



Continuous Innovation & Quality

Hovid Bhd (Company no: 58476 A)

Condensed Consolidated Statements of Profit or Loss

And Other Comprehensive Income (unaudited)

For the Third Financial Quarter Ended 31 March 2017

	3 months ended		Year-to-date ended	
	31.3.2017 RM'000	31.3.2016 RM'000	31.3.2017 RM'000	31.3.2016 RM'000
Revenue	40,875	40,893	134,351	137,886
Other income/(expenses)	(2,218)	(3,371)	1,479	2,537
Operating expenses	(41,796)	(33,863)	(123,903)	(120,029)
Profit/(Loss) from operations	(3,139)	3,659	11,927	20,394
Depreciation & amortisation	(1,702)	(1,464)	(4,921)	(4,304)
Finance income	16	4	59	18
Finance costs	(615)	(208)	(1,293)	(456)
Profit/(Loss) before tax	(5,440)	1,991	5,772	15,652
Income tax	1,454	(388)	(577)	(3,784)
Profit/(Loss) for the period	(3,986)	1,603	5,195	11,868
Other comprehensive income/(loss), net of tax:- <i>Item that will be reclassified subsequently to profit or loss</i>				
Foreign currency translation differences for foreign operations	661	19	1,223	(1,749)
Other comprehensive income/(loss) for the period	661	19	1,223	(1,749)
Total comprehensive income/(loss) for the period	(3,325)	1,622	6,418	10,119
Profit/(Loss) attributable to:				
Owners of the Company	(4,140)	1,480	4,830	11,680
Non-controlling interests	154	123	365	188
Profit/(Loss) for the period	(3,986)	1,603	5,195	11,868
Total comprehensive income/(loss) attributable to:				
Owners of the Company	(3,519)	1,442	6,022	10,053
Non-controlling interests	194	180	396	66
Total comprehensive income/(loss) for the period	(3,325)	1,622	6,418	10,119
Earning/(Loss) per share attributable to owners of the Company (sen) (Note B10)				
- Basic at nominal value of RM0.10 per share	(0.50)	0.18	0.59	1.47
- Diluted at nominal value of RM0.10 per share	(0.43)	0.15	0.49	1.17

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.



Continuous Innovation & Quality

Hovid Bhd (Company no: 58476 A)

Condensed Consolidated Statements of Financial Position (Unaudited)

For the Third Financial Quarter Ended 31 March 2017

	As at 31.3.2017 (Unaudited) RM'000	As at 30.6.2016 (Audited) RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	200,774	169,507
Intangible assets	20,815	20,472
Investment properties	2,600	2,600
Available-for-sale investment	-	-
Deferred tax assets	956	926
	225,145	193,505
Current Assets		
Inventories	28,994	34,181
Trade receivables	31,197	39,827
Other receivables, deposits and prepayments	18,144	21,577
Tax recoverable	4,904	309
Cash and deposits	21,380	23,350
	104,619	119,244
Total Assets	329,764	312,749
EQUITY		
Equity Attributable to Owners of the Company		
Share capital	82,052	81,482
Share premium	5,935	5,364
Reserves	39,506	38,428
Retained earnings	77,167	76,426
	204,660	201,700
Non-controlling interests	3,019	2,623
Total Equity	207,679	204,323
LIABILITIES		
Non-Current Liabilities		
Deferred tax liabilities	14,821	13,912
Term loans	43,967	35,106
Finance lease liabilities	545	539
Provision for retirement benefits	4,771	4,246
	64,104	53,803
Current Liabilities		
Trade payables	6,534	11,219
Other payables and accruals	21,769	17,745
Term loans	10,662	7,063
Short term borrowings	18,886	18,468
Finance lease liabilities	130	128
	57,981	54,623
Total Liabilities	122,085	108,426
Total Equity And Liabilities	329,764	312,749
Net Assets Per Share Attributable To Owners Of The Company (Sen)	24.94	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 Third Financial Quarter Ended 31 March 2017

	Attributable to Owners of the Company					Non-controlling Interests	Total Equity
	Non-distributable			Distributable	Total		
	Share capital RM'000	Share premium RM'000	Reserves RM'000	Retained earnings RM'000	RM'000		
PERIOD ENDED 31 MARCH 2017							
At 1 July 2016	81,482	5,364	38,428	76,426	201,700	2,623	204,323
Total comprehensive income for the period	-	-	1,192	4,830	6,022	396	6,418
Transactions with owners of the Company:-							
Conversion of warrants	570	571	(114)	-	1,027	-	1,027
Interim dividend	-	-	-	(4,089)	(4,089)	-	(4,089)
At 31 March 2017	82,052	5,935	39,506	77,167	204,660	3,019	207,679
PERIOD ENDED 31 MARCH 2016							
At 1 July 2015	78,135	2,018	38,298	65,250	183,701	2,310	186,011
Total comprehensive income/(loss) for the period	-	-	(1,627)	11,680	10,053	66	10,119
Transactions with owners of the Company:-							
Conversion of warrants	2,998	2,998	(599)	-	5,397	-	5,397
Interim dividends	-	-	-	(6,695)	(6,695)	-	(6,695)
At 31 March 2016	81,133	5,016	36,072	70,235	192,456	2,376	194,832

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 Third Financial Quarter Ended 31 March 2017

	Note	9 months ended	
		31.3.2017 RM'000	31.3.2016 RM'000
Cash flows from operating activities			
Profit before tax		5,772	15,652
<i>Adjustments for:</i>			
Amortisation of intangible assets		489	464
Provision for retirement benefits		508	436
Depreciation of property, plant and equipment		4,432	3,840
Gain on disposals of properties, plant and equipment		(88)	(7)
Impairment loss on receivables		39	51
Interest expense		1,293	456
Interest income		(59)	(18)
Inventories written off		841	360
Inventories written back		(4)	(4)
Impairment of product development expenditure		1,400	200
Property, plant and equipment written off		13	66
Reversal of impairment loss on receivables		(30)	(53)
Unrealised (gain)/loss on foreign exchange		(623)	348
Operating profit before changes in working capital		13,983	21,791
Change in inventories		4,963	(12,090)
Change in receivables, deposits and prepayments		12,054	(1,879)
Change in payables and accruals		(136)	(1,766)
Short term borrowings		(25)	9,842
Revolving credit		443	-
Cash generated from operations		31,282	15,898
Tax paid		(4,283)	(4,540)
Net cash from operating activities		26,999	11,358
Cash flows from investing activities			
Acquisition of property, plant and equipment		(36,835)	(29,747)
Interest received		59	18
Proceeds from disposals of property, plant and equipment		335	29
Product development expenditure incurred		(2,232)	(1,707)
Proceeds from government grants		3,160	-
Net cash used in investing activities		(35,513)	(31,407)



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**Condensed Consolidated Statements of Cash Flows (unaudited)
For the Third Financial Quarter Ended 31 March 2017**

	Note	9 months ended	
		31.3.2017 RM'000	31.3.2016 RM'000
Cash flows from financing activities			
Interest paid		(1,293)	(518)
Placement of pledged deposits with a licensed bank		(782)	(23)
Repayment of finance lease liabilities		(110)	(145)
Repayment of term loans		(4,136)	(533)
Drawdown of term loans		14,998	18,616
Interim dividends paid		(4,089)	(6,695)
Proceeds from warrants conversion		1,027	5,397
Net cash from financing activities		5,615	16,099
Change in cash and cash equivalents		(2,899)	(3,950)
Effect of exchange rates fluctuations on cash held		147	79
Cash and cash equivalents at beginning of the period		21,940	21,847
Cash and cash equivalents at end of the period	(I)	19,188	17,976

Note (I) Cash and cash equivalents comprises:

Cash and bank balances	21,380	19,074
Less: Fixed deposits pledged to banks	(2,192)	(1,098)
	<u>19,188</u>	<u>17,976</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 Third Financial Quarter Ended 31 March 2017

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 other than the foreign exchange loss amounting to RM2.6 million, arising from the strengthening of Ringgit Malaysia ("RM") against United States of America Dollar ("USD") during the current quarter.

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 860,000 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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For the Third Financial Quarter Ended 31 March 2017

Explanatory Notes as per MFRS 134, Interim Financial Reporting

A8 Dividends paid

An interim single-tier dividend of 0.5 sen per ordinary share in respect of the financial year ended 30 June 2016, declared by the Directors on 30 August 2016, was paid on 11 October 2016.

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 events

The Company's manufacturing licences for both production facilities located at Lot 56442, 7½ Miles, Jalan Ipoh/Chemor 31200 Chemor Perak, and 121, Jalan Tunku Abdul Rahman (formerly known as Jalan Kuala Kangsar), 30010 Ipoh, Perak, were revoked by the Pharmaceutical Services Division of the Ministry of Health ("PSD") on 9 January, 2017 via the facsimile received from PSD on the same date. Consequently, all our manufacturing activities were halted with immediate effect.

PSD issued the letter to revoke the manufacturing licences based on the following audit findings by the National Pharmaceutical Regulatory Agency ("NPRA") during their audit conducted on 5 January 2017:-

- i. Current Good Manufacturing Practice ("cGMP") compliance are not acceptable, and
- ii. Pharmaceutical Quality System does not comply with the latest cGMP requirements.

Subsequent to our submissions of the necessary corrective actions to improve our cGMP, our implementation of the improvements and the NPRA's audits, the manufacturing licences were re-issued by the National Pharmaceutical Control Bureau under the Ministry of Health Malaysia, and received by Hovid on 6 March 2017 for our Chemor Plant and on 8 May 2017 for our Ipoh Plant. Both plants have resumed manufacturing immediately after the receipt of the licences.

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.



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For the Third Financial Quarter Ended 31 March 2017

Explanatory Notes as per MFRS 134, Interim Financial Reporting

A14 Significant related parties transactions

	3 months ended		Year-to-date ended	
	31.3.2017 RM'000	31.3.2016 RM'000	31.3.2017 RM'000	31.3.2016 RM'000
Transactions with companies in which a Director is also a director of those companies				
Sales	-	5	4	6
Reallocation of common costs	15	13	40	29
Purchases	(7)	(421)	(1,003)	(1,666)
Steam supply income/(expense)	131	(9)	402	(65)
Rental of boiler expense	(5)	(2)	(14)	(6)
Research services rendered	-	6	1	10
Transactions with a company in which a person connected with a Director has substantial financial interests				
Purchase of computer equipment and accessories	(35)	35	(100)	(209)

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	15,081
Authorised but not contracted	4,653
Total capital commitments	19,734



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For the Third Financial Quarter Ended 31 March 2017

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

B1 Review of performance

For the Quarter

The Group's revenue for the current quarter of RM40.9 million remains about the same as the preceding year corresponding quarter's revenue.

The Group's pre-tax loss was RM5.4 million, a decreased in profit of RM7.4 million in comparison to preceding year corresponding quarter's profit of RM2.0 million.

The significant decrease in profit despite revenue remaining the same was mainly due to the revocation of our manufacturing licences resulting in the halt of manufacturing activities, which have fully resumed on 8 May 2017.

Year-to-date

The Group's revenue for the current financial period amounting to RM134.4 million was RM3.5 million or 2.6% lower in comparison to RM137.9 million achieved in the previous financial period. The lower revenue was mainly due a lower local market tender sales. The loss in this sales was almost made up by the increase in export market sales.

The Group's pre-tax profit for the current financial period of RM5.8 million, was RM9.9 million or 63.1% lower in comparison to the previous financial period's profit of RM15.7 million. The poorer result was due to the lower revenue and the disruption in manufacturing activities which has fully resumed on 8 May 2017.

B2 Results comparison with preceding quarter

	Quarter ended	
	31.3.2017 RM'000	31.12.2016 RM'000
Revenue	40,875	49,337
Profit before tax		
Profit/(Loss) before tax and before foreign exchange differences	(2,830)	3,666
Add:		
Unrealised foreign exchange gain/(loss)	(2,353)	2,787
Realised foreign exchange loss	(257)	(382)
Net foreign exchange gain/(loss)	(2,610)	2,405
Profit/(Loss) before tax	(5,440)	6,071

The Group recorded a revenue of RM40.9 million during the current financial quarter which represents a decrease of RM8.5 million or 17.2% as compared to the preceding financial quarter's revenue of RM49.3 million. Local market tender sales decreased during the current quarter in comparison to the preceding quarter. In addition, we were not able to meet some of our export customers' orders due to the disruption in production.

The Group's pre-tax loss was RM5.4 million, a reduction in profit of RM11.5 million as compared to the preceding quarter profit of RM6.1 million. The adverse result was mainly due to lower sales and the disruption in manufacturing activities arising from the revocation of manufacturing licences, which have fully resumed on 8 May 2017.

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

B3 Commentary on Prospects

Barring any unforeseen circumstances, the outlook for the Group is expected to be satisfactory given that 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.

B5 Income tax expense

	3 months ended		Year-to-date ended	
	31.3.2017 RM'000	31.3.2016 RM'000	31.3.2017 RM'000	31.3.2016 RM'000
Income tax expense				
Current period - Income tax expense/(over provision)	(1,320)	632	480	3,986
Prior period - over provision	(811)	-	(811)	-
Total income tax expense/(over provision)	(2,131)	632	(331)	3,986
Deferred tax expense	677	(244)	908	(202)
Total	(1,454)	388	577	3,784

The effective tax rate for the current period approximates the statutory tax rate.

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	29,678	44,512	74,190

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

	RM'000
US Dollar	18,888
Philippines Peso	349
Colombian Peso	765
	<u>19,992</u>



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

B8 Material litigation

There were no material litigation against the Group as at the reporting date that arose since the date of our last annual report, other than the following litigation which is not material but disclosed here for information:-

As disclosed in the annual report for the financial year ended 30 June 2016, on 24 December 2014, our Company's competitor ("Plaintiffs") took action against our Company for patent infringement for manufacturing and selling one of our Company's products. Our Company had defended the suit and counterclaimed against the Plaintiffs to invalidate the subject patent.

On 21 July 2016, the High Court of Kuala Lumpur had decided in favour of our Company and granted, inter alia, an order invalidating the subject patent and accordingly decided that there was no patent infringement. The claim against our Company for patent infringement was dismissed with costs by the High Court.

On 30 August 2016, the High Court awarded our Company total costs including disbursements of RM656,853.03, with interest of 5% per annum calculated on the total costs from 30 August 2016 until the date of full payment by the Plaintiffs. The amount awarded together with interest was received on 30 November 2016.

On 29 September 2016, the Plaintiffs filed a notice of appeal to the Court of Appeal of Malaysia against the decision of the High Court. Our Company is defending the appeal by the Plaintiffs. The Court of Appeal has fixed the hearing on 21 August 2017.

B9 Dividend proposed or declared

No dividend has been proposed or declared during the current quarter.

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	
	31.3.2017 RM'000	31.3.2016 RM'000	31.3.2017 RM'000	31.3.2016 RM'000
Net profit/(loss) attributable to shareholders	(4,140)	1,480	4,830	11,680
<u>Number of ordinary shares</u>				
	'000	'000	'000	'000
Weighted average number of ordinary shares (basic)	820,465	805,847	818,549	793,537
Effects of dilution in outstanding Warrants	143,238	199,441	160,171	202,100
Weighted average number of ordinary shares (diluted)	963,703	1,005,288	978,720	995,637
<u>Earning per share</u>				
	Sen	Sen	Sen	Sen
Earning/(loss) per share at nominal value of RM0.10 per share:-				
Basic	(0.50)	0.18	0.59	1.47
Diluted	(0.43)	0.15	0.49	1.17



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

B11 Profit for the period

Included in the profit/(loss) for the period are:-

	3 months ended		Year-to-date ended	
	31.3.2017 RM'000	31.3.2016 RM'000	31.3.2017 RM'000	31.3.2016 RM'000
Finance income	16	4	59	18
Other income	339	135	1,090	338
Finance cost	(615)	(208)	(1,293)	(456)
Depreciation and amortisation	(1,702)	(1,464)	(4,921)	(4,304)
Impairment loss on receivables	(7)	(2)	(39)	(51)
Reversal of impairment loss on receivables	19	47	30	53
Write off of receivables	-	-	(40)	-
Gain on disposal of property, plant and equipment	1	8	88	7
Inventories written off	(661)	(138)	(841)	(360)
Inventories written back	4	1	4	4
Foreign exchange gain/(loss)	(2,610)	(3,565)	478	2,135
Gain/(loss) on derivatives	-	-	-	-
Exceptional items	-	-	-	-

B12 Realised and unrealised profits and losses disclosure

	As at 31.3.2017 RM'000	As at 30.6.2016 RM'000
Total retained profits of Company and its subsidiaries:-		
Realised	87,694	91,675
Unrealised	(12,795)	(14,172)
Total	74,899	77,503
Consolidation adjustments	2,268	(1,077)
Total group retained earnings	77,167	76,426

Authorisation for issue

On 24 May 2017, the Board of Directors authorised this interim report for issue.

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