



ADVENTA BERHAD
 (Company No : 618533-M)
 (Incorporated in Malaysia)
THIRD QUARTER REPORT ENDED 31 JULY 2012

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 2011. 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 2011.

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 2011 except for the adoption of new or revised FRSS, Amendment to FRSS and IC Interpretations effective for financial year beginning 1 November 2011.

		Effective for annual periods beginning on or after
Improvements to FRSS	(2010)	1 January 2011
Amendments to FRS 1	Limited Exemption from Comparative FRS 7 Disclosure for First-time Adopters	1 January 2011
Amendments to FRS 1	Additional Exemptions for First-Time Adopters	1 January 2011
Amendments to FRS 2	Group Cash-settled Share-based Payment Transactions	1 January 2011
Amendments to FRS 7	Improving Disclosures about Financial Instruments	1 January 2011
IC Interpretation 4	Determining whether an Arrangement contains a Lease	1 January 2011
IC Interpretation 18	Transfers of Assets from Customers	1 January 2011
TR 3	Guidance a Disclosure of Transition to IFRSs	1 January 2011
Tri - 4	Shariah Compliant Sale Contracts	1 January 2011



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		Effective for annual periods beginning on or after
IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2011
Amendments to IC Interpretation 14	Prepayment of a Minimum Funding Requirement	1 July 2011

The adoption of the above standards and interpretations do not have significant impact to the interim financial performance or position of the Group.

Malaysian Financial Reporting Standards (MFRS Framework)

On 19 November 2011, The Malaysia Accounting Standards Board (MASB) issued a new MASB approved accounting framework, the Malaysia Financial Reporting Standards (MFRS Framework).

The Group will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31 October 2013.

2. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The preceding audited financial statements for the year ended 31 October 2011 were not subject to any qualification.

3. COMMENTS ABOUT SEASONAL, CYCLICAL AND EXCEPTIONAL FACTORS

There were neither cyclical events 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 2012.



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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 31.07.2012 RM'000	Preceding year corresponding quarter 31.07.2011 RM'000	Current year quarter 31.07.2012 RM'000	Preceding year corresponding quarter 31.07.2011 RM'000
<u>Segment Revenue</u>				
Healthcare products	201,253	189,190	584,544	558,188
Energy provider	2,526	2,981	8,012	9,203
Others	2,555	4,355	7,165	7,765
Total revenue including inter-segment sales	206,334	196,526	599,721	575,156
Elimination of inter-segment sales	(97,830)	(92,949)	(280,773)	(261,091)
Total	108,504	103,577	318,948	314,065

	Individual period		Cumulative period	
	Current year quarter 31.07.2012 RM'000	Preceding year corresponding quarter 31.07.2011 RM'000	Current year quarter 31.07.2012 RM'000	Preceding year corresponding quarter 31.07.2011 RM'000
<u>Segment Results</u>				
Healthcare products	7,365	6,395	17,224	13,759
Energy provider	168	54	1,258	3,142
Others	2,476	3,532	4,105	4,713
Elimination	(2,318)	(4,634)	(3,425)	(6,445)
Total	7,691	5,347	19,162	15,169

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.



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10. EVENTS DURING AND AFTER THE REPORTING PERIOD

The followings are events announced during and after current quarter:

- a) On 10 July 2012, on behalf of the Board of Directors of Adventa (“Board”), Maybank Investment Bank Berhad (“Maybank IB”) announced that the Board has received an offer letter dated 9 July 2012 (“Offer Letter”) from Aspion Sdn. Bhd. (“Aspion”), which sets out Aspion’s offer to acquire all of the business and undertaking, including all assets and liabilities, of the Company (“Specified Business”).

The Offer is to acquire the Specified Business at a consideration of RM320,850,117 equivalent to RM2.10 per ordinary share of RM0.50 each in Adventa (“Adventa Share”) (“Purchase Consideration”).

The Purchase Consideration shall be satisfied as follows:

- i) RM96,255,035 being an amount equivalent to approximately 30% of the Purchase Consideration, to be paid not on Completion Date (as defined in the Offer Letter) but on a date falling six (6) months from the Completion Date; and
- ii) The balance of the Purchase Consideration of RM224,595,082 to be paid in cash on the Completion Date.

Aspion has proposed that, upon completion of the Proposed Acquisition, Adventa shall, subject to obtaining all requisite approvals, declare a distribution (as the Board shall determine on or before the date of the extraordinary general meeting) at an amount equivalent to at least RM1.70 per Adventa Share to all entitled shareholders of Adventa.

In addition, the Proposed Acquisition is deemed a major disposal pursuant to paragraph 10.11A of the Listing Requirements. As such, an independent adviser will be appointed to advise on the fairness and reasonableness of the Offer.



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- b) On 23 July 2012, on behalf of the Board, Maybank IB announced that following the discussions between the Board and Aspion, and the letter from Adventa to Aspion dated 23 July 2012, the Board has received a revised offer letter from Aspion dated 23 July 2012 (“Revised Offer Letter”). The Revised Offer Letter supersedes the Offer made in the offer letter dated 9 July 2012.

Under the terms of the revised offer (“Revised Offer”), Aspion is offering to acquire all of the business and undertaking (including the liabilities and assets set out in Sections 2.2 and 2.7 of the Revised Offer Letter respectively) of Adventa other than the Excluded Business. The Excluded Business means:

- i) all of the share in the capital of Sun Healthcare (M) Sdn. Bhd. Held by Adventa; and
- ii) 100% of the shares in the capital of Electron Beam Sdn. Bhd. (“EBSB”), if held by Adventa as at Completion Date (as defined in the Revised Offer Letter).

In relation to item (ii) above, the Board had on the same day announced that the Company had entered into an agreement to acquire 2,500,000 ordinary shares of RM1.00 each in EBSB, representing 100% of the equity interest in EBSB for a cash consideration of RM9,000,000 (“Proposed Acquisition”). Upon completion of the Proposed Acquisition, EBSB will become a wholly-owned subsidiary of the Company.

The Purchase Consideration of RM320,850,117 equivalent to RM2.10 per Adventa Share pursuant to the Offer remains unchanged under the Revised Offer.

- c) On 25 July 2012, on behalf of the Board, Maybank IB announced that the non-interested Directors of the Board, after taking into consideration the advice of the independent adviser, AmInvestment Bank Berhad, have decided to accept the offer made in the Revised Offer letter from Aspion dated 23 July 2012, subject to, among others, the approval of the shareholders of Adventa and relevant regulatory authorities, where required.

Upon acceptance of the Revised Offer by Adventa, it shall constitute a binding agreement between Adventa and Aspion.



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- d) On 15 August 2012, on behalf of the Board, Maybank IB announced that the Board proposed to revise the initial proposal under Proposed Distributin set out in the announcement dated 25 July 2012 in relation to the Proposals, as follows:
- i) Proposed declaration and payment of part of the Disposal Consideration as a special cash dividend of RM198,621,501 on the basis of RM1.30 per Adventa Share to the Entitled Shareholders on the entitlement date (“Entitlement Date”), which will be determined by the Board and announced in due course (“Proposed Revised Special Dividend”);
 - ii) Proposed capital reduction and repayment of RM61,114,308 to the Entitled Shareholders on the basis of RM0.40 for each Adventa Share held at the Entitlement Date via the following:
 - A) proposed capital reduction which will involve the reduction of the Company’s existing issued and paid-up share capital pursuant to Section 64 of the Act; and
 - B) proposed cancellation of part of the share premium account of the Company pursuant to Section 60 and 64 of the Act.

11. CHANGES IN COMPOSITION OF THE GROUP

During the current quarter the Company had entered into an agreement with Genson Technology Inc. (Company No.: 1407581), a company incorporated in Hong Kong, to acquire 2,500,000 ordinary shares of RM1.00 each fully paid up in the capital of Electron Beam Sdn. Bhd. (Company No.: 777382-K) (“Electron Beam”), representing 100% of the equity interest in Electron Beam at a total purchase consideration of RM9,000,000/- (“Acquistion”), including its 100% owned subsidiary, Lucenxia (M) Sdn. Bhd. (“Lucenxia”). Full payment of the purchase consideration is still pending.

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 2012 is as follows:

Approved and contracted for	RM’000 <u>8,402</u>
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**PART B – ADDITIONAL INFORMATION AS REQUIRED BY APPENDIX 9B OF
BURSA MALAYSIA LISTING REQUIREMENTS**

14. PERFORMANCE REVIEW

	3QFY2012 RM'000	3QFY2011 RM'000	Variance %	9MQFY2012 RM'000	9MQFY2011 RM'000	Variance %
Revenue	108,504	103,577	5	318,948	314,065	2
EBITDA	12,431	9,408	32	32,533	27,401	19
PBT	5,345	3,006	78	12,651	9,570	32
PAT	5,178	4,022	29	13,925	12,687	10

This quarter has a sales increase of 4.7% derived from improving shipments of Nitrile examination gloves. The increase was tempered by slower sales of latex examination glove in Europe and America. Although the Uruguayan plant continues to ship latex gloves well, sales out of Malaysia continue to erode for this segment.

Profit before tax and EBITDA increased by 78% and 32% respectively this quarter compared to preceding year same quarter mainly due to softening of raw material prices. The surgical business grew marginally, with the improving cost of materials in comparison to nine months ago.

15. COMPARISON WITH PRECEDING QUARTER'S RESULTS

	3rd Quarter ended 31 July 2012 RM'000	2nd Quarter ended 30 April 2012 RM'000	Variance %
Revenue	108,504	106,630	2
EBITDA	12,431	12,047	3
PBT	5,345	5,279	1
PAT	5,178	6,228	(17)

Compared to last quarter, revenue increased by 1.8%, profit before tax marginal of 1% and EBITDA improved by 3%. Profits are still subject to volatility in the commodities markets which affects chemicals and latex as well as currency exchange movements. Income continue to suffer from these high volatility.



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16. COMMENTARY ON CURRENT YEAR PROSPECTS

The economic outlook did not change much in the last quarter from the second quarter, with continued uncertainties in the Eurozone and slowing US economy. Lower material prices soften the impact from slower rate of growth.

With Asian growth rate still an increasing concern, the Group do not see prospect of big sales improvement by year end compared to last year. Globally, hospitals and end users are cautious and prefer to focus on price more than preference products.

The year should be profitable for the Group compared to previous year although the margins are still below expectation from high volatility in raw materials and the Dollar exchange.

17. PROFIT FORECAST

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

18. TAXATION

	Individual period		Cumulative period	
	Current year quarter	Preceding year corresponding quarter	Current year quarter	Preceding year corresponding quarter
	31.07.2012	31.07.2011	31.07.2012	31.07.2011
	RM'000	RM'000	RM'000	RM'000
Income tax	(425)	54	(608)	(74)
Deferred tax	258	962	1,882	3,191
	(167)	1,016	1,274	3,117

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 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.



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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 2012 except those stated in Note 10 and 11.

22. BORROWINGS AND DEBT SECURITIES

	As at 31.07.2012 RM'000	As at 31.10.2011 RM'000
Secured:		
Short Term Borrowings	98,342	93,401
Long Term Borrowings	116,991	96,617
Total Borrowings	<u>215,333</u>	<u>190,018</u>

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 2012.



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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 2012 are as follows:

	Notional amount as at 31.07.2012 RM'000	Fair value as at 31.07.2012 RM'000
Foreign currency forward contracts:		
Less than 1 year	47,436	46,909

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.

The fair value changes have been recognised in the profit or loss.

	Individual period		Cumulative period	
	Current year quarter 31.07.2012 RM'000	Preceding year corresponding quarter 31.07.2011 RM'000	Current year quarter 31.07.2012 RM'000	Preceding year corresponding quarter 31.07.2011 RM'000
Foreign currency forward contracts:				
Gain/(Loss) arising from fair value changes	191	376	592	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.



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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 31.07.2012	Preceding year corresponding quarter 31.07.2011	Current year quarter 31.07.2012	Preceding year corresponding quarter 31.07.2011
Profit attributable to ordinary equity holders of the parent (RM'000)	5,156	4,017	14,013	12,656
Weighted average number of Ordinary shares in issue ('000)	152,786	152,786	152,786	152,786
Basic earnings per share (sen)	3.37	2.63	9.17	8.28

b) Diluted

There were no diluted earnings per share.



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27. PROFIT BEFORE TAX

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

	Individual period 31.07.2012 RM'000	Cumulative period 31.07.2012 RM'000
Interest income	(547)	(777)
Other income	(808)	(1,315)
Interest expenses	2,346	6,511
Depreciation of property, plant and equipment	4,741	13,371
(Gain)/loss on disposal of property, plant and equipment	-	-
(Gain)/loss on disposal of investment	-	-
Provision for and write off of inventories	-	-
Provision for and write off of receivables	-	-
Net foreign exchange loss	325	2,321
(Gain)/loss on derivatives	(191)	(592)
Exceptional items	-	-

28. 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 31.07.2012 RM'000	As at 31.10.2011 RM'000
Group's total retained profits:		
Realised	122,695	119,779
Unrealised	8,471	7,176
	<hr/> 131,166	<hr/> 126,955
Less: Consolidation adjustments	11,893	21,695
Retained profits as per financial statements	<hr/> 119,273	<hr/> 105,260



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29. 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 24 September 2012.

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