



# ADVENTA

ADVENTA BERHAD

(Company No : 618533-M)

(Incorporated in Malaysia)

FIRST QUARTER REPORT ENDED 31 JANUARY 2017

## UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS

	Note	Individual period		Cumulative period	
		Current year quarter Unaudited 31-Jan-2017 RM'000	Preceding year corresponding quarter Unaudited 31-Jan-2016 RM'000	Current period Unaudited 31-Jan-2017 RM'000	Preceding corresponding period Unaudited 31-Jan-2016 RM'000
Revenue	8	9,381	12,303	9,381	12,303
Operating expenses		(9,191)	(10,645)	(9,191)	(10,645)
Net foreign exchange loss		79	(69)	79	(69)
Other operating income	25	109	173	109	173
Operating profit	8	378	1,762	378	1,762
Finance costs		(339)	(404)	(339)	(404)
Profit before taxation	13 & 25	39	1,358	39	1,358
Income tax expenses	17	152	(420)	152	(420)
Profit for the period		191	938	191	938
Profit attributable to:					
Owners of the parent		191	938	191	938
Non-controlling interests		-	-	-	-
Profit for the period		191	938	191	938
Earnings per share (sen):					
Basic	24	0.13	0.61	0.13	0.61
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**

	<u>Individual period</u>	<u>Cumulative period</u>
	Current year quarter	Current period
Note	31-Jan-2017	31-Jan-2017
	Unaudited	Unaudited
	RM'000	RM'000
Profit for the period	191	191
Other comprehensive income:		
Foreign currency translation	-	-
Total comprehensive income for the period	<u>191</u>	<u>191</u>
Total comprehensive income attributable to:		
Owners of the parent	191	191
Non-controlling interests	-	-
Total comprehensive income for the period	<u>191</u>	<u>191</u>

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## CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Unaudited As at	Audited As at
Note	31-Jan-2017	31-Oct-2016
	RM'000	RM'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant & equipment	49,280	53,595
Deferred development cost	26,451	26,576
Intangible assets	5,017	5,017
Deferred tax assets	677	424
	<u>81,425</u>	<u>85,612</u>
<b>Current assets</b>		
Inventories	14,874	15,318
Trade and other receivables	19,938	11,666
Prepaid operating expenses	304	190
Tax recoverable	-	-
Cash and bank balances	13,676	21,002
	<u>48,792</u>	<u>48,176</u>
<b>TOTAL ASSETS</b>	<u>130,217</u>	<u>133,788</u>



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### CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		Unaudited	Audited
		As at	As at
	Note	31-Jan-2017	31-Oct-2016
		RM'000	RM'000
<b>EQUITY AND LIABILITIES</b>			
<b>Current liabilities</b>			
Trade payables and other payables		9,600	11,628
Income tax payables		161	118
Loans and borrowings	21	9,942	9,574
		<u>19,703</u>	<u>21,320</u>
<b>Non-current liabilities</b>			
Loans and borrowings	21	29,216	31,361
		<u>29,216</u>	<u>31,361</u>
<b>Total liabilities</b>		<u>48,919</u>	<u>52,681</u>
<b>Equity</b>			
Share capital		53,475	53,475
Share premium		4,830	4,830
Retained profits		22,993	22,802
<b>Equity attributable to owners of the parent</b>		81,298	81,107
Non-controlling interests		-	-
<b>Total equity</b>		<u>81,298</u>	<u>81,107</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>130,217</u>	<u>133,788</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 31 October 2015</u></b>				
At 1 November 2015	53,475	4,830	22,118	80,423
Total comprehensive income	-	-	938	938
At 31 January 2016	<u>53,475</u>	<u>4,830</u>	<u>23,056</u>	<u>81,361</u>
<b><u>Quarter ended 31 October 2016</u></b>				
At 1 November 2016	53,475	4,830	22,802	81,107
Total comprehensive income	-	-	191	191
At 31 January 2017	<u>53,475</u>	<u>4,830</u>	<u>22,993</u>	<u>81,298</u>

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FIRST QUARTER REPORT ENDED 31 JANUARY 2017

## UNAUDITED ADJUSTED CONSOLIDATED STATEMENTS OF CASH FLOW

	Current year to date 31-Jan-2017 Unaudited RM'000	Preceding year corresponding period 31-Jan-2016 Unaudited RM'000
<b>Cash flows from operating activities</b>		
Profit before tax	39	1,359
Adjustments for:		
Depreciation of property, plant and equipment	456	450
Interest expenses	-	-
Interest income	(102)	(169)
Net unrealised foreign exchange loss	57	141
Operating profit before working capital changes	450	1,781
Increase in inventories	444	(116)
Decrease/(Increase) in trade and other receivables	(8,299)	(5,654)
Decrease in prepaid operating expenses	(114)	(7)
Decrease in payables	(2,059)	3,611
Cash (used in)/from operations	(9,578)	(385)
Interest paid	(339)	(507)
Taxes paid	(58)	(67)
Net cash (used in)/from operating activities	(9,975)	(959)



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## UNAUDITED ADJUSTED CONSOLIDATED STATEMENTS OF CASH FLOW

	Current year to date 31-Jan-2017 Unaudited RM'000	Preceding year corresponding period 31-Jan-2016 Unaudited RM'000
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(597)	(50)
Investment in deferred development cost	4,459	25
Interest received	124	(1,251)
Proceed from disposal of property, plant and equipment	102	169
Net cash used in investing activities	4,088	(1,107)
<b>Cash flows from financing activities</b>		
Net increase in borrowings	(1,778)	5,217
Interest paid	339	404
Net cash from financing activities	(1,439)	5,621
Effects of foreign exchange rate changes	-	(25)
Net increase in cash and cash equivalents	(7,326)	3,530
Cash and cash equivalents at beginning of financial period	21,002	22,122
<b>Cash and cash equivalents at end of financial period</b>	<b>13,676</b>	<b>25,652</b>
Cash and cash equivalents at end of financial period comprise:		
- Cash and bank balances	13,676	25,652

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**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 2016. 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 2016.

The audited financial statements of the Group for the year ended 31 October 2016 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 2016.

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

The preceding audited financial statements for the year ended 31 October 2016 were not subject to any qualification.

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

Coming out of a challenging year for the public healthcare, the new 2017 budget reduced the budget for drugs and consumables by almost 13%, from RM 4.6 billion to RM 4.0 billion. The pressure on the industry intensify, particularly on high cost items. With a weaker Ringgit, the outlook is a slower growth in consumption among all public healthcare institutions.

**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 2017.





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**UNAUDITED NOTES TO FINANCIAL STATEMENTS**

**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.



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#### UNAUDITED NOTES TO FINANCIAL STATEMENTS

	<u>Individual period</u>		<u>Cumulative period</u>	
	<u>Current year quarter</u> 31.01.2017 RM'000	<u>Preceding year corresponding quarter</u> 31.01.2016 RM'000	<u>Current year</u> 31.01.2017 RM'000	<u>Preceding year</u> 31.01.2016 RM'000
<b><u>Segment Revenue</u></b>				
Distribution	6,109	9,548	6,109	9,548
Sterilization	3,438	2,995	3,438	2,995
Home Dialysis	118	-	118	-
Corporate	-	-	-	-
Elimination of inter-segment sales	(284)	(240)	(284)	(240)
	<u>9,381</u>	<u>12,303</u>	<u>9,381</u>	<u>12,303</u>
<b><u>Segment Results</u></b>				
Distribution	411	631	411	631
Sterilization	1,582	1,349	1,582	1,349
Home Dialysis	(1,280)	-	(1,280)	-
Corporate	48	40	48	40
Elimination	(383)	(258)	(383)	(258)
	<u>378</u>	<u>1,762</u>	<u>378</u>	<u>1,762</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>		Variance %
	Current year quarter 31.01.2017 RM'000	Preceding year corresponding quarter 31.01.2016 RM'000	
Revenue	9,381	12,303	(24)
EBITDA	1,055	2,044	(48)
PBT	39	1,358	(97)

- Revenue down 24%.
- Contribution from Sterilization Segment increased 15%.
- Excluding Dialysis, Profit Before Tax down 6%.
- EBITDA reduced 48% to RM 1,055m

	<u>Cumulative period</u>		Variance %
	Current year quarter 31.01.2017 RM'000	Preceding year corresponding quarter 31.01.2016 RM'000	
Revenue	9,381	12,303	(24)
EBITDA	1,055	2,044	(48)
PBT	39	1,359	(97)

- Revenue eased 24%.
- EBITDA dropped RM 1m
- PBT lost 97% from high depreciation and amortisation of development cost of Dialysis business.

A weaker quarter in comparison with preceding periods as sales from distribution segment is lower due to budget cut in public healthcare. Sterilization grew at a healthy 15%, consistent with previous years.

Comparative Q4	Revenue changes	EBITDA changes	PBT changes
Group	↓ 24 %	↓ 48 %	↓ 97 %
Distribution	↓ 36 %	↓ 42 %	↓ 54 %
Sterilization	↑ 15 %	↑ 14 %	↑ 31 %



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Group:

Group's overall revenue decreased by 24% compared same quarter last year due to lower contribution from the Distribution segment business. However compared to the average of last two quarter, the segment has picked up, improving by 8.5%.  
The company has implemented steps to improve revenue and profitability in distribution.

Distribution:

Public Healthcare continue to weigh on revenue and margin. Reduced inventories in hospitals and the push for conversion to lower cost substitutes is in line with the company's strategy and this will add upsides to the year's remaining quarters to improve on sales. Margin erosion will reverse as older contracts roll over with the new Ringgit rate.

Sterilization:

Sales continue to show strong revenue growth from same accounts. The move of medical device manufacturing to Asia from Europe and the USA is providing strong revenue. The improved yield from new technical upgrades carried out earlier this year allows for higher flexibility in managing throughput and freeing new capacity for growth.

Home Dialysis:

The business continues to improve with higher new patients intake, coming from better public awareness of the Home Dialysis service. The company is still managing budgetary approvals from the public healthcare sector but private patients intake is improving. The expansion abroad is taking shape with services expected to be started in the next six months. This will have material contribution to the segments revenue.



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## 14. COMPARISON WITH PRECEDING QUARTER'S RESULTS

	<b>1<sup>st</sup> Quarter ended 31 January 2017 RM'000</b>	<b>4<sup>rd</sup> Quarter ended 31 October 2016 RM'000</b>	<b>Variance %</b>
<b>Continuing operations</b>			
Revenue	9,381	10,568	(11)
PBT	39	800	(95)
EBITDA	1,055	1,910	(45)

The Group's Revenue decreased by 11% compared to preceding quarter as cut in Public Healthcare budget continue to weigh heavily on revenue and profit.

## 15. COMMENTARY ON CURRENT YEAR PROSPECTS

Home Dialysis is still potentially the highest growth business in the group, as more regulatory constraints are addressed. The addition of overseas market in the coming quarter will improve patients intake rate for the company. The company increased investment in the home dialysis segment in equipment, technology, research, staff training and service building, in anticipation of a surge in patient intake in the third quarter of the year.

The addition of new products and agencies of medical devices into the distribution business has shown some immediate results with hospitals. With better category choice and improved delivery time from the new warehousing facilities, the business is expected to continue the improvement seen last quarter in non-public healthcare accounts.

New sterilization equipment has been ordered to add another sterilization mode to the business. This shall commence commercially by the fourth quarter with contribution to revenue and income for the year.

## 16. PROFIT FORECAST

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



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**17. TAXATION**

	<u>Individual period</u>		<u>Cumulative period</u>	
	Current year quarter 31.01.2017 RM'000	Preceding year corresponding quarter 31.01.2016 RM'000	Current year quarter 31.01.2017 RM'000	Preceding year corresponding quarter 31.01.2016 RM'000
<b>Continuing operations:</b>				
Income tax	(100)	(138)	(100)	(138)
Deferred tax	252	(282)	252	(282)
	<u>152</u>	<u>(420)</u>	<u>152</u>	<u>(420)</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.

**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 2017.



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**21. BORROWINGS AND DEBT SECURITIES**

	<b>As at 31.01.2017 RM'000</b>	<b>As at 31.01.2016 RM'000</b>
<b>Secured:</b>		
Short Term Borrowings	9,942	10,011
Long Term Borrowings	29,216	33,738
Total Borrowings	<u>39,158</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 31 January 2017.



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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

	<u>Individual period</u>		<u>Cumulative period</u>	
	<u>Current year quarter</u> <u>31.01.2017</u>	<u>Preceding year corresponding quarter</u> <u>31.01.2016</u>	<u>Current year quarter</u> <u>31.01.2017</u>	<u>Preceding year corresponding quarter</u> <u>31.01.2016</u>
Profit attributable to ordinary equity holders of the parent (RM'000)	191	938	191	938
Weighted average number of Ordinary shares in issue ('000)	152,786	152,786	152,786	152,786
Basic earnings per share (sen)	0.13	0.61	0.13	0.61

### b) Diluted

There were no diluted earnings per share.

## 25. PROFIT BEFORE TAX

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

	<u>Individual period</u> <u>31.01.2017</u> <u>RM'000</u>	<u>Cumulative period</u> <u>31.01.2017</u> <u>RM'000</u>
Interest income	(102)	(102)
Other income	(7)	(4)
Interest expenses	339	339
Net foreign exchange loss	(79)	(79)





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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 31.01.2017	As at 31.01.2016
	RM'000	RM'000
<b>Group's total retained profits:</b>		
Realised	25,619	24,592
Unrealised	735	1,382
	<hr/>	<hr/>
	26,353	25,974
Less: Consolidation adjustments	3,360	2,918
Retained profits as per financial statements	<hr/>	<hr/>
	22,993	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 March 2017.

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