



Continuous Innovation & Quality

Hovid Bhd (Company no: 58476 A)

Condensed Consolidated Statements of Profit or Loss

And Other Comprehensive Income (unaudited)

For the First Financial Quarter Ended 30 September 2016

	3 months ended		Year-to-date ended	
	30.9.2016 RM'000	30.9.2015 RM'000	30.9.2016 RM'000	30.9.2015 RM'000
Revenue	44,139	41,049	44,139	41,049
Other income	969	6,853	969	6,853
Operating expenses	(38,097)	(38,782)	(38,097)	(38,782)
Profit from operations	7,011	9,120	7,011	9,120
Depreciation & amortisation	(1,587)	(1,398)	(1,587)	(1,398)
Finance income	19	3	19	3
Finance costs	(302)	(88)	(302)	(88)
Profit before tax	5,141	7,637	5,141	7,637
Income tax expense	(1,015)	(1,538)	(1,015)	(1,538)
Profit for the period	4,126	6,099	4,126	6,099
Other comprehensive income, net of tax:- <i>Item that will be reclassified subsequently to profit or loss</i>				
Foreign currency translation differences for foreign operations	789	(1,203)	789	(1,203)
Other comprehensive income for the period	789	(1,203)	789	(1,203)
Total comprehensive income for the period	4,915	4,896	4,915	4,896
Profit attributable to:				
Owners of the Company	4,049	6,154	4,049	6,154
Non-controlling interests	77	(55)	77	(55)
Profit for the period	4,126	6,099	4,126	6,099
Total comprehensive income attributable to:				
Owners of the Company	4,797	5,155	4,797	5,155
Non-controlling interests	118	(259)	118	(259)
Total comprehensive income for the period	4,915	4,896	4,915	4,896
Earning per share attributable to owners of the Company (sen) (Note B10)				
- Basic at nominal value of RM0.10 per share	0.50	0.79	0.50	0.79
- Diluted at nominal value of RM0.10 per share	0.41	0.62	0.41	0.62

The Condensed Consolidated Statements of Profit or Loss And Other Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 30 June 2016 and the accompanying explanatory notes attached to the interim financial statements.



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Hovid Bhd (Company no: 58476 A)

Condensed Consolidated Statements of Financial Position (Unaudited)

For the First Financial Quarter Ended 30 September 2016

	As at 30.9.2016 (Unaudited) RM'000	As at 30.6.2016 (Audited) RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	185,507	169,507
Intangible assets	21,606	20,472
Investment properties	2,600	2,600
Available-for-sale investment	-	-
Deferred tax assets	925	926
	210,638	193,505
Current Assets		
Inventories	35,023	34,181
Trade receivables	41,135	39,827
Other receivables, deposits and prepayments	23,894	21,577
Tax recoverable	1,203	309
Cash and deposits	20,155	23,350
	121,410	119,244
Total Assets	332,048	312,749
EQUITY		
Equity Attributable to Owners of the Company		
Share capital	81,789	81,482
Share premium	5,672	5,364
Reserves	39,114	38,428
Retained earnings	80,475	76,426
	207,050	201,700
Non-controlling interests	2,741	2,623
Total Equity	209,791	204,323
LIABILITIES		
Non-Current Liabilities		
Deferred tax liabilities	14,308	13,912
Term loans	43,605	35,106
Finance lease liabilities	508	539
Provision for retirement benefits	4,413	4,246
	62,834	53,803
Current Liabilities		
Trade payables	11,117	11,219
Other payables and accruals	18,703	17,745
Term loans	6,905	7,063
Short term borrowings	22,575	18,468
Finance lease liabilities	123	128
	59,423	54,623
Total Liabilities	122,257	108,426
Total Equity And Liabilities	332,048	312,749
Net Assets Per Share Attributable To Owners Of The Company (Sen)	25.32	24.75

The Condensed Consolidated Statements of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 30 June 2016 and the accompanying explanatory notes attached to the interim financial statements.



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Hovid Bhd (Company no: 58476 A)

Condensed Consolidated Statements of Changes in Equity (unaudited)

For the First Financial Quarter Ended 30 September 2016

	Attributable to Owners of the Company				Total	Non-controlling Interests	Total Equity
	Non-distributable		Distributable				
	Share capital RM'000	Share premium RM'000	Reserves RM'000	Retained earnings RM'000			
PERIOD ENDED 30 SEPTEMBER 2016							
At 1 July 2016	81,482	5,364	38,428	76,426	201,700	2,623	204,323
Total comprehensive income for the period	-	-	748	4,049	4,797	118	4,915
Transaction with owners of the Company							
Conversion of warrants	307	308	(62)	-	553	-	553
At 30 September 2016	81,789	5,672	39,114	80,475	207,050	2,741	209,791
PERIOD ENDED 30 SEPTEMBER 2015							
At 1 July 2015	78,135	2,018	38,298	65,250	183,701	2,310	186,011
Total comprehensive income for the period	-	-	(999)	6,154	5,155	(259)	4,896
Transaction with owners of the Company							
Conversion of warrants	625	624	(125)	-	1,124	-	1,124
At 30 September 2015	78,760	2,642	37,174	71,404	189,980	2,051	192,031

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 30 June 2016 and the accompanying explanatory notes attached to the interim financial statements.



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Hovid Bhd (Company no: 58476 A)

**Condensed Consolidated Statements of Cash Flows (unaudited)
For the First Financial Quarter Ended 30 September 2016**

	Note	3 months ended	
		30.9.2016 RM'000	30.9.2015 RM'000
Cash flows from operating activities			
Profit before tax		5,141	7,637
<i>Adjustments for:</i>			
Amortisation of intangible assets		161	151
Provision for retirement benefits		169	117
Depreciation of property, plant and equipment		1,426	1,247
Gain on disposals of properties, plant and equipment		(53)	-
Impairment loss on receivables		4	34
Interest expense		302	88
Interest income		(19)	(3)
Inventories written down		-	(3)
Inventories written off		131	68
Impairment of product development expenditure		300	1,750
Property, plant and equipment written off		6	1
Reversal of impairment loss on receivables		(9)	(6)
Unrealised gain on foreign exchange		(444)	(5,863)
Operating profit before changes in working capital		7,115	5,218
Change in inventories		(973)	(7,096)
Change in receivables, deposits and prepayments		(3,620)	(5,920)
Change in payables and accruals		1,595	9,427
Bankers' acceptances		4,107	2,455
Cash generated from operations		8,224	4,084
Tax paid		(1,507)	(1,757)
Net cash from operating activities		6,717	2,327
Cash flows from investing activities			
Acquisition of property, plant and equipment		(16,611)	(3,362)
Interest received		19	3
Proceeds from disposals of property, plant and equipment		195	1
Product development expenditure incurred		(1,595)	(1,071)
Net cash used in investing activities		(17,992)	(4,429)



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Hovid Bhd (Company no: 58476 A)

**Condensed Consolidated Statements of Cash Flows (unaudited)
For the First Financial Quarter Ended 30 September 2016**

	Note	3 months ended	
		30.9.2016 RM'000	30.9.2015 RM'000
Cash flows from financing activities			
Interest paid		(302)	(113)
Placement of pledged deposits with a licensed bank		(6)	(6)
Repayment of finance lease liabilities		(36)	(47)
Repayment of term loans		(698)	(149)
Drawdown of term loans		9,040	5,957
Proceeds from warrants conversion		553	1,124
Net cash from financing activities		8,551	6,766
Change in cash and cash equivalents		(2,724)	4,664
Effect of exchange rates fluctuations on cash held		(477)	285
Cash and cash equivalents at beginning of the period		21,940	21,847
Cash and cash equivalents at end of the period	(I)	18,739	26,796

Note (I) Cash and cash equivalents comprises:

Cash and bank balances	20,155	27,871
Less: Fixed deposits pledged to banks	(1,416)	(1,075)
	<u>18,739</u>	<u>26,796</u>

The Condensed Consolidated Statements of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 30 June 2016 and the accompanying explanatory notes attached to the interim financial statements.



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Hovid Bhd (Company no: 58476 A)

Quarterly financial report (unaudited)

For the First Financial Quarter Ended 30 September 2016

Explanatory Notes as per MFRS 134, Interim Financial Reporting

A1 Basis of preparation

The condensed interim financial statements are unaudited and have been prepared in accordance with the requirements of Malaysian Financial Reporting Standard ("MFRS") 134, *Interim Financial Reporting* issued by the Malaysian Accounting Standards Board ("MASB"), and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. These condensed interim financial statements also comply with International Accounting Standard ("IAS") 34, *Interim Financial Reporting* issued by the International Accounting Standard Board ("IASB").

The condensed interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 30 June 2016. The explanatory notes attached to the condensed interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 30 June 2016.

A2 Changes in accounting policies

During the period, the Group adopted all new and revised MFRSs and IC Interpretations ("IC Int.") and amendments to MFRSs and IC Int. issued that are relevant to the Group's operations and effective for accounting years beginning on or after 1 July 2016. The adoption of these new and revised MFRSs and IC Int. have not resulted in material change to the Group's accounting policies.

Standards and IC Interpretations ("IC Int.") in issue but not yet effective

The Group has not elected for early adoption of the relevant new and revised MFRSs and IC Int. and amendments to MFRSs and IC Int. which have been issued but not yet effective at the date of authorisation for issue of these condensed interim financial statements. The directors anticipate that the adoption of these Standards and IC Int. when they become effective will have no material impact on the financial statements of the Group in the period of initial recognition.

A3 Audit report of preceding annual financial statements

The audit report of the preceding annual financial statements was not subject to any qualification.

A4 Comment about seasonal or cyclical factors

The business operations of the Group were not materially affected by any seasonal or cyclical factors during the quarter under review.

A5 Unusual items affecting assets, liabilities, equities, net income or cash flows

There were no items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidence during the quarter under review.

A6 Significant estimates and changes in estimates

There were no changes in estimates that have had any material effect during the quarter under review.

A7 Debt and equity securities

During the current quarter, the Company issued 3,073,500 ordinary shares of RM0.10 each for cash arising from the exercise of Warrants at an exercise price of RM0.18 per ordinary share.

Other than the above, there was no issuance and repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares during the quarter under review.



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Quarterly financial report (unaudited)

For the First Financial Quarter Ended 30 September 2016

Explanatory Notes as per MFRS 134, Interim Financial Reporting

A8 Dividends paid

No dividend was paid during the quarter under review.

A9 Segment information

The Group is principally confined to the manufacturing and sale of pharmaceutical and herbal products. Operating segment information has therefore not been prepared as the Group's revenue and operating profit before tax are mainly confined to one operating segment.

A10 Valuation of property, plant and equipment

The Group did not carry out any revaluation on its property, plant and equipment during the quarter under review.

A11 Material subsequent events

There were no material events subsequent to the end of the current quarter.

A12 Changes in the composition of the Group

There were no changes to the composition of the Group during the quarter under review.

A13 Changes in contingent liabilities and contingent assets

There were no material changes in contingent liabilities or contingent assets since the date of last annual report as at 30 June 2016, to the date of this report.

A14 Significant related parties transactions

	3 months ended		Year-to-date ended	
	30.9.2016 RM'000	30.9.2015 RM'000	30.9.2016 RM'000	30.9.2015 RM'000
Transactions with companies in which a Director is also a director of those companies				
Sales	3	-	3	-
Interest income	112	-	112	-
Reallocation of common costs	8	-	8	-
Purchases	(515)	-	(515)	-
Steam service expenses	(17)	-	(17)	-
Rental expense	(4)	-	(4)	-
Research services rendered	1	-	1	-
Transactions with a company in which a person connected with a Director has substantial financial interests				
Purchase of computer equipment and accessories	(23)	(87)	(23)	(87)



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For the First Financial Quarter Ended 30 September 2016

Explanatory Notes as per MFRS 134, Interim Financial Reporting

A15 Capital commitments

The Group's capital commitments not provided for in the interim financial statements as at balance sheet date were as follows:-

	RM'000
Property, plant and equipment	
Authorised and contracted	24,669
Authorised but not contracted	4,653
Total capital commitments	29,322

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For the First Financial Quarter Ended 30 September 2016

Explanatory Notes Pursuant to the Listing Requirements of Bursa Malaysia Securities Berhad

B1 Review of performance

The Group recorded a revenue of RM44.1 million during the current quarter which represents a 7.5% increase as compared to the preceding year corresponding quarter's revenue of RM41.0 million due to increase in orders.

The Group's pre-tax profit of RM5.1 million was RM2.5 million or 32.7% lower in comparison to preceding year corresponding quarter's result of RM7.6 million. Foreign exchange gain of RM6.7 million arising from a stronger United States of America Dollar ("USD") contributed to the better result in the previous year's quarter, in comparison to a gain of RM0.7 million for the current quarter.

B2 Results comparison with preceding quarter

	Quarter ended	
	30.9.2016 RM'000	30.6.2016 RM'000
Revenue	44,139	51,140
<u>Profit before tax</u>		
Profit before tax and before foreign exchange differences	4,458	5,563
Add:		
Unrealised foreign exchange gain	189	886
Realised foreign exchange gain	494	593
Net foreign exchange gain	683	1,479
Profit before tax	5,141	7,042

The Group recorded a revenue of RM44.1 million during the current quarter which represents a RM7.0 million or 13.7% decrease as compared to the preceding quarter's revenue of RM51.1 million. The lower revenue for the quarter was due to the deferment of export shipments and lower local sales.

The Group's pre-tax profit was RM5.1 million, a decrease of RM1.9 million or 27.0% as compared to the preceding quarter of RM7.0 million. The decrease was partly due to the lower sales and a lower foreign exchange gain by RM0.8 million.

B3 Commentary on Prospects

Barring any unforeseen circumstances, the outlook for the Group is expected to be satisfactory as the Group is expanding its tablet and capsule production facility and actively securing new overseas markets and registration of new products.

However, the fluctuation of RM against the USD and the resulting unrealised forex exchange gains / loss may cause some fluctuations to our RM denominated financial results.

The Group will continue to enhance its competitive edge by continually placing emphasis in research and development and improving its production processes to achieve better efficiency.

B4 Profit forecast, profit guarantee and internal targets

The Group did not provide any profit forecast, profit guarantee and internal targets in any public document or any announcements made.

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Quarterly financial report (unaudited)

For the First Financial Quarter Ended 30 September 2016

Explanatory Notes Pursuant to the Listing Requirements of Bursa Malaysia Securities Berhad

B5 Income tax expense

	3 months ended		Year-to-date ended	
	30.9.2016 RM'000	30.9.2015 RM'000	30.9.2016 RM'000	30.9.2015 RM'000
Income tax expense for current period	619	1,454	619	1,454
Deferred tax expense	396	84	396	84
Total	1,015	1,538	1,015	1,538

The effective tax rate for the period is lower than the statutory tax rate mainly due to tax incentive and the temporary difference between depreciation and capital allowance.

B6 Status of corporate proposal and its proceeds utilisation

There are no corporate proposals announced but not completed for the quarter under review.

B7 Borrowings and debt securities

Details of the Group's bank borrowings as at end of the period were as follows :-

	Current RM'000	Non-current RM'000	Total RM'000
Secured	29,603	44,113	73,716

The bank borrowings denominated in foreign currencies in RM equivalent are as follows:-

	RM'000
US Dollar	15,057
Philippines Peso	412
Colombian Peso	<u>657</u>

B8 Material litigation

There were no material litigation against the Group as at the reporting date that arose since the date of last annual report.

B9 Dividend proposed or declared

On 30 August 2016, the Directors declared an interim single-tier dividend of 0.50 sen per ordinary share in respect of the financial year ended 30 June 2016, amounting to RM4,089,210, which was paid on 11 October 2016.

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Explanatory Notes Pursuant to the Listing Requirements of Bursa Malaysia Securities Berhad

B10 Earnings per share

The basic earnings per share has been calculated by dividing the Group's net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the period. For the purpose of calculating diluted earnings per share, the profit attributable to shareholders and the weighted average number of ordinary shares in issue during the period have been adjusted for the dilutive effects of all potential ordinary shares, ie, warrants in issue.

	3 months ended		Year-to-date ended	
	30.9.2016 RM'000	30.9.2015 RM'000	30.9.2016 RM'000	30.9.2015 RM'000
Net profit attributable to shareholders	4,049	6,154	4,049	6,154
<u>Number of ordinary shares</u>				
	'000	'000	'000	'000
Weighted average number of ordinary shares (basic)	816,719	783,832	816,719	783,832
Effects of dilution in outstanding Warrants	174,154	215,646	174,154	215,646
Weighted average number of ordinary shares (diluted)	990,873	999,478	990,873	999,478
<u>Earning per share</u>				
	Sen	Sen	Sen	Sen
Earning per share at nominal value of RM0.10 per share:-				
Basic	0.50	0.79	0.50	0.79
Diluted	0.41	0.62	0.41	0.62

B11 Profit for the period

Included in the profit for the period are:-

	3 months ended		Year-to-date ended	
	30.9.2016 RM'000	30.9.2015 RM'000	30.9.2016 RM'000	30.9.2015 RM'000
Finance income	19	3	19	3
Other income	485	130	485	130
Finance cost	(302)	(88)	(302)	(88)
Depreciation and amortisation	(1,587)	(1,398)	(1,587)	(1,398)
Impairment loss on receivables	(4)	(34)	(4)	(34)
Reversal of impairment loss on receivables	9	6	9	6
Write off of receivables	(40)	-	(40)	-
Gain on disposal of property, plant and equipment	53	-	53	-
Inventories written off	(131)	(68)	(131)	(68)
Foreign exchange gain	683	6,716	683	6,716
Gain/(loss) on derivatives	-	-	-	-
Exceptional items	-	-	-	-



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For the First Financial Quarter Ended 30 September 2016

Explanatory Notes Pursuant to the Listing Requirements of Bursa Malaysia Securities Berhad

B12 Realised and unrealised profits and losses disclosure

	As at 30.9.2016 RM'000	As at 30.6.2016 RM'000
Total retained profits of Company and its subsidiaries:-		
Realised	94,603	91,675
Unrealised	(15,091)	(14,172)
Total	79,512	77,503
Consolidation adjustments	963	(1,077)
Total group retained earnings	80,475	76,426

Authorisation for issue

On 22 November 2016, the Board of Directors authorised this interim report for issue.

On behalf of the Board,
Goh Tian Hock
Ng Yuet Seam
Joint Secretaries