



**ADVENTA BERHAD**  
(Company No : 618533-M)  
(Incorporated in Malaysia)  
**THIRD QUARTER REPORT ENDED 31 JULY 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**

Public spending in Healthcare continues to be a drag on the distribution business. The cuts in public hospitals led to a significant 29% drop in sales. Unless the government increase spending in this segment, the business faces tough times in fulfilling sales expectations. To reduce the impact, a strong push into the private sector was started, with contribution only by 2017.

As the budget will be announced in October, we look forward to the government improving on the healthcare budget.

**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 July 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<br>year<br>quarter<br>31.07.2016<br>RM'000 | Preceding<br>year<br>corresponding<br>quarter<br>31.07.2015<br>RM'000 | Current<br>year<br>quarter<br>31.07.2016<br>RM'000 | Preceding<br>year<br>corresponding<br>quarter<br>31.07.2015<br>RM'000 |
| <b><u>Segment Revenue</u></b> |  |   |  |   |
| Distribution                  | 4,442  | 6,280   | 20,471   | 23,323  |



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**UNAUDITED NOTES TO FINANCIAL STATEMENTS**

|                                     |              |              |               |               |
|-------------------------------------|--------------|--------------|---------------|---------------|
| Sterilization                       | 3,467        | 3,157        | 9,557         | 8,511         |
| Home Dialysis                       | 22           | -            | 73            | -             |
| Corporate                           | -            | -            | -             | -             |
| Elimination of inter- segment sales | (254)        | -            | (738)         | -             |
|                                     | <u>7,677</u> | <u>9,437</u> | <u>29,363</u> | <u>31,834</u> |

**Segment Results**

|               |            |              |              |              |
|---------------|------------|--------------|--------------|--------------|
| Distribution  | (90)       | 67           | 680          | 621          |
| Sterilization | 1,880      | 1,653        | 4,591        | 4,503        |
| Home Dialysis | (1,308)    | -            | (1,818)      | -            |
| Corporate     | 61         | 82           | 98           | 255          |
| Elimination   | (255)      | (139)        | (749)        | (804)        |
|               | <u>288</u> | <u>1,663</u> | <u>2,802</u> | <u>4,575</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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 (Incorporated in Malaysia)  
**THIRD QUARTER REPORT ENDED 31 JULY 2016**

**UNAUDITED NOTES TO FINANCIAL STATEMENTS**

***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> | <u>Preceding year corresponding quarter</u> | <u>Variance</u> | <u>Current year quarter</u> | <u>Preceding year corresponding quarter</u> | <u>Variance</u> |
|         | <u>31.07.2016</u>           | <u>31.07.2015</u>                           |                 | <u>31.07.2016</u>           | <u>31.07.2015</u>                           |                 |
|         | <u>RM'000</u>               | <u>RM'000</u>                               | <u>%</u>        | <u>RM'000</u>               | <u>RM'000</u>                               | <u>%</u>        |
| Revenue | 7,677                       | 9,437                                       | (19)            | 29,363                      | 31,834                                      | (8)             |
| PBT     | (105)                       | 1,228                                       | (109)           | 1,599                       | 3,871                                       | (59)            |

Revenue in Q3 2016 decreased by 19% from RM9.4mil of same quarter last year. The Group suffered a loss before tax of RM105k mainly due to higher expenditure from Home Dialysis segment for marketing activities.

| Comparative Q3 | Revenue changes | PBT changes |
|----------------|-----------------|-------------|
| Group          | ↓ 19 %          | ↓ 109 %     |
| Distribution   | ↓ 29 %          | ↑ P %       |
| Sterilization  | ↑ 10 %          | ↑ 14 %      |
| Home Dialysis  | N/A             | N/A         |

\*P denotes positive change from negative value

Group:

Budget cuts in the public healthcare sector continues to impact negatively to the overall Group performance. Distribution segment was down by 29% as a result from lower sales of hospital supplies.

On the other hand, the Sterilization segment grew 10% in revenue compared to preceding year corresponding quarter despite the challenging environment. This goes to show how resilient the nature of this business is and a testament of its long term viability.



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**THIRD QUARTER REPORT ENDED 31 JULY 2016**

**UNAUDITED NOTES TO FINANCIAL STATEMENTS**

**13. PERFORMANCE REVIEW (continued)**

The Home Dialysis segment is currently in the final stages of approval from several parties for patient funding. Much awareness and interest has been generated from marketing and participation in medical symposium.

Distribution:

Revenue dropped by 29% due to the challenges caused by budget cuts during the period.

Sterilization:

Sales grew by 10% compared to preceding year same quarter.

Home Dialysis:

Revenue from this segment is starting to come in even though it has just been launched and needs time to create more awareness to reach out to more patients. The Company is extending its educational and publicity programs to better inform the public.

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

|                              | <b>3<sup>rd</sup> Quarter ended<br/>31 July 2016<br/>RM'000</b> | <b>2<sup>nd</sup> Quarter ended<br/>30 April 2016<br/>RM'000</b> | <b>Variance<br/>%</b> |
|------------------------------|---|--|-----------------------|
| <b>Continuing operations</b> |   |  |                       |
| Revenue                      | 7,677   | 9,383  | (18)                  |
| PBT                          | (105)   | 346  | (131)                 |

The group's revenue recorded 18% decrease mainly from Distribution segment. Loss before tax was RM106,000 compared to profit before tax of RM346,000 recorded in last preceding quarter mainly due to higher marketing and promotion expenses spent for Home Dialysis segment.

**15. COMMENTARY ON CURRENT YEAR PROSPECTS**

The 2016 National Budget hit all sectors of the economy and the healthcare sector is not spared. The state of the economy usually influence the number of patients seeking treatment at public or private hospitals. As the country faces low growth, the public hospitals are seeing an increase in patients, thereby stretching expenditure in all directions, with consumables other than pharmaceuticals bearing the brunt of cuts. This on top of an actual budget allocation cut impacts all suppliers to the hospitals.

Sun Healthcare took a big hit of 29% reduction in sales to hospitals. The company do not expect this crunch to ease before next year's budget.



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 (Company No : 618533-M)  
 (Incorporated in Malaysia)  
**THIRD QUARTER REPORT ENDED 31 JULY 2016**

**UNAUDITED NOTES TO FINANCIAL STATEMENTS**

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

The sterilization business continue with impressive growth. We foresee bright prospect with new accounts in the pipeline.

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 help 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 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>                 |  |
|-------------------------------|--|--|--|--|
|                               | Preceding<br>year                        | Preceding<br>year                        | Preceding<br>year                        | Preceding<br>year                        |
|                               | Current year<br>corresponding<br>quarter | Current year<br>corresponding<br>quarter | Current year<br>corresponding<br>quarter | Current year<br>corresponding<br>quarter |
|                               | 31.07.2016                               | 31.07.2015                               | 31.07.2016                               | 30.04.2015                               |
|                               | RM'000                                   | RM'000                                   | RM'000                                   | RM'000                                   |
| <b>Continuing operations:</b> |  |  |  |  |
| Income tax                    | 38                                       | (254)                                    | (119)                                    | (532)                                    |
| Deferred tax                  | (388)                                    | (157)                                    | (950)                                    | (1,006)                                  |
|                               | (350)                                    | (411)                                    | (1,069)                                  | (1,538)                                  |

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.



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 (Incorporated in Malaysia)  
**THIRD QUARTER REPORT ENDED 31 JULY 2016**

**UNAUDITED NOTES TO FINANCIAL STATEMENTS**

**19. MARKETABLE SECURITIES**

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

**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 July 2016.

**21. BORROWINGS AND DEBT SECURITIES**

|                       | <b>As at<br/>31.07.2016<br/>RM'000</b> | <b>As at<br/>31.10.2015<br/>RM'000</b> |
|-----------------------|--|--|
| <b>Secured:</b>       |  |  |
| Short Term Borrowings | 9,812                                  | 10,444                                 |
| Long Term Borrowings  | 32,199                                 | 28,087                                 |
| Total Borrowings      | 42,011                                 | 38,531                                 |

**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 July 2016.

**24. EARNINGS PER SHARE**

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



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**THIRD QUARTER REPORT ENDED 31 JULY 2016**

**UNAUDITED NOTES TO FINANCIAL STATEMENTS**

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

**a) Basis**

|   | Individual period                     |   | Cumulative period                     |   |
|---|---------------------------------------|---|---------------------------------------|---|
|   | Current year<br>quarter<br>31.07.2016 | Preceding<br>year<br>corresponding<br>quarter<br>31.07.2015 | Current year<br>quarter<br>31.07.2016 | Preceding<br>year<br>corresponding<br>quarter<br>31.07.2015 |
| Profit attributable to ordinary equity holders of the parent (RM'000) | (456)                                 | 817   | 529                                   | 2,333   |
| Weighted average number of Ordinary shares in issue ('000)            | 152,786                               | 152,786   | 152,786                               | 152,786   |
| Basic earnings per share (sen)  | (0.30)                                | 0.53  | 0.35                                  | 1.53  |

**b) Diluted**

There were no diluted earnings per share.

**25. PROFIT BEFORE TAX**

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

|   | <b>Individual<br/>period<br/>31.07.2016<br/>RM'000</b> | <b>Cumulative<br/>period<br/>31.07.2016<br/>RM'000</b> |
|---|--|--|
| Interest income                               | (147)  | (485)  |
| Other income                                  | (5)  | (14)   |
| Interest expenses                             | 393  | 1,203  |
| Depreciation of property, plant and equipment | 777  | 1,911  |
| Net foreign exchange loss                     | (105)  | 59   |





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**THIRD QUARTER REPORT ENDED 31 JULY 2016**

**UNAUDITED NOTES TO FINANCIAL STATEMENTS**

**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 31.07.2016</b> | <b>As at 31.07.2015</b> |
|--|-------------------------|-------------------------|
|  | <b>RM'000</b>           | <b>RM'000</b>           |
| <b>Group's total retained profits:</b>       |                         |                         |
| Realised                                     | 24,972                  | 21,735                  |
| Unrealised                                   | 753                     | 2,209                   |
|  | <hr/>                   | <hr/>                   |
|  | 25,725                  | 23,944                  |
| Less: Consolidation adjustments              | 3,077                   | 2,583                   |
| Retained profits as per financial statements | <hr/>                   | <hr/>                   |
|  | 22,647                  | 21,361                  |

**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 29 September 2016.

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