



ADVENTA

ADVENTA BERHAD

(Company No : 618533-M)

(Incorporated in Malaysia)

FOURTH QUARTER REPORT ENDED 31 OCTOBER 2016

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS

	Note	Individual period		Cumulative period	
		Current year quarter Unaudited 31-Oct-2016 RM'000	Preceding year corresponding quarter Unaudited 31-Oct-2015 RM'000	Current period Unaudited 31-Oct-2016 RM'000	Preceding corresponding period Unaudited 31-Oct-2015 RM'000
Revenue	8	10,568	10,047	39,931	41,881
Operating expenses		(9,492)	(9,172)	(36,494)	(36,671)
Net foreign exchange loss		(16)	242	(75)	251
Other operating income	25	125	144	624	375
Operating profit	8	1,185	1,261	3,986	5,836
Finance costs		(385)	(274)	(1,588)	(978)
Profit before taxation	13 & 25	800	987	2,398	4,858
Income tax expenses	17	(659)	(230)	(1,728)	(1,768)
(Loss)/Profit for the period		141	757	670	3,090
Profit attributable to:					
Owners of the parent		141	757	670	3,090
Non-controlling interests		-	-	-	-
(Loss)/Profit for the period		141	757	670	3,090
Earnings per share (sen):					
Basic	24	0.09	0.50	0.44	2.02
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

	<u>Individual period</u>	<u>Cumulative period</u>
	Current year quarter	Current period
Note	31-Oct-2016	31-Oct-2016
	Unaudited	Unaudited
	RM'000	RM'000
Profit for the period	141	670
Other comprehensive income:		
Foreign currency translation	-	-
Total comprehensive income for the period	<u>141</u>	<u>670</u>
Total comprehensive income attributable to:		
Owners of the parent	141	670
Non-controlling interests	-	-
Total comprehensive income for the period	<u>141</u>	<u>670</u>

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CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Unaudited As at Note 31-Oct-2016 RM'000	Audited As at 31-Oct-2015 RM'000
ASSETS		
Non-current assets		
Property, plant & equipment	53,595	51,176
Deferred development cost	26,576	23,743
Intangible assets	5,017	5,017
Deferred tax assets	468	1,805
	85,656	81,741
Current assets		
Inventories	15,318	11,582
Trade and other receivables	11,666	17,955
Prepaid operating expenses	190	388
Tax recoverable	-	14
Cash and bank balances	21,002	22,122
	48,176	52,061
TOTAL ASSETS	133,832	133,802



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CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	Unaudited As at 31-Oct-2016 RM'000	Audited As at 31-Oct-2015 RM'000
EQUITY AND LIABILITIES			
Current liabilities			
Trade payables and other payables		11,628	14,848
Income tax payables		177	-
Loans and borrowings	21	<u>9,574</u>	<u>10,444</u>
		<u>21,379</u>	<u>25,292</u>
Non-current liabilities			
Loans and borrowings	21	<u>31,361</u>	<u>28,087</u>
		<u>31,361</u>	<u>28,087</u>
Total liabilities		<u>52,740</u>	<u>53,379</u>
Equity			
Share capital		53,475	53,475
Share premium		4,830	4,830
Retained profits		<u>22,788</u>	<u>22,118</u>
Equity attributable to owners of the parent		81,093	80,423
Non-controlling interests		-	-
Total equity		<u>81,093</u>	<u>80,423</u>
TOTAL EQUITY AND LIABILITIES		<u>133,833</u>	<u>133,802</u>
Net assets per share (RM)		<u>0.53</u>	<u>0.53</u>

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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	
<u>Quarter ended 31 October 2015</u>				
At 1 November 2014	53,475	4,830	19,028	77,333
Total comprehensive income	-	-	3,090	3,090
At 31 October 2015	<u>53,475</u>	<u>4,830</u>	<u>22,118</u>	<u>80,423</u>
<u>Quarter ended 31 October 2016</u>				
At 1 November 2015	53,475	4,830	22,118	80,423
Total comprehensive income	-	-	670	670
At 31 October 2016	<u>53,475</u>	<u>4,830</u>	<u>22,788</u>	<u>81,093</u>

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UNAUDITED ADJUSTED CONSOLIDATED STATEMENTS OF CASH FLOW

	Current year to date 31-Oct-2016 Unaudited RM'000	Preceding year corresponding period 31-Oct-2015 Unaudited RM'000
Cash flows from operating activities		
Profit before tax	2,398	4,858
Adjustments for:		
Depreciation of property, plant and equipment	1,892	1,642
Impairment loss on trade receivables	-	168
Interest expenses	1,588	978
Interest income	(606)	(336)
Net unrealised foreign exchange loss	(107)	(202)
Property, plant and equipment written off	-	-
Operating profit before working capital changes	5,165	7,108
Increase in inventories	(3,736)	(2,303)
Decrease/(Increase) in trade and other receivables	6,406	(4,931)
Decrease in prepaid operating expenses	198	2,303
Decrease in payables	(3,229)	1,675
Cash (used in)/from operations	4,804	3,852
Interest paid	(1,588)	(780)
Taxes paid	(201)	(489)
Taxes refunded	-	13
Net cash (used in)/from operating activities	3,015	2,596



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UNAUDITED ADJUSTED CONSOLIDATED STATEMENTS OF CASH FLOW

	Current year to date 31-Oct-2016 Unaudited RM'000	Preceding year corresponding period 31-Oct-2015 Unaudited RM'000
Cash flows from investing activities		
Purchase of property, plant and equipment	(4,337)	(8,269)
Investment in deferred development cost	(2,833)	(10,582)
Interest received	606	336
Proceed from disposal of property, plant and equipment	25	146
Net cash used in investing activities	(6,539)	(18,369)
Cash flows from financing activities		
Net increase in borrowings	2,404	32,034
Net cash from financing activities	2,404	32,034
Effects of foreign exchange rate changes	-	11
Net increase in cash and cash equivalents	(1,120)	16,272
Cash and cash equivalents at beginning of financial period	22,122	5,850
Cash and cash equivalents at end of financial period	21,002	22,122
Cash and cash equivalents at end of financial period comprise:		
- Cash and bank balances	21,002	22,122

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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 5% 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 October 2016.



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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.

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.



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	<u>Individual period</u>		<u>Cumulative period</u>	
	<u>Current year quarter</u> 31.10.2016 RM'000	<u>Preceding year corresponding quarter</u> 31.10.2015 RM'000	<u>Current year</u> 31.10.2016 RM'000	<u>Preceding year</u> 31.10.2015 RM'000
<u>Segment Revenue</u>				
Distribution	6,854	7,317	27,325	30,640
Sterilization	3,936	3,084	13,493	11,595
Home Dialysis	48	-	121	-
Corporate	-	-	-	-
Elimination of inter-segment sales	(270)	(354)	(1,008)	(354)
	<u>10,568</u>	<u>10,047</u>	<u>39,931</u>	<u>41,881</u>
<u>Segment Results</u>				
Distribution	811	160	1,491	781
Sterilization	2,159	1,396	6,750	5,899
Home Dialysis	(1,456)	-	(3,274)	-
Corporate	(19)	(342)	79	(88)
Elimination	(310)	47	(1,060)	(756)
	<u>1,185</u>	<u>1,261</u>	<u>3,986</u>	<u>5,836</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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PART B – ADDITIONAL INFORMATION AS REQUIRED BY APPENDIX 9B OF BURSA MALAYSIA LISTING REQUIREMENTS

13. PERFORMANCE REVIEW

	<u>Individual period</u>		
	Current year quarter	Preceding year corresponding quarter	Variance %
	31.10.2016 RM'000	31.10.2015 RM'000	
Revenue	10,568	10,047	5
EBITDA	1,910	1,718	11
PBT	800	1,129	(29)

- Revenue up 5%.
- Contribution from Sterilization Segment increase of 28%.
- Excluding Dialysis, Profit Before Tax increased by 28%.
- EBITDA rose 12% to RM 1.92m

	<u>Cumulative period</u>		
	Current year quarter	Preceding year corresponding quarter	Variance %
	31.10.2016 RM'000	31.10.2015 RM'000	
Revenue	39,931	41,881	(5)
EBITDA	6,136	7,140	(14)
PBT	2,398	4,858	(5)

- Revenue eased 5%.
- EBITDA dropped RM 1m
- PBT lost 50% from high depreciation and amortisation of development cost of Dialysis business.

A strong quarter in comparison with preceding periods as sales of high value technical products increased at Sun Healthcare. Sterilization grew at a healthy 28%, consistent with previous years.

Comparative Q4	Revenue changes	EBITDA changes	PBT changes
Group	↑ 5 %	↑ 12 %	↓ 17 %
Distribution	↓ 6 %	↑ 148 %	↑ 113 %
Sterilization	↑ 28 %	↑ 32 %	↑ 39 %



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Group:

Group's overall revenue decreased by 5% due to significant reduction in public healthcare budget for consumables during the year. Group Profit before tax reduced by half due to higher operating and marketing expenditure incurred during the year after the Home Dialysis services were launched. Excluded, the Group's profit before tax would have been improved by 17% compared to the previous financial year.

Operational cash flow is strong, growing at 26%.

Distribution:

Public Healthcare budget cuts continue to weigh heavily on revenue with little signs of improvements for the near term. As the spendings reduction sinks in, hospitals trim inventory and reduce purchases of non critical items, typically in the company's range.

Even though revenue dropped by 6% compared to the same quarter preceding year, this has shown an improvement comparatively, as the business diversified into other sectors of the industry, taking on new technical products for surgical and ambulatory procedures.

Sterilization:

Sales continue to show robust growth, from new overseas customers and domestic accounts. As the manufacturers realized the values of the sophisticated sterilization system of the company, more new accounts have started validations to use the electron beam services. Margins have improved from the upgrade exercise performed last quarter. Higher utilization contributed to operating efficiency.

Home Dialysis:

Revenue from this segment is starting to come in albeit at a slow pace. Time is needed to convert the stronger awareness among new patients to sign on as the public healthcare budget continues to lag behind. A sign of the potential of this service is the keen interest shown by several neighboring countries to acquire Lucenxia Home Dialysis services.

14. COMPARISON WITH PRECEDING QUARTER'S RESULTS

	^{4rd} Quarter ended 31 October 2016 RM'000	^{3rd} Quarter ended 31 July 2016 RM'000	Variance %
Continuing operations			
Revenue	10,568	7,677	38
PBT	800	(105)	762
EBITDA	1,910	917	110

The turnaround in before tax profit stems from better margins in distributions and stellar growth in sterilization. These businesses have shown resilience in varying conditions and the ability to turn around quickly.



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15. COMMENTARY ON CURRENT YEAR PROSPECTS

Home Dialysis is the potential high growth business of the group, with predicted double digit revenue growth every quarter. As the CKD (Chronic Kidney Failure) rates continues to grow at more than 10% per year in the country, the company is making plans to extend its services out of the urban areas to tap into this market.

The addition of new segments into the distribution business has shown results in margin improvement. These new subsectors will drive the revenue during this period of very lean public expenditure in healthcare for consumables.

The home dialysis business incurred a loss of RM 3.27 m this year, primarily from launch, and services building and advertisement costs. This is expected to change with greater patient numbers. As a full service provider, this pay-for-service model is typically cost heavy upfront.

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>	
	Preceding		Preceding	
	year		year	
	Current year	corresponding	Current year	corresponding
	quarter	quarter	quarter	quarter
	31.10.2016	31.10.2015	31.10.2016	31.10.2015
	RM'000	RM'000	RM'000	RM'000
Continuing operations:				
Income tax	(275)	175	(394)	(357)
Deferred tax	(384)	(405)	(1334)	(1,411)
	<u>(659)</u>	<u>(230)</u>	<u>(1,728)</u>	<u>(1,768)</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.



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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.

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 October 2016.

21. BORROWINGS AND DEBT SECURITIES

	As at 31.10.2016 RM'000	As at 31.10.2015 RM'000
Secured:		
Short Term Borrowings	9,574	10,444
Long Term Borrowings	31,361	28,087
Total Borrowings	<u>40,935</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 October 2016.



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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

	<u>Individual period</u>		<u>Cumulative period</u>	
	<u>Current year quarter</u> 31.10.2016	<u>Preceding year corresponding quarter</u> 31.10.2015	<u>Current year quarter</u> 31.10.2016	<u>Preceding year corresponding quarter</u> 31.10.2015
Profit attributable to ordinary equity holders of the parent (RM'000)	140	757	670	3,090
Weighted average number of Ordinary shares in issue ('000)	152,786	152,786	152,786	152,786
Basic earnings per share (sen)	0.09	0.50	0.44	2.02

b) Diluted

There were no diluted earnings per share.

25. PROFIT BEFORE TAX

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

	<u>Individual period</u> 31.10.2016 RM'000	<u>Cumulative period</u> 31.10.2016 RM'000
Interest income	(121)	(606)
Other income	(4)	(18)
Interest expenses	385	1,588
Net foreign exchange loss	16	75



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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:

	As at 31.10.2016	As at 31.10.2015
	RM'000	RM'000
Group's total retained profits:		
Realised	25,62	22,925
Unrealised	360	2,007
	<hr/> 25,980	<hr/> 24,932
Less: Consolidation adjustments	3,192	2,813
Retained profits as per financial statements	<hr/> 22,788	<hr/> 22,119

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 December 2016.

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