


Hovid Berhad
Accountants' Report

9.7 Notes to the financial statements (continued)

9.7.7 Trade and other debtors

	As at 30 June					As at
	2000	2001	2002	2003	2004	31 October
	RM'000	RM'000	RM'000	RM'000	RM'000	2004
						RM'000
Trade debtors, net of allowance for doubtful debts	8,406	9,284	10,982	10,452	12,555	10,507
Other debtors	167	106	10	1	3	3
Prepayments	71	72	60	47	70	118
Sundry deposits	26	83	78	116	71	41
	<u>8,670</u>	<u>9,545</u>	<u>11,130</u>	<u>10,616</u>	<u>12,699</u>	<u>10,669</u>
Credit term of trade debtors (days)			<u>90</u>	<u>90</u>	<u>90</u>	<u>90</u>

Both the trade and other debtors are denominated in Ringgit Malaysia.

H Pharmacy has no significant concentration of credit risk with respect to trade debtors.

9.7.8 Cash and cash equivalents

	As at 30 June					As at
	2000	2001	2002	2003	2004	31 October
	RM'000	RM'000	RM'000	RM'000	RM'000	2004
						RM'000
Cash and bank balances	1,006	588	423	607	756	774
Bank overdrafts	(2,129)	(1,973)	(2,160)	(1,943)	(1,801)	(2,052)
	<u>(1,123)</u>	<u>(1,385)</u>	<u>(1,737)</u>	<u>(1,336)</u>	<u>(1,045)</u>	<u>(1,278)</u>

All cash and bank balances are denominated in Ringgit Malaysia. Bank balances are deposits placed in current accounts at various licensed banks in Malaysia which do not earn any interest.

10. REPORTING ACCOUNTANT'S REPORT (CONTINUED)


Hovid Berhad
Accountants' Report

9.7 Notes to the financial statements (continued)

9.7.9 Trade and other creditors

	As at 30 June					As at
	2000	2001	2002	2003	2004	31 October
	RM'000	RM'000	RM'000	RM'000	RM'000	2004
						RM'000
Trade creditors	596	578	674	480	378	362
Other creditors and accruals	501	584	844	823	949	702
	<u>1,097</u>	<u>1,162</u>	<u>1,518</u>	<u>1,303</u>	<u>1,327</u>	<u>1,064</u>
Credit term of trade creditors (days)			<u>90</u>	<u>90</u>	<u>90</u>	<u>90</u>

Both trade and other creditors are denominated in Ringgit Malaysia.

9.7.10 Amount owing to HYH

The amount owing was in respect of a non trade account which was unsecured and interest free. This amount was fully settled in the financial year ended 30 June 2001.

9.7.11 Amounts owing to a fellow subsidiary

	As at 30 June					As at
	2000	2001	2002	2003	2004	31 October
	RM'000	RM'000	RM'000	RM'000	RM'000	2004
						RM'000
Trade account	14,009	12,222	13,512	11,678	14,571	14,194
Non trade account	201	46	700	1,171	379	163
	<u>14,210</u>	<u>12,268</u>	<u>14,212</u>	<u>12,849</u>	<u>14,950</u>	<u>14,357</u>
Interest rate on overdue trade balances per annum (%)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>7.25</u>	<u>7.25</u>
Credit term of trade account (days)			<u>150</u>	<u>150</u>	<u>150</u>	<u>150</u>

The amounts owing to a fellow subsidiary, Hovid are denominated in Ringgit Malaysia.

The non trade account is unsecured and interest free with no fixed terms of repayment.

10. REPORTING ACCOUNTANT'S REPORT (CONTINUED)


Hovid Berhad
Accountants' Report

9.7 Notes to the financial statements (continued)

9.7.12 Hire-purchase creditors

	As at 30 June					As at
	2000	2001	2002	2003	2004	31 October
	RM'000	RM'000	RM'000	RM'000	RM'000	2004
						RM'000
Gross amount due:						
Payable not later than one year	172	125	104	75	94	140
Payable later than one year and not later than five years	145	170	159	74	128	324
	<u>317</u>	<u>295</u>	<u>263</u>	<u>149</u>	<u>222</u>	<u>464</u>
Less: Finance charges	(77)	(65)	(51)	(27)	(34)	(70)
	<u>240</u>	<u>230</u>	<u>212</u>	<u>122</u>	<u>188</u>	<u>394</u>
Present value of hire-purchase creditors:						
Payable not later than one year	130	96	82	61	80	108
Payable later than one year and not later than five years	110	134	130	61	108	286
	<u>240</u>	<u>230</u>	<u>212</u>	<u>122</u>	<u>188</u>	<u>394</u>
Fair value of hire-purchase creditors			<u>227</u>	<u>131</u>	<u>181</u>	<u>384</u>
Interest rates per annum (%)	<u>10.68-14.35</u>	<u>9.33-14.95</u>	<u>8.89-14.95</u>	<u>8.89-14.93</u>	<u>6.09-9.68</u>	<u>6.09-9.68</u>

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.

10. REPORTING ACCOUNTANT'S REPORT (CONTINUED)


Hovid Berhad
Accountants' Report

9.7 Notes to the financial statements (continued)

9.7.13 Term loans

	Note	As at 30 June					As at
		2000	2001	2002	2003	2004	31 October
		RM'000	RM'000	RM'000	RM'000	RM'000	2004
							RM'000
Term loan A	(a)	159	144	122	100	77	68
Term loan B	(b)	767	680	562	443	314	269
Term loan C	(c)	504	440	356	270	179	147
Term loan D	(d)	82	42	3	0	0	0
Term loan E	(e)	0	0	0	0	276	266
		<u>1,512</u>	<u>1,306</u>	<u>1,043</u>	<u>813</u>	<u>846</u>	<u>750</u>
Current liabilities							
Repayable not later than one year		209	226	207	243	289	294
Non current liabilities							
Repayable later than one year and not later than five years		1,099	1,057	814	570	410	323
Repayable later than five years		204	23	22	0	147	133
		<u>1,303</u>	<u>1,080</u>	<u>836</u>	<u>570</u>	<u>557</u>	<u>456</u>
		<u>1,512</u>	<u>1,306</u>	<u>1,043</u>	<u>813</u>	<u>846</u>	<u>750</u>
Interest rates per annum (%)		<u>8.30-9.75</u>	<u>8.00-9.30</u>	<u>7.90-9.30</u>	<u>7.50-8.00</u>	<u>7.25-7.75</u>	<u>7.25-7.75</u>

Note:

- (a) Term loan A is secured by fixed charges over a piece of H Pharmacy's leasehold land and a building. It is repayable by 120 monthly instalments commencing June 1998.
- (b) Term loan B is secured by fixed charges over H Pharmacy's certain leasehold land and buildings. It is repayable by 120 monthly instalments commencing March 1997.
- (c) Term loan C is secured by fixed charges over a piece of H Pharmacy's leasehold land and a building and a fixed charge over a property belonging to HYH. It is repayable by 120 monthly instalments commencing September 1996.

10. REPORTING ACCOUNTANT'S REPORT (CONTINUED)


Hovid Berhad
Accountants' Report

9.7 Notes to the financial statements (continued)

9.7.13 Term loans (continued)

- (d) Term loan D was secured by fixed charges over H Pharmacy's certain freehold and leasehold land and buildings. It was repayable by 120 monthly instalments commencing August 1992. This loan was fully repaid in the financial year ended 30 June 2003.
- (e) Term loan E is secured by a fixed charge over a piece of H Pharmacy's leasehold land and a building. It is repayable by 120 monthly instalments commencing September 2003.

Interest expenses on these loans are calculated based on floating interest rates which may be varied at any time at the banks' discretions.

All the term loans are denominated in Ringgit Malaysia.

9.7.14 Bankers' acceptances

	As at 30 June					As at
	2000	2001	2002	2003	2004	31 October 2004
Interest rates per annum (%)	4.15-5.40	3.10-5.20	3.95-5.40	4.00-4.75	3.88-4.15	3.86-3.93
Average maturity period (days)			133	77	64	64

The bankers' acceptances which are denominated in Ringgit Malaysia, are secured by the following:

- (a) fixed charges over H Pharmacy's certain freehold and leasehold land and buildings and floating charges over all other assets of H Pharmacy; and
- (b) a fixed charge over a property belonging to HYH.

9.7.15 Bank overdrafts

	As at 30 June					As at
	2000	2001	2002	2003	2004	31 October 2004
Interest rates per annum (%)	9.05-9.75	9.05-9.30	7.90-9.30	7.50-8.50	8.00	8.00

The bank overdrafts which are denominated in Ringgit Malaysia, are secured by fixed charges over H Pharmacy's certain freehold and leasehold land and buildings and floating charges over all other assets of H Pharmacy.

10. REPORTING ACCOUNTANT'S REPORT (CONTINUED)


Hovid Berhad
Accountants' Report

9.7 Notes to the financial statements (continued)

9.7.16 Deferred tax liabilities

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 sheets:

	As at 30 June					As at
	2000	2001	2002	2003	2004	31 October
	RM'000	RM'000	RM'000	RM'000	RM'000	2004
						RM'000
Deferred tax liabilities in respect of property, plant and equipment						
- subject to income tax	119	167	214	217	227	227
- subject to capital gains tax	223	223	223	223	192	192
	<u>342</u>	<u>390</u>	<u>437</u>	<u>440</u>	<u>419</u>	<u>419</u>
At 1 July	333	342	390	437	440	419
Charged/(credited) to income statement:						
- property, plant and equipment	9	48	47	3	(21)	0
At 30 June / 31 October	<u>342</u>	<u>390</u>	<u>437</u>	<u>440</u>	<u>419</u>	<u>419</u>

9.7.17 Share capital

	As at 30 June					As at
	2000	2001	2002	2003	2004	31 October
	RM'000	RM'000	RM'000	RM'000	RM'000	2004
						RM'000
Ordinary shares of RM1 each						
Authorised						
At 1 July	1,000	5,000	5,000	5,000	5,000	5,000
Created during the financial year/period	4,000	0	0	0	0	0
At 30 June/31 October	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>

The movements in issued and fully paid share capital of H Pharmacy for the five financial years ended 30 June 2004 and the four months ended 31 October 2004 under review are disclosed in Note 9.5.

10. REPORTING ACCOUNTANT'S REPORT (CONTINUED)


Hovid Berhad
Accountants' Report

9.7 Notes to the financial statements (continued)

9.7.18 Revaluation surplus

	As at 30 June					As at
	2000	2001	2002	2003	2004	31 October
	RM'000	RM'000	RM'000	RM'000	RM'000	2004
						RM'000
Non distributable						
Surplus on revaluation of freehold and leasehold land and buildings	488	488	488	488	488	488
Deferred tax liabilities	(223)	(223)	(223)	(223)	(223)	(223)
Balance as at 30 June/ 31 October	265	265	265	265	265	265

9.7.19 Retained earnings

Subject to the agreement with the Inland Revenue Board, H Pharmacy has sufficient tax credit under Section 108 of the Income Tax Act, 1967 and exempt income account to frank dividends out of all its retained earnings as at 31 October 2004.

9.7.20 Change in accounting policy

During the financial year ended 30 June 2003, H Pharmacy changed its accounting policy to comply with MASB 25 "Income Taxes". This change in accounting policy has been accounted for retrospectively and reflected as prior year adjustments. The effects of the adjustments on previous financial years' figures are as follows:

	As at 30 June					As at
	2000	2001	2002	2003	2004	31 October
	RM'000	RM'000	RM'000	RM'000	RM'000	2004
						RM'000
<u>Balance Sheet</u>						
Deferred tax liabilities						
As previously reported	119	167	214	440	419	419
Adjustment	223	223	223	0	0	0
As restated	342	390	437	440	419	419
Revaluation reserve						
As previously reported	488	488	488	265	265	265
Adjustment	(223)	(223)	(223)	0	0	0
As restated	265	265	265	265	265	265

10. REPORTING ACCOUNTANT'S REPORT (CONTINUED)


Hovid Berhad
Accountants' Report

9.7 Notes to the financial statements (continued)

9.7.21 Significant related party disclosures

The significant related parties and their relationship are disclosed in Note 7.7.25 of this Report.

In addition to the related party information disclosed elsewhere in the Report, H Pharmacy has the following significant transactions with related parties based on prices agreed between the parties:

	Financial year ended 30 June					4 months ended
	2000	2001	2002	2003	2004	31 October
	RM'000	RM'000	RM'000	RM'000	RM'000	2004
						RM'000
Hovid						
- purchases of goods	26,697	23,877	26,694	25,093	27,326	9,313
- reallocation of common cost paid/payable	0	0	477	546	811	299
- interest charges	0	0	0	0	533	204

The balances outstanding for H Pharmacy in connection with the transactions stated above are disclosed in Note 9.7.11.

9.7.22 Capital commitments

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

	As at 30 June					As at
	2000	2001	2002	2003	2004	31 October
	RM'000	RM'000	RM'000	RM'000	RM'000	2004
						RM'000
Authorised and contracted:						
- Building	0	320	320	320	0	0
- Computer system	0	17	0	0	0	0
	0	337	320	320	0	0

9.7.23 Contingent liabilities (unsecured)

	As at 30 June					As at
	2000	2001	2002	2003	2004	31 October
	RM'000	RM'000	RM'000	RM'000	RM'000	2004
						RM'000
Guarantees given to banks for credit facilities granted to Hovid	1,200	1,200	5,800	5,800	2,800	2,800

10. REPORTING ACCOUNTANT'S REPORT (CONTINUED)


Hovid Berhad
Accountants' Report

9.7 Notes to the financial statements (continued)

9.7.24 Non cash transactions

The principal non cash transactions of H Pharmacy during the five financial years ended 30 June 2004 and the four months ended 31 October 2004 consist of the acquisitions of property, plant and equipment by means of the following:

	Financial year ended 30 June					4 months ended
	2000	2001	2002	2003	2004	31 October
	RM'000	RM'000	RM'000	RM'000	RM'000	2004 RM'000
Term loan	0	0	0	0	290	0
Hire-purchase	0	0	96	0	130	245

9.7.25 Fair values

The carrying amounts of financial assets and liabilities of H Pharmacy as at 30 June 2002, 30 June 2003, 30 June 2004 and 31 October 2004 approximated their fair values.

9.8 Statement of assets and liabilities

The statement of assets and liabilities based on the audited financial statements of H Pharmacy as at 31 October 2004 has been included in the balance sheets in Note 9.4 above.

10. Hovid Inc.

10.1 General information

Hovid Inc. ("H Inc") was incorporated in Philippines on 22 March 2002 as a private limited company. The principal activities of H Inc are trading, importation and distribution of pharmaceutical products.

The address of the registered office and principal place of business of H Inc is Unit 306 AIC Gold Tower, Emerald Avenue, Ortigas Center, Pasig City, Philippines.

10. REPORTING ACCOUNTANT'S REPORT (CONTINUED)


Hovid Berhad
Accountants' Report

10.1 General information (continued)

The number of employees in H Inc as at each financial year/period end is:

	As at 30 June			As at
	2002	2003	2004	31 October 2004
Number of employees	6	6	15	24

10.2 Financial statements and auditors

The financial statements included in this Report have been prepared under the historical cost convention.

The financial statements are the responsibility of H Inc's directors. The financial statements for the financial period from 22 March 2002 (date of incorporation) to 30 June 2002 and the two financial years ended 30 June 2004 were audited by a member firm of PricewaterhouseCoopers, Joaquin Cunanan & Co., Philippines and were reported on without any modification. The financial statements for the four months ended 31 October 2004 were audited by Antonio S. Veloria and were reported on without any modification.

For the purpose of this Report, all foreign currency assets, liabilities and transactions are translated from Philippines Peso ("Peso") to Ringgit Malaysia ("RM") for the financial period ended 30 June 2002, two financial years ended 30 June 2004 and the four months ended 31 October 2004 based on the following rates:

	Financial period ended 30 June 2002	Financial year ended 30 June 2003	Financial year ended 30 June 2004	4 months ended 31 October 2004
Peso 100	RM7.12	RM6.68	RM6.47	RM6.45

Note: The issued and fully paid share capital has been translated using RM7.43 per Peso100, which was the rate as at the date of incorporation.

10. REPORTING ACCOUNTANT'S REPORT (CONTINUED)


Hovid Berhad
Accountants' Report

10.3 Income statements

The income statements of H Inc from 22 March 2002 (date of incorporation) to 30 June 2002, two financial years ended 30 June 2004 and the four months ended 31 October 2004, which are based on the audited financial statements of H Inc are as follows:

	Note	Financial period ended 30 June 2002 RM'000	Financial year ended 30 June 2003 RM'000	Financial year ended 30 June 2004 RM'000	4 months ended 31 October 2004 RM'000
Revenue	1	26	374	779	384
Other operating income		1	2	1	1
Changes in inventory of trading goods		211	23	271	23
Purchase of trading goods		(234)	(296)	(569)	(148)
Staff costs		(67)	(84)	(160)	(87)
Depreciation of property, plant and equipment		(2)	(5)	(5)	(2)
Allowance for inventory obsolescence/losses		0	(33)	(1)	0
Donations		0	(33)	(22)	*
Professional fees		(9)	(29)	(16)	(7)
Taxes and licences		(15)	(34)	(6)	(2)
Utilities		(8)	(17)	(19)	(7)
Inventories written off		*	*	(35)	0
Transportation and travel		(2)	(24)	(58)	(64)
Advertising and promotion		(1)	(2)	(14)	*
Allowance for doubtful debts		0	0	0	(3)
Other operating expenses		(27)	(34)	(58)	(41)
(Loss)/profit from ordinary activities before taxation	2	(127)	(192)	88	47
Taxation	3	44	47	(37)	(16)
Net (loss)/profit for the financial period/year		(83)	(145)	51	31

* Amount is less than RM500

10. REPORTING ACCOUNTANT'S REPORT (CONTINUED)


Hovid Berhad
Accountants' Report

10.4 Balance sheets

The balance sheets of H Inc as at 30 June 2002 to 30 June 2004 and as at 31 October 2004, which are based on its audited financial statements are as follows:

	Note	As at 30 June			As at
		2002 RM'000	2003 RM'000	2004 RM'000	31 October 2004 RM'000
Non current asset	10.7				
Property, plant and equipment	4	17	13	10	8
Deferred tax assets	5	44	89	50	34
		<u>61</u>	<u>102</u>	<u>60</u>	<u>42</u>
Current assets					
Inventories	6	211	187	453	474
Trade and other debtors	7	41	171	346	501
Cash and bank balances	8	689	377	383	413
		<u>941</u>	<u>735</u>	<u>1,182</u>	<u>1,388</u>
Current liabilities					
Other creditors and accruals		16	26	24	75
Amount owing to HYH	9	38	38	39	39
Amount owing to a fellow subsidiary	10	303	313	682	790
		<u>357</u>	<u>377</u>	<u>745</u>	<u>904</u>
Net current assets		<u>584</u>	<u>358</u>	<u>437</u>	<u>484</u>
		<u>645</u>	<u>460</u>	<u>497</u>	<u>526</u>
Capital and reserves					
Share capital	11	760	760	760	760
Exchange translation reserve		(32)	(77)	(99)	(101)
Accumulated losses		(83)	(223)	(164)	(133)
		<u>645</u>	<u>460</u>	<u>497</u>	<u>526</u>

10. REPORTING ACCOUNTANT'S REPORT (CONTINUED)


Hovid Berhad
Accountants' Report
10.5 Statements of changes in equity

The statements of changes in equity of H Inc for the financial period ended 30 June 2002, two financial years ended 30 June 2004 and the four months ended 31 October 2004, which are based on its audited financial statements are as follows:

	Issued and fully paid ordinary shares of Peso100 each		Exchange translation reserve RM'000	Accumulated losses RM'000	Total RM'000
	Number of shares '000	Share capital RM'000			
At 22 March 2002 (date of incorporation)	102	760	0	0	760
Exchange translation difference	0	0	(32)	0	(32)
Net loss for the financial period	0	0	0	(83)	(83)
At 30 June 2002	<u>102</u>	<u>760</u>	<u>(32)</u>	<u>(83)</u>	<u>645</u>
At 1 July 2002	102	760	(32)	(83)	645
Exchange translation difference	0	0	(45)	5	(40)
Net loss for the financial year	0	0	0	(145)	(145)
At 30 June 2003	<u>102</u>	<u>760</u>	<u>(77)</u>	<u>(223)</u>	<u>460</u>
At 1 July 2003	102	760	(77)	(223)	460
Exchange translation difference	0	0	(22)	8	(14)
Net profit for the financial year	0	0	0	51	51
At 30 June 2004	<u>102</u>	<u>760</u>	<u>(99)</u>	<u>(164)</u>	<u>497</u>
At 1 July 2004	102	760	(99)	(164)	497
Exchange translation difference	0	0	(2)	0	(2)
Net profit for the financial period	0	0	0	31	31
At 31 October 2004	<u>102</u>	<u>760</u>	<u>(101)</u>	<u>(133)</u>	<u>526</u>

10. REPORTING ACCOUNTANT'S REPORT (CONTINUED)


Hovid Berhad
Accountants' Report
10.6 Cash flow statement

The cash flow statement of H Inc for the four months ended 31 October 2004 which is based on its audited financial statements, is as follows:

	4 months ended 31 October 2004 RM'000
Operating activities	
Net profit for the financial period	31
Adjustments for:	
Depreciation of property, plant and equipment	2
Interest income	•
Allowance for doubtful debts	3
Taxation	16
	<u>52</u>
Net movements in working capital:	
Inventories	(21)
Trade and other debtors	(155)
Other creditors	51
Intercompany balances	101
Cash generated from operations	<u>28</u>
Interest received	•
Net cash flow from operating activities	<u>28</u>
Financing activities	
Advances repaid to HYH	(39)
Advances from a fellow subsidiary	7
Net cash flow used in financing activities	<u>(32)</u>
Net changes in cash and cash equivalents during the financial period	(4)
Effect of exchange rate changes	34
Cash and cash equivalents at beginning of the financial period	383
Cash and cash equivalents at end of the financial period (Note 10.7.8)	<u>413</u>

* Amount is less than RM500

10. REPORTING ACCOUNTANT'S REPORT (CONTINUED)


Hovid Berhad
Accountants' Report

10.7 Notes to the financial statements

10.7.1 Revenue

Revenue represents sales of medical supplies, pharmaceutical and consumer products at invoiced value net of discounts and returns.

10.7.2 (Loss)/profit from ordinary activities before taxation

	Financial period ended 30 June 2002 RM'000	Financial year ended 30 June 2003 RM'000	Financial year ended 30 June 2004 RM'000	4 months ended 31 October 2004 RM'000
(Loss)/profit from ordinary activities before taxation is stated after charging:				
Depreciation of property, plant and equipment	2	5	5	2
Auditors' remuneration	11	7	9	3
Rental of premises	9	17	17	6
Foreign exchange loss/(gain)				
- realised	8	1	2	0
- unrealised	0	0	(1)	(*)
Pre-operating expenses				
- amortisation	*	2	0	0
- write off	0	0	7	0
Allowance for doubtful debts	0	0	0	3
and crediting:				
Interest income	1	2	1	*
Included in staff costs are:				
- director's fees	0	11	17	7
- dues and contributions	1	2	7	6

* Amount is less than RM500

10.7.3 Taxation

	Financial period ended 30 June 2002 RM'000	Financial year ended 30 June 2003 RM'000	Financial year ended 30 June 2004 RM'000	4 months ended 31 October 2004 RM'000
Current financial period/year:				
- Deferred tax credit/(charge)	44	47	(37)	(16)

10. REPORTING ACCOUNTANT'S REPORT (CONTINUED)


Hovid Berhad
Accountants' Report

10.7 Notes to the financial statements (continued)

10.7.3 Taxation (continued)

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

	Financial period ended 30 June 2002 %	Financial year ended 30 June 2003 %	Financial year ended 30 June 2004 %	4 months ended 31 October 2004 %
Statutory income tax rate	(32)	(32)	32	32
Tax effects of:				
- expenses not deductible for tax purposes	1	5	9	2
- others	(4)	2	1	(+)
Average effective tax rate	(35)	(25)	42	34

+ Less than 1%

10.7.4 Property, plant and equipment

	As at 30 June			As at 31 October
	2002 RM'000	2003 RM'000	2004 RM'000	2004 RM'000
<u>Office equipment, furniture and fittings</u>				
Cost				
At 22 March 2002 (date of incorporation)/1 July	0	19	20	22
Additions	19	2	3	0
Exchange translation difference	0	(1)	(1)	(*)
At 30 June/31 October	19	20	22	22
Less:				
Accumulated depreciation				
At 22 March 2002 (date of incorporation)/1 July	0	2	7	12
Charge during the financial period/year	2	5	5	2
Exchange translation difference	0	(*)	(*)	(*)
At 30 June/31 October	2	7	12	14
Net book value				
At 30 June/31 October	17	13	10	8

* Amount is less than RM500

10. REPORTING ACCOUNTANT'S REPORT (CONTINUED)


Hovid Berhad
Accountants' Report

10.7 Notes to the financial statements (continued)

10.7.5 Deferred tax assets

	As at 30 June			As at
	2002 RM'000	2003 RM'000	2004 RM'000	31 October 2004 RM'000
Deferred tax assets				
- subject to income tax	44	89	50	34
At 22 March 2002 (date of incorporation)/1 July	0	44	89	50
(Charged)/credited to income statement:				
- net operating loss carry over	44	36	(37)	(16)
- allowance for inventory obsolescence	0	11	*	0
- unrealised foreign exchange loss	0	*	(*)	(*)
	44	47	(37)	(16)
Exchange translation difference	0	(2)	(2)	(*)
At 30 June/31 October	44	89	50	34
Subject to income tax:				
Deferred tax assets				
- net operating loss carry over	44	78	39	23
- allowance for inventory obsolescence	0	11	11	11
- unrealised foreign exchange loss	0	*	(*)	(*)
	44	89	50	34

* Amount is less than RM500

H inc is entitled to carry forward its net operating loss up to three years following the year of loss.

10.7.6 Inventories

Inventories are in respect of trading goods stated at cost.

10. REPORTING ACCOUNTANT'S REPORT (CONTINUED)


Hovid Berhad
Accountants' Report

10.7 Notes to the financial statements (continued)

10.7.7 Trade and other debtors

	As at 30 June			As at
	2002	2003	2004	31 October
	RM'000	RM'000	RM'000	2004
				RM'000
Trade debtors	26	159	319	461
Other debtors	3	1	19	31
Deposit and prepayments	3	4	8	9
Pre-operating expenses	9	7	0	0
	<u>41</u>	<u>171</u>	<u>346</u>	<u>501</u>

Trade and other debtors are denominated in Philippines Peso. Pre-operating expenses represent costs and expenses incurred from the date of incorporation up to the start of its commercial operations. These costs are capitalised and amortised using the straight line method over a period of five years from the start of its commercial operations. The net book amount as at 30 June 2003 was written off to income statement in the financial year ended 30 June 2004 as International Accounting Standard 38 - Intangible assets was effective for accounting periods commencing 1 January 2003 in Philippines.

No adjustment has been made to align the treatment of pre-operating expenses to the Group policy as the effects on the income statements are not material.

10.7.8 Cash and cash equivalents

Included in cash and bank balances are the following bank balances which are interest bearing:

	As at 30 June			As at
	2002	2003	2004	31 October
	RM'000	RM'000	RM'000	2004
				RM'000
Bank balances - interest bearing	<u>689</u>	<u>377</u>	<u>383</u>	<u>413</u>
Interest rates per annum (%)	<u>0.2-1.0</u>	<u>0.2-1.0</u>	<u>0.2-1.0</u>	<u>0.2-1.0</u>
Currency exposure profile:				
USD	658	343	349	310
Peso	31	34	34	103
	<u>689</u>	<u>377</u>	<u>383</u>	<u>413</u>

10. REPORTING ACCOUNTANT'S REPORT (CONTINUED)


Hovid Berhad
Accountants' Report

10.7 Notes to the financial statements (continued)

10.7.9 Amount owing to HYH

The amount owing to HYH represents advances denominated in USD granted to H Inc for working capital purposes. They are unsecured, interest free and have no fixed terms of repayment.

10.7.10 Amount owing to a fellow subsidiary

	As at 30 June			As at
	2002	2003	2004	31 October
	RM'000	RM'000	RM'000	2004
				RM'000
Trade account	229	228	588	689
Non trade account	74	85	94	101
	<u>303</u>	<u>313</u>	<u>682</u>	<u>790</u>
Credit term of trade account (days)	150	150	150	150

The non trade account represents advances from Hovid denominated in USD granted to H Inc for working capital purposes. They are unsecured, interest free and have no fixed terms of repayment.

10.7.11 Share capital

The authorised share capital of H Inc is Peso10,223,800 comprising 102,238 ordinary shares of Peso100 each.

The movements in issued and fully paid share capital of H Inc for the financial period ended 30 June 2002, two financial years ended 30 June 2004 and the four months ended 31 October 2004 under review are disclosed in Note 10.5.

10.7.12 Significant related party disclosures

The significant related parties and their relationship are disclosed in Note 7.7.25 of this Report.

In addition to the related party information disclosed elsewhere in the Report, H Inc has the following significant transactions with a related party based on prices agreed between the parties:

	Financial period ended	Financial year ended	Financial year ended	4 months ended
	30 June	30 June	30 June	31 October
	2002	2003	2004	2004
	RM'000	RM'000	RM'000	RM'000
Hovid				
- purchases of goods	229	273	582	105

The balances outstanding for H Inc in connection with the transactions stated above are disclosed in Note 10.7.10.



Hovid Berhad Accountants' Report

10.7 Notes to the financial statements (continued)

10.7.13 Contingent liabilities

H Inc is contingently liable for certain labour cases. Management of H Inc believes that the ultimate liabilities arisen will not have a material effect on H Inc's financial position and operating results.

10.7.14 Fair values

The carrying amounts of financial assets and liabilities of H Inc as at 30 June 2002, 30 June 2003, 30 June 2004 and 31 October 2004 approximated their fair values.

10.8 Statement of assets and liabilities

The statement of assets and liabilities based on the audited financial statements of H Inc. as at 31 October 2004 has been included in the balance sheets in Note 10.4 above.

11. Ho Yan Hor (S) Pte. Ltd.

11.1 General information

Ho Yan Hor (S) Pte. Ltd. ("HYH Sg") was incorporated in Singapore on 10 April 1978 as a private limited company.

The principal activities of HYH Sg are those of wholesalers, distributors, agents of and dealers in all kinds of pharmaceutical products, embrocation oil, herbal tea and chinese patented medicines.

The address of the registered office and principal place of business of HYH Sg is 10, UBI Crescent, #03-15, UBI Techpark, Singapore 408564.

There are no employees other than the 2 directors of HYH Sg for the five financial years ended 30 June 2004 and the four months ended 31 October 2004 under review.

11.2 Financial statements and auditors

The financial statements included in this Report have been prepared under the historical cost convention.

10. REPORTING ACCOUNTANT'S REPORT (CONTINUED)


Hovid Berhad
Accountants' Report

11.2 Financial statements and auditors (continued)

The financial statements are the responsibility of HYH Sg's directors. The financial statements of HYH Sg for the five financial years ended 30 June 2004 and the four months ended 31 October 2004 were audited by Law Piang Woon & Co., Certified Public Accountants, Singapore and were reported on without any modification.

For the purpose of this Report, all foreign currency assets, liabilities and transactions are translated from Singapore Dollar ("SGD") to Ringgit Malaysia ("RM") for the five financial years ended 30 June 2004 and the four months ended 31 October 2004 based on the following rates:

	Financial year ended 30 June					4 months ended
	2000	2001	2002	2003	2004	31 October 2004
1 SGD	RM2.44	RM2.06	RM2.11	RM2.14	RM2.19	RM2.25

Note: The issued and fully paid share capital has been translated using the rate as at 30 June 1999 of 1SGD: RM2.26.

11.3 Income statements

The income statements of HYH Sg for the five financial years ended 30 June 2004 and the four months ended 31 October 2004, which are based on the audited financial statements of HYH Sg are as follows:

	Note	Financial year ended 30 June					4 months ended
		2000	2001	2002	2003	2004	31 October 2004
	11.7	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	1	60	32	36	39	37	13
Staff costs		(15)	(13)	(15)	(14)	(13)	(5)
Other operating expenses		(30)	(18)	(21)	(25)	(24)	(6)
Profit/(loss) from ordinary activities before taxation	2	15	1	*	*	(*)	2
Taxation	3	0	0	0	0	0	0
Net profit/(loss) for the financial year/period		15	1	*	*	(*)	2

* Amount is less than RM500

10. REPORTING ACCOUNTANT'S REPORT (CONTINUED)


Hovid Berhad
Accountants' Report

11.4 Balance sheets

The balance sheets of HYH Sg as at 30 June 2000 to 30 June 2004 and as at 31 October 2004, which are based on its audited financial statements are as follows:

Note	As at 30 June					As at	
	2000	2001	2002	2003	2004	31 October	
11.7	RM'000	RM'000	RM'000	RM'000	RM'000	2004 RM'000	
Non current asset							
Property, plant and equipment	4	*	*	*	0	0	0
Current assets							
Other debtors and prepayments	5	70	62	73	76	81	71
Cash and bank balances		12	6	1	*	*	*
		82	68	74	76	81	71
Current liabilities							
Other creditors and accruals	6	12	20	23	22	21	22
Amounts owing to directors/a director	7	24	7	10	11	17	3
		36	27	33	33	38	25
Net current assets		46	41	41	43	43	46
		46	41	41	43	43	46
Capital and reserves							
Share capital	8	113	113	113	113	113	113
Exchange translation reserve		2	(4)	(4)	(2)	(2)	(1)
Accumulated losses		(69)	(68)	(68)	(68)	(68)	(66)
		46	41	41	43	43	46

* Amount is less than RM500

10. REPORTING ACCOUNTANT'S REPORT (CONTINUED)


Hovid Berhad
Accountants' Report

11.5 Statements of changes in equity

The statements of changes in equity of HYH Sg for the five financial years ended 30 June 2004 and the four months ended 31 October 2004, which are based on its audited financial statements are as follows:

	Issued and fully paid ordinary shares of SGD1 each		Exchange translation reserve RM'000	Accumulated losses RM'000	Total RM'000
	Number of shares '000	Share capital RM'000			
At 1 July 1999	50	113	0	(84)	29
Exchange translation difference	0	0	2	0	2
Net profit for the financial year	0	0	0	15	15
At 30 June 2000	50	113	2	(69)	46
At 1 July 2000	50	113	2	(69)	46
Exchange translation difference	0	0	(6)	0	(6)
Net profit for the financial year	0	0	0	1	1
At 30 June 2001	50	113	(4)	(68)	41
At 1 July 2001	50	113	(4)	(68)	41
Exchange translation difference	0	0	0	0	0
Net profit for the financial year	0	0	0	*	*
At 30 June 2002	50	113	(4)	(68)	41
At 1 July 2002	50	113	(4)	(68)	41
Exchange translation difference	0	0	2	0	2
Net profit for the financial year	0	0	0	*	*
At 30 June 2003	50	113	(2)	(68)	43
At 1 July 2003	50	113	(2)	(68)	43
Exchange translation difference	0	0	*	0	*
Net loss for the financial year	0	0	0	(*)	(*)
At 30 June 2004	50	113	(2)	(68)	43
At 1 July 2004	50	113	(2)	(68)	43
Exchange translation difference	0	0	1	0	1
Net profit for the financial period	0	0	0	2	2
At 31 October 2004	50	113	(1)	(66)	46

* Amount is less than RM500

10. REPORTING ACCOUNTANT'S REPORT (CONTINUED)


Hovid Berhad
Accountants' Report

11.6 Cash flow statement

The cash flow statement of HYH Sg for the four months ended 31 October 2004, which is based on its audited financial statements is as follows:

	4 months ended 31 October 2004 RM'000
Operating activities	
Net profit for the financial period	2
Net movements in working capital:	
Other debtors	12
Other creditors	*
Net cash flow from operating activities	<u>14</u>
Financing activities	
Advances from directors	<u>(14)</u>
Net changes in cash and cash equivalents during the financial period	*
Exchange translation difference	*
Cash and cash equivalents at beginning of the financial period	*
Cash and cash equivalents at end of the financial period	<u>*</u>

* Amount is less than RM500

11.7 Notes to the financial statements

11.7.1 Revenue

Revenue represents commission received from a company in which a director has substantial financial interest.

11.7.2 Profit/(loss) from ordinary activities before taxation

	Financial year ended 30 June					4 months ended 31 October
	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000	2004 RM'000
Profit/(loss) from ordinary activities before taxation is stated after charging:						
Auditors' remuneration	2	2	2	2	3	1
Directors' remuneration other than fees (included in staff costs)	15	13	15	14	13	5
Depreciation of property, plant and equipment	*	*	*	*	0	0
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Included in directors' remuneration above are:						
- defined contribution plan expenses	N/A	N/A	1	*	1	*
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

* Amount is less than RM500

10. REPORTING ACCOUNTANT'S REPORT (CONTINUED)


Hovid Berhad
Accountants' Report

11.7 Notes to the financial statements (continued)

11.7.3 Taxation

There was no taxation charge for the five financial years ended 30 June 2004 and the four months ended 31 October 2004 under review due to the availability of brought forward tax losses to set off against the adjusted profits for taxation purposes. Subject to the agreement by the tax authorities, HYH Sg has unabsorbed tax losses of RM36,000 available as at 31 October 2004 for set off against future taxable income.

11.7.4 Property, plant and equipment

	Furniture, fittings and office equipment RM'000
<u>2000</u>	
Cost	
At 1 July 1999/30 June 2000	1
Less:	
Accumulated depreciation	
At 1 July 1999	*
Charge for the financial year	*
At 30 June 2000	*
Net book value	
At 30 June 2000	*

* Amount is less than RM500

Subsequent to financial year ended 30 June 2000, no movements in property, plant and equipment were noted except for the depreciation charge. These assets were fully depreciated as at 30 June 2003.

11.7.5 Other debtors and prepayments

	As at 30 June					As at 31 October
	2000	2001	2002	2003	2004	2004
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Other debtors	46	39	41	54	70	63
Prepayments	24	23	32	22	11	8
	<u>70</u>	<u>62</u>	<u>73</u>	<u>76</u>	<u>81</u>	<u>71</u>

Other debtors are denominated in SGD.

10. REPORTING ACCOUNTANT'S REPORT (CONTINUED)


Hovid Berhad
Accountants' Report

11.7 Notes to the financial statements (continued)

11.7.6 Other creditors and accruals

	As at 30 June					As at
	2000	2001	2002	2003	2004	31 October
	RM'000	RM'000	RM'000	RM'000	RM'000	2004
						RM'000
Other creditors	0	10	11	11	11	11
Accruals	12	10	12	11	10	11
	12	20	23	22	21	22

Other creditors and accruals are denominated in SGD.

11.7.7 Amounts owing to directors/a director

The amounts owing to directors/a director which are denominated in SGD are unsecured, interest free and have no fixed terms of repayment.

11.7.8 Share capital

The authorised share capital of HYH Sg is RM226,000 (SGD100,000) comprising 100,000 ordinary shares of SGD1 each since the date of its incorporation.

The movements in issued and fully paid share capital of HYH Sg for the five financial years ended 30 June 2004 and the four months ended 31 October 2004 under review are disclosed in Note 11.5.

11.7.9 Fair values

The carrying amounts of financial assets and liabilities of HYH Sg as at 30 June 2002, 30 June 2003, 30 June 2004 and 31 October 2004 approximated their fair values.

11.8 Statement of assets and liabilities

The statement of assets and liabilities based on the audited financial statements of HYH Sg as at 31 October 2004 has been included in the balance sheets in Note 11.4 above.

10. REPORTING ACCOUNTANT'S REPORT (CONTINUED)



Hovid Berhad Accountants' Report

12 Hovid Marketing Sdn Bhd.

12.1 General information

Hovid Marketing Sdn. Bhd. ("H Marketing") was incorporated in Malaysia on 12 February 1998 as a private limited company.

The intended principal activity of H Marketing is that of general trading. H Marketing has not commenced operations since the date of its incorporation.

The address of the registered office of H Marketing is 1B1-D, Jalan Sultan Yussuf, 30000 Ipoh, Perak Darul Ridzuan.

12.2. Financial statements and auditors

The financial statements included in this Report have been prepared under the historical cost convention.

The financial statements are the responsibility of H Marketing's directors. The financial statements of H Marketing for the five financial years ended 30 June 2004 and the four months ended 31 October 2004 were audited by Lim Siang Guan & Co. and were reported on without any modification except for the financial years ended 30 June 2002, 2003, 2004 and the four months ended 31 October 2004 where the auditors drew attention that the directors of H Marketing would ensure sufficient funds are made available to settle any liabilities as and when required.

12.3 Income statements

The income statements of H Marketing for the five financial years ended 30 June 2004 and the four months ended 31 October 2004, which are based on its audited financial statements are as follows:

	Note	Financial year ended 30 June					4 months ended 31 October
		2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000	2004 RM'000
Revenue		0	0	0	0	0	0
Preliminary expenses written off		(3)	0	0	0	0	0
Pre-operating expenses written off		(1)	0	0	0	0	0
Other administrative expenses		(1)	(1)	(1)	(2)	(2)	(1)
Loss before taxation	1	(5)	(1)	(1)	(2)	(2)	(1)
Taxation	2	0	0	0	0	0	0
Net loss for the financial year/period		<u>(5)</u>	<u>(1)</u>	<u>(1)</u>	<u>(2)</u>	<u>(2)</u>	<u>(1)</u>

10. REPORTING ACCOUNTANT'S REPORT (CONTINUED)


Hovid Berhad
Accountants' Report

12.4 Balance sheets

The balance sheets of H Marketing as at 30 June 2000 to 30 June 2004 and as at 31 October 2004, which are based on its audited financial statements are as follows:

Note	As at 30 June					As at
	2000	2001	2002	2003	2004	31 October
12.7	RM'000	RM'000	RM'000	RM'000	RM'000	2004 RM'000
Current asset						
	*	*	*	*	*	*
Current liabilities						
3	2	2	3	5	7	8
4	3	4	4	4	4	4
	5	6	7	9	11	12
	(5)	(6)	(7)	(9)	(11)	(12)
	(5)	(6)	(7)	(9)	(11)	(12)
Capital and accumulated losses						
5	*	*	*	*	*	*
	(5)	(6)	(7)	(9)	(11)	(12)
	(5)	(6)	(7)	(9)	(11)	(12)

* RM2

10. REPORTING ACCOUNTANT'S REPORT (CONTINUED)


Hovid Berhad
Accountants' Report

12.5 Statements of changes in equity

The statements of changes in equity of H Marketing for the five financial years ended 30 June 2004 and the four months ended 31 October 2004, which are based on the audited financial statements are as follows:

	Issued and fully paid ordinary shares of RM1 each		Accumulated losses RM'000	Total RM'000
	Number of shares	Share capital RM'000		
At 1 July 1999	2	*	0	*
Net loss for the financial year	0	0	(5)	(5)
At 30 June 2000	2	*	(5)	(5)
At 1 July 2000	2	*	(5)	(5)
Net loss for the financial year	0	0	(1)	(1)
At 30 June 2001	2	*	(6)	(6)
At 1 July 2001	2	*	(6)	(6)
Net loss for the financial year	0	0	(1)	(1)
At 30 June 2002	2	*	(7)	(7)
At 1 July 2002	2	*	(7)	(7)
Net loss for the financial year	0	0	(2)	(2)
At 30 June 2003	2	*	(9)	(9)
At 1 July 2003	2	*	(9)	(9)
Net loss for the financial year	0	0	(2)	(2)
At 30 June 2004	2	*	(11)	(11)
At 1 July 2004	2	*	(11)	(11)
Net loss for the financial period	0	0	(1)	(1)
At 31 October 2004	2	*	(12)	(12)

* RM2

12.6 Cash flow statement

Based on the audited financial statements of H Marketing for the four months ended 31 October 2004, no cash flow statement has been prepared as H Marketing did not maintain any bank account and there was no cash transaction for the four months ended 31 October 2004 under review.

10. REPORTING ACCOUNTANT'S REPORT (CONTINUED)



Hovid Berhad Accountants' Report

12.7 Notes to the financial statements

12.7.1 Loss before taxation

	Financial year ended 30 June					4 months ended 31 October
	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000	2004 RM'000
Loss before taxation is stated after charging:						
Auditors' remuneration	*	*	*	*	+	*

* Auditors' remuneration amounted to RM300 per annum for the four financial years ended 30 June 2003 and the four months ended 31 October 2004.

+ Auditors' remuneration amounted to RM500 for the financial year ended 30 June 2004.

12.7.2 Taxation

There is no taxation charge as H Marketing has not commenced operations since the date of its incorporation.

12.7.3 Non trade creditors and accruals

Non trade creditors and accruals are denominated in Ringgit Malaysia.

12.7.4 Amount owing to a director

The amount owing to a director is denominated in Ringgit Malaysia. It is unsecured and interest free with no fixed terms of repayment.

12.7.5 Share capital

	As at 30 June					As at 31 October
	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000	2004 RM'000
Authorised 100,000 ordinary shares of RM1 each	100	100	100	100	100	100

The movements in issued and fully paid share capital for the five financial years ended 30 June 2004 and the four months ended 31 October 2004 under review are disclosed in Note 12.5.

12.7.6 Fair values

The carrying amounts of financial assets and liabilities of H Marketing as at 30 June 2002, 30 June 2003, 30 June 2004 and 31 October 2004 approximated their fair values.

12.8 Statement of assets and liabilities

The statement of assets and liabilities based on the audited financial statements of H Marketing as at 31 October 2004 has been included in the balance sheets in Note 12.4 above.

10. REPORTING ACCOUNTANT'S REPORT (CONTINUED)



Hovid Berhad Accountants' Report

13. Javid Sdn. Bhd.

13.1 General information

Javid Sdn. Bhd. ("Javid") was incorporated in Malaysia on 21 February 1997 as a private limited company.

The intended principal activities of Javid are to carry on the business as dealers in all kinds of pharmaceuticals, medicated herbs and nutritional products, and land development. Javid has not commenced operations since the date of its incorporation.

The address of the registered office of Javid is 1B1-D, Jalan Sultan Yussuf, 30000 Ipoh, Perak.

13.2 Financial statements and auditors

The financial statements included in this Report have been prepared under the historical cost convention.

The financial statements are the responsibility of Javid's directors. The financial statements of Javid for the five financial years ended 30 June 2004 and the four months ended 31 October 2004 were audited by Lim Siang Guan & Co. and were reported on without any modification except for the financial years ended 30 June 2001, 2002, 2003, 2004 and the four months ended 31 October 2004 where the auditors drew attention that the directors of Javid would ensure sufficient funds are made available to settle any liabilities as and when required.

13.3 Income statements

The income statements of Javid for the five financial years ended 30 June 2004 and the four months ended 31 October 2004, which are based on its audited financial statements are as follows:

	Note	Financial year ended 30 June					4 months ended 31 October
		2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000	2004 RM'000
Revenue	13.7	0	0	0	0	0	0
Preliminary expenses written off		(2)	0	0	0	0	0
Pre-operating expenses written off		(3)	0	0	0	0	0
Penalty on late payment of quit rent		0	0	0	(5)	*	0
Other administrative expenses		(1)	(1)	(1)	(1)	(3)	(1)
Loss before taxation	1	(6)	(1)	(1)	(6)	(3)	(1)
Taxation	2	0	0	0	0	0	0
Net loss for the financial year/period		(6)	(1)	(1)	(6)	(3)	(1)

* Amount is less than RM500

10. REPORTING ACCOUNTANT'S REPORT (CONTINUED)


Hovid Berhad
Accountants' Report

13.4 Balance sheets

The balance sheets of Javid as at 30 June 2000 to 30 June 2004 and as at 31 October 2004, which are based on its audited financial statements are as follows:

Note	As at 30 June					As at
	2000	2001	2002	2003	2004	31 October
13.7	RM'000	RM'000	RM'000	RM'000	RM'000	2004
						RM'000
Non current assets						
	Land and development expenditure					
3	1,596	1,625	1,655	1,689	1,718	1,718
Current asset						
	Cash in hand					
	*	*	*	*	*	*
Current liabilities						
	Non trade creditors and accruals					
4	2	46	75	50	49	20
	Loans from directors/a director					
5	1,600	1,586	1,588	1,653	1,686	1,716
	1,602	1,632	1,663	1,703	1,735	1,736
Net current liabilities						
	(1,602)	(1,632)	(1,663)	(1,703)	(1,735)	(1,736)
	(6)	(7)	(8)	(14)	(17)	(18)
Capital and accumulated losses						
	Share capital					
6	+	+	+	+	+	+
	Accumulated losses					
	(6)	(7)	(8)	(14)	(17)	(18)
	(6)	(7)	(8)	(14)	(17)	(18)

* RM2

+ RM100

10. REPORTING ACCOUNTANT'S REPORT (CONTINUED)


Hovid Berhad
Accountants' Report

13.5 Statements of changes in equity

The statements of changes in equity of Javid for the five financial years ended 30 June 2004 and the four months ended 31 October 2004, which are based on the audited financial statements are as follows:

	Issued and fully paid ordinary shares of RM1 each		Accumulated losses	Total
	Number of shares	Share capital RM'000	RM'000	RM'000
At 1 July 1999	100	+	0	+
Net loss for the financial year	0	0	(6)	(6)
At 30 June 2000	100	+	(6)	(6)
At 1 July 2000	100	+	(6)	(6)
Net loss for the financial year	0	0	(1)	(1)
At 30 June 2001	100	+	(7)	(7)
At 1 July 2001	100	+	(7)	(7)
Net loss for the financial year	0	0	(1)	(1)
At 30 June 2002	100	+	(8)	(8)
At 1 July 2002	100	+	(8)	(8)
Net loss for the financial year	0	0	(6)	(6)
At 30 June 2003	100	+	(14)	(14)
At 1 July 2003	100	+	(14)	(14)
Net loss for the financial year	0	0	(3)	(3)
At 30 June 2004	100	+	(17)	(17)
At 1 July 2004	100	+	(17)	(17)
Net loss for the financial period	0	0	(1)	(1)
At 31 October 2004	100	+	(18)	(18)

+ RM100

13.6 Cash flow statement

Based on the audited financial statements of Javid for the four months ended 31 October 2004, no cash flow statement has been prepared as Javid did not maintain any bank account and there was no cash transaction for the four months ended 31 October 2004 under review.

10. REPORTING ACCOUNTANT'S REPORT (CONTINUED)


Hovid Berhad
Accountants' Report

13.7 Notes to the financial statements

13.7.1 Loss before taxation

	Financial year ended 30 June					4 months ended
	2000	2001	2002	2003	2004	31 October
	RM'000	RM'000	RM'000	RM'000	RM'000	2004
						RM'000
Loss before taxation is stated after charging:						
Auditors' remuneration	*	*	*	*	+	*

* Auditors' remuneration amounted to RM300 per annum for the four financial years ended 30 June 2003 and the four months ended 31 October 2004.

+ Auditors' remuneration amounted to RM500 for the financial year ended 30 June 2004.

13.7.2 Taxation

There is no taxation charge as Javid has not commenced operations since the date of its incorporation.

13.7.3 Land and development expenditure

	As at 30 June					As at
	2000	2001	2002	2003	2004	31 October
	RM'000	RM'000	RM'000	RM'000	RM'000	2004
						RM'000
At cost,						
Land	1,500	1,500	1,500	1,500	1,500	1,500
Development expenditure	96	125	155	189	218	218
	<u>1,596</u>	<u>1,625</u>	<u>1,655</u>	<u>1,689</u>	<u>1,718</u>	<u>1,718</u>

13.7.4 Non trade creditors and accruals

Non trade creditors and accruals are denominated in Ringgit Malaysia.

13.7.5 Loans from directors/a director

The loans are denominated in Ringgit Malaysia. They are unsecured and interest free with no fixed terms of repayment.

10. REPORTING ACCOUNTANT'S REPORT (CONTINUED)
Hovid Berhad
Accountants' Report
13.7 Notes to the financial statements (continued)**13.7.6 Share capital**

	As at 30 June					As at
	2000	2001	2002	2003	2004	31 October
	RM'000	RM'000	RM'000	RM'000	RM'000	2004
						RM'000
Authorised						
100,000 ordinary shares of						
RM1 each	100	100	100	100	100	100

The movements in issued and fully paid share capital for the five financial years ended 30 June 2004 and the four months ended 31 October 2004 under review are disclosed in Note 13.5.

13.7.7 Fair values

The carrying amounts of financial assets and liabilities of Javid as at 30 June 2002, 30 June 2003, 30 June 2004 and 31 October 2004 approximated their fair values.

13.8 Statement of assets and liabilities

The statement of assets and liabilities based on the audited financial statements of Javid as at 31 October 2004 has been included in the balance sheets in Note 13.4 above.

14. Dividend

The Company and its subsidiaries have not paid any dividend during the five financial years ended 30 June 2004 and the four months ended 31 October 2004 under review.

15. Financial Statements

No audited financial statements have been prepared in respect of Hovid, Carotech, H Pharmacy, H Inc, HYH Sg, H Marketing and Javid for any period subsequent to 31 October 2004.

10. REPORTING ACCOUNTANT'S REPORT (CONTINUED)


Hovid Berhad
Accountants' Report
16. Significant event subsequent to balance sheet date 31 October 2004

- (a) On 17 November 2004, the authorised share capital of the Company was increased from RM10,000,000 to RM50,000,000 by the creation of RM40,000,000 ordinary shares of RM1 each at par.
- (b) On 17 November 2004, the issued and fully paid share capital of the Company was increased from RM3,886,000 to RM15,836,931 by the allotment of 11,950,931 ordinary shares of RM1 each as the purchase consideration for the acquisition of 69.9% shareholding in Carotech Berhad. Carotech Berhad became a subsidiary of the Company effective 17 November 2004.
- (c) On 1 December 2004, the Company completed the following transactions:

- (i) allotment of 4,140,962 ordinary shares of RM1 each as the purchase consideration for the acquisitions of shares in the following companies:

	Number of shares issued	Effective shareholding acquired
H Pharmacy	3,034,345	100%
H Inc	460,344	100%
HYH Sg	34,304	80%
Javid	611,967	100%
H Marketing	<u>2</u>	100%
	<u>4,140,962</u>	

- (ii) allotment of 117,005 ordinary shares of RM1 each as the purchase consideration for the acquisition of a bungalow from a director of the Company valued at RM1,000,000.
- (iii) acquisition of one parcel of leasehold land and one parcel of freehold land and buildings erected thereon from HYH for a total cash consideration of RM7,450,000.
- (iv) declaration and payment of a special dividend of RM8 million in the financial year ending 30 June 2005 to HYH.

10. REPORTING ACCOUNTANT'S REPORT (CONTINUED)



Hovid Berhad
Accountants' Report

16. Significant event subsequent to balance sheet date 31 October 2004 (continued)

- (c) (v) carried out a bonus issue of 21,135,102 new ordinary shares of RM1 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.
- (vi) subdivision of every ordinary share of RM1 each into 2 ordinary shares of RM0.50 each

Yours faithfully,

A handwritten signature in black ink, appearing to read 'K. S. Loo', written over the PricewaterhouseCoopers logo.

PRICEWATERHOUSECOOPERS
[No. AF-1146]
Chartered Accountants

A handwritten signature in black ink, appearing to read 'LIM TEONG KEAN', written in a stylized cursive script.

LIM TEONG KEAN
[No. 2499/12/05 (J)]
Partner of the firm