



**ADVENTA BERHAD**  
(Company No : 618533-M)  
(Incorporated in Malaysia)  
**THIRD QUARTER REPORT ENDED 31 JULY 2008**

**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.

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 2008. 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 2008.

**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 2008 except for the adoption of the new and revised Financial Reporting Standards ("FRS") as stated below:

		<b>Effective for period beginning on or after</b>
FRS 107	Cash Flow Statements	1 July 2007
FRS 111	Construction Contracts	1 July 2007
FRS 118	Revenue	1 July 2007
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance	1 July 2007
FRS 134	Interim Financing Reporting	1 July 2007
FRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 July 2007
Amendment to FRS 121	The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation	1 July 2007

The above FRSs and Amendment to FRS are expected to have no significant impact to the financial statements of the Group except for the following:



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**Amendment to FRS 121: The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation**

This Amendment requires that where an entity has a monetary item that forms part of its net investment in a foreign operation, the exchange differences arising from such monetary items should always be recognised in equity in the consolidated financial statements and should not be dependent on the currency of the monetary item. Prior to this Amendment, exchange differences arising on a monetary item that form part of the Group's net investment in a foreign operation are recognised in equity in the consolidated financial statements only when that monetary item is denominated either in the functional currency of the reporting entity or the foreign operation. As it is not possible to reasonably estimate the exchange rates applicable to such monetary items for future periods, the directors are therefore unable to determine if the initial adoption of this Amendment will have a material impact on the consolidated financial statements for the period ended 31 July 2008.

**3. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS**

The preceding audited financial statements for the period ended 31 January 2008 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 2008.

**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 2008, a total of 167,800 new ordinary shares of RM0.50 each were issued and allotted pursuant to the exercise of the ESOS, and a total of 9,000,000 new ordinary shares of RM0.50 each were issued and allotted pursuant to the exercise of private placement.. The details of the issued and paid-up capital of the Company as at 31 July 2008 are as follows:

	<b>No. of shares</b>	<b>RM</b>
As at 30 April 2008	138,987,540	69,493,770
Ordinary shares issued pursuant to the ESOS	167,800	83,900
As at 31 July 2008	<u>138,155,340</u>	<u>69,577,670</u>

**8. DIVIDENDS PAID**

On 25 July 2008 the Company has paid a final tax exempt dividend for the financial year ended 31 January 2008 of 4.4 sen per share on 138,760,535 ordinary shares of RM0.50 each amounting to RM6.105 million which was approved by the shareholders at an Annual General Meeting ("AGM") held on 26 June 2008.



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**9. SEGMENTAL INFORMATION**

	<b>3 months ended</b>	<b>6 months ended</b>
	<b>31.07.2008</b>	<b>31.07.2008</b>
	<b>RM'000</b>	<b>RM'000</b>
<b><u>Segment Revenue</u></b>		
Healthcare products	111,478	216,477
Energy provider	3,538	6,821
Others	330	660
Total revenue including inter-segment sales	115,346	223,958
Elimination of inter- segment sales	(52,768)	(102,925)
Total	62,578	121,033

	<b>3 months ended</b>	<b>6 months ended</b>
	<b>31.07.2008</b>	<b>31.07.2008</b>
	<b>RM'000</b>	<b>RM'000</b>
<b><u>Segment Results</u></b>		
Healthcare products	2,214	6,133
Energy provider	1,412	2,764
Others	(790)	(1,455)
Elimination	1,069	1,813
Total	3,905	9,255

**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.

**11. SUBSEQUENT EVENTS**

On 26 June 2008, the Group changed its financial year end from 31 January 2009 to 31 October 2008 and thus the financial period would run from 1 February 2008 to 31 October 2008 covering a period of 9 months. Thereafter, the financial year end of the Group shall be 31 October, of each subsequent year.

Except for the above, 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 2008, the Company has outstanding contingent liabilities amounting to RM194 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 2008 is as follows:

	<b>RM'000</b>
Approved and contracted for	<u>4,047</u>

**15. PERFORMANCE REVIEW**

The Group delivered a strong quarter of 23% increase in revenue compared to the period from May 2007 to July 2007, same period of last year, of RM62.58 million in tough conditions of escalating costs and fluctuating foreign exchanges. Profit before tax declined by RM0.674 million compared to the same period last year. The surgical glove sector put in a stronger than expected performance of 27% segmental growth, gaining from the wider marketing efforts of the last half year. New surgical products are gaining acceptance and creating demand and opportunities in established markets, offsetting in some way the lower contributions from thin margin products like examination gloves.

Distribution business grew double digit and this is expected to continue even more vigorously. This division has its straight fifth quarter of continuous growth since we acquired the business.



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

The Group gained sales of RM62.58 million for the quarter against RM58.46 million in the preceding quarter, an increase of 7%.

The Group profit before tax for the quarter has decreased by 27% compared to last quarter. The contractual price adjustment periods that are in most of our surgical market create a lag in price adjustments under immediate strong increases in costs of materials and services. Included in this quarter is the effect of inflation and related allowances paid out to the workforce.

**17. COMMENTARY ON CURRENT YEAR PROSPECTS**

The Company sees challenges and opportunities in this challenging time of volatile raw material and energy costs. Inflation has added input and services cost pressure. Natural gas which is used in half of the manufacturing facilities has increased by a significant amount with the reduction in subsidy. The increased in natural gas tariffs by about 72% took effect from 1 August 2008. There will be an impact on profits before this can be re-priced on to the market. On a brighten note it will make those products manufactured by biomass power more attractive in cost. We are a major user of biomass to power our facility at Kota Bharu.

The Company has taken measures to counter these issues while adjusting through a tough period of forex instability. To contain cost, the management is working on improving fuel efficiency. Investments are made to improve automation, work flow, information integration to reduce inventories on production floor and better distribution of resources. Workforce utilisation is being optimised to improve yield per staff.

In the face of an impending global recession and further turmoils in financial markets plus the expected volatility of the commodities, the Company maintains its positive medium and long term view. In the near term of the next two quarters we see cost as a strong challenge. The Company has diversified into more healthcare related businesses, expanded its range of medical gloves and its market spread to mitigate the effects of these global changes.



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**18. PROFIT FORECAST**

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

**19. TAXATION**

	<b>3 months ended</b>	<b>6 months ended</b>
	<b>31.07.2008</b>	<b>31.07.2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Income tax	270	285
Deferred tax	684	826
	<hr/>	<hr/>
	954	1,111

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 criterions 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.



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**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 January 2008 except as follows:

On 23<sup>rd</sup> October 2007, the Company via its adviser announced that Adventa Berhad has proposed to undertake a private placement of new ordinary shares of RM0.50 each in Adventa representing up to 10% of the issued and paid up share capital of the Company at an issue price to be determined by the Board at a later date.

On 21<sup>st</sup> November 2007, Kenanga Investment Bank Berhad (“KIBB”) on behalf of the Board of Directors of Adventa announced that the Securities Commission (“SC”) and the Foreign Investment Committee (“FIC”) (via the SC) had vide its letter dated 20 November 2007 approved the Proposed Private Placement.

On 26<sup>th</sup> November 2007, KIBB on behalf of the Board of Directors of Adventa announced that Bursa Malaysia Securities Berhad had, vide its letter dated 23<sup>rd</sup> November 2007, approved in-principal the listing of up to 13,366,110 new ordinary shares of RM0.50 each representing up to 10% of the issued and paid up share capital of Adventa to be issued pursuant to the Proposed Private Placement.

On 14<sup>th</sup> December 2007, KIBB on behalf of the Board of Directors of Adventa announced that the Board has fixed the issue price for the first tranche placement of 9,000,000 new ordinary shares of RM0.50 each in Adventa (“Placement Shares”) to be issued pursuant to the Private Placement at an issue price of RM1.56 per Placement Shares (“Issue Price”). The Issue Price represents a premium of approximately 9.9% to the five market days volume weighted average market price of Adventa shares from 7<sup>th</sup> December 2007 to 13<sup>th</sup> December 2007 of RM1.42.

The balance of 30% of the placement shares to Bumiputera investors or increase of Bumiputera equity by 3.46% of the new enlarged issued and paid up share capital (representing 5,530,423 new Adventa shares) within 2 years from the date of implementation of the proposed Private Placement is not completed.

On 20<sup>th</sup> May 2008, KIBB on behalf of the Board of Directors of Adventa announced that the Securities Commission had approved the application for an extension of time for a period of six (6) months to 19<sup>th</sup> November 2008 for Adventa to complete the implementation of Private Placement.





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**23. BORROWINGS AND DEBT SECURITIES**

	<b>As at 31.07.2008 RM'000</b>	<b>As at 31.01.2008 RM'000</b>
<b>Short Term Borrowings:</b>		
Secured	47,313	34,793
Unsecured	-	-
	47,313	34,793
<b>Long Term Borrowings:</b>		
Secured	54,966	60,677
Unsecured	-	-
	54,566	60,677
<b>Total Borrowings</b>	102,279	95,470

**24. 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.

**25. DIVIDEND PAYABLE**

No interim ordinary dividend has been declared for the financial period ended 31 July 2008.



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**26. 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.

	<b>3 months ended 31.07.2008</b>	<b>6 months ended 31.07.2008</b>
Profit attributable to ordinary equity holders of the parent (RM'000)	2,946	8,070
Weighted average number of ordinary shares in issue ('000)	139,156	139,156
Basic earnings per share (sen)	2.12	5.80

**(b) Diluted**

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.

	<b>3 months ended 31.07.2008</b>	<b>6 months ended 31.07.2008</b>
Profit attributable to ordinary equity holders of the parent (RM'000)	2,946	8,070
Weighted average number of ordinary shares in issue ('000)	139,156	139,156
Effects of dilution: Share options ('000)	913	913
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	140,069	140,069
Diluted earnings per share (sen)	2.10	5.76



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**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 2008.

**By Order of the Board**  
**Adventa Berhad**

**CHUA SIEW CHUAN**  
Company Secretary MAICSA 0777689