



# ADVENTA

ADVENTA BERHAD

(Company No : 618533-M)

(Incorporated in Malaysia)

THIRD QUARTER REPORT ENDED 31 JULY 2016

## UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS

	Note	Individual period		Cumulative period	
		Current year quarter Unaudited 31-Jul-2016 RM'000	Preceding year corresponding quarter Unaudited 31-Jul-2015 RM'000	Current period Unaudited 31-Jul-2016 RM'000	Preceding period Unaudited 31-Jul-2015 RM'000
Revenue	8	7,677	9,437	29,363	31,834
Operating expenses		(7,646)	(7,980)	(27,001)	(27,499)
Net foreign exchange loss		105	23	(59)	9
Other operating income	25	152	183	499	231
Operating profit	8	288	1,663	2,802	4,575
Finance costs		(393)	(435)	(1,203)	(704)
Profit before taxation	13 & 25	(105)	1,228	1,599	3,871
Income tax expenses	17	(350)	(411)	(1,069)	(1,538)
(Loss)/Profit for the period		(455)	817	530	2,333
Profit attributable to:					
Owners of the parent		(455)	817	530	2,333
Non-controlling interests		-	-	-	-
(Loss)/Profit for the period		(455)	817	530	2,333
Earnings per share (sen):					
Basic	24	(0.30)	0.53	0.35	1.53
Diluted	24	N/A	N/A	N/A	N/A
Number of ordinary shares ('000)	24	152,786	152,786	152,786	152,786

These condensed consolidated income statements should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.



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## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Individual period		Cumulative period	
	Current year quarter 31-Jul-2016 Unaudited RM'000	Preceding year corresponding quarter 31-Jul-2015 Unaudited RM'000	Current period 31-Jul-2016 Unaudited RM'000	Preceding corresponding period 31-Jul-2015 Unaudited RM'000
Profit for the period	(455)	817	530	2,333
Other comprehensive income:				
Foreign currency translation	-	-	-	-
Total comprehensive income for the period	<u>(455)</u>	<u>817</u>	<u>530</u>	<u>2,333</u>
Total comprehensive income attributable to:				
Owners of the parent	(455)	817	530	2,333
Non-controlling interests	-	-	-	-
Total comprehensive income for the period	<u>(455)</u>	<u>817</u>	<u>530</u>	<u>2,333</u>

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**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	Unaudited As at Note 31-Jul-2016 RM'000	Audited As at 31-Oct-2015 RM'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant & equipment	49,982	51,176
Deferred development cost	26,101	23,743
Intangible assets	5,017	5,017
Deferred tax assets	855	1,805
	<u>81,955</u>	<u>81,741</u>
<b>Current assets</b>		
Inventories	14,975	11,582
Trade and other receivables	15,576	17,955
Prepaid operating expenses	246	388
Tax recoverable	65	14
Cash and bank balances	21,249	22,122
	<u>52,111</u>	<u>52,061</u>
<b>TOTAL ASSETS</b>	<u>134,066</u>	<u>133,802</u>



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**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	Unaudited As at Note	Audited As at
	31-Jul-2016 RM'000	31-Oct-2015 RM'000
<b>EQUITY AND LIABILITIES</b>		
<b>Current liabilities</b>		
Trade payables and other payables	11,103	14,848
Income tax payables	-	-
Loans and borrowings	21 9,812	10,444
	<u>20,915</u>	<u>25,292</u>
<b>Non-current liabilities</b>		
Loans and borrowings	21 32,199	28,087
	<u>32,199</u>	<u>28,087</u>
<b>Total liabilities</b>	<u>53,114</u>	<u>53,379</u>
<b>Equity</b>		
Share capital	53,475	53,475
Share premium	4,830	4,830
Retained profits	22,648	22,118
<b>Equity attributable to owners of the parent</b>	<u>80,953</u>	<u>80,423</u>
Non-controlling interests	-	-
<b>Total equity</b>	<u>80,953</u>	<u>80,423</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>134,067</u>	<u>133,802</u>
Net assets per share (RM)	<u>0.53</u>	<u>0.53</u>

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THIRD QUARTER REPORT ENDED 31 JULY 2016

## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	<u>Non-distributable</u>	<u>Distributable</u>		
	Share	Share	Retained	
	capital	premium	profits	
	RM'000	RM'000	RM'000	
			Total	
			RM'000	
<b><u>Quarter ended 31 July 2015</u></b>				
At 1 November 2014	53,475	4,830	19,028	77,333
Total comprehensive income	-	-	2,333	2,333
At 31 July 2015	<u>53,475</u>	<u>4,830</u>	<u>21,361</u>	<u>79,666</u>
<b><u>Quarter ended 31 July 2016</u></b>				
At 1 November 2015	53,475	4,830	22,118	80,423
Total comprehensive income	-	-	530	530
At 31 July 2016	<u>53,475</u>	<u>4,830</u>	<u>22,648</u>	<u>80,953</u>

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**THIRD QUARTER REPORT ENDED 31 JULY 2016**

## UNAUDITED ADJUSTED CONSOLIDATED STATEMENTS OF CASH FLOW

	Current year to date 31-Jul-2016 Unaudited RM'000	Preceding year corresponding period 31-Jul-2015 Unaudited RM'000
<b>Cash flows from operating activities</b>		
Profit before tax	1,599	3,871
Adjustments for:		
Depreciation of property, plant and equipment	1,371	1,048
Interest expenses	1,203	704
Interest income	(485)	(200)
Net unrealised foreign exchange loss	(102)	-
Operating profit before working capital changes	3,586	5,423
Increase in inventories	(3,393)	(1,813)
Decrease/(Increase) in trade and other receivables	2,479	(76)
Decrease in prepaid operating expenses	142	2,221
Decrease in payables	(3,743)	(3,257)
Cash (used in)/from operations	(929)	2,498
Interest paid	(1,203)	(82)
Taxes paid	(170)	(2,602)
Net cash (used in)/from operating activities	(2,302)	(186)



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## UNAUDITED ADJUSTED CONSOLIDATED STATEMENTS OF CASH FLOW

	Current year to date 31-Jul-2016 Unaudited RM'000	Preceding year corresponding period 31-Jul-2015 Unaudited RM'000
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(202)	(5,823)
Investment in deferred development cost	(2,358)	(9,462)
Interest received	485	200
Proceed from disposal of property, plant and equipment	25	-
Net cash used in investing activities	(2,050)	(15,085)
<b>Cash flows from financing activities</b>		
Net increase in borrowings	3,479	32,220
Interest paid	-	(622)
Net cash from financing activities	3,479	31,598
Effects of foreign exchange rate changes	-	-
Net increase in cash and cash equivalents	(873)	16,327
Cash and cash equivalents at beginning of financial period	22,122	5,850
<b>Cash and cash equivalents at end of financial period</b>	<b>21,249</b>	<b>22,177</b>
Cash and cash equivalents at end of financial period comprise:		
- Cash and bank balances	21,249	22,177

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**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 2015. 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 2015.

The audited financial statements of the Group for the year ended 31 October 2015 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 2015.

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

The preceding audited financial statements for the year ended 31 October 2015 were not subject to any qualification.

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

Public spending in Healthcare continues to be a drag on the distribution business. The cuts in public hospitals led to a significant 29% drop in sales. Unless the government increase spending in this segment, the business faces tough times in fulfilling sales expectations. To reduce the impact, a strong push into the private sector was started, with contribution only by 2017.

As the budget will be announced in October, we look forward to the government improving on the healthcare budget.

**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 2016.





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UNAUDITED NOTES TO FINANCIAL STATEMENTS

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.

8. SEGMENTAL INFORMATION

The Company's operations are organized into several reportable business segments, each focused on core competencies of the company(s) in the segment.

We evaluated the performance of our segments based on their operating earnings excluding acquisition-related and exit and realignment charges, certain purchase price fair value adjustments, and other substantive items that, either as a result of their nature or size, would not be expected to occur as part of the our normal business operations on a regular basis.

**Distribution:** the manufacture, trading and third party logistics for the supply of healthcare and related products to healthcare centres in Malaysia and overseas. Products categories include disposables, pharmaceuticals, biotechnology, equipment and services include managed inventory and complete supply chain management that link global supplies to point of care.

**Sterilization:** Providing electron beam sterilization services, evaluation and certification of sterility, consultancy on sterilization and logistics services.

**Home Dialysis:** Providing full care dialysis services to homes and travelling patients.

	<u>Individual period</u>		<u>Cumulative period</u>	
	<u>Current year quarter</u> 31.07.2016 RM'000	<u>Preceding year corresponding quarter</u> 31.07.2015 RM'000	<u>Current year</u> 31.07.2016 RM'000	<u>Preceding year</u> 31.07.2015 RM'000
<u>Segment Revenue</u>				
Distribution	4,442	6,280	20,471	23,323



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**UNAUDITED NOTES TO FINANCIAL STATEMENTS**

Sterilization	3,467	3,157	9,557	8,511
Home Dialysis	22	-	73	-
Corporate	-	-	-	-
Elimination of inter- segment sales	(254)	-	(738)	-
	<u>7,677</u>	<u>9,437</u>	<u>29,363</u>	<u>31,834</u>

**Segment Results**

Distribution	(90)	67	680	621
Sterilization	1,880	1,653	4,591	4,503
Home Dialysis	(1,308)	-	(1,818)	-
Corporate	61	82	98	255
Elimination	(255)	(139)	(749)	(804)
	<u>288</u>	<u>1,663</u>	<u>2,802</u>	<u>4,575</u>

**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.

**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**

No commitments for the purchase of property, plant and equipment.



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**UNAUDITED NOTES TO FINANCIAL STATEMENTS**

***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>		
	<u>Current year quarter</u> 31.07.2016 RM'000	<u>Preceding year corresponding quarter</u> 31.07.2015 RM'000	<u>Variance</u> %	<u>Current year quarter</u> 31.07.2016 RM'000	<u>Preceding year corresponding quarter</u> 31.07.2015 RM'000	<u>Variance</u> %
Revenue	7,677	9,437	(19)	29,363	31,834	(8)
PBT	(105)	1,228	(109)	1,599	3,871	(59)

Revenue in Q3 2016 decreased by 19% from RM9.4mil of same quarter last year. The Group suffered a loss before tax of RM105k mainly due to higher expenditure from Home Dialysis segment for marketing activities.

Comparative Q3	Revenue changes	PBT changes
Group	↓ 19 %	↓ 109 %
Distribution	↓ 29 %	↑ P %
Sterilization	↑ 10 %	↑ 14 %
Home Dialysis	N/A	N/A

\*P denotes positive change from negative value

Group:

Budget cuts in the public healthcare sector continues to impact negatively to the overall Group performance. Distribution segment was down by 29% as a result from lower sales of hospital supplies.

On the other hand, the Sterilization segment grew 10% in revenue compared to preceding year corresponding quarter despite the challenging environment. This goes to show how resilient the nature of this business is and a testament of its long term viability.



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**UNAUDITED NOTES TO FINANCIAL STATEMENTS**

**13. PERFORMANCE REVIEW (continued)**

The Home Dialysis segment is currently in the final stages of approval from several parties for patient funding. Much awareness and interest has been generated from marketing and participation in medical symposium.

Distribution:

Revenue dropped by 29% due to the challenges caused by budget cuts during the period.

Sterilization:

Sales grew by 10% compared to preceding year same quarter.

Home Dialysis:

Revenue from this segment is starting to come in even though it has just been launched and needs time to create more awareness to reach out to more patients. The Company is extending its educational and publicity programs to better inform the public.

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

	<b>3<sup>rd</sup> Quarter ended 31 July 2016 RM'000</b>	<b>2<sup>nd</sup> Quarter ended 30 April 2016 RM'000</b>	<b>Variance %</b>
<b>Continuing operations</b>			
Revenue	7,677	9,383	(18)
PBT	(105)	346	(131)

The group's revenue recorded 18% decrease mainly from Distribution segment. Loss before tax was RM106,000 compared to profit before tax of RM346,000 recorded in last preceding quarter mainly due to higher marketing and promotion expenses spent for Home Dialysis segment.

**15. COMMENTARY ON CURRENT YEAR PROSPECTS**

The 2016 National Budget hit all sectors of the economy and the healthcare sector is not spared. The state of the economy usually influence the number of patients seeking treatment at public or private hospitals. As the country faces low growth, the public hospitals are seeing an increase in patients, thereby stretching expenditure in all directions, with consumables other than pharmaceuticals bearing the brunt of cuts. This on top of an actual budget allocation cut impacts all suppliers to the hospitals.

Sun Healthcare took a big hit of 29% reduction in sales to hospitals. The company do not expect this crunch to ease before next year's budget.



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**15. COMMENTARY ON CURRENT YEAR PROSPECTS (continued)**

The sterilization business continue with impressive growth. We foresee bright prospect with new accounts in the pipeline.

Home Dialysis service is a long term growth sustainable segment with potential business leveraging on home healthcare and telemedicine. The good results from current patients help patient/doctor acceptance of this new modality in dialysis. Moreover, with the government's intention of a PD first policy, we see growth potential as soon as sufficient awareness grow among healthcare professionals.

**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 31.07.2016 RM'000	Preceding year corresponding quarter 31.07.2015 RM'000	Current year quarter 31.07.2016 RM'000	Preceding year corresponding quarter 30.04.2015 RM'000
<b>Continuing operations:</b>				
Income tax	38	(254)	(119)	(532)
Deferred tax	(388)	(157)	(950)	(1,006)
	<u>(350)</u>	<u>(411)</u>	<u>(1,069)</u>	<u>(1,538)</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.



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## UNAUDITED NOTES TO FINANCIAL STATEMENTS

### 19. MARKETABLE SECURITIES

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

### 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 2016.

### 21. BORROWINGS AND DEBT SECURITIES

	As at 31.07.2016 RM'000	As at 31.10.2015 RM'000
<b>Secured:</b>		
Short Term Borrowings	9,812	10,444
Long Term Borrowings	32,199	28,087
Total Borrowings	<u>42,011</u>	<u>38,531</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 2016.

### 24. EARNINGS PER SHARE

The basic and diluted earnings per share for the reporting period are computed as follows:



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**UNAUDITED NOTES TO FINANCIAL STATEMENTS**

**24. EARNINGS PER SHARE (continued)**

**a) Basis**

	<b>Individual period</b>		<b>Cumulative period</b>	
	<b>Current year quarter 31.07.2016</b>	<b>Preceding year corresponding quarter 31.07.2015</b>	<b>Current year quarter 31.07.2016</b>	<b>Preceding year corresponding quarter 31.07.2015</b>
Profit attributable to ordinary equity holders of the parent (RM'000)	(456)	817	529	2,333
Weighted average number of Ordinary shares in issue ('000)	152,786	152,786	152,786	152,786
Basic earnings per share (sen)	(0.30)	0.53	0.35	1.53

**b) Diluted**

There were no diluted earnings per share.

**25. PROFIT BEFORE TAX**

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

	<b>Individual period 31.07.2016 RM'000</b>	<b>Cumulative period 31.07.2016 RM'000</b>
Interest income	(147)	(485)
Other income	(5)	(14)
Interest expenses	393	1,203
Depreciation of property, plant and equipment	777	1,911
Net foreign exchange loss	(105)	59



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**UNAUDITED NOTES TO FINANCIAL STATEMENTS**

**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:

	As at 31.07.2016	As at 31.07.2015
	RM'000	RM'000
<b>Group's total retained profits:</b>		
Realised	24,972	21,735
Unrealised	753	2,209
	<hr/>	<hr/>
	25,725	23,944
Less: Consolidation adjustments	3,077	2,583
Retained profits as per financial statements	<hr/>	<hr/>
	22,647	21,361

**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 29 September 2016.

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