



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 2018

	3 months ended		Year-to-date ended	
	30.9.2018 RM'000	30.9.2017 RM'000	30.9.2018 RM'000	30.9.2017 RM'000
Revenue	50,852	49,657	50,852	49,657
Other income	32	(145)	32	(145)
Operating expenses	(43,452)	(44,615)	(43,452)	(44,615)
Profit from operations	7,432	4,897	7,432	4,897
Depreciation & amortisation	(2,844)	(1,648)	(2,844)	(1,648)
Finance income	2	11	2	11
Finance costs	(842)	(288)	(842)	(288)
Profit before tax	3,748	2,972	3,748	2,972
Income tax	(1,003)	(817)	(1,003)	(817)
Profit for the period	2,745	2,155	2,745	2,155
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	(131)	302	(131)	302
Other comprehensive income/(loss) for the period	(131)	302	(131)	302
Total comprehensive income for the period	2,614	2,457	2,614	2,457
Profit attributable to:				
Owners of the Company	2,627	2,130	2,627	2,130
Non-controlling interests	118	25	118	25
Profit for the period	2,745	2,155	2,745	2,155
Total comprehensive income attributable to:				
Owners of the Company	2,495	1,739	2,495	1,739
Non-controlling interests	119	718	119	718
Total comprehensive income for the period	2,614	2,457	2,614	2,457
Earning per share attributable to owners of the Company (sen) (Note B10)				
- Basic per share	0.32	0.26	0.32	0.26
- Diluted per share	0.32	0.22	0.32	0.22

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 2018 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 2018

	As at 30.9.2018 (Unaudited) RM'000	As at 30.6.2018 (Audited) RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	207,964	209,717
Intangible assets	18,370	18,396
Investment properties	4,000	4,000
Available-for-sale investment	-	-
Deferred tax assets	820	860
	231,154	232,973
Current Assets		
Inventories	48,607	47,584
Trade receivables	35,012	38,294
Other receivables, deposits and prepayments	21,523	18,900
Tax recoverable	4,493	5,004
Cash and deposits	23,873	15,616
	133,508	125,398
Assets classified as held for sale	1,100	1,100
Total Assets	365,762	359,471
EQUITY		
Equity Attributable to Owners of the Company		
Share capital	89,099	89,099
Reserves	41,114	41,246
Retained earnings	88,196	85,569
	218,409	215,914
Non-controlling interests	3,736	3,617
Total Equity	222,145	219,531
LIABILITIES		
Non-Current Liabilities		
Deferred tax liabilities	19,165	19,135
Government grants	79	83
Term loans	45,140	42,613
Finance lease liabilities	652	517
Provision for retirement benefits	6,066	5,855
	71,102	68,203
Current Liabilities		
Government grants	14	14
Trade payables	12,900	16,755
Other payables and accruals	23,336	17,283
Term loans	10,156	8,076
Short term borrowings	25,939	29,464
Finance lease liabilities	170	145
	72,515	71,737
Total Liabilities	143,617	139,940
Total Equity And Liabilities	365,762	359,471
Net Assets Per Share Attributable To Owners Of The Company (Sen)	26.44	26.14

The Condensed Consolidated Statements of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 30 June 2018 and the accompanying explanatory notes attached to the interim financial statements.



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Hovid Bhd (Company no: 58476 A)

**Condensed Consolidated Statements of Changes in Equity (unaudited)
For the First Financial Quarter Ended 30 September 2018**

	Attributable to Owners of the Company			Total	Non-controlling Interests	Total Equity
	Non-distributable		Distributable			
	Share capital RM'000	Reserves RM'000	Retained earnings RM'000			
PERIOD ENDED 30 SEPTEMBER 2018						
At 1 July 2018	89,099	41,246	85,569	215,914	3,617	219,531
Total comprehensive income/(loss) for the period	-	(132)	2,627	2,495	119	2,614
At 30 September 2018	89,099	41,114	88,196	218,409	3,736	222,145
PERIOD ENDED 30 SEPTEMBER 2017						
At 1 July 2017	88,060	39,748	70,395	198,203	2,946	201,149
Total comprehensive income/(loss) for the period	-	(391)	2,130	1,739	718	2,457
At 30 September 2017	88,060	39,357	72,525	199,942	3,664	203,606

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 2018 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 2018**

	Note	3 months ended	
		30.9.2018 RM'000	30.9.2017 RM'000
Cash flows from operating activities			
Profit before tax		3,748	2,972
<i>Adjustments for:</i>			
Amortisation of intangible assets		153	150
Provision for retirement benefits		206	205
Depreciation of property, plant and equipment		2,691	1,498
Gain on disposals of properties, plant and equipment		(9)	(21)
Impairment loss on receivables		21	28
Interest expense		842	288
Interest income		(2)	(11)
Inventories written down		20	32
Inventories written off		284	101
Inventories written back		(12)	-
Impairment of product development expenditure		600	600
Property, plant and equipment written off		4	80
Reversal of impairment loss on receivables		(4)	(16)
Unrealised loss on foreign exchange		176	356
Amortisation of government grants		(4)	(3)
Government grants recognised as income		-	(16)
Operating profit before changes in working capital		8,714	6,243
Change in inventories		(1,044)	(6,504)
Change in receivables, deposits and prepayments		642	(9,718)
Change in payables and accruals		3,807	10,624
Short term borrowings		(3,525)	2,011
Revolving credit		-	5,144
Cash generated from operations		8,594	7,800
Tax paid		(355)	(532)
Net cash from operating activities		8,239	7,268
Cash flows from investing activities			
Acquisition of property, plant and equipment		(1,194)	(4,637)
Interest received		2	11
Proceeds from disposals of property, plant and equipment		21	23
Product development expenditure incurred		(727)	(702)
Proceeds from government grants		-	298
Net cash used in investing activities		(1,898)	(5,007)



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**Condensed Consolidated Statements of Cash Flows (unaudited)
For the First Financial Quarter Ended 30 September 2018**

	Note	3 months ended	
		30.9.2018 RM'000	30.9.2017 RM'000
Cash flows from financing activities			
Interest paid		(935)	(281)
Placement of pledged deposits with a licensed bank		(383)	(3)
Repayment of finance lease liabilities		(36)	(32)
Repayment of term loans		(2,623)	(3,973)
Drawdown of term loans		5,497	1,582
Net cash from financing activities		1,520	(2,707)
Change in cash and cash equivalents		7,861	(446)
Effect of exchange rates fluctuations on cash held		13	(40)
Cash and cash equivalents at beginning of the period		13,760	13,699
Cash and cash equivalents at end of the period	(I)	21,634	13,213

Note (I) Cash and cash equivalents comprises:

Cash and bank balances	23,873	15,381
Less: Fixed deposits pledged to banks	(2,239)	(2,168)
	<u>21,634</u>	<u>13,213</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 2018 and the accompanying explanatory notes attached to the interim financial statements.



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Hovid Bhd (Company no: 58476 A)

Quarterly financial report (unaudited)

For the First Financial Quarter Ended 30 September 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 2018. 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 2018.

A2 Changes in accounting policies

During the year, 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 2018. 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.



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For the First Financial Quarter Ended 30 September 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 after reporting period

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

A12 Significant events

On 14 September 2018, the Company announced that Fajar Astoria Sdn. Bhd. and Ho Sue San @ David Ho Sue San (collectively, the "Proposers" or the "Joint Offerors") had vide a letter dated 14 September 2018, requested the Board of Directors ("Board") of Hovid Berhad ("Hovid") to consider undertaking a voluntary withdrawal of Hovid's listing from the Official List of the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") pursuant to Paragraph 16.06 of the Main Market Listing Requirements of Bursa Securities ("Proposed Withdrawal").

In conjunction with the Proposed Withdrawal, a Notice of Conditional Voluntary Take-over Offer by CIMB Investment Bank, acting on behalf of the Joint Offerors, dated 14 September 2018 ("Notice") was also served on the Board, informing the Board of their intention to undertake a conditional voluntary take-over offer pursuant to the Securities Commission's Rules on Take-overs, Mergers and Compulsory Acquisitions 2016 to acquire all the remaining 173,106,165 ordinary shares in Hovid which are not already held by the Joint Offerors ("Offer Shares") representing approximately 20.95% of the issued ordinary shares in Hovid, at an offer price of RM0.38 per Offer Share (the "Offer").

As required by the Rules, a notification of receipt of the notice regarding the Offer that enclosed the Notice, was dispatched to the Company's shareholders on 21 September 2018.

On 24 September 2018, the Board had announced that they (save for Ho Sue San @ David Ho Sue San and Ho, Sarah, Lee-Mun) had deliberated on the Proposed Withdrawal and decided to put forth, at the request of the Proposers, the Proposed Withdrawal for consideration and voting by Hovid's shareholders in accordance with the Listing Requirements at an extraordinary general meeting to be convened.

On 5 October 2018, the Offer Documents were circulated to the shareholders by the Joint Offerors, and the first closing date is 4 December 2018.

On 15 October 2018, Hovid's Independent Advisor, AmInvestment Bank Berhad ("AmInvestment Bank"), circulated the Independent Advice Circular to the shareholders. AmInvestment Bank is of the view that the Offer is fair and reasonable, and accordingly recommended the shareholders to accept the Offer.

On 29 October 2018, a Circular to shareholders in relation to the Proposed Withdrawal, the Independent Advice Letter and the Exit Offer, and Notice of Extraordinary General Meeting to be held on 26 November 2018 at 11.30 a.m. was circulated to the shareholders.

There were no other significant events during the current quarter.



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For the First Financial Quarter Ended 30 September 2018

Explanatory Notes as per MFRS 134, Interim Financial Reporting

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 2018, to the date of this report.

A15 Significant related parties transactions

	3 months ended		Year-to-date ended	
	30.9.2018 RM'000	30.9.2017 RM'000	30.9.2018 RM'000	30.9.2017 RM'000
Transactions with companies in which a Director is also a director of those companies				
Sales	1	7	1	7
Reallocation of common costs	11	10	11	10
Purchases	(360)	(1,265)	(360)	(1,265)
Steam supply income/(expense)	2	(20)	2	(20)
Rental of boiler expense	(3)	(5)	(3)	(5)
Transactions with a company in which a person connected with a Director has substantial financial interests				
Purchase of computer equipment and accessories	(90)	(52)	(90)	(52)

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	19,863
Authorised but not contracted	35,165
Total capital commitments	55,028



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For the First Financial Quarter Ended 30 September 2018

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

B1 Review of performance

The Group recorded a revenue of RM50.9 million during the current quarter which represents a slight increase of 2.4% or RM1.2 million as compared to the preceding year corresponding quarter's revenue of RM49.7 million, arising from increased sales orders.

The Group's pre-tax profit was RM3.7 million for the current quarter, an increase of RM0.7 million in comparison to the preceding year corresponding quarter of RM3.0 million. The increase mainly arose from a better margin product mix.

B2 Results comparison with preceding quarter

	Quarter ended	
	30.9.2018 RM'000	30.6.2018 RM'000
Revenue	50,852	54,590
<u>Profit before tax</u>		
Profit before tax and before foreign exchange differences	4,007	2,073
Add/(less):		
Unrealised foreign exchange gain/(loss)	(176)	301
Realised foreign exchange gain/(loss)	(83)	249
Net foreign exchange gain/(loss)	(259)	550
Profit before tax	3,748	2,623

The Group recorded a revenue of RM50.9 million during the current financial quarter which represents a decrease of RM3.7 million or 6.8% as compared to the preceding financial quarter's revenue of RM54.6 million, mainly due to lower sales orders.

The Group's pre-tax profit for the current quarter of RM3.7 million was RM1.1 million higher in comparison to the preceding quarter's profit of RM2.6 million. The current quarter's pre-tax profit before foreign exchange differences was higher by RM1.9 million or 93.3% due to a better margin sales mix, as well as a lower operating expenses of RM1.2 million during the current quarter. The reduction in expenses were mainly from bioavailability studies, registration fees and consultancy fee. However, the improved result was off-set to some extent by the net increase in foreign exchange loss of RM0.8 million arising from the fluctuation of United State of America Dollar against Ringgit Malaysia, from a gain of RM0.5m in the preceding quarter to a loss of RM0.3 million in the current quarter.

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.

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

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	
	30.9.2018 RM'000	30.9.2017 RM'000	30.9.2018 RM'000	30.9.2017 RM'000
Income tax expense				
Current period	888	1,211	888	1,211
Deferred tax expense				
Origination and reversal of temporary differences	115	(394)	115	(394)
Total	1,003	817	1,003	817

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.

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	36,265	45,792	82,057

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

	RM'000
US Dollar	19,222
Philippines Peso	492
	<u> </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 2018, 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.



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

B8 Material litigation (cont.)

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. 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 for leave to appeal to the Federal Court. The Federal Court has on 26 June 2018, granted the application and will set a Hearing Date in due course.

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	
	30.9.2018 RM'000	30.9.2017 RM'000	30.9.2018 RM'000	30.9.2017 RM'000
Net profit attributable to shareholders	2,627	2,130	2,627	2,130
<u>Number of ordinary shares</u>				
	'000	'000	'000	'000
Weighted average number of ordinary shares (basic)	826,082	820,889	826,082	820,889
Effects of dilution in outstanding Warrants	-	140,265	-	140,265
Weighted average number of ordinary shares (diluted)	826,082	961,154	826,082	961,154
<u>Earning per share</u>				
	Sen	Sen	Sen	Sen
Earning per share:-				
Basic	0.32	0.26	0.32	0.26
Diluted	0.32	0.22	0.32	0.22

The Warrants which were issued on 6 June 2013, had expired on 5 June 2018. Warrants which were not exercised during the exercise period lapsed and ceased to be valid for any purpose.



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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 and loss for the period are:-

	3 months ended		Year-to-date ended	
	30.9.2018 RM'000	30.9.2017 RM'000	30.9.2018 RM'000	30.9.2017 RM'000
Finance income	2	11	2	11
Other income	363	171	363	171
Finance cost	(842)	(288)	(842)	(288)
Depreciation and amortisation	(2,844)	(1,648)	(2,844)	(1,648)
Impairment loss on receivables	(21)	(28)	(21)	(28)
Reversal of impairment loss on receivables	4	16	4	16
Write off of receivables	(44)	-	(44)	-
Gain on disposal of property, plant and equipment	9	21	9	21
Inventories written off	(284)	(101)	(284)	(101)
Inventories written back	12	-	12	-
Foreign exchange loss	(259)	(267)	(259)	(267)
Inventories written down	(20)	(32)	(20)	(32)

Authorisation for issue

On 26 November 2018, the Board of Directors authorised this interim report for issue.

On behalf of the Board,

Goh Tian Hock

Ng Yuet Seam

Joint Secretaries