



ADVENTA BERHAD
(Company No : 618533-M)
(Incorporated in Malaysia)
SECOND QUARTER REPORT ENDED 31 JULY 2007

UNAUDITED NOTES TO FINANCIAL STATEMENTS

PART A - EXPLANATORY NOTES PURSUANT TO FRS 134

1. BASIS OF PREPARATION

The interim financial statements have been prepared on a historical basis except for leasehold buildings included within property, plant and equipment that have been measured at their fair values.

The interim financial statements are unaudited and have been prepared in accordance with the requirements of FRS 134: Interim Financial Reporting and Chapter 9 paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 January 2007. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 January 2007.

2. CHANGES IN ACCOUNTING POLICIES

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 January 2007 except for the adoption of the new and revised Financial Reporting Standards ("FRS") as stated below:

		Effective for period beginning on or after
FRS 117	Leases	1 October 2006
FRS 124	Related Party Disclosures	1 October 2006
FRS 6	Exploration for and Evaluation of Mineral Resources	1 January 2007
FRS 119 ²⁰⁰⁴	Amendment to Financial Reporting Standard FRS 119 ²⁰⁰⁴ Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures	1 January 2007

The new and revised FRS 6 and 119²⁰⁰⁴ are not relevant to the operation of the Group. The adoption of the revised FRS 124 does not have significant financial impact on the Group.



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The principal effects of the change in accounting policies resulting for the adoption FRS 117 disclosed as follows:

Leasehold land held for own use (FRS 117: Leases)

Prior to 1 February 2007, leasehold land held for own use was classified as property, plant and equipment and was stated at revalued amount less accumulated depreciation and impairment losses. Surpluses arising from revaluation are dealt with in the revaluation reserve accounts. Any deficit arising is offset against the revaluation reserve to the extent of a previous increase for the same property. In all other cases, a decrease in carrying amount is charged to the income statement.

The adoption of the revised FRS 117 has resulted in a change in the accounting policy relating to the classification of leasehold land. Such leasehold land will no longer be revalued. Leases of land are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. Leasehold land held for own use is now classified as operating lease and where necessary, the minimum lease payments or the up-front payments made are allocated between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land elements and buildings elements of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

The Group has applied the change in accounting policy in respect of leasehold land in accordance with the transitional provisions of FRS 117. At 1 February 2007, the unamortised amount of leasehold land is retained as the surrogate carrying amount of prepaid lease payments as allowed by the transitional provisions. The reclassification of leasehold land as prepaid lease payments has been accounted for retrospectively and certain comparatives have been restated. The effects on the consolidated balance sheet as at 31 July 2007 are set out below. There were no effects on the consolidated income statement for the quarter ended 31 July 2007.

	As previously reported RM'000	Effect RM'000	As restated RM'000
<u>Balance Sheet as at 31 July 2007</u>			
Property, plant and equipment	131,335	(9,733)	121,602
Prepaid land lease payments	-	9,733	9,733
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<u>Balance Sheet as at 31 January 2007</u>			
Property, plant and equipment	117,316	(9,827)	107,489
Prepaid land lease payments	-	9,827	9,827
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3. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The preceding audited financial statements for the period ended 31 January 2007 were not subject to any qualification.

4. COMMENTS ABOUT SEASONAL, CYCLICAL AND EXCEPTIONAL FACTORS

The Group's operation is not subject to seasonal or cyclical fluctuations. However, the main raw material, latex, is affected by the season, weather and supply-demand conditions.

5. 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 2007.

6. CHANGES IN ESTIMATES

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



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7. DEBTS AND EQUITY SECURITIES

Save as disclosed below, there were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the current quarter.

On 29 November 2005, 32,045,000 share options were granted to employees of the Company under the Company's Employees' Share Option Scheme ("ESOS"). Each option gives the holder the right to subscribe for one ordinary share of RM0.10 each of the Company at the exercise price of RM0.275.

On 30 June 2006, the number of share options was changed to 8,972,600 after the implementation of the Shares Consolidation and Bonus Issue. Each option gives the holder the right to subscribe for one ordinary share of RM0.50 each of the Company at the new exercise price of RM0.99. The scheme is to be in force for a period of 5 years from the date of implementation until year 2010. There was no share option vested during current quarter.

During the current quarter ended quarter ended 31 July 2007, a total of 2,468,040 new ordinary shares of RM0.50 each were issued and allotted pursuant to the exercise of the ESOS. The details of the issued and paid-up capital of the Company as at 31 July 2007 are as follows:

	No. of shares	RM
As at 30 April 2007	126,000,000	63,000,000
Ordinary shares issued pursuant to the ESOS	2,486,040	1,243,020
As at 31 July 2007	<u>128,486,040</u>	<u>64,243,020</u>

8. DIVIDENDS PAID

On 26 July 2007 the Company has paid a final dividend for the financial year ended 31 January 2007 of 3 sen per share comprising 3 sen tax exempt on the enlarged capital of RM63,684,490 representing 127,368,980 ordinary shares of RM0.50 each amounting to RM3.82 million which was approved by the shareholders at an Annual General Meeting ("AGM") held on 27 June 2007.



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9. SEGMENTAL INFORMATION

	2nd Quarter		Cumulative	
	31.07.2007	31.07.2006	31.07.2007	31.07.2006
	RM'000	RM'000	RM'000	RM'000
<u>Segment Revenue</u>				
Healthcare products	102,857	84,616	187,866	144,440
Energy provider	3,053	2,028	6,084	4,134
Others	330	195	660	390
Total revenue including inter-segment sales	106,240	86,839	194,610	148,964
Elimination of inter-segment sales	(55,189)	(47,433)	(98,098)	(69,313)
Total	51,051	39,406	96,512	79,651

	2nd Quarter		Cumulative	
	31.07.2007	31.07.2006	31.07.2007	31.07.2006
	RM'000	RM'000	RM'000	RM'000
<u>Segment Results</u>				
Healthcare products	3,995	2,975	8,121	6,767
Energy provider	1,122	608	2,364	1,167
Others	(189)	(278)	(354)	(455)
Elimination	952	(53)	714	(442)
Total	5,880	3,252	10,845	7,037

10. 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 except for the reclassification of leasehold land as prepaid lease payments which has been accounted for retrospectively as disclosed in Note 2.

11. SUBSEQUENT EVENTS

There were no material events subsequent to the end of the current quarter.



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12. CHANGES IN COMPOSITION OF THE GROUP

There were no changes in the composition of the Group for the current quarter under review.

13. CHANGES IN CONTINGENT LIABILITIES AND CONTINGENT ASSETS

As at 31 July 2007, the Company has outstanding contingent liabilities amounting to RM131.4 million (2006: RM114.1 million) being corporate guarantees given to financial institutions and suppliers for banking facilities and material supplies to the Group's subsidiaries.

14. CAPITAL COMMITMENTS

The amount of commitments for the purchase of property, plant and equipment not provided for in the financial statements as at 31 July 2007 is as follows:

Approved and contracted for	RM'000 <u>11,032</u>
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15. PERFORMANCE REVIEW

The Group's revenue of RM51.05 million for the current quarter is 30% higher than the comparative quarter last year. Profit before tax for this quarter is RM4.58 million which is 70% higher comparatively.

Revenue increase came from added capacities at the Kluang plant. Margin improved from better procurement and the higher revenue from premium branded products.

16. COMPARISON WITH PRECEDING QUARTER'S RESULTS

The Group recorded sales of RM51.05 million for the quarter against RM45.46 million in the preceding quarter, an increase of 12%.

Group profit before tax for the quarter at RM4.58 million has increased by 15% compared to RM3.99 million in the last quarter.



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The increase in profit was due to higher efficiency and cost control on one part and the higher revenue from premium branded products.

17. COMMENTARY ON CURRENT YEAR PROSPECTS

The Company continues with its business expansion plan and aims to achieve a stronger share of the global surgical glove market. It is also taking concrete steps to lower costs in operations to improve operating margins.

Current achievements are within expectation of the expansion schedule planned. The remaining months of the year will see higher growth in the surgical glove segment.

Raw material prices are seen to remain volatile but within a tighter band. Barring unexpected global events that may affect commodities, the price of latex will be within expected range.

The Kota Bharu facility has started its own power generation tapping off the Biomass steam generator in operation, and this should insulate the company from higher power costs in the future.

The facility will be fully self sufficient in energy for the next five years including planned expansion in production capacity.

The Kluang facility has a built in and fully allocated natural gas supply for all expansions planned for the next three years.

We view the energy supply as a critical component of our growth and the Company took early measures to secure this resource.

18. PROFIT FORECAST

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



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19. TAXATION

	2nd Quarter		Cumulative	
	31.07.2007	31.07.2006	31.07.2007	31.07.2006
	RM'000	RM'000	RM'000	RM'000
		(restated)		(restated)
Income tax	140	56	150	96
Deferred tax	(617)	(61)	(789)	(139)
	(477)	(5)	(639)	(43)

The effective tax rate of the Group is lower than that of the statutory tax rate due to availability of reinvestment allowances from capital expenditure incurred by certain subsidiaries and profits exempted under pioneer status for a period of 5 years and International Procurement Centre (“IPC”) status by Malaysian Industrial Development Authority (“MIDA”) for a period of 10 years granted to certain subsidiaries, subject to all the criterias set are met.

20. SALE OF UNQUOTED INVESTMENTS AND PROPERTIES

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

21. MARKETABLE SECURITIES

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

22. 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 2007.



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23. BORROWINGS AND DEBT SECURITIES

	As at 31.07.2007 RM'000	As at 31.01.2007 RM'000
Short Term Borrowings:		
Secured	33,999	29,603
Unsecured	-	-
	33,999	29,603
Long Term Borrowings:		
Secured	50,525	44,705
Unsecured	-	-
	50,525	44,705
Total Borrowings	84,524	74,308

24. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There were no financial instruments with material off balance sheet risk at the date of this quarterly report except for the following:

	Contracted amount in United States Dollar (‘000)	Equivalent amount in Ringgit Malaysia (‘000)
Forward foreign exchange contracts	15,445	53,682
	15,445	53,682

The Group entered into forward foreign exchange contracts to hedge against foreign currency exchange risk. All the above contracts mature within two to three months from the date of this quarterly report.



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25. 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.

26. DIVIDEND PAYABLE

No interim ordinary dividend has been declared for the financial period ended 31 July 2007.

27. EARNINGS PER SHARE

(a) Basis

Basic earnings per share amounts are calculated by dividing profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares in issue during the period.

	2nd Quarter		Cumulative	
	31.07.2007	31.07.2006 (restated)	31.07.2007	31.07.2006 (restated)
Profit attributable to ordinary equity holders of the parent (RM'000)	5,033	2,677	9,243	6,188
Weighted average number of ordinary shares in issue ('000)	128,486	126,000	128,486	126,000
Basic earnings per share (sen)	3.92	2.12	7.19	4.91

(b) Diluted



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For the purpose of calculating diluted earnings per share, the profit for the period attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares in issue during the period have been adjusted for the dilutive effects of all potential ordinary shares, i.e. share options granted to employees.

	2nd Quarter		Cumulative	
	31.07.2007	31.07.2006 (restated)	31.07.2007	31.07.2006 (restated)
Profit attributable to ordinary equity holders of the parent (RM'000)	5,033	2,677	9,243	6,188
Weighted average number of ordinary shares in issue ('000)	128,486	126,000	128,486	126,000
Effects of dilution: Share options ('000)	209	99	209	99
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	128,695	126,099	128,695	126,099
Diluted earnings per share (sen)	3.91	2.12	7.18	4.91

28. 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 19 September 2007.

**By Order of the Board
 Adventa Berhad**



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