



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 2018

	3 months ended		Year-to-date ended	
	31.3.2018 RM'000	31.3.2017 RM'000	31.3.2018 RM'000	31.3.2017 RM'000
Revenue	55,843	40,875	159,954	134,351
Other income/(expenses)	(477)	(2,218)	(354)	1,479
Operating expenses	(46,930)	(41,796)	(139,681)	(123,903)
Profit/(loss) from operations	8,436	(3,139)	19,919	11,927
Depreciation & amortisation	(2,936)	(1,702)	(6,745)	(4,921)
Finance income	-	16	21	59
Finance costs	(917)	(615)	(1,800)	(1,293)
Profit/(loss) before tax	4,583	(5,440)	11,395	5,772
Income tax	(1,469)	1,454	(3,341)	(577)
Profit/(loss) for the period	3,114	(3,986)	8,054	5,195
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	1,217	661	961	1,223
Other comprehensive income for the period	1,217	661	961	1,223
Total comprehensive income/(loss) for the period	4,331	(3,325)	9,015	6,418
Profit/(loss) attributable to:				
Owners of the Company	3,041	(4,140)	7,804	4,830
Non-controlling interests	73	154	250	365
Profit/(loss) for the period	3,114	(3,986)	8,054	5,195
Total comprehensive income/(loss) attributable to:				
Owners of the Company	3,565	(3,519)	7,844	6,022
Non-controlling interests	766	194	1,171	396
Total comprehensive income/(loss) for the period	4,331	(3,325)	9,015	6,418
Earning/(loss) per share attributable to owners of the Company (sen) (Note B10)				
- Basic per share	0.37	(0.50)	0.95	0.59
- Diluted per share	0.31	(0.43)	0.80	0.49

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 Third Financial Quarter Ended 31 March 2018

	As at 31.3.2018 (Unaudited) RM'000	As at 30.6.2017 (Audited) RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	208,108	204,822
Intangible assets	18,954	19,830
Investment properties	5,000	5,000
Available-for-sale investment	-	-
Deferred tax assets	818	952
	232,880	230,604
Current Assets		
Inventories	46,144	31,515
Trade receivables	37,077	28,239
Other receivables, deposits and prepayments	19,477	11,961
Tax recoverable	3,207	5,191
Cash and deposits	16,152	15,864
	122,057	92,770
Total Assets	354,937	323,374
EQUITY		
Equity Attributable to Owners of the Company		
Share capital	88,060	88,060
Reserves	39,788	39,748
Retained earnings	78,199	70,395
	206,047	198,203
Non-controlling interests	4,117	2,946
Total Equity	210,164	201,149
LIABILITIES		
Non-Current Liabilities		
Deferred tax liabilities	15,134	16,040
Government grants	86	96
Term loans	40,848	47,429
Finance lease liabilities	554	513
Provision for retirement benefits	5,938	5,421
	62,560	69,499
Current Liabilities		
Government grants	14	14
Trade payables	18,019	10,829
Other payables and accruals	24,701	24,267
Term loans	10,749	10,922
Short term borrowings	28,586	6,564
Finance lease liabilities	144	130
	82,213	52,726
Total Liabilities	144,773	122,225
Total Equity And Liabilities	354,937	323,374
Net Assets Per Share Attributable To Owners Of The Company (Sen)	25.10	24.14

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 Third Financial Quarter Ended 31 March 2018

	Attributable to Owners of the Company				Total	Non-controlling Interests	Total Equity
	Non-distributable		Distributable	RM'000			
	Share capital RM'000	Share premium RM'000	Reserves RM'000				
PERIOD ENDED 31 MARCH 2018							
At 1 July 2017	88,060	-	39,748	70,395	198,203	2,946	201,149
Total comprehensive income for the period	-	-	40	7,804	7,844	1,171	9,015
At 31 March 2018	88,060	-	39,788	78,199	206,047	4,117	210,164
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 dividends	-	-	-	(4,089)	(4,089)	-	(4,089)
At 31 March 2017	82,052	5,935	39,506	77,167	204,660	3,019	207,679

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 Third Financial Quarter Ended 31 March 2018**

	Note	9 months ended	
		31.3.2018 RM'000	31.3.2017 RM'000
Cash flows from operating activities			
Profit before tax		11,395	5,772
<i>Adjustments for:</i>			
Amortisation of intangible assets		457	489
Provision for retirement benefits		599	508
Depreciation of property, plant and equipment		6,288	4,432
Gain on disposals of properties, plant and equipment		(33)	(88)
Impairment loss on receivables		47	39
Interest expense		1,800	1,293
Interest income		(21)	(59)
Inventories written down		129	-
Inventories written off		463	841
Inventories written back		-	(4)
Impairment of product development expenditure		1,800	1,400
Property, plant and equipment written off		175	13
Reversal of impairment loss on receivables		(23)	(30)
Unrealised (gain)/loss on foreign exchange		1,904	(623)
Amortisation of government grants		(10)	-
Government grants recognised as income		(30)	-
Operating profit before changes in working capital		24,940	13,983
Change in inventories		(16,366)	4,963
Change in receivables, deposits and prepayments		(16,378)	12,054
Change in payables and accruals		7,560	(136)
Short term borrowings		15,399	(25)
Revolving credit		6,623	443
Cash generated from operations		21,778	31,282
Tax paid		(2,156)	(4,283)
Net cash from operating activities		19,622	26,999
Cash flows from investing activities			
Acquisition of property, plant and equipment		(10,925)	(36,835)
Interest received		22	59
Proceeds from disposals of property, plant and equipment		72	335
Product development expenditure incurred		(1,381)	(2,232)
Proceeds from government grants		30	3,160
Net cash used in investing activities		(12,182)	(35,513)



Continuous Innovation & Quality

Hovid Bhd (Company no: 58476 A)

**Condensed Consolidated Statements of Cash Flows (unaudited)
For the Third Financial Quarter Ended 31 March 2018**

	Note	9 months ended	
		31.3.2018 RM'000	31.3.2017 RM'000
Cash flows from financing activities			
Interest paid		(1,801)	(1,293)
Placement of pledged deposits with a licensed bank		(11)	(782)
Repayment of finance lease liabilities		(101)	(110)
Repayment of term loans		(9,639)	(4,136)
Drawdown of term loans		4,624	14,998
Interim dividends paid		-	(4,089)
Proceeds from warrants conversion		-	1,027
Net cash from financing activities		(6,928)	5,615
Change in cash and cash equivalents		512	(2,899)
Effect of exchange rates fluctuations on cash held		(235)	147
Cash and cash equivalents at beginning of the period		13,699	21,940
Cash and cash equivalents at end of the period	(I)	13,976	19,188

Note (I) Cash and cash equivalents comprises:

Cash and bank balances	16,152	21,380
Less: Fixed deposits pledged to banks	(2,176)	(2,192)
	<u>13,976</u>	<u>19,188</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 Third Financial Quarter Ended 31 March 2018

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.

A8 Dividends paid

No dividend was paid during the quarter under review.



Continuous Innovation & Quality

Hovid Bhd (Company no: 58476 A)

Quarterly financial report (unaudited)

For the Third Financial Quarter Ended 31 March 2018

Explanatory Notes as per MFRS 134, Interim Financial Reporting

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

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

A12 Significant events

There were no significant events during the current quarter.

A13 Changes in the composition of the Group

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

A14 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.

A15 Significant related parties transactions

	3 months ended		Year-to-date ended	
	31.3.2018 RM'000	31.3.2017 RM'000	31.3.2018 RM'000	31.3.2017 RM'000
Transactions with companies in which a Director is also a director of those companies				
Sales	86	-	94	4
Reallocation of common costs	17	15	43	40
Purchases	(638)	(7)	(2,800)	(1,003)
Steam supply income	115	131	198	402
Rental of boiler expense	(4)	(5)	(14)	(14)
Transactions with a company in which a person connected with a Director has substantial financial interests				
Purchase of computer equipment and accessories	(32)	(35)	(98)	(100)



Continuous Innovation & Quality

Hovid Bhd (Company no: 58476 A)

Quarterly financial report (unaudited)

For the Third Financial Quarter Ended 31 March 2018

Explanatory Notes as per MFRS 134, Interim Financial Reporting

A16 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	9,436
Authorised but not contracted	20,500
Total capital commitments	29,936



Continuous Innovation & Quality

Hovid Bhd (Company no: 58476 A)

Quarterly financial report (unaudited)

For the Third Financial Quarter Ended 31 March 2018

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 RM55.8 million during the current quarter which represents an increase of 36.6% or RM14.9 million as compared to the preceding year corresponding quarter's revenue of RM40.9 million. Previous year's revenue was affected by the plants shut down due to the revocation of manufacturing licences from 9 Jan 2017 to 6 Mar 2017 for Chemor Plant, and to 5 May 2017 for Ipoh Plant. Production activities were halted then and sale deliveries were from available inventories. In contrast, all the production plants are operating 24 hours a day during the current quarter since the receipt of the manufacturing licences. Further, the commissioning of the new Plant A in December 2017 has also boosted the production output and therefore the sales for the current quarter.

The Group's pre-tax profit was RM4.6 million for the current quarter, an increase of RM10.0 million in comparison to the preceding year corresponding quarter's loss of RM5.4 million. The significant improvement was due to improved sales during the current quarter arising from full production activities in comparison to the plants shut down in preceding year as mentioned above. In addition, foreign exchange loss arising from the fluctuation of United State of America Dollar ("USD") against Ringgit Malaysia ("RM") is lower by RM1.3 million in comparison to the preceding year corresponding quarter.

Year-to-date

The Group's revenue for the current financial period amounting to RM160.0 million, an increase of RM25.6 million or 19.1% in comparison to RM134.4 million achieved in the previous financial period. The current production capacity was boosted with the commissioning of Plant A in December 2017. This, together with all the production plants operating 24 hours a day since the start of the current financial year, were able to meet the increased orders. In contrast, previous year's revenue was affected by the plants shut down due to the licence revocation mentioned above.

The Group's pre-tax profit for the current financial period of RM11.4 million was RM5.6 million or 97.4% higher in comparison to the previous financial period's profit of RM5.8 million. The pre-tax profit for the current period has increased despite the increase in foreign exchange loss of RM2.0 million arising from the fluctuation of USD against RM, mainly due to the improved sales from increased orders and full production activities.

B2 Results comparison with preceding quarter

	Quarter ended	
	31.3.2018 RM'000	31.12.2017 RM'000
Revenue	55,843	54,454
Profit before tax		
Profit before tax and before foreign exchange differences	5,850	3,837
Add/(less):		
Unrealised foreign exchange loss	(1,360)	(188)
Realised foreign exchange gain	93	191
Net foreign exchange gain/(loss)	(1,267)	3
Profit before tax	4,583	3,840

Hovid Bhd (Company no: 58476 A)

Quarterly financial report (unaudited)

For the Third Financial Quarter Ended 31 March 2018

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

B2 Results comparison with preceding quarter (cont.)

The Group recorded a revenue of RM55.8 million during the current financial quarter which represents an increase of RM1.4 million or 2.6% as compared to the preceding financial quarter's revenue of RM54.4 million. The production capacity was boosted with the commissioning of Plant A in December 2017 to meet the increased orders.

The Group's pre-tax profit for the current quarter of RM4.6 million was RM0.8 million higher in comparison to the preceding quarter's profit of RM3.8 million. Operating expenses for the current quarter decreased by about RM1.3 million mainly due to lower selling and distribution expenses. However, this decrease was off-set by higher foreign exchange loss arising from the weakened USD against RM. Overall, the improved pre-tax profit was due to the higher revenue.

B3 Commentary on Prospects

Barring any unforeseen circumstances, the outlook for the Group is expected to be satisfactory given that the Group has expanded 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 foreign 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 on 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	
	31.3.2018 RM'000	31.3.2017 RM'000	31.3.2018 RM'000	31.3.2017 RM'000
Income tax expense				
Current period	1,629	(1,320)	4,170	480
Prior period	-	(811)	-	(811)
Total income tax expense/(over provision)	1,629	(2,131)	4,170	(331)
Deferred tax expense				
Origination and reversal of temporary differences	(160)	677	(829)	908
Total	1,469	(1,454)	3,341	577

The effective tax rate for the period is higher than the statutory tax rate mainly due to non-deductible expenses and unrecognised tax 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.



Continuous Innovation & Quality

Hovid Bhd (Company no: 58476 A)

Quarterly financial report (unaudited)

For the Third Financial Quarter Ended 31 March 2018

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 the end of the period were as follows :-

	Current RM'000	Non-current RM'000	Total RM'000
Secured	39,479	41,402	80,881

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

	RM'000
US Dollar	19,691
Philippines Peso	<u>562</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 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 was originally fixed on 2 January 2018, but was postponed to 30 January, and further adjourned to 14 March 2018. However, on 14 March 2018, the Federal Court had adjourned the hearing and todate no new hearing has been fixed yet.

B9 Dividend proposed or declared

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



Continuous Innovation & Quality

Hovid Bhd (Company no: 58476 A)

Quarterly financial report (unaudited)

For the Third Financial Quarter Ended 31 March 2018

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	
	31.3.2018 RM'000	31.3.2017 RM'000	31.3.2018 RM'000	31.3.2017 RM'000
Net profit/(loss) attributable to shareholders	3,041	(4,140)	7,804	4,830
Number of ordinary shares				
	'000	'000	'000	'000
Weighted average number of ordinary shares (basic)	820,889	820,465	820,889	818,549
Effects of dilution in outstanding Warrants	162,777	143,238	154,597	160,171
Weighted average number of ordinary shares (diluted)	983,666	963,703	975,486	978,720
<u>Earning/(loss) per share</u>				
	Sen	Sen	Sen	Sen
Earning per share:-				
Basic	0.37	(0.50)	0.95	0.59
Diluted	0.31	(0.43)	0.80	0.49

B11 Profit for the period

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

	3 months ended		Year-to-date ended	
	31.3.2018 RM'000	31.3.2017 RM'000	31.3.2018 RM'000	31.3.2017 RM'000
Finance income	-	16	21	59
Other income	716	339	1,101	1,090
Finance cost	(917)	(615)	(1,800)	(1,293)
Depreciation and amortisation	(2,936)	(1,702)	(6,745)	(4,921)
Impairment loss on receivables	-	(7)	(47)	(39)
Reversal of impairment loss on receivables	5	19	23	30
Write off of receivables	(2)	-	(2)	(40)
Gain on disposal of property, plant and equipment	10	1	33	88
Inventories written off	(173)	(661)	(463)	(841)
Inventories written back	-	4	-	4
Foreign exchange gain/(loss)	(1,267)	(2,610)	(1,531)	478
Inventories written down	(95)	-	(129)	-



Continuous Innovation & Quality

Hovid Bhd (Company no: 58476 A)

Quarterly financial report (unaudited)

For the Third Financial Quarter Ended 31 March 2018

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

B12 Realised and unrealised profits and losses disclosure

	As at 31.3.2018 RM'000	As at 30.6.2017 RM'000
Total retained profits of Company and its subsidiaries:-		
Realised	91,746	78,363
Unrealised	(12,813)	(8,241)
Total	78,933	70,122
Consolidation adjustments	(734)	273
Total group retained earnings	78,199	70,395

Authorisation for issue

On 21 May 2018, the Board of Directors authorised this interim report for issue.

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