



Continuous Innovation & Quality

Hovid Bhd (Company no: 58476 A)

Condensed Consolidated Statements of Profit or Loss

And Other Comprehensive Income (unaudited)

For the Fourth Financial Quarter Ended 30 June 2017

	3 months ended		Year-to-date ended	
	30.6.2017 RM'000	30.6.2016 RM'000	30.6.2017 RM'000	30.6.2016 RM'000
Revenue	35,584	51,140	169,935	189,026
Other income	724	1,570	2,203	4,107
Operating expenses	(41,085)	(44,032)	(164,988)	(164,061)
Profit/(Loss) from operations	(4,777)	8,678	7,150	29,072
Depreciation & amortisation	(1,690)	(1,399)	(6,611)	(5,703)
Finance income	4	52	63	70
Finance costs	(359)	(289)	(1,652)	(745)
Profit/(Loss) before tax	(6,822)	7,042	(1,050)	22,694
Income tax	505	(760)	(72)	(4,544)
Profit/(Loss) for the period/year	(6,317)	6,282	(1,122)	18,150
Other comprehensive income/(loss), net of tax:- <i>Items that will not be reclassified subsequently to profit or loss</i>				
Revaluation of land and buildings	2,620	2,207	2,620	2,207
Remeasurement of retirement benefit liabilities	(414)	(25)	(414)	(25)
<i>Item that will be reclassified subsequently to profit or loss</i>				
Foreign currency translation differences for foreign operations	(2,642)	184	(1,419)	(1,565)
Other comprehensive income for the period/year	(436)	2,366	787	617
Total comprehensive income/(loss) for the period/year	(6,753)	8,648	(335)	18,767
Profit/(Loss) attributable to:				
Owners of the Company	(6,358)	6,216	(1,528)	17,896
Non-controlling interests	41	66	406	254
Profit/(Loss) for the period/year	(6,317)	6,282	(1,122)	18,150
Total comprehensive income/(loss) attributable to:				
Owners of the Company	(6,523)	8,617	(501)	18,670
Non-controlling interests	(230)	31	166	97
Total comprehensive income/(loss) for the period/year	(6,753)	8,648	(335)	18,767
Earning/(Loss) per share attributable to owners of the Company (sen) (Note B10)				
- Basic per share	(0.77)	0.76	(0.19)	2.24
- Diluted per share	(0.66)	0.62	(0.16)	1.80

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 Fourth Financial Quarter Ended 30 June 2017

	As at 30.6.2017 (Unaudited) RM'000	As at 30.6.2016 (Audited) RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	204,822	169,507
Intangible assets	19,830	20,472
Investment properties	5,000	2,600
Available-for-sale investment	-	-
Deferred tax assets	983	926
	230,635	193,505
Current Assets		
Inventories	31,515	34,181
Trade receivables	28,239	39,827
Other receivables, deposits and prepayments	11,960	21,577
Tax recoverable	5,191	309
Cash and deposits	15,864	23,350
	92,769	119,244
Total Assets	323,404	312,749
EQUITY		
Equity Attributable to Owners of the Company		
Share capital	88,060	81,482
Share premium	-	5,364
Reserves	39,747	38,428
Retained earnings	70,395	76,426
	198,202	201,700
Non-controlling interests	2,946	2,623
Total Equity	201,148	204,323
LIABILITIES		
Non-Current Liabilities		
Deferred tax liabilities	16,071	13,912
Government grants	96	-
Term loans	47,429	35,106
Finance lease liabilities	513	539
Provision for retirement benefits	5,421	4,246
	69,530	53,803
Current Liabilities		
Government grants	14	-
Trade payables	10,816	11,219
Other payables and accruals	24,280	17,745
Term loans	10,922	7,063
Short term borrowings	6,564	18,468
Finance lease liabilities	130	128
	52,726	54,623
Total Liabilities	122,256	108,426
Total Equity And Liabilities	323,404	312,749
Net Assets Per Share Attributable To Owners Of The Company (Sen)	24.14	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 Fourth Financial Quarter Ended 30 June 2017

	Attributable to Owners of the Company				Total	Non-controlling Interests	Total Equity
	Non-distributable		Distributable	Total			
	Share capital RM'000	Share premium RM'000	Reserves RM'000				
YEAR ENDED 30 JUNE 2017							
At 1 July 2016	81,482	5,364	38,428	76,426	201,700	2,623	204,323
Total comprehensive income/(loss) for the year	-	-	1,441	(1,942)	(501)	166	(335)
Transactions with owners of the Company:-							
Issuance of shares to non-controlling interests	-	-	-	-	-	157	157
Conversion of warrants	607	607	(122)	-	1,092	-	1,092
Interim dividend	-	-	-	(4,089)	(4,089)	-	(4,089)
Transfer pursuant to Companies Act 2016	5,971	(5,971)	-	-	-	-	-
At 30 June 2017	88,060	-	39,747	70,395	198,202	2,946	201,148
YEAR ENDED 30 JUNE 2016							
At 1 July 2015	78,135	2,018	38,298	65,250	183,701	2,310	186,011
Total comprehensive income for the year	-	-	799	17,871	18,670	97	18,767
Transactions with owners of the Company:-							
Issuance of shares to non-controlling interests	-	-	-	-	-	216	216
Conversion of warrants	3,347	3,346	(669)	-	6,024	-	6,024
Interim dividends	-	-	-	(6,695)	(6,695)	-	(6,695)
At 30 June 2016	81,482	5,364	38,428	76,426	201,700	2,623	204,323

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 Fourth Financial Quarter Ended 30 June 2017

	Note	12 months ended	
		30.6.2017 RM'000	30.6.2016 RM'000
Cash flows from operating activities			
(Loss)/Profit before tax		(1,050)	22,694
<i>Adjustments for:</i>			
Amortisation of intangible assets		660	628
Change in fair value of investment properties		(200)	-
Bad debts written off		-	3
Provision for retirement benefits		644	577
Depreciation of property, plant and equipment		5,951	5,075
Gain on disposals of properties, plant and equipment		(88)	(3)
Impairment loss on receivables		126	103
Interest expense		1,652	745
Interest income		(63)	(70)
Inventories written down		168	525
Inventories written off		1,026	429
Inventories written back		(4)	-
Impairment of product development expenditure		2,548	1,169
Property, plant and equipment written off		131	95
Reversal of impairment loss on receivables		(37)	(62)
Unrealised loss/(gain) on foreign exchange		420	(539)
Amortisation of government grants		(14)	-
Government grants recognised as income		(197)	-
Operating profit before changes in working capital		11,673	31,369
Change in inventories		1,745	(8,012)
Change in receivables, deposits and prepayments		21,116	(11,447)
Change in payables and accruals		3,628	(1,374)
Short term borrowings		(11,904)	11,937
Cash generated from operations		26,258	22,473
Tax paid		(4,400)	(6,109)
Net cash from operating activities		21,858	16,364
Cash flows from investing activities			
Acquisition of property, plant and equipment		(42,307)	(44,256)
Interest received		45	70
Proceeds from disposals of property, plant and equipment		335	116
Product development expenditure incurred		(2,566)	(2,859)
Proceeds from government grants		4,563	-
Net cash used in investing activities		(39,930)	(46,929)



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Hovid Bhd (Company no: 58476 A)

**Condensed Consolidated Statements of Cash Flows (unaudited)
For the Fourth Financial Quarter Ended 30 June 2017**

	Note	12 months ended	
		30.6.2017 RM'000	30.6.2016 RM'000
Cash flows from financing activities			
Interest paid		(1,650)	(778)
Placement of pledged deposits with a licensed bank		(755)	(335)
Repayment of finance lease liabilities		(142)	(190)
Repayment of term loans		(6,581)	(1,045)
Drawdown of term loans		21,709	33,690
Proceeds from issuance of shares to non-controlling		157	216
Interim dividends paid		(4,089)	(6,695)
Proceeds from warrants conversion		1,092	6,024
Net cash from financing activities		9,741	30,887
Change in cash and cash equivalents		(8,331)	322
Effect of exchange rates fluctuations on cash held		90	(229)
Cash and cash equivalents at beginning of the year		21,940	21,847
Cash and cash equivalents at end of the year	(I)	13,699	21,940

Note (I) Cash and cash equivalents comprises:

Cash and bank balances	15,864	23,350
Less: Fixed deposits pledged to banks	(2,165)	(1,410)
	<u>13,699</u>	<u>21,940</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 Fourth Financial Quarter Ended 30 June 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.

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 366,200 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 Fourth Financial Quarter Ended 30 June 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

During the quarter under review, certain of the Group's land and buildings were revalued based on valuation performed by independent professional valuers using comparison method and assets depreciated replacement cost method.

A11 Material 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	
	30.6.2017 RM'000	30.6.2016 RM'000	30.6.2017 RM'000	30.6.2016 RM'000
Transactions with companies in which a Director is also a director of those companies				
Sales	3	1	7	7
Reallocation of common costs	15	12	55	41
Purchases	(553)	(63)	(1,556)	(1,729)
Steam supply income/(expense)	162	(8)	564	(73)
Rental of boiler expense	(4)	(7)	(18)	(13)
Research services rendered	1	-	2	10
Transactions with a company in which a person connected with a Director has substantial financial interests				
Purchase of computer equipment and accessories	(81)	(107)	(181)	(316)



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For the Fourth Financial Quarter Ended 30 June 2017

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	11,949
Authorised but not contracted	4,651
Total capital commitments	16,600



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For the Fourth Financial Quarter Ended 30 June 2017

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

B1 Review of performance

For the Quarter

The Group recorded a revenue of RM35.6 million during the current quarter which represents a decrease of 30.4% or RM15.5 million as compared to the preceding year corresponding quarter's revenue of RM51.1 million. Revenue for the current quarter was affected by the lower local market tender sales and products being out-of-stock as they were depleted during the period when the manufacturing licences were revoked. Additionally, despite the reissuance of the manufacturing licences, our productions were affected by insufficient workers to operate optimally during the quarter.

The Group's pre-tax loss was RM6.8 million, a decreased in profit of RM13.8 million in comparison to preceding year corresponding quarter's profit of RM7.0 million. The significant decrease in profit was due to a much lower sales and the suspension of production activities during the period the manufacturing licence was revoked and insufficient workers to operate optimally during the quarter.

Year-to-date

The Group's revenue for the current financial year amounting to RM169.9 million was RM19.1 million or 10.1% lower in comparison to RM189.0 million achieved in the previous financial year. The lower revenue was mainly due to lower local market tender sales and products being out-of-stock as they were depleted during the period the manufacturing licences were revoked.

The Group's pre-tax loss for the current financial year of RM1.0 million was RM23.7 million lower in comparison to the previous financial year's profit of RM22.7 million. The poorer result was due to the disruption in manufacturing activities arising from the revocation of our manufacturing licences leading to lower revenue and higher operating costs arising from the improvements to our quality systems and production processes.

B2 Results comparison with preceding quarter

	Quarter ended	
	30.6.2017 RM'000	31.3.2017 RM'000
Revenue	35,584	40,875
<u>Loss before tax</u>		
Loss before tax and before foreign exchange differences	(6,322)	(2,830)
Add:		
Unrealised foreign exchange loss	(1,043)	(2,353)
Realised foreign exchange gain/(loss)	543	(257)
Net foreign exchange loss	(500)	(2,610)
Loss before tax	(6,822)	(5,440)

The Group recorded a revenue of RM35.6 million during the current financial quarter which represents a decrease of RM5.3 million or 12.9% as compared to the preceding financial quarter's revenue of RM40.9 million. Local market tender sales decreased during the current quarter in comparison to the preceding quarter. In addition, we were unable to meet some of our customers' orders as some of our products were out-of-stock, being depleted during the period production activities were disrupted. Additionally, our production facilities were not operating optimally due to insufficient workers during the quarter.

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For the Fourth Financial Quarter Ended 30 June 2017

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

B2 Results comparison with preceding quarter (cont.)

The Group's pre-tax loss was RM6.8 million, an increase in loss of RM1.4 million as compared to the preceding quarter of RM5.4 million. The adverse result was mainly caused by the disruption in manufacturing activities arising from the revocation of manufacturing licences, the lack of workers to operate optimally and higher operating costs arising from the improvements to our quality systems and production processes.

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 which will be commissioned and commenced production by end of 2017, 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 together with the increase in depreciation and interest expense arising from the new expansions.

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	
	30.6.2017 RM'000	30.6.2016 RM'000	30.6.2017 RM'000	30.6.2016 RM'000
Income tax expense				
Current period - Income tax expense	26	58	506	4,044
Prior period - under/(over) provision	20	(1,803)	(791)	(1,803)
Total income tax expense/(over provision)	46	(1,745)	(285)	2,241
Deferred tax expense				
Origination and reversal of temporary differences	(551)	2,505	357	2,303
Total	(505)	760	72	4,544

The reversal of tax for the current quarter was much lower than the statutory tax rate mainly due to the temporary timing differences, and the adding back of non-deductible expenses, allowable expenses not included in the profit and loss account, and unrecognised losses in subsidiaries.

The reversal of tax for the current year was lower than the statutory tax rate mainly due to the temporary timing differences, and the adding back of non-deductible expenses, tax incentives and unrecognised losses in subsidiaries.

B6 Status of corporate proposal and its proceeds utilisation

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

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For the Fourth Financial Quarter Ended 30 June 2017

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

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	17,616	47,942	65,558

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

	RM'000
US Dollar	22,345
Philippines Peso	301
Colombian Peso	<u>725</u>

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 had originally fixed the hearing on 21 August 2017, but now has further adjourned to 19 September 2017, to complete the hearing.

B9 Dividend proposed or declared

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

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For the Fourth Financial Quarter Ended 30 June 2017

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	
	30.6.2017 RM'000	30.6.2016 RM'000	30.6.2017 RM'000	30.6.2016 RM'000
Net profit/(loss) attributable to shareholders	(6,358)	6,216	(1,528)	17,896
<u>Number of ordinary shares</u>				
	'000	'000	'000	'000
Weighted average number of ordinary shares (basic)	820,652	812,835	819,073	798,335
Effects of dilution in outstanding Warrants	147,132	183,728	156,694	195,849
Weighted average number of ordinary shares (diluted)	967,784	996,563	975,767	994,184
<u>Earning per share</u>				
	Sen	Sen	Sen	Sen
Earning/(loss) per share:-				
Basic	(0.77)	0.76	(0.19)	2.24
Diluted	(0.66)	0.62	(0.16)	1.80

B11 Profit for the period/year

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

	3 months ended		Year-to-date ended	
	30.6.2017 RM'000	30.6.2016 RM'000	30.6.2017 RM'000	30.6.2016 RM'000
Finance income	4	52	63	70
Other income/(expense)	1,105	(104)	2,195	234
Finance cost	(359)	(289)	(1,652)	(745)
Depreciation and amortisation	(1,690)	(1,399)	(6,611)	(5,703)
Impairment loss on receivables	(87)	(52)	(126)	(103)
Reversal of impairment loss on receivables	7	9	37	62
Write off of receivables	(30)	(43)	(30)	(43)
Gain/(loss) on disposal of property, plant and equipment	-	(4)	88	3
Inventories written off	(185)	(69)	(1,026)	(429)
Inventories written back	-	-	4	-
Foreign exchange gain/(loss)	(500)	1,479	(22)	3,614
Inventories written down	(168)	(529)	(168)	(525)



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For the Fourth Financial Quarter Ended 30 June 2017

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

B12 Realised and unrealised profits and losses disclosure

	As at 30.6.2017 RM'000	As at 30.6.2016 RM'000
Total retained profits of Company and its subsidiaries:-		
Realised	83,702	91,675
Unrealised	(15,324)	(14,172)
Total	68,378	77,503
Consolidation adjustments	2,017	(1,077)
Total group retained earnings	70,395	76,426

Authorisation for issue

On 30 August 2017, the Board of Directors authorised this interim report for issue.

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