

P R O S P E C T U S

# hovid

Continuous Innovation & Quality

## Hovid Berhad

(Company number 58476-A)

(Incorporated in Malaysia under the Companies Act 1965)

P R O S P E C T U S

Hovid Berhad

OFFER FOR SALE OF 24,177,000 ORDINARY SHARES OF RM0.50 EACH IN HOVID BERHAD AT AN OFFER PRICE OF RM1.76 PER SHARE PAYABLE IN FULL ON APPLICATION TO BUMIPUTERA INVESTORS NOMINATED AND APPROVED BY THE MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY, MALAYSIA; AND

PUBLIC ISSUE OF 12,800,000 NEW ORDINARY SHARES OF RM0.50 EACH IN HOVID BERHAD AT AN ISSUE PRICE OF RM1.76 PER SHARE PAYABLE IN FULL ON APPLICATION COMPRISING:

- I. 2,350,000 NEW ORDINARY SHARES OF RM0.50 EACH AVAILABLE FOR APPLICATION BY THE ELIGIBLE DIRECTORS AND EMPLOYEES OF HOVID BERHAD AND ITS SUBSIDIARIES, AND OTHER PERSONS CONTRIBUTING TO THE SUCCESS OF HOVID BERHAD AND ITS SUBSIDIARIES;
- II. 4,450,000 NEW ORDINARY SHARES OF RM0.50 EACH AVAILABLE FOR APPLICATION BY BUMIPUTERA INVESTORS NOMINATED AND APPROVED BY THE MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY, MALAYSIA; AND
- III. 6,000,000 NEW ORDINARY SHARES OF RM0.50 EACH AVAILABLE FOR APPLICATION BY THE MALAYSIAN PUBLIC,

IN CONJUNCTION WITH THE LISTING OF AND QUOTATION FOR THE ENTIRE ENLARGED ISSUED AND PAID-UP ORDINARY SHARE CAPITAL OF HOVID BERHAD OF RM47,630,000 COMPRISING 95,260,000 ORDINARY SHARES OF RM0.50 EACH ON THE SECOND BOARD OF BURSA MALAYSIA SECURITIES BERHAD (FORMERLY KNOWN AS MALAYSIA SECURITIES EXCHANGE BERHAD).

Adviser and Managing Underwriter

# OSK

## OSK SECURITIES BERHAD

(Company no. 14152-V)

(A Participating Organisation of Bursa Malaysia Securities Berhad)



FOR INFORMATION CONCERNING CERTAIN RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, SEE "RISK FACTORS" IN SECTION 4 OF THIS PROSPECTUS.

THIS PROSPECTUS IS DATED 15 MARCH 2005



Personalities featured here are employees of Hovid



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**IMPORTANT NOTICE**

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This prospectus has been seen and approved by the directors and promoter of Hovid Berhad ("Company") and the persons offering the shares of the company for sale ("Offerors"), and they collectively and individually accept full responsibility for the accuracy of the information contained herein and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there is no false or misleading statement or other fact the omission of which would make any statement herein false or misleading. The directors of the Company accept full responsibility for the profit and cashflow forecasts that are included in this prospectus and confirm that the profit and cashflow forecasts have been prepared based on assumptions made as described in this prospectus.

OSK Securities Berhad ("OSK"), being the adviser and managing underwriter, acknowledges that, based on all available information and to the best of its knowledge and belief, this prospectus constitutes a full and true disclosure of all material facts concerning the offer for sale of 24,177,000 ordinary shares of RM0.50 each and the public issue of 12,800,000 new ordinary shares of RM0.50 each in the Company, and is satisfied that the profit and cashflow forecasts (for which the directors of the Company are fully responsible) prepared for inclusion in this prospectus have been stated by the directors after due and careful enquiry and have been duly reviewed by the Reporting Accountants.

The Securities Commission ("SC") has approved the Offer for Sale and the Public Issue, and the approval of the SC shall not be taken to indicate that the SC recommends the Offer for Sale and the Public Issue and/or the listing of and quotation for the entire enlarged issued and paid-up share capital of the Company on the Second Board of Bursa Malaysia Securities Berhad (formerly known as Malaysia Securities Exchange Berhad) ("Bursa Securities").

The SC shall not be liable for any non-disclosure on the part of the Company and takes no responsibility for the contents of this prospectus, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

Bursa Securities shall not be liable for any non-disclosure on the part of the Company and takes no responsibility for the contents of this prospectus, makes no representation as to its correctness or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus. Admission to the Official List of the Second Board of Bursa Securities is not to be taken as an indication of the merits of the public issue, of the Company and/or of its ordinary shares.

**INVESTORS SHOULD RELY ON THEIR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT IN THE COMPANY. IN CONSIDERING THE INVESTMENT, INVESTORS WHO ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN SHOULD CONSULT THEIR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.**

The valuation approved or accepted by the SC shall only be utilised for the purpose of the applications submitted to and approved by the SC for the listing of and quotation for the entire enlarged issued and paid-up share capital of the Company on the Second Board of Bursa Securities, and shall not be construed as an endorsement by the SC or Bursa Securities on the value of the subject assets for any other purpose.

A copy of this prospectus has been registered with the SC. A copy of this prospectus, together with the form of application, has also been lodged with the Registrar of Companies ("ROC"). However, neither the SC nor the ROC takes any responsibility for its contents.

This prospectus can also be viewed or downloaded from Bursa Securities' website at [www.bursamalaysia.com](http://www.bursamalaysia.com).

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**INDICATIVE TIMETABLE**

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The indicative timing of events leading up to the listing of and quotation for the entire enlarged issued and paid-up share capital of Hovid Berhad (“Company”) on the Second Board of Bursa Securities is as follows:

<b>Event</b>	<b>Date</b>
Issuance of prospectus	15 March 2005
Opening of application	15 March 2005
Closing of application	23 March 2005
Balloting of applications	25 March 2005
Tentative date of despatch of notices of allotment to successful applicants	1 April 2005
Tentative listing date of the Company’s entire enlarged issued and paid-up share capital on the Second Board of Bursa Securities	5 April 2005

The application for the public issue will close at the time and date stated or at such later date or dates as the directors of the Company and the Managing Underwriter may in their absolute discretion decide. Should the closing date of the application be extended, the dates for balloting, the despatch of notice of allotment and the listing of and quotation for the entire issued and paid-up share capital of the Company on the Second Board of Bursa Securities will be extended accordingly. Any change to the closing date of the application will be advertised in widely circulated newspapers in Malaysia in Bahasa Malaysia and English prior to the original closing date of the application. Late applications will not be accepted.

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## DEFINITIONS AND INTERPRETATION

Unless otherwise indicated or required by the context, the following abbreviations, words and expressions shall bear the following respective meanings throughout this prospectus.

“Act”	:	Companies Act 1965
“ADA”	:	Authorised Depository Agent
“ADA Code”	:	ADA (Broker) Code
“Adviser”	:	OSK
“AFTA”	:	ASEAN Free Trade Area
“ASC”	:	ASC Asian Equity Limited
“ASEAN”	:	Association of South East Asian Nations
“ATM”	:	Automated Teller Machine
“Acquisition of Bungalow”	:	Acquisition by the Company of a bungalow located at No. 79, Jalan Sungai Palas, Cameron Highlands, Pahang Darul Makmur, Malaysia from DH for a consideration of RM1,000,000 satisfied through the issuance of 117,005 new ordinary shares of RM1.00 each in the Company issued at approximately RM8.55 per share, which was completed on 1 December 2004
“Acquisition of Carotech I”	:	Acquisition by the Company of 1,587,078 ordinary shares of RM1.00 each in Carotech from HYH for a total consideration of RM9,235,328 satisfied by the issuance of 9,235,328 new ordinary shares of RM1.00 each in the Company issued at par, which was completed on 17 November 2004
“Acquisition of Carotech II”	:	Acquisition by the Company of 810,105 ordinary shares of RM1.00 each in Carotech from CAV, DH, Leong Weng Hoong and HYH for a total consideration of RM4,714,063 satisfied by the issuance of 2,715,603 new ordinary shares of RM1.00 each in the Company issued at approximately RM1.74 per share, which was completed on 17 November 2004
“Acquisition of H Inc”	:	Acquisition by the Company of the entire issued and paid-up share capital of H Inc for a total consideration of RM460,344 satisfied by the issuance of 460,344 new ordinary shares of RM1.00 each in the Company issued at par, which was completed on 1 December 2004
“Acquisition of H Marketing”	:	Acquisition by the Company of the entire issued and paid-up share capital of H Marketing from DH and Liong Kam Hon for a total consideration of RM2.00 satisfied by the issuance of two (2) new ordinary shares of RM1.00 each in the Company issued at par, which was completed on 1 December 2004
“Acquisition of H Pharmacy”	:	Acquisition by the Company of the entire issued and paid-up share capital of H Pharmacy from HYH for a total consideration of RM3,034,345 satisfied by the issuance of 3,034,345 new ordinary shares of RM1.00 each in the Company issued at par, which was completed on 1 December 2004
“Acquisition of HYH Sg”	:	Acquisition by the Company of 40,000 ordinary shares of SGD1.00 each in HYH Sg from DH and Chong Soo Seng for a total consideration of RM34,304 satisfied by the issuance of 34,304 new ordinary shares of RM1.00 each in the Company issued at par, which was completed on 1 December 2004

**DEFINITIONS AND INTERPRETATION (CONTINUED)**

“Acquisition of Javid”	:	Acquisition by the Company of the entire issued and paid-up share capital of Javid from DH and Jacqueline Judith East and the transfer of shareholders’ advance of RM1.6 million due from Javid to DH for a total consideration of RM5,230,255 satisfied by the issuance of 611,967 new ordinary shares of RM1.00 each in the Company issued at approximately RM8.55 per share, which was completed on 1 December 2004
“Acquisition of Land”	:	Acquisition by the Company from HYH of one parcel of leasehold land and one parcel of freehold land, and buildings erected thereon, respectively located at Lot 8811N, No. 121, Jalan Tunku Abdul Rahman (formerly known as Jalan Kuala Kangsar), Ipoh, Perak Darul Ridzuan, Malaysia and at Lot 117N, No. 1, Jalan Bijeh Timah, Ipoh, Perak Darul Ridzuan, Malaysia from HYH for a total cash consideration of RM7,450,000, which was completed on 1 December 2004
“Acquisitions”	:	Collectively, the Acquisition of H Pharmacy, Acquisition of H Inc, Acquisition of Carotech I, Acquisition of Carotech II, Acquisition of Javid, Acquisition of H Marketing, Acquisition of HYH Sg, Acquisition of Land and Acquisition of Bungalow
“Board”	:	Board of directors
“Bonus Issue”	:	The bonus issue of 21,135,102 new ordinary shares of RM1.00 each by the Company to the shareholders of the Company on the basis of approximately 1.05 new ordinary shares of RM1.00 each for every one (1) existing ordinary share of RM1.00 each in the Company after the Acquisitions, which was completed on 1 December 2004
“Bursa Depository”	:	Bursa Malaysia Depository Sdn Bhd (formerly known as Malaysian Central Depository Sdn Bhd) (Company No. 165570-W)
“Bursa Securities”	:	Bursa Malaysia Securities Berhad (formerly known as Malaysia Securities Exchange Berhad) (Company No. 635998-W)
“C Inc”	:	Carotech Inc
“CAHB”	:	Commerce Asset-Holding Berhad (Company No. 50841-W)
“Carotech”	:	Carotech Berhad (Company No. 200964-W)
“Carotech Group”	:	Carotech and its subsidiary, C Inc, collectively
“CAV”	:	Commerce Asset Ventures Sdn Bhd (Company No. 330858-U)
“CDS”	:	Central Depository System
“CDS Account”	:	An account established by Bursa Depository for a depositor for the recording of deposits of securities and for dealing in such securities by the depositor
“CPO”	:	Crude Palm Oil
“cGMP”	:	Current Good Manufacturing Practice
“DCA”	:	Drug Control Agency, Malaysia
“DH”	:	Ho Sue San @ David Ho Sue San

**DEFINITIONS AND INTERPRETATION (CONTINUED)**

“Disposal”	:	The disposal of an unsubdivided portion measuring approximately 13.51 acres of a parcel of freehold land held under GRN6107, Lot 56442, Mukim Hulu Kinta, Daerah Kinta, Perak, together with the buildings thereon by the Company to Carotech for a consideration of RM5,710,000 to be satisfied entirely in cash, which was completed on 17 November 2004
“EPS”	:	Earnings Per Share
“EQL”	:	Excellent Quest Limited
“FIC”	:	Foreign Investment Committee, Malaysia
“FYE”	:	Financial Year Ended or Financial Year Ending, as the case may be
“GDP”	:	Gross Domestic Product
“GGO”	:	Guaranteed Giro Order
“GMP”	:	Good Manufacturing Practice
“GNP”	:	Gross National Product
“GNI”	:	Gross National Income
“Hovid” or “Company”	:	Hovid Berhad (Company No. 58476-A)
“Hovid Group” or “Group”	:	The Company and its subsidiaries, collectively
“H Inc”	:	Hovid Inc
“H Marketing”	:	Hovid Marketing Sdn Bhd (Company No. 457587-X)
“H Pharmacy”	:	Hovid Pharmacy Sdn Bhd (Company No. 71816-T)
“HYH”	:	Ho Yan Hor Holdings Sdn Bhd (Company No. 86594-K)
“HYH Sg”	:	Ho Yan Hor (S) Pte Ltd
“HYH RCPS”	:	Redeemable convertible preference shares of RM0.01 each in HYH
“Independent Market Research Consultant” or “IMR”	:	Infocredit D&B (Malaysia) Sdn Bhd (Company No. 527570-M)
“Issue Price”	:	RM1.76 per Issue Share
“Issue Shares”	:	The 12,800,000 new Shares representing approximately 13.4% of the enlarged issued and paid-up ordinary share capital of the Company to be issued pursuant to the Public Issue subject to the terms and conditions in this prospectus
“Javid”	:	Javid Sdn Bhd (Company No. 420434-D)
“Legal Adviser”	:	Zain & Co
“Listing”	:	The listing of and quotation for the entire enlarged issued and paid-up ordinary share capital of the Company of RM47,630,000 comprising 95,260,000 Shares on the Second Board of Bursa Securities

**DEFINITIONS AND INTERPRETATION (CONTINUED)**

“Listing Exercise”	:	Collectively, the Disposal, Acquisitions, Special Dividend, Bonus Issue, Share Split, Offer for Sale, Public Issue and Listing												
“Listing Requirements”	:	Listing Requirements of Bursa Securities												
“Managing Underwriter”	:	OSK												
“Market Day”	:	Any day on which Bursa Securities is open for the trading of securities												
“MESDAQ Market”	:	The MESDAQ Market of Bursa Securities												
“MI”	:	Minority Interest												
“MIH”	:	Malaysian Issuing House Sdn Bhd (Company No. 258345-X)												
“MITI”	:	Ministry of International Trade and Industry, Malaysia												
“NBV”	:	Net Book Value												
“NDP”	:	National Development Policy												
“NPCB”	:	National Pharmaceutical Control Board, Malaysia												
“NTA”	:	Net Tangible Assets												
“Offerors”	:	Collectively, the shareholders of the Company who are proposing the Offer for Sale of the Offer Shares, as follows:												
		<table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th style="text-align: center;">No. of shares</th> <th style="text-align: center;">%</th> </tr> </thead> <tbody> <tr> <td>CAV</td> <td style="text-align: center;">4,977,000</td> <td style="text-align: center;">5.2</td> </tr> <tr> <td>EQL</td> <td style="text-align: center;">19,200,000</td> <td style="text-align: center;">20.2</td> </tr> <tr> <td></td> <td style="text-align: center;"><b>24,177,000</b></td> <td style="text-align: center;"><b>25.4</b></td> </tr> </tbody> </table>		No. of shares	%	CAV	4,977,000	5.2	EQL	19,200,000	20.2		<b>24,177,000</b>	<b>25.4</b>
	No. of shares	%												
CAV	4,977,000	5.2												
EQL	19,200,000	20.2												
	<b>24,177,000</b>	<b>25.4</b>												
“Offer for Sale”	:	The offer for sale of the Offer Shares by the Offerors at the Offer Price to Bumiputera investors nominated and approved by the MITI												
“Offer Price”	:	RM1.76 per Offer Share												
“Offer Shares”	:	The 24,177,000 Shares representing approximately 25.4% of the enlarged issued and paid-up ordinary share capital of the Company to be offered for sale by the Offerors at the Offer Price pursuant to the Offer for Sale subject to the terms and conditions in this prospectus												
“OSK”	:	OSK Securities Berhad (Company No. 14152-V)												
“OTC”	:	Over-the-counter												
“PAT”	:	Profit After Tax												
“PATMI”	:	Profit After Tax and Minority Interest												
“PBT”	:	Profit Before Tax												
“PE Multiple”	:	Price-Earnings Multiple												
“Peso”	:	Philippine Peso												



**DEFINITIONS AND INTERPRETATION (CONTINUED)**

“PIC/S”	:	International Pharmaceutical Inspection Co-operation/Scheme, an informal co-operative arrangement between pharmaceutical inspection authorities and operated concurrently by a joint Committee and Secretariat based in Geneva, Switzerland
“PIN”	:	Personal Identification Number
“Prescribed Security”	:	The securities of a company that are prescribed by Bursa Securities to be deposited in the CDS
“Proposed Listing of Carotech	:	The proposed listing of and quotation for the entire enlarged issued and paid-up share capital of Carotech comprising 285,090,000 ordinary shares of RM0.10 each on the MESDAQ Market of Bursa Securities
“Public Issue”	:	The public issue of the Issue Shares in conjunction with the Listing, comprising 2,350,000 new Shares available for application by the eligible directors, employees and other persons contributing to the success of the Group, 4,450,000 new Shares available for application by Bumiputera investors nominated and approved by the MITI, and 6,000,000 new Shares available for application by the Malaysian public
“QA”	:	Quality Assurance
“QC”	:	Quality Control
“R&D”	:	Research and development
“RM” or “Ringgit”, and “Sen”	:	Malaysian Ringgit and Sen, respectively
“Rules”	:	Rules of Bursa Depository
“Reporting Accountants”	:	PricewaterhouseCoopers (Firm No. AF: 1146)
“SARS”	:	Severe Acute Respiratory Syndrome
“SC”	:	Securities Commission, Malaysia
“SC Guidelines”	:	The Policies and Guidelines on Issue/Offer of Securities issued by the SC
“SGD”	:	Singaporean Dollar
“Shares”	:	Ordinary shares of RM0.50 each in the capital of the Company
“Share Split”	:	The sub-division of the issued and paid-up ordinary share capital of the Company after the Bonus Issue of every one ordinary share of RM1.00 each in the capital of the Company into two Shares, which was completed on 1 December 2004
“Special Dividend”	:	Declaration and payment of a special dividend of RM8,000,000 by the Company to its shareholders as at 1 July 2003, which was completed on 1 December 2004
“Underwriters”	:	Collectively, OSK and Hwang-DBS Securities Berhad
“UK”	:	United Kingdom
“UNRWA”	:	United Nations Relief and Works Agency for Palestine Refugees in the Near East



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**DEFINITIONS AND INTERPRETATION (CONTINUED)**

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“US”	:	United States of America
“USD”	:	US Dollar
“Valuer”	:	Colliers, Jordan Lee & Jaafar Sdn Bhd (Company No. 59901-U)
“WHO”	:	World Health Organisation
“WTO”	:	World Trade Organisation

In this prospectus, words denoting the singular shall include the plural number and vice versa, words denoting any gender shall include all genders, words denoting persons shall include natural persons, firms, companies, bodies corporate and unincorporated bodies, and a reference to a section is a reference to the relevant section of this prospectus, unless otherwise expressly indicated.

Unless otherwise indicated, any reference in this prospectus to any legislation, statute or statutory provision is a reference to that legislation, statute or statutory provision for the time being, as amended or re-enacted, and to any repealed legislation, statute or statutory provision which it re-enacts (with or without modification).

Any reference to a time or day in this prospectus shall be a reference to that time or day in Malaysia, unless otherwise stated.

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