



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



ADVENTA BERHAD
(Company No : 618533-M)
(Incorporated in Malaysia)
THIRD QUARTER REPORT ENDED 31 JULY 2011

UNAUDITED NOTES TO FINANCIAL STATEMENTS

(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 include 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.



ADVENTA BERHAD
 (Company No : 618533-M)
 (Incorporated in Malaysia)
THIRD QUARTER REPORT ENDED 31 JULY 2011

UNAUDITED NOTES TO FINANCIAL STATEMENTS

In accordance with the transitional provisions of FRS 139, the above changes in accounting 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
<u>Current Liabilities</u>			
Derivatives	-	653	653
<u>Equity</u>			
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 previously reported RM'000	Effects of Amendment to FRS 117 RM'000	As restated RM'000
<u>As at 31 October 2010</u>			
Property, plant and equipment	216,283	11,664	227,947
Prepaid land lease payments	11,664	(11,664)	-



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(Incorporated in Malaysia)
THIRD QUARTER REPORT ENDED 31 JULY 2011

UNAUDITED NOTES TO FINANCIAL STATEMENTS

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 31 July 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.



ADVENTA BERHAD
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 (Incorporated in Malaysia)
THIRD QUARTER REPORT ENDED 31 JULY 2011

UNAUDITED NOTES TO FINANCIAL STATEMENTS

8. SEGMENTAL INFORMATION

	Individual period		Cumulative period	
	Current year quarter 31.07.2011 RM'000	Preceding year corresponding quarter 31.07.2010 RM'000	Current year quarter 31.07.2011 RM'000	Preceding year corresponding quarter 31.07.2010 RM'000
<u>Segment Revenue</u>				
Healthcare products	189,190	163,972	558,188	436,685
Energy provider	2,981	3,095	9,203	10,599
Others	4,355	890	7,765	4,170
Total revenue including inter-segment sales	196,526	167,957	575,156	451,454
Elimination of inter-segment sales	(92,949)	(80,573)	(261,091)	(206,296)
Total	103,577	87,384	314,065	245,158

	Individual period		Cumulative period	
	Current year quarter 31.07.2011 RM'000	Preceding year corresponding quarter 31.07.2010 RM'000	Current year quarter 31.07.2011 RM'000	Preceding year corresponding quarter 31.07.2010 RM'000
<u>Segment Results</u>				
Healthcare products	6,395	11,042	13,759	34,885
Energy provider	54	960	3,142	3,561
Others	3,532	111	4,713	1,818
Elimination	(4,634)	(2,155)	(6,445)	(9,948)
Total	5,347	9,958	15,169	30,316

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.



ADVENTA BERHAD
(Company No : 618533-M)
(Incorporated in Malaysia)
THIRD QUARTER REPORT ENDED 31 JULY 2011

UNAUDITED NOTES TO FINANCIAL STATEMENTS

10. EVENTS AFTER THE REPORTING PERIOD

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

11. CHANGES IN COMPOSITION OF THE GROUP

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

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 31 July 2011 is as follows:

Approved and contracted for	RM'000 <u>5,804</u>
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ADVENTA BERHAD
 (Company No : 618533-M)
 (Incorporated in Malaysia)
THIRD QUARTER REPORT ENDED 31 JULY 2011

UNAUDITED NOTES TO FINANCIAL STATEMENTS

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

14. PERFORMANCE REVIEW

	3rd Quarter ended 31 July 2011 RM'000	3rd Quarter ended 31 July 2010 RM'000	Changes RM'000	%
Revenue	103,577	87,384	16,193	19
Profit before tax	3,006	8,479	(5,473)	(65)

Revenue growth is 19% over corresponding quarter. Net profit dropped 65% from higher cost of goods sold. In spite of achieving cost savings across the Group the impact of improvement however was affected by the weaknesses in USD and higher raw material cost resulting in falling margins.

15. COMPARISON WITH PRECEDING QUARTER'S RESULTS

	3rd Quarter 2011 31 July 2011 RM'000	2nd Quarter 2011 30 April 2011 RM'000	Changes RM'000	%
Revenue	103,577	104,299	(722)	(1)
Profit before tax	3,006	3,121	(115)	(4)

The quarter's revenue decreased 1% and earnings fell 4% over preceding quarter. The Ringgit contributed to the small drop. Earnings are still weak from sustained commodity prices. Internal growth grew at all subsidiaries except in Uruguay where a severe winter cut off fuel supplies, reducing production output.



ADVENTA BERHAD
(Company No : 618533-M)
(Incorporated in Malaysia)
THIRD QUARTER REPORT ENDED 31 JULY 2011

UNAUDITED NOTES TO FINANCIAL STATEMENTS

16. COMMENTARY ON CURRENT YEAR PROSPECTS

The medical glove market is not typically affected by global economic slowdown, being a must use product in the healthcare industry. However, those non-medical sectors that use medical gloves will see a negative growth. The Group's products are almost fully sold into the healthcare sector. We do not see an impact on the shipped volume for the rest of the year. Taking in the slowing global economy, an effect could be a small switch by users into lower end products to balance lower spending availability. This downgrade will reduce certain product revenue but the Group's organic growth at the upper end of 13-15% will more than offset this impact.

We continue to grow in emerging and developing markets above our organic growth rate. In the continuously tough, volatile and very dynamic environment we are able to deliver growth and margin improvement. Operation profits should improve with more contracts effectively re-priced to reflect production costs in the last quarter.

Ratio of Group Production Capacity to Sales ratio is recovering to a more manageable level with better on time deliveries records. This will enable the various product sectors to absorb more fast delivery orders compared to the first half.

17. PROFIT FORECAST

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



ADVENTA BERHAD
 (Company No : 618533-M)
 (Incorporated in Malaysia)
THIRD QUARTER REPORT ENDED 31 JULY 2011

UNAUDITED NOTES TO FINANCIAL STATEMENTS

18. TAXATION

	Individual period		Cumulative period	
	Current year quarter 31.07.2011 RM'000	Preceding year corresponding quarter 31.07.2010 RM'000	Current year quarter 31.07.2011 RM'000	Preceding year corresponding quarter 31.07.2010 RM'000
Income tax	54	(56)	(74)	(170)
Deferred tax	962	(228)	3,191	(2,067)
	1,016	(284)	3,117	(2,237)

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 31 July 2011.



ADVENTA BERHAD
(Company No : 618533-M)
(Incorporated in Malaysia)
THIRD QUARTER REPORT ENDED 31 JULY 2011

UNAUDITED NOTES TO FINANCIAL STATEMENTS

22. BORROWINGS AND DEBT SECURITIES

	As at 31.07.2011 RM'000	As at 31.10.2010 RM'000
Secured:		
Short Term Borrowings	112,596	97,442
Long Term Borrowings *	100,360	33,178
Total Borrowings	<u>212,956</u>	<u>130,620</u>

* These include the issuance of Islamic Medium Term Notes of RM70 million during the quarter.

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

No interim ordinary dividend has been declared for the financial period ended 31 July 2011.



ADVENTA BERHAD

(Company No : 618533-M)

(Incorporated in Malaysia)

THIRD QUARTER REPORT ENDED 31 JULY 2011

UNAUDITED NOTES TO FINANCIAL STATEMENTS

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 31 July 2011 are as follows:

	Notional amount as at 31.07.2011 RM'000	Fair value as at 31.07.2011 RM'000
Foreign currency forward contracts:		
Less than 1 year	23,135	23,228

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.

	<u>Individual period</u>		<u>Cumulative period</u>	
	Current year quarter 31.07.2011 RM'000	Preceding year corresponding quarter 31.07.2010 RM'000	Current year quarter 31.07.2011 RM'000	Preceding year corresponding quarter 31.07.2010 RM'000
Foreign currency forward contracts:				
Gain arising from fair value changes	376	-	746	-

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

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



ADVENTA BERHAD
 (Company No : 618533-M)
 (Incorporated in Malaysia)
THIRD QUARTER REPORT ENDED 31 JULY 2011

UNAUDITED NOTES TO FINANCIAL STATEMENTS

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 31.07.2011	Preceding year corresponding quarter 31.07.2010	Current year quarter 31.07.2011	Preceding year corresponding quarter 31.07.2010
Profit attributable to ordinary equity holders of the parent (RM'000)	4,017	8,198	12,656	24,001
Weighted average number of ordinary shares in issue ('000)	152,786	148,638	152,786	148,638
Basic earnings per share (sen)	2.63	5.52	8.28	16.15



ADVENTA BERHAD
 (Company No : 618533-M)
 (Incorporated in Malaysia)
THIRD QUARTER REPORT ENDED 31 JULY 2011

UNAUDITED NOTES TO FINANCIAL STATEMENTS

(b) Diluted

	Individual period		Cumulative period	
	Current year quarter 31.07.2011	Preceding year corresponding quarter 31.07.2010	Current year quarter 31.07.2011	Preceding year corresponding quarter 31.07.2010
Profit attributable to ordinary equity holders of the parent (RM'000)	4,017	8,198	12,656	24,001
Weighted average number of ordinary shares in issue ('000)	152,786	148,638	152,786	148,638
Effects of dilution: Share options ('000)	-	505	-	505
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	152,786	149,143	152,786	149,143
Diluted earnings per share (sen)	2.63	5.50	8.28	16.09



ADVENTA BERHAD
(Company No : 618533-M)
(Incorporated in Malaysia)
THIRD QUARTER REPORT ENDED 31 JULY 2011

UNAUDITED NOTES TO FINANCIAL STATEMENTS

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 31.07.2011	As at 31.10.2010
	RM'000	RM'000
Group's total retained profits:		
Realised	118,215	129,275
Unrealised	10,475	4,989
	<hr/>	<hr/>
	128,690	134,264
Less: Consolidation adjustments	14,959	21,841
Retained profits as per financial statements	<hr/>	<hr/>
	113,731	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 28 September 2011.

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