



ADVENTA BERHAD
(Company No : 618533-M)
(Incorporated in Malaysia)
FIRST QUARTER REPORT ENDED 31 JANUARY 2015

UNAUDITED NOTES TO FINANCIAL STATEMENTS

PART A - EXPLANATORY NOTES PURSUANT TO MFRS 134

1. BASIS OF PREPARATION

The interim financial report is unaudited and has been prepared in accordance with Malaysia Financial Reporting Standard (“MFRS”) 134 : Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial report should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 October 2014. The explanatory notes attached to the interim financial statements provide an explanation of events and transaction that are significant to the understanding of the changes in the financial position and performance of the Group since the financial year ended 31 October 2014.

The audited financial statements of the Group for the year ended 31 October 2014 were prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”). The significant accounting policies and method of computations adopted in preparation of this interim financial report are consistent with those adopted in the audited financial statements of the Company for the financial year ended 31 October 2014.

2. AUDITORS’ REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The preceding audited financial statements for the year ended 31 October 2014 were not subject to any qualification.

3. COMMENTS ABOUT SEASONAL, CYCLICAL AND EXCEPTIONAL FACTORS

The group businesses increasingly face end-of-the-year budgetary activities of its customers in the local healthcare industry, as it market shares improve, exposing revenue to wider fluctuation in orders. The last quarter, (Nov-Jan) encompasses completion of budgets and the wait for new budgets to be funded. Prices are lowered to encourage bigger orders.

This quarter faced unusually strong headwinds in the depreciating Ringgit, making imports almost 9% more expensive by the end of the quarter. Margins are compressed in several imported product segments.



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4. UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE OR INCIDENCE

There were no other unusual items affecting assets, liabilities, equity, net income and cash flows during the financial period ended 31 January 2015.

5. CHANGES IN ESTIMATES

There were no changes in estimates that have had a material effect in the current quarter results.

6. DEBTS AND EQUITY SECURITIES

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the current quarter.

7. DIVIDENDS PAID

There were no dividends paid during the current quarter.



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8. SEGMENTAL INFORMATION

	Individual period		Cumulative period	
	Current year quarter 31.01.2015 RM'000	Preceding year corresponding quarter 31.01.2014 RM'000	Current year 31.01.2015 RM'000	Preceding corresponding year 31.01.2014 RM'000
<u>Segment Revenue</u>				
Continuing operations:				
Healthcare products	8,439	4,404	8,439	4,404
Sterilisation provider	2,720	2,701	2,720	2,701
Corporate	-	198	-	198
Elimination of inter-segment sales	-	(198)	-	(198)
	11,159	7,105	11,159	7,105
<u>Segment Results</u>				
Continuing operations:				
Healthcare products	125	346	125	346
Sterilisation provider	1,597	1,675	1,597	1,675
Corporate	(184)	(24)	(184)	(24)
Elimination	-	-	-	-
	1,538	1,997	1,538	1,997

9. VALUATIONS OF PROPERTY, PLANT AND EQUIPMENT

The valuations of property, plant and equipment have been brought forward, without amendment from the previous annual financial statements of the Group.

10. SIGNIFICANT AND SUBSEQUENT EVENTS

There were no material subsequent events announced from previous quarter except the following:

- a) On 31 December 2014 and 5 February 2015, the Board announced that the actual value of the RRPT transacted with the following related party pursuant to the existing shareholders' mandate obtained on 24 April 2014, has exceeded the



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estimated value of the RRPT as disclosed in the Circular to Shareholders dated 2 April 2014 ("Circular") by more than ten percent (10%).

11. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no contingent liabilities or contingent assets for the Group for the current quarter under review.

12. CAPITAL COMMITMENTS

The amount of commitments for the purchase of property, plant and equipment not provided for in the financial statements as at 31 January 2015 is as follows:

Approved and contracted for	RM'000 <u>3,737</u>
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**PART B – ADDITIONAL INFORMATION AS REQUIRED BY APPENDIX 9B OF
 BURSA MALAYSIA LISTING REQUIREMENTS**

13. PERFORMANCE REVIEW

	Individual period			Cumulative period		
	Current year quarter 31.01.2015 RM'000	Preceding year corresponding quarter 31.01.2014 RM'000	Variance %	Current year quarter 31.01.2015 RM'000	Preceding year corresponding quarter 31.01.2014 RM'000	Variance %
Continuing operations						
Revenue	11,159	7,105	57	11,159	7,105	57
PBT	1,438	1,868	(23)	1,438	1,868	(23)

Group revenue in Q1 2015 increased by 57% to RM11.2mil from RM7.1mil in the same quarter last year, buoyed by impressive improvement in the hospital supplies segment.

The Group posted a profit before tax of RM1.4mil in Q1 2015, a drop by 23% from RM1.9mil in the same period last year. Higher premarket cost in the Home Dialysis business where trials are still on and prelaunch clinical studies increased expenditure.

Healthcare products:

Sales generated expanded 92% to RM8.4 million in Q1 2015 compared to RM 4.4 mil in the same quarter last year, driven by bigger share of the public hospital market, and new export businesses in several countries regionally. The private hospital segment are expected to be sustainable revenues, locked to long term contracts.

New products of higher margins introduced in the year has raise overall margins. Higher import cost from depreciating Ringgit put a damper on the performance.

Sterilisation provider:

The revenue reported in Q1 2015 is the same with preceding quarter last year, at RM2.7mil. with profit coming in lower by 1%. This segment is still a very consistent and sustainable earner.



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14. COMPARISON WITH PRECEDING QUARTER’S RESULTS

	1 st Quarter ended 31 January 2015 RM’000	4 th Quarter ended 31 October 2014 RM’000	Variance %
Continuing operations			
Revenue	11,159	11,700	(5)
PBT	1,438	1,999	(28)

Group Q1 2015 revenue and profit before tax decreased by 5% and 28% over preceding quarter respectively.

The results achieved in Q1 2015, is driven by increased uptake in the hospital supplies business, both in the public and private healthcare centres. Lower profit before tax has been reported due to increased importation costs of raw material resulted from weakening of the Ringgit Malaysia and higher freight charges.

15. COMMENTARY ON CURRENT YEAR PROSPECTS

This year started with significant challenges in currency fluctuations and still uncertain monetary policies on interest rates and public funding for healthcare from lower oil and gas income. As the lower oil prices has yet to translate into cheaper consumer products, general disposable incomes has not materialised sufficiently to impact private healthcare spending, domestic or global.

The hospital supplies subsidiary is positioned to gain from any increase in healthcare expenditure, public or private. With the expected completion of its warehouse complex in Kuala Lumpur, the third party logistic (“3PL”) business is expected to add to the current revenue stream.

Sterilisation should continue its robust performance, increasing same customer revenue and new customer sales. Cost is not expected to impair margin as cost cutting exercises have maintained a stable level of operation costs.

Lucenia, the home dialysis provider, will complete its trial and validation exercises by second quarter paving the path to a commercial launch in Q3. With the country’s PD first strategy, this is expected to be a very significant revenue earner of the future.



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16. PROFIT FORECAST

No profit forecast was announced hence there was no comparison between actual results and forecast.

17. TAXATION

	Individual period		Cumulative period	
	Current year quarter 31.01.2015 RM'000	Preceding year corresponding quarter 31.01.2014 RM'000	Current year quarter 31.01.2015 RM'000	Preceding year corresponding quarter 31.01.2014 RM'000
Continuing operations:				
Income tax	(89)	(101)	(89)	(101)
Deferred tax	(575)	(364)	(575)	(364)
	(664)	(465)	(664)	(465)

The effective tax rate of the Group is lower than statutory tax rate due to availability of capital allowances and investment tax allowances to set off with adjusted business income.

18. SALE OF UNQUOTED INVESTMENTS AND PROPERTIES

There was no sale of unquoted investments and properties during the financial period under review.

19. MARKETABLE SECURITIES

There was no purchase or disposal of marketable securities during the financial period ended under review.



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20. CORPORATE PROPOSALS

Status of Corporate Proposals

There were no corporate proposals announced which remain uncompleted at the end of the financial period ended 31 January 2015

Status of Utilisation of Proceeds

The total gross proceeds of RM61.11 million from Proposed Disposal (after the Proposed Distribution) shall be utilised in the following manner:

Purpose	Estimated time frame for utilisation from completion of the Proposed Disposal	Reclassification		Amount utilised as at 31.01.2015 RM'000	Balance not utilised as at 31.01.2015 RM'000
		Amount RM'000	Amount RM'000		
Payment for the purchase consideration of acquisition of Electron Beam Sdn. Bhd.	Within 1 month	9,000	-	9,000	-
Working capital for Sun Healthcare (M) Sdn. Bhd.	Within 12 months	12,000	-	12,000	-
Working capital for Electron Beam Sdn. Bhd.	Within 12 months	5,000	-	5,000	-
Working capital for Lucenxia (M) Sdn. Bhd.	Within 24 months	20,000	12,614#	26,732	5,882
Future business expansion opportunities	Within 24 months	12,614	(12,614)#	-	-
Estimated expenses in relation to the Proposals	Within 1 month	2,500	-	2,500	-
		<u>61,114</u>	<u>-</u>	<u>55,232</u>	<u>5,882</u>

The funds allocated for future business expansion opportunities is re-allocated to Lucenxia (M) Sdn. Bhd. as working capital in view of the trials still in progress and further investment needed in patient care education and training into rural region.



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21. BORROWINGS AND DEBT SECURITIES

	As at 31.01.2015 RM'000	As at 31.01.2014 RM'000
Secured:		
Short Term Borrowings	7,419	5,461
Long Term Borrowings	3,832	4,479
Total Borrowings	<u>11,251</u>	<u>9,940</u>

22. CHANGES IN MATERIAL LITIGATION

The Group is not engaged in any material litigation either as plaintiff or defendant and the directors do not have any knowledge of any proceedings pending or threatened against the Group as at the date of this report.

23. DIVIDEND PAYABLE

No interim ordinary dividend has been declared for the financial period ended 31 January 2015.



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24. EARNINGS PER SHARE

The basic and diluted earnings per share for the reporting period are computed as follows:

a) Basis

	Individual period		Cumulative period	
	Current year quarter 31.01.2015	Preceding year corresponding quarter 31.01.2014	Current year quarter 31.01.2015	Preceding year corresponding quarter 31.01.2014
Profit attributable to ordinary equity holders of the parent (RM'000)	774	1,403	774	1,403
Weighted average number of Ordinary shares in issue ('000)	152,786	152,786	152,786	152,786
Basic earnings per share (sen)	0.51	0.92	0.51	0.92

b) Diluted

There were no diluted earnings per share.

25. PROFIT BEFORE TAX

Profit before tax is stated after charging/(crediting):

	Individual period 31.01.2015 RM'000	Cumulative period 31.01.2014 RM'000
Continuing Operations		
Interest income	(23)	(23)
Interest expenses	100	100
Depreciation of property, plant and equipment	345	345
Net foreign exchange loss	63	63



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26. REALISED AND UNREALISED PROFITS

The breakdown of the retained profits of the Group as at reporting date into realised and unrealised profits is presented as follows:

	As at 31.01.2015	As at 31.01.2014
	RM'000	RM'000
Group's total retained profits:		
Realised	19,743	13,787
Unrealised	2,641	4,720
	<hr/>	<hr/>
	22,384	18,507
Less: Consolidation adjustments	2,582	2,540
Retained profits as per financial statements	<hr/>	<hr/>
	19,802	15,967

27. AUTHORISED FOR ISSUE

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 17 March 2015.

By Order of the Board
Adventa Berhad
CHUA SIEW CHUAN
Company Secretary MAICSA 0777689