



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 2017

	3 months ended		Year-to-date ended	
	30.9.2017 RM'000	30.9.2016 RM'000	30.9.2017 RM'000	30.9.2016 RM'000
<b>Revenue</b>	<b>49,657</b>	<b>44,139</b>	<b>49,657</b>	<b>44,139</b>
Other income/(expenses)	(145)	969	(145)	969
Operating expenses	(44,615)	(38,097)	(44,615)	(38,097)
<b>Profit from operations</b>	<b>4,897</b>	<b>7,011</b>	<b>4,897</b>	<b>7,011</b>
Depreciation & amortisation	(1,648)	(1,587)	(1,648)	(1,587)
Finance income	11	19	11	19
Finance costs	(288)	(302)	(288)	(302)
<b>Profit before tax</b>	<b>2,972</b>	<b>5,141</b>	<b>2,972</b>	<b>5,141</b>
Income tax	(817)	(1,015)	(817)	(1,015)
<b>Profit for the period</b>	<b>2,155</b>	<b>4,126</b>	<b>2,155</b>	<b>4,126</b>
<i>Item that will be reclassified subsequently to profit or loss</i>				
Foreign currency translation differences for foreign operations	302	789	302	789
<b>Other comprehensive income for the period</b>	<b>302</b>	<b>789</b>	<b>302</b>	<b>789</b>
<b>Total comprehensive income for the period</b>	<b>2,457</b>	<b>4,915</b>	<b>2,457</b>	<b>4,915</b>
<b>Profit attributable to:</b>				
Owners of the Company	2,130	4,049	2,130	4,049
Non-controlling interests	25	77	25	77
<b>Profit for the period</b>	<b>2,155</b>	<b>4,126</b>	<b>2,155</b>	<b>4,126</b>
<b>Total comprehensive income attributable to:</b>				
Owners of the Company	1,739	4,797	1,739	4,797
Non-controlling interests	718	118	718	118
<b>Total comprehensive income for the period</b>	<b>2,457</b>	<b>4,915</b>	<b>2,457</b>	<b>4,915</b>
<b>Earning per share attributable to owners of the Company (sen) (Note B10)</b>				
- Basic per share	<b>0.26</b>	<b>0.50</b>	<b>0.26</b>	<b>0.50</b>
- Diluted per share	<b>0.22</b>	<b>0.41</b>	<b>0.22</b>	<b>0.41</b>

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 2017 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 First Financial Quarter Ended 30 September 2017**

	As at 30.9.2017 (Unaudited) RM'000	As at 30.6.2017 (Audited) RM'000
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, plant and equipment	207,553	204,822
Intangible assets	19,782	19,830
Investment properties	5,000	5,000
Available-for-sale investment	-	-
Deferred tax assets	918	952
	233,253	230,604
<b>Current Assets</b>		
Inventories	37,679	31,515
Trade receivables	32,867	28,239
Other receivables, deposits and prepayments	17,039	11,961
Tax recoverable	4,517	5,191
Cash and deposits	15,381	15,864
	107,483	92,770
<b>Total Assets</b>	<b>340,736</b>	<b>323,374</b>
<b>EQUITY</b>		
<b>Equity Attributable to Owners of the Company</b>		
Share capital	88,060	88,060
Reserves	39,357	39,748
Retained earnings	72,525	70,395
	199,942	198,203
<b>Non-controlling interests</b>	3,664	2,946
<b>Total Equity</b>	203,606	201,149
<b>LIABILITIES</b>		
<b>Non-Current Liabilities</b>		
Deferred tax liabilities	15,634	16,040
Government grants	93	96
Term loans	45,003	47,429
Finance lease liabilities	482	513
Provision for retirement benefits	5,612	5,421
	66,824	69,499
<b>Current Liabilities</b>		
Government grants	14	14
Trade payables	17,988	10,829
Other payables and accruals	27,338	24,267
Term loans	11,118	10,922
Short term borrowings	13,719	6,564
Finance lease liabilities	129	130
	70,306	52,726
<b>Total Liabilities</b>	137,130	122,225
<b>Total Equity And Liabilities</b>	<b>340,736</b>	<b>323,374</b>
<b>Net Assets Per Share Attributable To Owners Of The Company (Sen)</b>	<b>24.36</b>	<b>24.14</b>

The Condensed Consolidated Statements of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 30 June 2017 and the accompanying explanatory notes attached to the interim financial statements.



Continuous Innovation & Quality

Hovid Bhd (Company no: 58476 A)

Condensed Consolidated Statements of Changes in Equity (unaudited)

For the First Financial Quarter Ended 30 September 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
<b>PERIOD ENDED 30 SEPTEMBER 2017</b>							
<b>At 1 July 2017</b>	<b>88,060</b>	<b>-</b>	<b>39,748</b>	<b>70,395</b>	<b>198,203</b>	<b>2,946</b>	<b>201,149</b>
Total comprehensive income/(loss) for the period	-	-	(391)	2,130	1,739	718	2,457
<b>At 30 September 2017</b>	<b>88,060</b>	<b>-</b>	<b>39,357</b>	<b>72,525</b>	<b>199,942</b>	<b>3,664</b>	<b>203,606</b>
<b>PERIOD ENDED 30 SEPTEMBER 2016</b>							
<b>At 1 July 2016</b>	<b>81,482</b>	<b>5,364</b>	<b>38,428</b>	<b>76,426</b>	<b>201,700</b>	<b>2,623</b>	<b>204,323</b>
Total comprehensive income for the period	-	-	748	4,049	4,797	118	4,915
Transactions with owners of the Company:-							
Conversion of warrants	307	308	(62)	-	553	-	553
<b>At 30 September 2016</b>	<b>81,789</b>	<b>5,672</b>	<b>39,114</b>	<b>80,475</b>	<b>207,050</b>	<b>2,741</b>	<b>209,791</b>

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 2017 and the accompanying explanatory notes attached to the interim financial statements.



Continuous Innovation & Quality

**Hovid Bhd (Company no: 58476 A)**

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

	Note	3 months ended	
		30.9.2017 RM'000	30.9.2016 RM'000
<b>Cash flows from operating activities</b>			
Profit before tax		2,972	5,141
<i>Adjustments for:</i>			
Amortisation of intangible assets		150	161
Provision for retirement benefits		205	169
Depreciation of property, plant and equipment		1,498	1,426
Gain on disposals of properties, plant and equipment		(21)	(53)
Impairment loss on receivables		28	4
Interest expense		288	302
Interest income		(11)	(19)
Inventories written down		32	-
Inventories written off		101	131
Impairment of product development expenditure		600	300
Property, plant and equipment written off		80	6
Reversal of impairment loss on receivables		(16)	(9)
Unrealised loss/(gain) on foreign exchange		356	(189)
Amortisation of government grants		(3)	-
Government grants recognised as income		(16)	-
<b>Operating profit before changes in working capital</b>		6,243	7,370
Change in inventories		(6,504)	(973)
Change in receivables, deposits and prepayments		(9,718)	(3,620)
Change in payables and accruals		10,624	1,340
Short term borrowings		2,011	4,107
Revolving credit		5,144	-
<b>Cash generated from operations</b>		7,800	8,224
Tax paid		(532)	(1,507)
<b>Net cash from operating activities</b>		7,268	6,717
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment		(4,637)	(16,611)
Interest received		11	19
Proceeds from disposals of property, plant and equipment		23	195
Product development expenditure incurred		(702)	(1,595)
Proceeds from government grants		298	-
<b>Net cash used in investing activities</b>		(5,007)	(17,992)



Continuous Innovation & Quality

**Hovid Bhd (Company no: 58476 A)**

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

	Note	3 months ended	
		30.9.2017 RM'000	30.9.2016 RM'000
<b>Cash flows from financing activities</b>			
Interest paid		(281)	(302)
Placement of pledged deposits with a licensed bank		(3)	(6)
Repayment of finance lease liabilities		(32)	(36)
Repayment of term loans		(3,973)	(698)
Drawdown of term loans		1,582	9,040
Proceeds from warrants conversion		-	553
<b>Net cash from financing activities</b>		<b>(2,707)</b>	<b>8,551</b>
Change in cash and cash equivalents		(446)	(2,724)
Effect of exchange rates fluctuations on cash held		(40)	(477)
Cash and cash equivalents at beginning of the period		13,699	21,940
<b>Cash and cash equivalents at end of the period</b>	(I)	<b>13,213</b>	<b>18,739</b>

Note (I) Cash and cash equivalents comprises:

Cash and bank balances	15,381	20,155
Less: Fixed deposits pledged to banks	<u>(2,168)</u>	<u>(1,416)</u>
	<u>13,213</u>	<u>18,739</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 2017 and the accompanying explanatory notes attached to the interim financial statements.



Continuous Innovation & Quality

Hovid Bhd (Company no: 58476 A)

Quarterly financial report (unaudited)

For the First Financial Quarter Ended 30 September 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 2017. 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 2017.

**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 2017. 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**

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.



**Continuous Innovation & Quality**

**Hovid Bhd (Company no: 58476 A)**

**Quarterly financial report (unaudited)**

**For the First Financial Quarter Ended 30 September 2017**

**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 events**

On 9 October 2017, the Company announced that a notice of conditional voluntary take-over offer ("the Offer") was received from Fajar Astoria Sdn Bhd and Mr Ho Sue San @ David Ho Sue San, the Managing Director and Chairman of the Company ("Joint Offerors") in respect of the Joint Offerors' intention to undertake the Offer to acquire all the remaining ordinary shares in the Company ("Hovid Shares"), all the outstanding warrants 2013/2018 in the Company ("Hovid Warrants") and any new Hovid Shares that may be issued prior to the closing date of the Offer arising from the exercise of the outstanding Hovid Warrants not already owned by the Joint Offerors. The offer price is RM0.38 per Hovid Share and RM0.20 per Hovid Warrant.

On 30 October 2017, the Offer Documents were circulated to the shareholders and warrant holders of Hovid ("Holders") by the Joint Offerors, and the first closing date is 20 November 2017.

On 9 November 2017, Hovid's Independent Advisor, AmInvestment Bank Berhad ("AmInvestment Bank"), circulated the Independent Advice Circular to the Holders. AmInvestment Bank is of the view that the Offer is fair and reasonable, and accordingly recommends the Holders to accept the Offer.

There were no other 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 2017, to the date of this report.



Continuous Innovation & Quality

Hovid Bhd (Company no: 58476 A)

Quarterly financial report (unaudited)

For the First Financial Quarter Ended 30 September 2017

Explanatory Notes as per MFRS 134, Interim Financial Reporting

A14 Significant related parties transactions

	3 months ended		Year-to-date ended	
	30.9.2017 RM'000	30.9.2016 RM'000	30.9.2017 RM'000	30.9.2016 RM'000
<b>Transactions with companies in which a Director is also a director of those companies</b>				
Sales	7	3	7	3
Reallocation of common costs	10	8	10	8
Purchases	(1,265)	(515)	(1,265)	(515)
Steam supply income/(expense)	(20)	94	(20)	94
Rental of boiler expense	(5)	(4)	(5)	(4)
Research services rendered	-	1	-	1
<b>Transactions with a company in which a person connected with a Director has substantial financial interests</b>				
Purchase of computer equipment and accessories	(52)	(23)	(52)	(23)

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
<b>Property, plant and equipment</b>	
Authorised and contracted	4,875
Authorised but not contracted	4,651
<b>Total capital commitments</b>	9,526





Continuous Innovation & Quality

Hovid Bhd (Company no: 58476 A)

Quarterly financial report (unaudited)

For the First Financial Quarter Ended 30 September 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 RM49.6 million during the current quarter which represents an increase of 12.5% or RM5.5 million as compared to the preceding year corresponding quarter's revenue of RM44.1 million. All the production plants were operating 24 hours a day during the current period to deliver the back-orders received during the period the licences were revoked.

The Group's pre-tax profit was RM3.0 million, a decreased of RM2.1 million in comparison to preceding year corresponding quarter's result of RM5.1 million. The significant decrease in profit was due to higher proportion of tender sales, higher operating expenses including utilities and fuel, and an increase in foreign exchange loss of RM1.0 million arising from a weaker United State of America Dollar ("USD") in comparison to the previous year's quarter.

B2 Results comparison with preceding quarter

	Quarter ended	
	30.9.2017 RM'000	30.6.2017 RM'000
<b>Revenue</b>	49,657	35,584
<b>Loss before tax</b>		
Profit/(loss) before tax and before foreign exchange differences	3,239	(6,322)
Add/(less):		
Unrealised foreign exchange loss	(356)	(1,043)
Realised foreign exchange gain	89	543
Net foreign exchange loss	(267)	(500)
<b>Profit/(loss) before tax</b>	2,972	(6,822)

The Group recorded a revenue of RM49.6 million during the current financial quarter which represents an increase of RM14.0 million or 39.5% as compared to the preceding financial quarter's revenue of RM35.6 million. Preceding quarter's revenue was affected by lower sales and products being out-of-stock as they were depleted during the period when the manufacturing licences were revoked, and production not being able to run optimally due to insufficient workers during the initial months subsequent to the reissuance of the manufacturing licences. In comparison, production for all plants are operating at 24 hours a day during the current quarter to deliver the back-orders received during the period the licences were revoked.

The Group made a pre-tax profit of RM3.0 million, an increase of RM9.8 million as compared to the preceding quarter's loss of RM6.8 million. The preceding quarter's adverse result was mainly caused by the disruption in manufacturing activities arising from the revocation of the manufacturing licences, the lack of workers to operate optimally and the higher operating costs arising from the improvements to our quality systems and production processes.



Continuous Innovation & Quality

Hovid Bhd (Company no: 58476 A)

Quarterly financial report (unaudited)

For the First Financial Quarter Ended 30 September 2017

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 which will be commissioned towards the 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	
	30.9.2017 RM'000	30.9.2016 RM'000	30.9.2017 RM'000	30.9.2016 RM'000
Income tax expense	1,211	619	1,211	619
Deferred tax expense	(394)	396	(394)	396
Total	817	1,015	817	1,015

The effective tax rate for the period is higher than the statutory tax rate mainly due to the adding back of non-deductible expenses and unrecognised tax losses in subsidiaries, but cushioned to some extent by the tax incentives.

**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
<b>Secured</b>	24,966	45,485	70,451

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

	RM'000
US Dollar	21,660
Philippines Peso	270
	<u>21,930</u>



Continuous Innovation & Quality

Hovid Bhd (Company no: 58476 A)

Quarterly financial report (unaudited)

For the First Financial Quarter Ended 30 September 2017

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 2017, 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. The Company is defending the appeal by the Plaintiffs. The Court of Appeal had originally fixed the hearing on 21 August 2017, but was later adjourned to 19 September 2017. On 19 September 2017, the Court of Appeal maintained the High Court's decision to invalidate the subject patent and dismissed the infringement suit.

On 17 October 2017, the Plaintiffs filed an application to the Federal Court to appeal against the Court of Appeal's decision. The hearing is fixed on 2 January 2018.

**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	
	30.9.2017 RM'000	30.9.2016 RM'000	30.9.2017 RM'000	30.9.2016 RM'000
Net profit/(loss) attributable to shareholders	2,130	4,049	2,130	4,049
Number of ordinary shares				
	'000	'000	'000	'000
Weighted average number of ordinary shares (basic)	820,889	816,719	820,889	816,719
Effects of dilution in outstanding Warrants	140,265	174,154	140,265	174,154
Weighted average number of ordinary shares (diluted)	961,154	990,873	961,154	990,873
<u>Earning per share</u>				
	Sen	Sen	Sen	Sen
Earning per share:-				
Basic	0.26	0.50	0.26	0.50
Diluted	0.22	0.41	0.22	0.41



Continuous Innovation & Quality

Hovid Bhd (Company no: 58476 A)

Quarterly financial report (unaudited)

For the First Financial Quarter Ended 30 September 2017

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	
	30.9.2017 RM'000	30.9.2016 RM'000	30.9.2017 RM'000	30.9.2016 RM'000
Finance income	11	19	11	19
Other income	171	485	171	485
Finance cost	(288)	(302)	(288)	(302)
Depreciation and amortisation	(1,648)	(1,587)	(1,648)	(1,587)
Impairment loss on receivables	(28)	(4)	(28)	(4)
Reversal of impairment loss on receivables	16	9	16	9
Write off of receivables	-	(40)	-	(40)
Gain on disposal of property, plant and equipment	21	53	21	53
Inventories written off	(101)	(131)	(101)	(131)
Foreign exchange gain/(loss)	(267)	683	(267)	683
Inventories written down	(32)	-	(32)	-

**B12 Realised and unrealised profits and losses disclosure**

	As at 30.9.2017 RM'000	As at 30.6.2017 RM'000
Total retained profits of Company and its subsidiaries:-		
Realised	81,844	78,363
Unrealised	(10,199)	(8,241)
Total	71,645	70,122
Consolidation adjustments	880	273
Total group retained earnings	72,525	70,395

Authorisation for issue

On 13 October 2017, the Board of Directors authorised this interim report for issue.

On behalf of the Board,

Goh Tian Hock

Ng Yuet Seam

Joint Secretaries