



# ADVENTA

ADVENTA BERHAD

(Company No : 618533-M)

(Incorporated in Malaysia)

SECOND QUARTER REPORT ENDED 30 APRIL 2017

## UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS

	Note	Individual period		Cumulative period	
		Current year quarter Unaudited 30-Apr-2017 RM'000	Preceding year corresponding quarter Unaudited 30-Apr-2016 RM'000	Current period Unaudited 30-Apr-2017 RM'000	Preceding period Unaudited 30-Apr-2016 RM'000
Revenue	8	12,179	9,383	21,561	21,686
Operating expenses		(11,201)	(8,710)	(20,392)	(19,355)
Net foreign exchange loss		(35)	(95)	44	(164)
Other operating income	25	84	174	193	347
Operating profit	8	1,027	752	1,406	2,514
Finance costs		(344)	(406)	(683)	(810)
Profit before taxation	13 & 25	683	346	723	1,704
Income tax expenses	17	(538)	(299)	(386)	(719)
Profit for the period		145	47	337	985
Profit attributable to:					
Owners of the parent		145	47	337	985
Non-controlling interests		-	-	-	-
Profit for the period		145	47	337	985
Earnings per share (sen):					
Basic	24	0.09	0.03	0.22	0.64
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>
	<b>Current year quarter</b>	<b>Current period</b>
Note	<b>30-Apr-2017</b>	<b>30-Apr-2017</b>
	<b>Unaudited</b>	<b>Unaudited</b>
	<b>RM'000</b>	<b>RM'000</b>
Profit for the period	145	337
Other comprehensive income:		
Foreign currency translation	-	-
Total comprehensive income for the period	<u>145</u>	<u>337</u>
Total comprehensive income attributable to:		
Owners of the parent	145	337
Non-controlling interests	-	-
Total comprehensive income for the period	<u>145</u>	<u>337</u>

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## CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Unaudited As at 30-Apr-2017 RM'000	Audited As at 31-Oct-2016 RM'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant & equipment	48,990	53,595
Deferred development cost	26,463	26,576
Intangible assets	5,017	5,017
Deferred tax assets	287	424
	<u>80,757</u>	<u>85,612</u>
<b>Current assets</b>		
Inventories	16,126	15,318
Trade and other receivables	22,153	11,666
Prepaid operating expenses	276	190
Tax recoverable	-	-
Cash and bank balances	13,624	21,002
	<u>52,179</u>	<u>48,176</u>
<b>TOTAL ASSETS</b>	<u>132,936</u>	<u>133,788</u>



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## CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Unaudited As at 30-Apr-2017 RM'000	Audited As at 31-Oct-2016 RM'000
<b>EQUITY AND LIABILITIES</b>		
<b>Current liabilities</b>		
Trade payables and other payables	12,784	11,628
Income tax payables	259	118
Loans and borrowings	21 9,987	9,574
	<u>23,030</u>	<u>21,320</u>
<b>Non-current liabilities</b>		
Loans and borrowings	21 28,462	31,361
	<u>28,462</u>	<u>31,361</u>
<b>Total liabilities</b>	<u>51,492</u>	<u>52,681</u>
<b>Equity</b>		
Share capital	53,475	53,475
Share premium	4,830	4,830
Retained profits	23,139	22,802
<b>Equity attributable to owners of the parent</b>	<u>81,444</u>	<u>81,107</u>
Non-controlling interests	-	-
<b>Total equity</b>	<u>81,444</u>	<u>81,107</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>132,936</u>	<u>133,788</u>
Net assets per share (RM)	<u>0.53</u>	<u>0.53</u>

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SECOND QUARTER REPORT ENDED 30 APRIL 2017

## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	<u>Non-distributable</u>	<u>Distributable</u>		
	Share capital RM'000	Share premium RM'000	Retained profits 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	-	-	985	985
At 30 April 2016	<u>53,475</u>	<u>4,830</u>	<u>23,103</u>	<u>81,408</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	-	-	337	337
At 30 April 2017	<u>53,475</u>	<u>4,830</u>	<u>23,139</u>	<u>81,444</u>

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SECOND QUARTER REPORT ENDED 30 APRIL 2017

## UNAUDITED ADJUSTED CONSOLIDATED STATEMENTS OF CASH FLOW

	Current year to date 30-Apr-2017 Unaudited RM'000	Preceding year corresponding period 29-Apr-2016 Unaudited RM'000
<b>Cash flows from operating activities</b>		
Profit before tax	722	1,704
Adjustments for:		
Depreciation of property, plant and equipment	914	918
Interest expenses	-	810
Interest income	(182)	(338)
Net unrealised foreign exchange loss	27	(177)
Operating profit before working capital changes	1,481	2,917
Increase in inventories	(808)	(1,765)
Increase in trade and other receivables	(10,483)	(126)
Increase in prepaid operating expenses	(86)	59
Increase in payables	1,125	(2,877)
Cash (used in)/from operations	(8,771)	(1,792)
Interest paid	(683)	(810)
Taxes paid	(108)	(118)
Net cash (used in)/from operating activities	(9,562)	(2,720)



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## UNAUDITED ADJUSTED CONSOLIDATED STATEMENTS OF CASH FLOW

	Current year to date 30-Apr-2017 Unaudited RM'000	Preceding year corresponding period 29-Apr-2016 Unaudited RM'000
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(765)	(171)
Investment in deferred development cost	112	(2,104)
Interest received	182	338
Proceed from disposal of property, plant and equipment	4,458	25
Net cash used in investing activities	3,987	(1,912)
<b>Cash flows from financing activities</b>		
Net increase in borrowings	(2,486)	4,927
Interest paid	683	-
Net cash from financing activities	(1,803)	4,927
Effects of foreign exchange rate changes	-	-
Net increase in cash and cash equivalents	(7,378)	295
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>13,624</b>	<b>22,417</b>
Cash and cash equivalents at end of financial period comprise:		
- Cash and bank balances	13,624	22,417

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**SECOND QUARTER REPORT ENDED 30 APRIL 2017**  
**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**

This quarter saw public healthcare spending stabilized from the downtrend of the last 6 quarters, giving a boost to hospital consumption. With the Ringgit still stuck in the 4.3 - 4.4 band against the US Dollar, import trade continue to suffer extreme low margins in long term contracted supplies..

**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 2017.





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**SECOND QUARTER REPORT ENDED 30 APRIL 2017**

**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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**SECOND QUARTER REPORT ENDED 30 APRIL 2017**

**UNAUDITED NOTES TO FINANCIAL STATEMENTS**

	Individual period		Cumulative period	
	Current year quarter 30.04.2017 RM'000	Preceding year corresponding quarter 30.04.2016 RM'000	Current year quarter 30.04.2017 RM'000	Preceding year corresponding quarter 30.04.2016 RM'000
<b><u>Segment Revenue</u></b>				
Distribution	8,620	6,481	14,729	16,029
Sterilization	3,649	3,095	7,087	6,090
Home Dialysis	182	51	300	51
Corporate	-	-	-	-
Elimination of inter- segment sales	(272)	(244)	(555)	(484)
	12,179	9,383	21,561	21,686
<b><u>Segment Results</u></b>				
Distribution	612	139	1,023	770
Sterilization	1,854	1,362	3,436	2,711
Home Dialysis	(1,158)	(511)	(2,438)	(511)
Corporate	104	(3)	152	37
Elimination	(385)	(235)	(767)	(493)
	1,027	752	1,406	2,514

**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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**SECOND QUARTER REPORT ENDED 30 APRIL 2017**

**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>		
	Current year quarter 30.04.2017 RM'000	Preceding year corresponding quarter 30.04.2016 RM'000	Variance %
	Revenue	12,179	9,383
EBITDA	1,729	1,266	37
PBT	683	346	98

- Revenue up 30%.
- Contribution from Sterilization Segment increase of 28%.
- Excluding Dialysis, Profit Before Tax increased by 46%.
- EBITDA moved up 37% to RM 1,729m

	<u>Cumulative period</u>		
	Current year quarter 30.04.2017 RM'000	Preceding year corresponding quarter 30.04.2016 RM'000	Variance %
	Revenue	21,561	21,686
EBITDA	1,729	3,309	(48)
PBT	723	1,704	(58)

- Revenue eased 1%.
- EBITDA dropped RM 1.5m.
- PBT fell 58% from amortisation of development cost of Dialysis business.

On a year on year quarter review, revenue surged 30% with positive contribution from all segments.

	Q2 FY2017 RM'1000	Q2 FY2016 RM'1000	Change %
Healthcare Distribution	8,620	6,481	+33%
Sterilization	3,649	3,095	+18%
Home Dialysis	182	51	+257%



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**UNAUDITED NOTES TO FINANCIAL STATEMENTS**

Profit Analysis :

Comparative Q2 FY16	Revenue changes	EBITDA changes	PBT changes
Group	↑ 30 %	↑ 37 %	↑ 98 %
Distribution	↑ 33 %	↑ 601 %	↓ P % *
Sterilization	↑ 18 %	↑ 28 %	↑ 58 %

- \* P denotes positive change from negative value

Group:

Group's overall revenue increased by 30% compared same quarter last year due to higher contribution from the Distribution segment business.

Distribution:

Revenue from the Healthcare distribution business recovered in this quarter compared to preceding year partly from changes in company's market strategy and higher government spending. The company continue to succeed in its drive to help healthcare institutions select better value products and save costs.

Sterilization:

Revenue increased 18% compared to preceding year quarter. Contribution from this segment of business continues to grow with higher sterilization volume from current accounts and the realization of new accounts after extensive validation processes

Home Dialysis:

The revenue generation is still insignificant in comparison with the other businesses but the potential remain exponentially large, pending long and detail registrations and clinical studies carried out by governments as well as practicing physicians. The recent launch into Sri Lanka is aimed at the high CKD prevalence among the population. A pilot program is in the process to be finalized soon.



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

	<b>2<sup>nd</sup> Quarter ended 30 April 2017 RM'000</b>	<b>1<sup>st</sup> Quarter ended 31 January 2017 RM'000</b>	<b>Variance %</b>
<b>Continuing operations</b>			
Revenue	12,179	9,383	30
PBT	683	39	1651
EBITDA	1,729	1,055	64

The Group's Revenue increased by 30% compared to preceding quarter as there's improvement in sales of sterilisation and healthcare segment..

**15. COMMENTARY ON CURRENT YEAR PROSPECTS**

The recovering performance of the distribution business in a difficult economic environment is encouraging. The new strategy in place has broadened the base with emphasis on customer solutions for better values. The company see continuity in customer and revenue growth for the year.

The addition of new sterilization business is expected bring in large volume medical device sterilization. This is expected to be operational in the fourth quarter and will contribute to earnings in the first quarter of next year.

Lucenxia, the home dialysis business is still going through regulatory and trial stages in different parts of the country and region. This period of regulatory registration was underestimated and took much longer than estimated. Higher revenue is expected to flow in during the later part of the year. Despite the delays, the management is very confident of the potential of the business improving significantly in the near term.

**16. PROFIT FORECAST**

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



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**SECOND QUARTER REPORT ENDED 30 APRIL 2017**

**UNAUDITED NOTES TO FINANCIAL STATEMENTS**

**17. TAXATION**

	<u>Individual period</u>		<u>Cumulative period</u>	
	Preceding year		Preceding year	
	Current year quarter 30.04.2017 RM'000	corresponding quarter 30.04.2016 RM'000	Current year quarter 30.04.2017 RM'000	corresponding quarter 30.04.2016 RM'000
<b>Continuing operations:</b>				
Income tax	(148)	(19)	(248)	(157)
Deferred tax	(390)	(280)	(138)	(562)
	<u>(538)</u>	<u>(299)</u>	<u>(386)</u>	<u>(719)</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 30 April 2017.



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**SECOND QUARTER REPORT ENDED 30 APRIL 2017**

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**21. BORROWINGS AND DEBT SECURITIES**

	<b>As at 30.04.2017 RM'000</b>	<b>As at 30.04.2016 RM'000</b>
<b>Secured:</b>		
Short Term Borrowings	9,987	10,211
Long Term Borrowings	28,462	33,248
Total Borrowings	<u>38,449</u>	<u>43,459</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 2017.



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## UNAUDITED NOTES TO FINANCIAL STATEMENTS

### 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 30.04.2017	Preceding year corresponding quarter 30.04.2016	Current year quarter 30.04.2017	Preceding year corresponding quarter 30.04.2016
Profit attributable to ordinary equity holders of the parent (RM'000)	145	47	337	985
Weighted average number of Ordinary shares in issue ('000)	152,786	152,786	152,786	152,786
Basic earnings per share (sen)	0.09	0.03	0.09	0.03

#### b) Diluted

There were no diluted earnings per share.

### 25. PROFIT BEFORE TAX

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

	Individual period 30.04.2017 RM'000	Cumulative period 30.04.2017 RM'000
Interest income	(80)	(182)
Other income	(4)	(13)
Interest expenses	344	683
Net foreign exchange loss	35	(44)





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**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:

	As at 30.04.2017	As at 30.04.2016
	RM'000	RM'000
<b>Group's total retained profits:</b>		
Realised	26,352	25,030
Unrealised	314	1,066
	<hr/>	<hr/>
	26,665	26,096
Less: Consolidation adjustments	3,526	2,992
Retained profits as per financial statements	<hr/>	<hr/>
	23,139	23,104

**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 22 June 2017.

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