



**ADVENTA BERHAD**  
(Company No : 618533-M)  
(Incorporated in Malaysia)  
**THIRD QUARTER REPORT ENDED 31 JULY 2015**

**UNAUDITED NOTES TO FINANCIAL STATEMENTS**

***PART A - EXPLANATORY NOTES PURSUANT TO MFRS 134***

**1. BASIS OF PREPARATION**

The interim financial report is unaudited and has been prepared in accordance with Malaysia Financial Reporting Standard (“MFRS”) 134 : Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial report should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 October 2014. The explanatory notes attached to the interim financial statements provide an explanation of events and transaction that are significant to the understanding of the changes in the financial position and performance of the Group since the financial year ended 31 October 2014.

The audited financial statements of the Group for the year ended 31 October 2014 were prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”). The significant accounting policies and method of computations adopted in preparation of this interim financial report are consistent with those adopted in the audited financial statements of the Company for the financial year ended 31 October 2014.

**2. AUDITORS’ REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS**

The preceding audited financial statements for the year ended 31 October 2014 were not subject to any qualification.

**3. COMMENTS ABOUT SEASONAL, CYCLICAL AND EXCEPTIONAL FACTORS**

The continuous volatility in the Ringgit depresses margins and made longer term pricing agreements with customers difficult. Imported products are impacted. Although the Group as a whole tried to protect margins with a more flexible pricing structure, it is still too volatile to manage effectively without losing market share. The lower income was partially offset by higher sales volume this quarter.



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**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 2015.

**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**

	<u>Individual period</u>		<u>Cumulative period</u>	
	Current year quarter 31.07.2015 RM'000	Preceding year correspondin g quarter 31.07.2014 RM'000	Current year quarter 31.07.2015 RM'000	Preceding year correspondin g quarter 31.07.2014 RM'000
<b><u>Segment Revenue</u></b>				
Healthcare products	6,280	7,087	23,323	15,273
Sterilisation provider	3,157	3,004	8,511	7,824
Corporate	-	198	-	594
Elimination of inter- segment sales	-	(198)	-	(594)
	9,437	10,091	31,834	23,097
<b><u>Segment Results</u></b>				
Healthcare products	67	286	621	942
Sterilisation provider	1,653	2,073	4,503	4,461
Corporate	82	(309)	255	(449)
Elimination	(139)	-	(804)	-
	1,663	2,050	4,575	4,954

**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.



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**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 2015 is as follows:

	<b>RM'000</b>
Approved and contracted for	1,845

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

**13. PERFORMANCE REVIEW**

	<u>Individual period</u>			<u>Cumulative period</u>		
	<b>Current year quarter 31.07.2015 RM'000</b>	<b>Preceding year corresponding quarter 31.07.2014 RM'000</b>	<b>Variance %</b>	<b>Current year quarter 31.07.2015 RM'000</b>	<b>Preceding year corresponding quarter 31.07.2014 RM'000</b>	<b>Variance %</b>
Revenue	9,437	10,091	(6)	31,834	23,097	38
PBT	1,228	1,950	(37)	3,871	4,647	(17)

Adventa's revenue in Q3 2015 slipped 6% from RM10.1mil of same quarter last year. However 3-quarters (9 months) revenue figures improved 38% compared to FY14.

Comparative Profit before tax for FY15 Q3 slipped 37% to RM1.2mil from RM1.9mil.

Q3 Revenue comparison	% changes	Q3 PBT comparison	% changes
Group	↓ 6 %	Group	↓ 37 %
Healthcare	↓ 11 %	Healthcare	↓ 78 %
Sterilisation	↑ 5 %	Sterilisation	↓ 33 %
Home Dialysis	N/A	Home Dialysis	N/A

**Healthcare products:**

Sales dropped 11% from same period last year amid lower uptake by hospitals and pre-purchasing by some to avoid the GST. Profit before tax drop by 78% from same period last year from higher import costs as a result of the weaker Ringgit. The cost could not be fully passed through to the customers as many are still in contract.



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**13. PERFORMANCE REVIEW (continued)**

Sterilisation provider:

Electron Beam has performed consistently as expected with 5% increase in revenue. Profit this quarter was affected by a one off major maintenance and the effect of the weaker Ringgit.

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

	<b>3<sup>rd</sup> Quarter ended 31 July 2015 RM'000</b>	<b>2<sup>nd</sup> Quarter ended 30 April 2015 RM'000</b>	<b>Variance %</b>
<b>Continuing operations</b>			
Revenue	9,437	11,238	(16)
PBT	1,228	1,205	2

Lower revenue from healthcare segment accounted for the Group revenue to be lower by 16% from last quarter. Product rationalization and efficiency programs results in better profits and a healthy margin increase.

**15. COMMENTARY ON CURRENT YEAR PROSPECTS**

Adventa face stiff headwinds with the significant weakening of the Ringgit against the US Dollar as well as against other currencies. The impact will be on the healthcare sector where most products are imported. Contracts that are still running will suffer gross margin losses until cost pass through can be achieved. Efforts are made to renegotiate some contracts with some success. Sun Healthcare has started looking at alternative sources for its supplies as a first response.

Electron Beam, the sterilization provider, is doing well and growing as planned. Profits remained sustainable and consistent. Operations are in the midst of reorganization to optimize customer needs and efficiency. This should improve operating margins in the coming quarters.

On the front of home dialysis, the extensive second Clinical Review 2 (CR2) has just been completed and is now under review. This is the most extensive clinical study on home dialysis in Malaysia. With this completion, the commercial launch of the home dialysis business can proceed in the coming months. Current patients on the system will continue their treatment. New intakes are expected after the launch.



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**16. PROFIT FORECAST**

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

**17. TAXATION**

	<u>Individual period</u>		<u>Cumulative period</u>	
	Current year quarter 31.07.2015 RM'000	Preceding year correspondin g quarter 31.07.2014 RM'000	Current year quarter 31.07.2015 RM'000	Preceding year corresponding quarter 31.07.2014 RM'000
<b>Continuing operations:</b>				
Income tax	(254)	(122)	(532)	(380)
Deferred tax	(157)	(467)	(1,006)	(1,104)
	<u>(411)</u>	<u>(589)</u>	<u>(1,538)</u>	<u>(1,484)</u>

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.

**18. SALE OF UNQUOTED INVESTMENTS AND PROPERTIES**

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

**19. MARKETABLE SECURITIES**

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



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**20. 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 2015.

**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	Reclassifi- cation Amount RM'000	Amount utilised as at 31.07.2015 RM'000	Balance not utilised as at 31.07.2015 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	12,614#	32,614	-
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	-	61,114	-

# The funds allocated for future business expansion opportunities is re-allocated to Lucenxia (M) Sdn. Bhd. as working capital in view of the trials still in progress and further investment needed in patient care education and training into rural region.





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**21. BORROWINGS AND DEBT SECURITIES**

	<b>As at 31.07.2015 RM'000</b>	<b>As at 31.10.2014 RM'000</b>
<b>Secured:</b>		
Short Term Borrowings	19,667	2,283
Long Term Borrowings	18,853	4,017
Total Borrowings	<u>38,520</u>	<u>6,300</u>

**22. 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.

**23. DIVIDEND PAYABLE**

No interim ordinary dividend has been declared for the financial period ended 31 July 2015.



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**24. 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 31.07.2015	Preceding year corresponding quarter 31.07.2014	Current year quarter 31.07.2015	Preceding year corresponding quarter 31.07.2014
Profit attributable to ordinary equity holders of the parent (RM'000)	817	1,361	2,333	3,163
Weighted average number of Ordinary shares in issue ('000)	152,786	152,786	152,786	152,786
Basic earnings per share (sen)	0.53	0.89	1.53	2.07

**b) Diluted**

There were no diluted earnings per share.

**25. PROFIT BEFORE TAX**

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

	Individual period 31.07.2015 RM'000	Cumulative period 31.07.2015 RM'000
<b>Continuing Operations</b>		
Interest income	(153)	(200)
Other income	(30)	(31)
Interest expenses	435	704
Depreciation of property, plant and equipment	353	1,048
Net foreign exchange loss / (gain)	22	(8)



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**26. 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:

	<b>As at 31.07.2015</b>	<b>As at 31.07.2014</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Group's total retained profits:</b>		
Realised	21,735	16,287
Unrealised	2,209	3,980
	<hr/>	<hr/>
	23,944	20,267
Less: Consolidation adjustments	2,583	2,540
Retained profits as per financial statements	<hr/>	<hr/>
	21,361	17,727

**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 22 September 2015.

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