ADVENTA

ADVENTA BERHAD
(Company No : 618533-M)
(Incorporated in Malaysia)
SECOND QUARTER REPORT ENDED 30 APRIL 2011

UNAUDITED NOTES TO FINANCIAL STATEMENTS

PART A - EXPLANATORY NOTES PURSUANT TO FRS 134

1. BASIS OF PREPARATION

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 October 2010. The 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 October 2010.

Change in accounting policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the financial year ended 31 October 2010 except for the adoption of new or revised FRSs, Amendment to FRSs and IC Interpretations effective for financial year beginning 1 November 2010.

The adoption of the above new or revised FRSs, Amendment to FRSs and IC Interpretations do not have significant impact to the interim financial position and results of the Group except for the adoption of the following FRSs as set out below:

(a) FRS 7: Financial Instruments: Disclosures

FRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risk arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis of the market risk. However, FRS 7 disclosures are not required in the interim financial statements, and hence, no further disclosures has been made in these interim financial statements.

(b) FRS 8: Operating Segments

FRS 8 requires identification and reporting of operating segments based on internal reports that are regularly reviewed by the entity's chief operating decision maker in order to allocate resources to the segment and to assess its performances. The Group presents its segment information based on its business segments as shown in Note 8.

(c) FRS 101: Presentation of Financial Statements (revised)

The revised FRS 101 separates owner and non-owner changes in equity. Therefore, the consolidated statement of changes in equity will now included only details of transactions with owners. All non-owner changes in equity are presented as a single line labeled as total comprehensive income. The Standard also introduces the statement of comprehensive income: presenting all items of income and expenses recognised in the income statement, together with all other items of recognised income and expenses, either in one single statement, or in two linked statements.

The Group had elected to present in two linked statements and applied this Standard retrospectively. There is no impact on the financial position and results of the Group.

(d) FRS 139: Financial Instruments: Recognition and Measurement

FRS 139 sets out the new requirements for the recognition and measurement of the Group's financial instruments. Financial instruments are recorded initially at fair value. Subsequent measurement of the financial instruments in the statement of financial position reflects the designation of the financial instruments. The effects arising from the adoption of this Standard has been accounted for by remeasurement on 1 November 2010 of the financial instruments brought forward from the previous financial year are adjusted to the opening retained profits as disclosed in the statement of changes in equity.

Prior to the adoption of FRS 139, financial derivatives of the Group were recognised on their settlement dates. Outstanding derivatives at the balance sheet date were not recognised. With the adoption of this Standard, the financial derivatives are stated at fair value which is equivalent to the marking of the financial derivatives to market, using prevailing market rates. Financial derivatives with positive market values (unrealised gains) are included under current assets and financial derivatives with negative market values (unrealised losses) are included under current liabilities in the statement of financial position. Any gains or losses arising from changes in fair value on financial derivatives during the financial period are taken directly to the statement of comprehensive income.

In accordance with the transitional provisions of FRS 139, the above changes in according policy have been accounted for prospectively and the comparatives are not restated. The effects arising from the adoption of FRS 139 has been accounted for by restating the following opening balance of the retained profits as at 1 November 2010:

	Previously stated RM'000	Effects of FRS 139 RM'000	As restated RM'000
Current Liabilities			
Derivatives	-	653	653
Equity			
Retained profits	112,423	(653)	111,770

(c) Amendments to FRS 117: Leases

Prior to the adoption of the Amendment to FRS 117, leasehold land was treated as operating lease. The considerations paid were classified and presented as prepaid lease payments in the statement of financial position. With the adoption of the Amendment to FRS 117, leasehold land which in substance as a finance lease will be reclassified to property, plant and equipment. This Amendment applied retrospectively and the comparative figure has been restated in the statements of financial position as below:

As at 31 October 2010	As previously reported RM'000	Effects of Amendment to FRS 117 RM'000	As restated RM'000
Property, plant and equipment	216,283	11,664	227,947
Prepaid land lease payments	11,664	(11,664)	-

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2. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The preceding audited financial statements for the year ended 31 October 2010 were not subject to any qualification.

3. COMMENTS ABOUT SEASONAL, CYCLICAL AND EXCEPTIONAL FACTORS

There were no cyclical factors that had an impact of significance nor any exceptional factors that influenced the businesses.

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 2011.

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.

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8. SEGMENTAL INFORMATION

	Individual period		Cumulative period	
	Current year quarter 30.04.2011 RM'000	Preceding year corresponding quarter 30.04.2010 RM'000	Current year quarter 30.04.2011 RM'000	Preceding year corresponding quarter 30.04.2010 RM'000
Segment Revenue				
Healthcare products	181,789	136,865	368,998	272,713
Energy provider	2,639	3,834	6,222	7,504
Others	1,855	1,890	3,410	3,280
Total revenue including inter-segment sales	186,283	142,589	378,630	283,497
Elimination of inter-segment sales	(81,984)	(61,456)	(168,142)	(125,723)
Total	104,299	81,133	210,488	157,774

	Individual period		Cumulative period	
	Current year quarter 30.04.2011 RM'000	Preceding year corresponding quarter 30.04.2010 RM'000	Current year quarter 30.04.2011 RM'000	Preceding year corresponding quarter 30.04.2010 RM'000
Segment Results				
Healthcare products	4,177	9,879	7,364	23,843
Energy provider	1,192	1,380	3,088	2,601
Others	386	888	1,181	1,707
Elimination	(932)	(3,076)	(1,811)	(7,793)
Total	4,823	9,071	9,822	20,358

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. EVENTS AFTER THE REPORTING PERIOD

There were no material events subsequent to the end of the current quarter except as stated below:

On 26 May 2011, the Board of Directors of Adventa Berhad ("Adventa" or the "Issuer") wishes to announce that Maybank Investment Bank Berhad ("Maybank IB"), had submitted on behalf of Adventa to the Securities Commission ("SC") a copy of the Information Memorandum ("IM"), dated 26 May 2011, together with the application for the Proposed Programme ("ICP/IMTN Programme Submission") and upon such deposit of the IM and the ICP/IMTN Programme Submission, the SC has granted its approval for the Proposed Programme.

11. CHANGES IN COMPOSITION OF THE GROUP

There were no changes in the composition of the Group for the current quarter under review except as sated below :

a) On 22 February 2011, the Board of Directors announced that its wholly-owned subsidiary company, namely Adventa Health Sdn Bhd ("AHSB") had on 15 February 2011 received the Certificate of Approval for establishment of Beijing Adventa Health Supplies Company Limited ("BAHSCL") in the People's Republic of China with a registered capital of RMB1,000,000. Upon this establishment, BAHSCL will be the wholly-owned subsidiary of AHSB.

b) On 28 April 2011, the Board of Directors announced the re-organisation of the Group structure by transferring the entire equity interest in Adventa Health Marketing Sdn. Bhd. (formerly known as Icodex Sdn. Bhd.) ("Adventa Health Marketing") held by its 97.2% subsidiary, Purnabina Sdn. Bhd. ("Purnabina") to Adventa Berhad ("Adventa"). Upon the re-organisation, Adventa Health Marketing will cease to be the subsidiary of Purnabina and will become a 100% wholly-owned subsidiary of Adventa.

12. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no contingent liabilities or contingent assets for the Group for the current quarter under review.

13. CAPITAL COMMITMENTS

The amount of commitments for the purchase of property, plant and equipment not provided for in the financial statements as at 30 April 2011 is as follows:

	RM'000
Approved and contracted for	9,921

PART B – ADDITIONAL INFORMATION AS REQUIRED BY APPENDIX 9B OF BURSA MALAYSIA LISTING REQUIREMENTS

14. PERFORMANCE REVIEW

	2nd Quarter ended 30 April 2011 RM'000	2en Quarter ended 30 April 2010 RM'000	Changes RM'000	%
Revenue	104,299	81,133	23,166	29
Profit before tax	3,121	7,729	(4,608)	(60)

Revenue for the quarter at RM104 million is a 29% improvement over corresponding quarter last financial year. Profit fell 60% in comparison from high material cost and falling United States Dollar.

15. COMPARISON WITH PRECEDING QUARTER'S RESULTS

	2nd Quarter 2011 30 April 2011 RM'000	1st Quarter 2011 31 January 2011 RM'000	Changes RM'000	%
Revenue	104,299	106,189	(1,890)	(2)
Profit before tax	3,121	3,443	(322)	(9)

The quarter's revenue decreased 2% and earnings fell 9% over preceding quarter. The historical high material cost in latex push manufacturing cost up faster than we can pass on to the market. Latex price in the quarter averaged RM10.31/kg against RM9.28/kg in Q1 2011. This increase of 9.3% hurt near term earnings as latex is almost 65 % of manufacturing costs.

16. COMMENTARY ON CURRENT YEAR PROSPECTS

Latex prices are starting to come off the peak and as long as there is no sudden plunge or hike, the Group is gathering back its earnings momentum with adjustments taking effect.

The surgical glove market did not shrink like the latex examination glove, where more than 60% of the customers switched over to alternative products, primarily the synthetic material based types. Growth for the surgical sector grew 12% year on year.

Current year challenge is to adapt to the new product preferences and market dynamics in the matured and developed markets. Costs are the primary concerns of many healthcare groups and the urgency to contain that is translating to lower inventories and longer payable period.

The Group sees a further shrinkage in latex based examination gloves this year and faster changeover to alternatives. The Group was prepared for this scenario when some production capacity of latex examination gloves were cut and converted to production of synthetic gloves. With the refurbished and retooled production lines, the capacity of synthetic gloves will be increased by 20% this year.

17. PROFIT FORECAST

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

UNAUDITED NOTES TO FINANCIAL STATEMENTS

18. TAXATION

	Individual period		Cumulative period	
	Current year quarter	Preceding year corresponding quarter	Current year quarter	Preceding year corresponding quarter
	30.04.2011	30.04.2010	30.04.2011	30.04.2010
	RM'000	RM'000	RM'000	RM'000
Income tax	(122)	(83)	(128)	(114)
Deferred tax	1,580	(1,200)	2,229	(1,839)
	1,458	(1,283)	2,101	(1,953)

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 10 years and other fiscal incentives from the government.

19. SALE OF UNQUOTED INVESTMENTS AND PROPERTIES

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

20. MARKETABLE SECURITIES

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

21. 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 2011.

22. BORROWINGS AND DEBT SECURITIES

	As at 30.04.2011 RM'000	As at 31.10.2010 RM'000
Secured:		
Short Term Borrowings	128,301	97,442
Long Term Borrowings	34,352	33,178
Total Borrowings	162,653	130,620

23. 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.

24. DIVIDEND PAYABLE

First and final tax exempt dividend of 7 cents amounting to approximately RM10.6 million for the financial year ended 31 October 2010 had approved by shareholders at Annual General Meeting ("AGM") on 28 April 2011 and the payment date will be on 18 July 2011.

25. FINANCIAL DERIVATIVE INSTRUMENTS

The Group uses derivative financial instruments, mainly forward foreign exchange contracts to hedge its exposure to fluctuations in foreign exchange arising from sales and purchase. The Group does not hold or issue derivative financial instruments for trading purposes.

The details of the outstanding foreign currency forward contracts agreements as at 30 April 2011 are as follows:

	Notional amount as at 30.04.2011 RM'000	**Fair value as at 30.04.2011 RM'000**
Foreign currency forward contracts:		
Less than 1 year	36,249	36,201

The above instruments are executed with credit worthy financial institutions in Malaysia. The Directors are of the view that the possibility of non-performance by these financial institutions are remove on the basis of their financial strength.

There are also no cash requirements risks as the Group only uses foreign currency forward contracts as its hedging instruments.

With the adoption of FRS 139, the fair value changes have been recognised in the profit or loss.

	Individual period		**Cumulative period**	
	Current year quarter 30.04.2011 RM'000	**Preceding year corresponding quarter 30.04.2010 RM'000**	**Current year quarter 30.04.2011 RM'000**	**Preceding year corresponding quarter 30.04.2010 RM'000**
Foreign currency forward contracts:				
Gain arising from fair value changes	48	-	370	-

The fair value changes are attributable to change in foreign exchange spot and forward rate.

Foreign currency forward contracts are valued using a valuation technique with market observable inputs.

26. 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 30.04.2011	**Preceding year corresponding quarter 30.04.2010**	**Current year quarter 30.04.2011**	**Preceding year corresponding quarter 30.04.2010**
Profit attributable to ordinary equity holders of the parent (RM'000)	4,589	6,450	8,639	15,803
Weighted average number of ordinary shares in issue ('000)	152,786	148,002	152,786	148,002
Basic earnings per share (sen)	3.00	4.36	5.65	10.68

(b) Diluted

	Individual period		Cumulative period	
	Current year quarter **30.04.2011**	Preceding year corresponding quarter **30.04.2010**	Current year quarter **30.04.2011**	Preceding year corresponding quarter **30.04.2010**
Profit attributable to ordinary equity holders of the parent (RM'000)	4,589	6,450	8,639	15,803
Weighted average number of ordinary shares in issue ('000)	152,786	148,002	152,786	148,002
Effects of dilution: Share options ('000)	-	710	-	710
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	152,786	148,712	152,786	148,712
Diluted earnings per share (sen)	3.00	4.34	5.65	10.63

27. 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 30.04.2011	As at 31.10.2010
Group's total retained profits:	**RM'000**	**RM'000**
Realised	129,282	129,275
Unrealised	7,112	4,989
	136,394	134,264
Less: Consolidation adjustments	15,985	21,841
Retained profits as per financial statements	120,409	112,423

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 29 June 2011.

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