



ADVENTA BERHAD
(Company No : 618533-M)
(Incorporated in Malaysia)
THIRD QUARTER REPORT ENDED 31 JULY 2013

UNAUDITED NOTES TO FINANCIAL STATEMENTS

PART A - EXPLANATORY NOTES PURSUANT TO FRS 134

1. BASIS OF PREPARATION

First-time adoption of Malaysian Financial Reporting Standard (“MFRS”)

The interim financial statements are unaudited and have been prepared in accordance with the requirements of Malaysia Financial Reporting Standard (“MFRS”) 134: Interim Financial Reporting and Chapter 9 paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad. These interim financial statements also comply with IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board. For the period up to and including the year ended 31 October 2012, the Group prepared its financial statements in accordance with Financial Reporting Standards (“FRS”).

These interim financial statements are the Group’s first MFRS interim financial statements for part of the period covered by the Group’s first MFRS annual financial statements for the year ending 31 October 2013. MFRS 1: First-Time Adoption of Malaysian Financial Reporting Standards has been applied.

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 financial year ended 31 October 2012.

In preparing its opening MFRS Statements of Financial Position as at 1 July 2011 (which is also the date of transition), the Group has adjusted the amounts previously reported in financial statements prepared in accordance with FRS. An explanation of how the transition from FRS to MFRS has affected the Group’s financial position, financial performance and cash flows is set out in Note 1a below.

a) Business combinations

MFRS 1 provides the option to apply MFRS 3: Business Combination, prospectively from the date of transition or from a specific date prior to the transition date. This provides relief from full retrospective application of MFRS 3 which would require restatement of all business combinations prior to the date of transition. The Group has elected to apply MFRS 3 prospectively from the date of transition.



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Acquisition before date of transition

The Group has elected to apply MFRS 3 prospectively from the date of transition. In respect of acquisitions prior to the date of transition,

- i) The classification of former business combinations under FRS is maintained;
- ii) There is no re-measurement of original fair values determined at the time of business combination (date of acquisition); and
- iii) The carrying amount of goodwill recognised under FRS is not adjusted.

The adoption of MFRS 1 does not have impact on the reported financial position, financial performance and cash flows of the Group and hence, no reconciliation from FRSs to MFRSs were prepared.

2. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The preceding audited financial statements for the year ended 31 October 2012 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 2013.



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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 31.07.2013 RM'000	Preceding year corresponding quarter 31.07.2012 RM'000	Current year 31.07.2013 RM'000	Preceding corresponding year 31.07.2012 RM'000
<u>Segment Revenue</u>				
Continuing operations:				
Healthcare products	5,195	3,703	15,249	9,522
Sterilisation provider	2,076	-	6,886	-
Corporate	-	-	-	-
Elimination of inter-segment sales	-	(82)	(434)	(134)
	7,271	3,621	21,701	9,388
Discontinued operations:				
Healthcare products	-	197,449	63,202	575,022
Energy provider	-	2,526	1,584	8,012
Corporate	-	2,555	-	7,165
Total revenue including inter-segment sales	-	202,630	64,786	590,199
Elimination of inter-segment sales	-	(97,747)	(27,266)	(280,639)
	-	104,883	37,520	309,560
<u>Segment Results</u>				
Continuing operations:				
Healthcare products	1,114	(342)	2,039	(708)
Sterilisation provider	1,095	-	2,832	-
Corporate	21	-	196,083	-
Elimination	-	-	-	-
	2,230	(342)	200,954	(708)
Discontinued operations:				
Healthcare products	-	7,707	2,434	17,932
Energy provider	-	168	153	1,258
Corporate	-	2,476	(375)	4,105
Elimination	-	(2,318)	(33)	(3,425)
	-	8,033	2,179	19,870



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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. SIGNIFICANT AND SUBSEQUENT EVENTS

There were no material subsequent events announced from previous quarter except that on 17 September 2013, the Company announced that its subsidiary, Lucenxia (M) Sdn. Bhd., which is starting commercial operations in the provision of home Peritoneal Dialysis services has been designated by the Performance Management and Delivery Unit ("PEMANDU") as a project under the ETP under Healthcare of the National Key Economic Areas ("NKEA").

11. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

12. 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 2013 is as follows:

Approved and contracted for	RM'000 <u>368</u>
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**PART B – ADDITIONAL INFORMATION AS REQUIRED BY APPENDIX 9B OF
 BURSA MALAYSIA LISTING REQUIREMENTS**

13. PERFORMANCE REVIEW

	Individual period			Cumulative period		
	Current year quarter 31.07.2013 RM'000	Preceding year corresponding quarter 31.07.2012 RM'000	Variance %	Current year quarter 31.07.2013 RM'000	Preceding year corresponding quarter 31.07.2012 RM'000	Variance %
Continuing operations						
Revenue	7,271	3,621	101	21,701	9,388	131
*PBT before other operating income	1,840	(429)	529	3,726	(904)	512

The Company increased sales by 131% over preceding year and profit before tax of RM3.73 million, an increase of 512%. The hospital supplies business is growing selectively in the domestic market with current products and new range introduced lately. The wider range enabled higher export revenue to regional countries.

The contract sterilization division has new customer base growth and same customer revenue growth. The high precision electron beam sterilization plus the advantage of being the only contract facility in the region has brought in cross border business as well as domestic contracts.

The profit before tax from operations has increased to a profit of RM1.84 million compared to loss of RM429k in corresponding period in preceding year.

* Profit before tax before other operating income excludes gain on disposal of investment in subsidiaries and other income



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14. COMPARISON WITH PRECEDING QUARTER'S RESULTS

	3rd Quarter ended 31 July 2013 RM'000	2nd Quarter ended 30 April 2013 RM'000	Variance %
Continuing operations			
Revenue	7,271	10,877	(33)
*PBT before other operating income	1,840	1,739	6

Compared to last quarter, revenue decreased by 33%. Profit before tax from operations increased by 6%.

The loss of a national supply contract contributed to lower revenue but profit improved, driven by higher margin products and the lower Japanese Yen exchange rate.

* Profit before tax before other operating income excludes gain on disposal of investment in subsidiaries and other income

15. COMMENTARY ON CURRENT YEAR PROSPECTS

The Company expect consistent growth rate from its hospital supplies business particularly in the advanced technical products. The contribution from exports is similarly expected to grow significantly.

The Intellis home dialysis provider business has been adopted by PEMANDU as a project under the ETP (Economic Transformation Programme). Being accepted by the Healthcare NKEA section will accelerate domestic market penetration and a recognition of its unique capability to change the renal dialysis landscape. The economic benefit to both patients and healthcare provider is measurably significant enough to induce increased usage of this modality and service. No significant impact on income this year from the Intellis business division.

The Board of Directors is of the opinion that the Group's financial performance, will remain profitable in FY2013.



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16. PROFIT FORECAST

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

17. TAXATION

	Individual period		Cumulative period	
	Current year quarter 31.07.2013 RM'000	Preceding year corresponding quarter 31.07.2012 RM'000	Current year quarter 31.07.2013 RM'000	Preceding year corresponding quarter 31.07.2012 RM'000
Continuing operations:				
Income tax	(90)	-	(93)	-
Deferred tax	(653)	193	(1,003)	193
	(743)	193	(1,096)	193
Discontinued operations:				
Income tax	-	(425)	-	(608)
Deferred tax	-	65	-	1,689
	-	(360)	-	1,081
	(743)	(167)	(1,096)	1,274

The effective tax rate of the Group is lower than statutory tax rate due to availability of capital allowances and investment tax allowances to set off with adjusted business income.



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18. DISCONTINUED OPERATIONS CLASSIFIED AS HELD FOR SALE

Statement of comprehensive income disclosures

The results of discontinued operation and disposal group classified as held for sale for the year ended 31 July 2013 are as follows:

	Individual period		Cumulative period	
	Current year quarter 31.07.2013 RM'000	Preceding year corresponding quarter 31.07.2012 RM'000	Current year quarter 31.07.2013 RM'000	Preceding year corresponding quarter 31.07.2012 RM'000
Revenue (Note 8)	-	104,884	37,520	309,560
Expenses	-	(96,851)	(35,341)	(289,690)
Profit from operations (Note 8)	-	8,033	2,179	19,870
Finance costs	-	(2,259)	(875)	(6,320)
Profit before taxation	-	5,774	1,304	13,550
Income tax expenses (Note 17)	-	(360)	-	1,081
Profit after taxation	-	5,414	1,304	14,631

Statement of cash flow disclosures

The cash flows attributable to discontinued operations as follows:

	31.07.2013 RM'000	31.07.2012 RM'000
Operating activities	194,059	7,108
Investing activities	(13,050)	(16,625)
Financing activities	(200,163)	17,131
Net cash (outflows)/inflows	(19,154)	7,614

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 2013.

Status of Utilisation of Proceeds

The total gross proceeds of RM61.11 million from Proposed Disposal (after the Proposed Distribution) shall be utilised in the following manner:

Purpose	Estimated time frame for utilisation from completion of the Proposed Disposal	Amount RM'000	Amount utilised as at 31.07.2013 RM'000	Balance not utilised as at 31.07.2013 RM'000
Payment for the purchase consideration of acquisition of Electron Beam Sdn. Bhd.	Within 1 month	9,000	9,000	-
Working capital for Sun Healthcare (M) Sdn. Bhd.	Within 12 months	12,000	12,000	-
Working capital for Electron Beam Sdn. Bhd.	Within 12 months	5,000	5,000	-
Working capital for Lucenxia (M) Sdn. Bhd.	Within 24 months	20,000	2,481	17,519
Future business expansion opportunities	Within 24 months	12,614	-	12,614
Estimated expenses in relation to the Proposals	Within 1 month	2,500	2,500	-
		61,114	30,981	30,133



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22. BORROWINGS AND DEBT SECURITIES

	As at 31.07.2013 RM'000	As at 31.10.2012 RM'000
Secured:		
Short Term Borrowings	5,462	9,720
Long Term Borrowings	7,186	6,467
As per Statement of Financial Position	12,648	16,187
Borrowings classified as held for sales	-	205,888
Total Borrowings	<u>12,648</u>	<u>222,075</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 2013.



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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 2013 are as follows:

	Notional amount as at 31.07.2013 RM'000	Fair value as at 31.07.2013 RM'000
Foreign currency forward contracts:		
Less than 1 year		
- Continuing operations	-	-
- Discontinued operations	-	-
	<hr/>	<hr/>
	-	-

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 31.07.2013 RM'000	Preceding year corresponding quarter 31.07.2012 RM'000	Current year quarter 31.07.2013 RM'000	Preceding year corresponding quarter 31.07.2012 RM'000
Foreign currency forward contracts:				
Gain/(Loss) arising from fair value changes				
- Continuing operations	-	-	17	-
- Discontinued operations	-	191	(13)	592
	<hr/>	<hr/>	<hr/>	<hr/>
	-	191	4	592

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



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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 31.07.2013	Preceding year corresponding quarter 31.07.2012	Current year quarter 31.07.2013	Preceding year corresponding quarter 31.07.2012
Profit attributable to ordinary equity holders of the parent (RM'000)	1,329	5,156	200,682	14,013
Less : Profit/(Loss) from continuing operations, net of tax, attributable to owners of the parent (RM'000)	1,329	(236)	199,378	(706)
Profit net of tax from discontinued operations attributable to owners of the parent (RM'000)	-	5,392	1,304	14,719
Weighted average number of Ordinary shares in issue ('000)	152,786	152,786	152,786	152,786
Basic earnings per share (sen)	0.87	3.37	131.35	9.17
Basic earnings per share from continuing operations (sen)	0.87	(0.15)	130.49	(0.46)
Basic earnings per share from discontinued operations (sen)	-	3.53	0.85	9.63



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b) Diluted

There were no diluted earnings per share.

27. PROFIT BEFORE TAX

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

	Individual period 31.07.2013 RM'000	Cumulative period 31.07.2013 RM'000
Continuing Operations		
Gain on derivatives	-	(17)
Gain on disposal of investment in subsidiaries	-	(195,304)
Interest income	(224)	(1,408)
Other income	(8)	(19)
Interest expenses	158	480
Depreciation of property, plant and equipment	335	940
Net foreign exchange loss	17	49
Discontinued Operations		
Interest income	-	(30)
Other income	-	(26)
Interest expenses	-	875
Depreciation of property, plant and equipment	-	1,711
Net foreign exchange gain	-	(27)
Loss on derivatives	-	13

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 31.07.2013 RM'000	As at 31.10.2012 RM'000
Group's total retained profits:		
Realised	3,483	140,534
Unrealised	5,107	13,319
	<hr/> 8,590	<hr/> 153,853
Less: Consolidation adjustments	916	23,051
Retained profits as per financial statements	<hr/> 7,674	<hr/> 130,802



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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 26 September 2013.

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