



Continuous Innovation & Quality

Hovid Bhd (Company no: 58476 A)

Condensed Consolidated Statements of Profit or Loss

And Other Comprehensive Income (unaudited)

For the Second Financial Quarter Ended 31 December 2015

	3 months ended		Year-to-date ended	
	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
Revenue	55,944	48,145	96,993	97,055
Other (expense)/income	(945)	2,097	5,908	3,491
Operating expenses	(47,384)	(42,384)	(86,166)	(83,262)
Profit from operations	7,615	7,858	16,735	17,284
Depreciation & amortisation	(1,442)	(1,506)	(2,840)	(2,890)
Finance income	11	1	14	1
Finance costs	(160)	(306)	(248)	(691)
Profit before tax	6,024	6,047	13,661	13,704
Income tax expense	(1,858)	(1,534)	(3,396)	(3,460)
Profit for the period	4,166	4,513	10,265	10,244
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	(565)	(1,389)	(1,768)	(1,982)
Other comprehensive income for the period	(565)	(1,389)	(1,768)	(1,982)
Total comprehensive income for the period	3,601	3,124	8,497	8,262
Profit attributable to:				
Owners of the Company	4,046	4,567	10,200	10,376
Non-controlling interests	120	(54)	65	(132)
Profit for the period	4,166	4,513	10,265	10,244
Total comprehensive income attributable to:				
Owners of the Company	3,456	3,250	8,611	8,469
Non-controlling interests	145	(126)	(114)	(207)
Total comprehensive income for the period	3,601	3,124	8,497	8,262
Earning per share attributable to owners of the Company (sen) (Note B10)				
- Basic at nominal value of RM0.10 per share	0.51	0.60	1.30	1.36
- Diluted at nominal value of RM0.10 per share	0.40	0.47	1.02	1.07

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 2015 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 Financial Position (Unaudited)

For the Second Financial Quarter Ended 31 December 2015

	As at 31.12.2015 (Unaudited) RM'000	As at 30.6.2015 (Audited) RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	135,326	128,808
Intangible assets	17,933	19,410
Investment properties	2,600	2,600
Available-for-sale investment	-	-
Deferred tax assets	885	787
	156,744	151,605
Current Assets		
Inventories	34,245	27,123
Trade receivables	44,213	35,024
Other receivables, deposits and prepayments	27,435	14,977
Cash and deposits	19,855	22,922
	125,748	100,046
Total Assets	282,492	251,651
EQUITY		
Equity Attributable to Owners of the Company		
Share capital	79,990	78,135
Share premium	3,873	2,018
Reserves	36,338	38,298
Retained earnings	68,755	65,250
	188,956	183,701
Non-controlling interests	2,196	2,310
Total Equity	191,152	186,011
LIABILITIES		
Non-Current Liabilities		
Deferred tax liabilities	11,171	11,128
Term loans	19,962	8,725
Finance lease liabilities	483	557
Provision for retirement benefits	3,939	3,617
	35,555	24,027
Current Liabilities		
Trade payables	16,255	11,248
Other payables and accruals	19,717	19,044
Term loans	1,340	773
Short term borrowings	14,350	6,531
Finance lease liabilities	167	190
Tax payable	3,956	3,827
	55,785	41,613
Total Liabilities	91,340	65,640
Total Equity And Liabilities	282,492	251,651
Net Assets Per Share Attributable To Owners Of The Company (Sen)	23.62	23.51

The Condensed Consolidated Statements of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 30 June 2015 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 Second Financial Quarter Ended 31 December 2015

	Attributable to Owners of the Company				Non-controlling Interests	Total Equity	
	Non-distributable		Distributable	Total			
	Share capital RM'000	Share premium RM'000	Reserves RM'000	Retained earnings RM'000			RM'000
PERIOD ENDED 31 DECEMBER 2015							
At 1 July 2015	78,135	2,018	38,298	65,250	183,701	2,310	186,011
Total comprehensive income/(loss) for the period	-	-	(1,589)	10,200	8,611	(114)	8,497
Transaction with owners of the Company							
Conversion of warrants	1,855	1,855	(371)	-	3,339	-	3,339
Interim dividends	-	-	-	(6,695)	(6,695)	-	(6,695)
At 31 December 2015	79,990	3,873	36,338	68,755	188,956	2,196	191,152
PERIOD ENDED 31 DECEMBER 2014							
At 1 July 2014	76,381	263	32,489	52,036	161,169	4,988	166,157
Total comprehensive income/(loss) for the period	-	-	(1,907)	10,376	8,469	(207)	8,262
Transactions with owners of the Company							
Issuance of shares to non-controlling interests	-	-	-	-	-	36	36
Conversion of warrants	1	1	-	-	2	-	2
Interim dividend	-	-	-	(3,819)	(3,819)	-	(3,819)
At 31 December 2014	76,382	264	30,582	58,593	165,821	4,817	170,638

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 2015 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 Second Financial Quarter Ended 31 December 2015**

	Note	6 months ended	
		31.12.2015 RM'000	31.12.2014 RM'000
Cash flows from operating activities			
Profit before tax		13,661	13,704
<i>Adjustments for:</i>			
Amortisation of intangible assets		304	286
Provision for retirement benefits		279	230
Depreciation of property, plant and equipment		2,536	2,603
Gain on disposals of properties, plant and equipment		1	-
Impairment loss on receivables		49	54
Interest expense		248	691
Interest income		(14)	(1)
Inventories written off		222	110
Product development expenditure written off		2,450	1,300
Property, plant and equipment written off		9	76
Reversal of impairment loss on receivables		(6)	(49)
Unrealised gain on foreign exchange		(4,283)	(1,486)
Allowance for slow moving inventories		(3)	-
Operating profit before changes in working capital		15,453	17,518
Change in inventories		(7,341)	(2,213)
Change in receivables, deposits and prepayments		(21,690)	(4,117)
Change in payables and accruals		12,037	(2,734)
Bankers' acceptances		7,819	8,374
Cash generated from operations		6,278	16,828
Tax paid		(3,146)	(2,637)
Net cash from operating activities		3,132	14,191
Cash flows from investing activities			
Acquisition of property, plant and equipment		(13,156)	(2,294)
Interest received		14	1
Proceeds from disposals of property, plant and equipment		1	-
Product development expenditure incurred		(1,277)	(1,430)
Net cash used in investing activities		(14,418)	(3,723)



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Hovid Bhd (Company no: 58476 A)

**Condensed Consolidated Statements of Cash Flows (unaudited)
For the Second Financial Quarter Ended 31 December 2015**

	Note	6 months ended	
		31.12.2015 RM'000	31.12.2014 RM'000
Cash flows from financing activities			
Interest paid		(313)	(443)
Placement of pledged deposits with licensed banks		(17)	(1)
Repayments of finance lease liabilities		(97)	(79)
Repayments of term loans		(371)	(45)
Drawdown of term loans		12,111	-
Proceeds from issuance of shares to non-controlling interests		-	36
Interim dividends paid		(6,695)	(3,819)
Proceeds from warrants conversion		3,339	2
Net cash from/(used in) financing activities		7,957	(4,349)
Change in cash and cash equivalents		(3,329)	6,119
Effect of exchange rates fluctuations on cash held		245	156
Cash and cash equivalents at beginning of the period		21,847	20,256
Cash and cash equivalents at end of the period	(I)	18,763	26,531

Note (I) Cash and cash equivalents comprises:

Cash and bank balances	18,763	27,876
Bank overdrafts	-	-
	<u>18,763</u>	<u>27,876</u>
Less: Classified as held for sale		
Cash and deposits	-	190
Bank overdraft	-	(1,535)
	-	<u>(1,345)</u>
	<u>18,763</u>	<u>26,531</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 2015 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 Second Financial Quarter Ended 31 December 2015

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 2015. 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 2015.

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 periods beginning on or after 1 July 2015. 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 12,308,500 ordinary shares of RM0.10 each for cash arising from the conversion 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 Second Financial Quarter Ended 31 December 2015

Explanatory Notes as per MFRS 134, Interim Financial Reporting

A8 Dividends paid

During the period, the following dividends under the single-tier system were paid:-

i. Interim dividend of 0.5 sen per ordinary share in respect of the financial year ended 30 June 2015, declared by the Directors on 28 August 2015, was paid on 2 October 2015, and

ii. Special dividend of 0.35 sen per ordinary share in respect of the financial year ended 30 June 2015, declared by the Directors on 28 August 2015, was paid on 2 October 2015.

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 subsequent 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 2015, to the date of this report.

A14 Significant related parties transactions

Significant transactions with a company in which a Director is also a director of that company:-

	3 months ended		Year-to-date ended	
	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
ExcelVite Sdn Bhd				
Reallocation of common costs	16	-	16	-
Purchases	(1,237)	-	(1,237)	-
Steam service expenses	(56)	-	(56)	-
Rental expense	(4)	-	(4)	-

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	42,756
Authorised but not contracted	6,574
Total capital commitments	49,330



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For the Second Financial Quarter Ended 31 December 2015

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 RM55.9 million during the current quarter which represents a 16.2% increase as compared to the preceding year corresponding quarter's revenue of RM48.1 million. Included in the previous year's quarter was Biodeal Pharmaceuticals Private Limited's ("BPPL") sales amounting to RM2.4 million. BPPL ceased to be a subsidiary from 1 April 2015. Excluding BPPL's sales from last year's quarter, sales increased by 22.3% in comparison. The higher revenue was due to the spill over of some of the previous quarter's planned shipments, increase in orders by local customers ahead of pending price increase and increase in orders by overseas customers.

Despite the increase in Group's revenue, pre-tax profit remained substantially the same as the preceding year's corresponding quarter at RM6.0 million. This was due largely to the foreign exchange loss recorded during the current quarter of RM1.0 million arising from the fluctuation of Ringgit Malaysia ("RM") against the United States of America Dollar ("USD"), in comparison to a gain of RM1.9 million recorded during the previous year's corresponding quarter.

Year-to-date

The Group's revenue for the current period amounting to RM97.0 million was slightly lower compared to the previous financial year of RM97.1 million. BPPL contributed 4.9% to the Group's sales last year. Excluding BPPL's revenue for comparison purpose, the Group's revenue increased by 5.1% during the current period. The increase was due to increase in orders and the stronger USD.

The Group's pre-tax profit remains about the same as preceding year's corresponding period at RM13.7 million. Foreign exchange gain arising from the stronger USD amounted to RM5.7 million during the current period as compared to RM2.8 million recorded during the preceding year's corresponding period. However, this increase was offset by the increase in operational and sales promotional expenses during the current period.

B2 Results comparison with preceding quarter

	Quarter ended	
	31.12.2015 RM'000	30.9.2015 RM'000
Revenue	55,944	41,049
Profit before tax	6,024	7,637

The Group recorded a revenue of RM55.9 million during the current quarter which represents a 36.3% increase as compared to the preceding quarter's revenue of RM41.0 million. The higher revenue was due to the spill over of some of the previous quarter's planned shipments, increase in orders by local customers ahead of pending price increase and increase in orders by overseas customers.

The Group's pre-tax profit was RM6.0 million, a decrease of 21.1% as compared to preceding quarter's of RM7.6 million. This was mainly due to the foreign exchange loss recorded during the current quarter of RM1.0 million arising from the fluctuation of Ringgit Malaysia ("RM") against the United States of America Dollar ("USD"), in comparison to a gain of RM6.7 million recorded during the preceding quarter.

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

B3 Commentary on Prospects

Barring any unforeseen circumstances, the outlook for the Group is expected to be satisfactory as the Group is actively securing new overseas markets, registration of new products and expanding its tablet and capsule production facility.

The Group will continue to enhance its competitive edge by continually placing emphasis in research and development and improving its production processes to achieve better efficiency.

B4 Profit forecast, profit guarantee and internal targets

The Group did not provide any profit forecast, profit guarantee and internal targets in any public document or any announcements made.

B5 Income tax expense

	3 months ended		Year-to-date ended	
	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
Income tax expense for current period	1,900	1,656	3,354	3,845
Deferred taxation	(42)	(122)	42	(385)
	1,858	1,534	3,396	3,460

The effective tax rate for the period is slightly higher than the statutory tax rate mainly due to the non-allowable expenses.

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 year were as follows :-

	Current RM'000	Non-current RM'000	Total RM'000
Secured	15,857	20,445	36,302

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

Philippines Peso	RM'000 492
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B8 Material litigation

There were no material litigation against the Group as at the reporting date, that arose since the date of last annual report.

B9 Dividend proposed or declared

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

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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	
	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
Net profit attributable to shareholders	4,046	4,567	10,200	10,376
<u>Number of ordinary shares</u>				
	'000	'000	'000	'000
Weighted average number of ordinary shares (basic)	791,065	763,815	787,449	763,814
Effects of dilution in outstanding Warrants	211,068	200,809	210,765	205,830
Weighted average number of ordinary shares (diluted)	1,002,133	964,624	998,214	969,644
<u>Earning per share</u>				
	Sen	Sen	Sen	Sen
Earning per share at nominal value of RM0.10 per share:-				
Basic	0.51	0.60	1.30	1.36
Diluted	0.40	0.47	1.02	1.07

B11 Profit for the period

Included in the profit for the period are:-

	3 months ended		Year-to-date ended	
	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
Finance income	11	1	14	1
Other income	73	171	203	691
Finance cost	(160)	(306)	(248)	(691)
Depreciation and amortisation	(1,442)	(1,506)	(2,840)	(2,890)
Impairment loss on receivables	(15)	(6)	(49)	(54)
Reversal of impairment loss on receivables	-	33	6	49
Gain on disposal of property, plant and equipment	(1)	-	(1)	-
Inventories written off	(154)	(7)	(222)	(110)
Foreign exchange (loss)/gain	(1,016)	1,893	5,700	2,751
Gain/(loss) on derivatives	-	-	-	-
Exceptional items	-	-	-	-



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

B12 Realised and unrealised profits and losses disclosure

	As at 31.12.2015 RM'000	As at 30.6.2015 RM'000
Total retained profits of Company and its subsidiaries:-		
Realised	81,489	72,703
Unrealised	(7,014)	(8,280)
Total	74,475	64,423
Consolidation adjustments	(5,720)	827
Total group retained earnings	68,755	65,250

Authorisation for issue

On 18 February 2016, the Board of Directors authorised this interim report for issue.

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