



# ADVENTA

ADVENTA BERHAD

(Company No : 618533-M)

(Incorporated in Malaysia)

SECOND QUARTER REPORT ENDED 30 APRIL 2016

## UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS

	Note	Individual period		Cumulative period	
		Current year quarter Unaudited 30-Apr-2016 RM'000	Preceding year corresponding quarter Unaudited 30-Apr-2015 RM'000	Current period Unaudited 30-Apr-2016 RM'000	Preceding corresponding period Unaudited 30-Apr-2015 RM'000
Revenue	8	9,383	11,238	21,686	22,397
Operating expenses		(8,710)	(9,938)	(19,355)	(19,519)
Net foreign exchange loss		(95)	49	(164)	(14)
Other operating income	25	174	25	347	48
Operating profit	8	752	1,374	2,514	2,912
Finance costs		(406)	(169)	(810)	(269)
Profit before taxation	13 & 25	346	1,205	1,704	2,643
Income tax expenses	17	(299)	(463)	(719)	(1,127)
Profit for the period		47	742	985	1,516
Profit attributable to:					
Owners of the parent		47	742	985	1,516
Non-controlling interests		-	-	-	-
Profit for the period		47	742	985	1,516
Earnings per share (sen):					
Basic	24	0.03	0.49	0.64	0.99
Diluted	24	N/A	N/A	N/A	N/A
Number of ordinary shares ('000)	24	152,786	152,786	152,786	152,786

These condensed consolidated income statements should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.



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## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Individual period		Cumulative period	
	Current year quarter 30-Apr-2016 Unaudited RM'000	Preceding year corresponding quarter 30-Apr-2015 Unaudited RM'000	Current period 30-Apr-2016 Unaudited RM'000	Preceding corresponding period 30-Apr-2015 Unaudited RM'000
Profit for the period	47	742	985	1,516
Other comprehensive income:				
Foreign currency translation	-	-	-	-
Total comprehensive income for the period	<u>47</u>	<u>742</u>	<u>985</u>	<u>1,516</u>
Total comprehensive income attributable to:				
Owners of the parent	47	742	985	1,516
Non-controlling interests	-	-	-	-
Total comprehensive income for the period	<u>47</u>	<u>742</u>	<u>985</u>	<u>1,516</u>

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**SECOND QUARTER REPORT ENDED 30 APRIL 2016**

## CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Unaudited As at	Audited As at
Note	30-Apr-2016 RM'000	31-Oct-2015 RM'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant & equipment	50,404	51,176
Deferred development cost	25,847	23,743
Intangible assets	5,017	5,017
Deferred tax assets	1,243	1,805
	<u>82,511</u>	<u>81,741</u>
<b>Current assets</b>		
Inventories	13,348	11,582
Trade and other receivables	18,231	17,955
Prepaid operating expenses	328	388
Tax recoverable	-	14
Cash and bank balances	22,417	22,122
	<u>54,324</u>	<u>52,061</u>
<b>TOTAL ASSETS</b>	<u>136,835</u>	<u>133,802</u>



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## CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		Unaudited	Audited
		As at	As at
	Note	30-Apr-2016	31-Oct-2015
		RM'000	RM'000
<b>EQUITY AND LIABILITIES</b>			
<b>Current liabilities</b>			
Trade payables and other payables		11,944	14,848
Income tax payables		25	-
Loans and borrowings	21	10,211	10,444
		<u>22,180</u>	<u>25,292</u>
<b>Non-current liabilities</b>			
Loans and borrowings	21	33,248	28,087
		<u>33,248</u>	<u>28,087</u>
<b>Total liabilities</b>		<u>55,428</u>	<u>53,379</u>
<b>Equity</b>			
Share capital		53,475	53,475
Share premium		4,830	4,830
Retained profits		23,103	22,118
<b>Equity attributable to owners of the parent</b>		<u>81,408</u>	<u>80,423</u>
Non-controlling interests		-	-
<b>Total equity</b>		<u>81,408</u>	<u>80,423</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>136,836</u>	<u>133,802</u>
Net assets per share (RM)		<u>0.53</u>	<u>0.53</u>

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## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	<u>Non-distributable</u>	<u>Distributable</u>		
	Share	Share	Retained	
	capital	premium	profits	
	RM'000	RM'000	RM'000	
			Total	
			RM'000	
<b><u>Quarter ended 30 April 2015</u></b>				
At 1 November 2014	53,475	4,830	19,028	77,333
Total comprehensive income	-	-	1,516	1,516
At 30 April 2015	<u>53,475</u>	<u>4,830</u>	<u>20,544</u>	<u>78,849</u>
<b><u>Quarter ended 30 April 2016</u></b>				
At 1 November 2015	53,475	4,830	22,118	80,423
Total comprehensive income	-	-	985	985
At 30 April 2016	<u>53,475</u>	<u>4,830</u>	<u>23,103</u>	<u>81,408</u>

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SECOND QUARTER REPORT ENDED 30 APRIL 2016

## UNAUDITED ADJUSTED CONSOLIDATED STATEMENTS OF CASH FLOW

	Current year to date 30-Apr-2016 Unaudited RM'000	Preceding year corresponding period 30-Apr-2015 Unaudited RM'000
<b>Cash flows from operating activities</b>		
Profit before tax	1,704	2,643
Adjustments for:		
Depreciation of property, plant and equipment	918	695
Interest expenses	810	269
Interest income	(338)	(47)
Net unrealised foreign exchange loss	(177)	-
Operating profit before working capital changes	2,917	3,560
Increase in inventories	(1,765)	(1,141)
(Increase)/decrease in trade and other receivables	(126)	6,713
Decrease in prepaid operating expenses	59	-
Decrease in payables	(2,877)	(2,861)
Cash (used in)/from operations	(1,792)	6,271
Interest paid	(810)	(137)
Taxes paid	(118)	(960)
Net cash (used in)/from operating activities	(2,720)	5,174



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## UNAUDITED ADJUSTED CONSOLIDATED STATEMENTS OF CASH FLOW

	Current year to date 30-Apr-2016 Unaudited RM'000	Preceding year corresponding period 30-Apr-2015 Unaudited RM'000
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(171)	(4,494)
Investment in deferred development cost	(2,104)	(8,201)
Interest received	338	47
Proceed from disposal of property, plant and equipment	25	-
Net cash used in investing activities	(1,912)	(12,648)
<b>Cash flows from financing activities</b>		
Net increase in borrowings	4,927	29,706
Interest paid	-	(132)
Net cash from financing activities	4,927	29,574
Effects of foreign exchange rate changes	-	-
Net increase in cash and cash equivalents	295	22,100
Cash and cash equivalents at beginning of financial period	22,122	5,850
<b>Cash and cash equivalents at end of financial period</b>	<b>22,417</b>	<b>27,950</b>
Cash and cash equivalents at end of financial period comprise:		
- Cash and bank balances	22,417	27,950

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**SECOND QUARTER REPORT ENDED 30 APRIL 2016**  
**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 2015. 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 2015.

The audited financial statements of the Group for the year ended 31 October 2015 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 2015.

**2. AUDITORS’ REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS**

The preceding audited financial statements for the year ended 31 October 2015 were not subject to any qualification.

**3. COMMENTS ABOUT SEASONAL, CYCLICAL AND EXCEPTIONAL FACTORS**

All businesses of the group grew in sales except healthcare distribution which faced reduced public spending in the healthcare sector. This is not a typical cycle but related to the lower budgetary allocations for the year.

The Home Dialysis business was finally launched last quarter but it too faced budgetary constraints in the public sector and more administrative procedures within the administration. This is expected to be cleared soon.

**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 30 April 2016.





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**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.

**8. SEGMENTAL INFORMATION**

The Company's operations are organized into several reportable business segments, each focused on core competencies of the company(s) in the segment.

We evaluated the performance of our segments based on their operating earnings excluding acquisition-related and exit and realignment charges, certain purchase price fair value adjustments, and other substantive items that, either as a result of their nature or size, would not be expected to occur as part of the our normal business operations on a regular basis.

**Distribution:** the manufacture, trading and third party logistics for the supply of healthcare and related products to healthcare centres in Malaysia and overseas. Products categories include disposables, pharmaceuticals, biotechnology, equipment and services include managed inventory and complete supply chain management that link global supplies to point of care.

**Sterilization:** Providing electron beam sterilization services, evaluation and certification of sterility, consultancy on sterilization and logistics services.

**Home Dialysis:** Providing full care dialysis services to homes and travelling patients.

	Individual period		Cumulative period	
	Current year quarter 30.04.2016 RM'000	Preceding year corresponding quarter 30.04.2015 RM'000	Current year quarter 30.04.2016 RM'000	Preceding year corresponding quarter 30.04.2015 RM'000
<b><u>Segment Revenue</u></b>				
Distribution	6,481	8,604	16,029	17,043
Sterilization	3,095	2,634	6,090	5,354
Home Dialysis	51	-	51	-
Corporate	-	-	-	-



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**UNAUDITED NOTES TO FINANCIAL STATEMENTS**

Elimination of inter- segment sales	(244)	-	(484)	-
	<u>9,383</u>	<u>11,238</u>	<u>21,686</u>	<u>22,397</u>

**Segment Results**

Distribution	139	429	770	554
Sterilization	1,362	1,253	2,711	2,850
Home Dialysis	(511)	-	(511)	-
Corporate	(3)	357	37	173
Elimination	(235)	(665)	(493)	(665)
	<u>752</u>	<u>1,374</u>	<u>2,514</u>	<u>2,912</u>

**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.

**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**

No commitments for the purchase of property, plant and equipment.



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***PART B – ADDITIONAL INFORMATION AS REQUIRED BY APPENDIX 9B OF BURSA MALAYSIA LISTING REQUIREMENTS***

**13. PERFORMANCE REVIEW**

	<u>Individual period</u>			<u>Cumulative period</u>		
	<u>Current year quarter</u> 30.04.2016 RM'000	<u>Preceding year corresponding quarter</u> 30.04.2015 RM'000	<u>Variance</u> %	<u>Current year quarter</u> 30.04.2016 RM'000	<u>Preceding year corresponding quarter</u> 30.04.2015 RM'000	<u>Variance</u> %
Revenue	9,383	11,238	(17)	21,686	22,397	(3)
PBT	346	1,205	(71)	1,704	2,643	(36)

Revenue in Q2 2016 decreased by 17% from RM11.2mil of same quarter last year.

Comparative Q2	Revenue changes	PBT changes
Group	↓ 17 %	↓ 71 %
Distribution	↓ 25 %	↑ P %
Sterilization	↑ 18 %	↑ 7 %
Home Dialysis	N/A	N/A

\*P denotes positive change from negative value

Group:

The Group faced several challenges in this period.

The budget cuts in the public healthcare sector reduced hospital sales. Hospital supplies slowed significantly. In the private healthcare, cost conscious reaction to lower healthcare spending reduced advanced products procurement for lower cost alternatives. The high volatility of the Ringgit contributes to losses of exchange for imports.

As the Home Dialysis was launched during the period, the budgets cuts affected public sector sales. Administrative procedures in payment and allocations prevented sufficient intakes of renal patients. This is expected to be cleared in due course.



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**13. PERFORMANCE REVIEW (continued)**

As the Home Dialysis is now commercially in operation, Lucenxia rollout an advertisement and awareness campaign across the country, targeting professionals and the public.

Distribution:

Revenue dropped by 25%. Profit margin improved from a loss of RM30,000 to a loss of RM7,000 due to higher distribution efficiency.

Sterilization:

Sales improved by 18% compared to preceding year same quarter. Gross profit margin was lower from one-off equipment refurbishment cost.

Home Dialysis:

Revenue from this segment has no significant impact yet as it has just been launched and needs time to reach breakeven patient-months, expected to be achieved once approval from JPA is obtained.

**14. COMPARISON WITH PRECEDING QUARTER'S RESULTS**

	<b>2<sup>nd</sup> Quarter ended 30 April 2016 RM'000</b>	<b>1<sup>st</sup> Quarter ended 31 January 2016 RM'000</b>	<b>Variance %</b>
<b>Continuing operations</b>			
Revenue	9,383	12,303	(24)
PBT	346	1,358	(75)

The group's revenue recorded 24% decrease mainly from Distribution segment. Profit before tax lower by RM 1.01 million compared to last preceding quarter.

**15. COMMENTARY ON CURRENT YEAR PROSPECTS**

Current year business environment for the Healthcare distribution remain tough with budget constraints holding back sales and slowing receivables. Unless the budgets are brought back to past levels there will be a period of adjustments in procurement patterns across the sector, impacting both revenue and margins. The management has introduced a series of value focused programs for customers to buy within their budget. Cost cutting exercises to reduce selling cost has been implemented.



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**15. COMMENTARY ON CURRENT YEAR PROSPECTS (continued)**

The sterilization business continue with impressive growth. Same customer accounts grew and with new accounts already qualified and in progress, we should see a good year for this unit.

Home Dialysis service is a long term growth sustainable segment with potential business leveraging on home healthcare and telemedicine. The good results from current patients helped patient/doctor acceptance of this new modality in dialysis. Moreover, with the government's intention of a PD first policy, we see growth potential as soon as sufficient awareness grow among the healthcare professionals.

**16. PROFIT FORECAST**

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

**17. TAXATION**

	<u>Individual period</u>		<u>Cumulative period</u>	
	<u>Current year</u>	<u>Preceding</u>	<u>Current year</u>	<u>Preceding</u>
	<u>quarter</u>	<u>year</u>	<u>quarter</u>	<u>year</u>
	<u>30.04.2016</u>	<u>corresponding</u>	<u>30.04.2016</u>	<u>corresponding</u>
	<u>RM'000</u>	<u>quarter</u>	<u>RM'000</u>	<u>quarter</u>
		<u>30.04.2015</u>		<u>30.04.2015</u>
		<u>RM'000</u>		<u>RM'000</u>
<b>Continuing operations:</b>				
Income tax	(19)	(189)	(157)	(278)
Deferred tax	(280)	(274)	(562)	(849)
	<u>(299)</u>	<u>(463)</u>	<u>(719)</u>	<u>(1,127)</u>

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 30 April 2016.

## 21. BORROWINGS AND DEBT SECURITIES

	<b>As at</b> <b>30.04.2016</b> <b>RM'000</b>	<b>As at</b> <b>31.01.2016</b> <b>RM'000</b>
<b>Secured:</b>		
Short Term Borrowings	10,211	10,011
Long Term Borrowings	33,248	33,738
Total Borrowings	<u>43,459</u>	<u>43,749</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 30 April 2016.

## 24. EARNINGS PER SHARE

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



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**24. EARNINGS PER SHARE (continued)**

**a) Basis**

	<u>Individual period</u>		<u>Cumulative period</u>	
	<u>Current year quarter 30.04.2016</u>	<u>Preceding year corresponding quarter 30.04.2015</u>	<u>Current year quarter 30.04.2016</u>	<u>Preceding year corresponding quarter 30.04.2015</u>
Profit attributable to ordinary equity holders of the parent (RM'000)	47	742	985	1,516
Weighted average number of Ordinary shares in issue ('000)	152,786	152,786	152,786	152,786
Basic earnings per share (sen)	0.03	0.49	0.64	0.99

**b) Diluted**

There were no diluted earnings per share.

**25. PROFIT BEFORE TAX**

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

	<b>Individual period 30.04.2016 RM'000</b>	<b>Cumulative period 30.04.2016 RM'000</b>
<b>Continuing Operations</b>		
Interest income	(169)	(338)
Other income	(4)	(8)
Interest expenses	406	810
Depreciation of property, plant and equipment	684	1,134
Net foreign exchange loss	95	164



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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:

	<b>As at 30.04.2016</b>	<b>As at 31.01.2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Group's total retained profits:</b>		
Realised	25,030	24,592
Unrealised	1,066	1,382
	<hr/>	<hr/>
	26,095	25,974
Less: Consolidation adjustments	2,992	2,918
Retained profits as per financial statements	<hr/>	<hr/>
	23,103	23,056

**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 28 June 2016.

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