



# ADVENTA

ADVENTA BERHAD

(Company No : 618533-M)

(Incorporated in Malaysia)

THIRD QUARTER REPORT ENDED 31 JULY 2017

## UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS

	Note	Individual period		Cumulative period	
		Current year quarter Unaudited 31-Jul-2017 RM'000	Preceding year corresponding quarter Unaudited 31-Jul-2016 RM'000	Current period Unaudited 31-Jul-2017 RM'000	Preceding period Unaudited 31-Jul-2016 RM'000
Revenue	8	10,520	7,677	32,081	29,363
Operating expenses		(9,843)	(7,647)	(30,235)	(27,002)
Net foreign exchange gain/( loss)		4	105	48	(59)
Other operating income	25	70	152	263	499
Operating profit	8	751	287	2,157	2,801
Finance costs		(293)	(393)	(976)	(1,203)
Profit before taxation	13 & 25	458	(106)	1,181	1,598
Income tax expenses	17	(424)	(350)	(810)	(1,069)
Profit for the period		34	(456)	371	529
Profit attributable to:					
Owners of the parent		34	(456)	371	529
Non-controlling interests		-	-	-	-
Profit for the period		34	(456)	371	529
Earnings per share (sen):					
Basic	24	0.02	(0.30)	0.24	0.35
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-Jul-2017	31-Jul-2017
	Unaudited RM'000	Unaudited RM'000
Profit for the period	34	371
Other comprehensive income:		
Foreign currency translation	-	-
Total comprehensive income for the period	<u>34</u>	<u>371</u>
Total comprehensive income attributable to:		
Owners of the parent	34	371
Non-controlling interests	-	-
Total comprehensive income for the period	<u>34</u>	<u>371</u>

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## CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Unaudited As at Note 31-Jul-2017 RM'000	Audited As at 31-Oct-2016 RM'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant & equipment	48,750	53,595
Deferred development cost	26,907	26,576
Intangible assets	5,017	5,017
Deferred tax assets	-	424
	<u>80,674</u>	<u>85,612</u>
<b>Current assets</b>		
Inventories	15,171	15,318
Trade and other receivables	19,582	11,666
Prepaid operating expenses	493	190
Cash and bank balances	13,312	21,002
	<u>48,558</u>	<u>48,176</u>
<b>TOTAL ASSETS</b>	<u><u>129,232</u></u>	<u><u>133,788</u></u>

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## CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		Unaudited As at 31-Jul-2017 RM'000	Audited As at 31-Oct-2016 RM'000
<b>EQUITY AND LIABILITIES</b>			
<b>Current liabilities</b>			
Trade payables and other payables		11,196	11,628
Income tax payables		242	118
Loans and borrowings	21	<u>8,929</u>	<u>9,574</u>
		<u>20,367</u>	<u>21,320</u>
<b>Non-current liabilities</b>			
Loans and borrowings	21	27,381	31,361
Deferred tax liabilities		6	-
		<u>27,387</u>	<u>31,361</u>
<b>Total liabilities</b>		<u>47,754</u>	<u>52,681</u>
<b>Equity</b>			
Share capital		53,475	53,475
Share premium		4,830	4,830
Retained profits		<u>23,173</u>	<u>22,802</u>
<b>Equity attributable to owners of the parent</b>		<u>81,478</u>	<u>81,107</u>
Non-controlling interests		-	-
<b>Total equity</b>		<u>81,478</u>	<u>81,107</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>129,232</u>	<u>133,788</u>
Net assets per share (RM)		<u>0.53</u>	<u>0.53</u>

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THIRD QUARTER REPORT ENDED 31 JULY 2017

## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	<u>Share capital</u> RM'000	<u>Non-distributable</u> Share premium RM'000	<u>Distributable</u> Retained profits RM'000	<u>Total</u> RM'000
<b><u>Quarter ended 31 July 2016</u></b>				
At 1 November 2015	53,475	4,830	22,118	80,423
Total comprehensive income	-	-	529	529
At 31 July 2016	<u>53,475</u>	<u>4,830</u>	<u>22,647</u>	<u>80,952</u>
<b><u>Quarter ended 31 July 2017</u></b>				
At 1 November 2016	53,475	4,830	22,802	81,107
Total comprehensive income	-	-	371	371
At 31 July 2017	<u>53,475</u>	<u>4,830</u>	<u>23,173</u>	<u>81,478</u>

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THIRD QUARTER REPORT ENDED 31 JULY 2017

## UNAUDITED ADJUSTED CONSOLIDATED STATEMENTS OF CASH FLOW

	Current year to date 31-Jul-2017 Unaudited RM'000	Preceding year corresponding period 30-Jul-2016 Unaudited RM'000
<b>Cash flows from operating activities</b>		
Profit before tax	1,180	1,598
Adjustments for:		
Depreciation of property, plant and equipment	1,376	1,371
Interest expenses	-	1,204
Interest income	(245)	(485)
Net unrealised foreign exchange loss	33	(102)
Operating profit before working capital changes	2,344	3,586
Increase in inventories	147	(3,393)
Increase in trade and other receivables	(7,936)	2,479
Increase in prepaid operating expenses	(304)	142
Decrease in payables	(444)	(3,742)
Cash (used in)/from operations	(6,193)	(928)
Interest paid	(976)	(1,203)
Taxes paid	(255)	(170)
Net cash (used in)/from operating activities	(7,424)	(2,301)

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THIRD QUARTER REPORT ENDED 31 JULY 2017

## UNAUDITED ADJUSTED CONSOLIDATED STATEMENTS OF CASH FLOW

	Current year to date 31-Jul-2017 Unaudited RM'000	Preceding year corresponding period 30-Jul-2016 Unaudited RM'000
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(987)	(202)
Investment in deferred development cost	(332)	(2,358)
Interest received	246	484
Proceed from disposal of property, plant and equipment	4,458	25
Net cash used in investing activities	3,385	(2,051)
<b>Cash flows from financing activities</b>		
Net decrease in borrowings	(4,627)	3,479
Interest paid	976	-
Net cash from financing activities	(3,651)	3,479
Effects of foreign exchange rate changes	-	-
Net increase in cash and cash equivalents	(7,690)	(873)
Cash and cash equivalents at beginning of financial period	21,002	22,122
<b>Cash and cash equivalents at end of financial period</b>	<b>13,312</b>	<b>21,249</b>
Cash and cash equivalents at end of financial period comprise:		
- Cash and bank balances	13,312	21,249

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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 2016. 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 2016.

The audited financial statements of the Group for the year ended 31 October 2016 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 2016.

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

The preceding audited financial statements for the year ended 31 October 2016 were not subject to any qualification.

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

This quarter saw sales from private healthcare improving. With the Ringgit moving on strengthening trend against the US Dollar, import trade will be able to improve on cost for margin improvement.

**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 2017.





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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.



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**UNAUDITED NOTES TO FINANCIAL STATEMENTS**

	<u>Individual period</u>		<u>Cumulative period</u>	
	<u>Current year quarter</u> 31.07.2017 RM'000	<u>Preceding year corresponding quarter</u> 31.07.2016 RM'000	<u>Current year</u> 31.07.2017 RM'000	<u>Preceding year</u> 31.07.2016 RM'000
<b><u>Segment Revenue</u></b>				
Distribution	6,899	4,442	21,628	20,471
Sterilization	3,616	3,467	10,703	9,557
Home Dialysis	247	22	547	73
Corporate	-	-	-	-
Elimination of inter-segment sales	(242)	(254)	(797)	(738)
	<u>10,520</u>	<u>7,677</u>	<u>32,081</u>	<u>29,363</u>
<b><u>Segment Results</u></b>				
Distribution	38	(90)	1,061	680
Sterilization	2,109	1,880	5,545	4,591
Home Dialysis	(1,219)	(1,307)	(3,657)	(1,818)
Corporate	(219)	61	(67)	98
Elimination	42	(257)	(725)	(750)
	<u>751</u>	<u>287</u>	<u>2,157</u>	<u>2,801</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>		Variance %
	Current year quarter 31.07.2017 RM'000	Preceding year corresponding quarter 31.07.2016 RM'000	
	Revenue	10,520	
EBITDA	1,475	917	61
PBT	458	(106)	532

- Revenue up 37%.
- Sterilization Segment profits up 10%.
- Excluding Dialysis, Profit Before Tax increased by 38%.
- EBITDA improved 61% to RM 1.475m

	<u>Cumulative period</u>		Variance %
	Current year quarter 31.07.2017 RM'000	Preceding year corresponding quarter 31.07.2016 RM'000	
	Revenue	32,081	
EBITDA	4,259	4,227	1
PBT	1,180	1,598	-26

- Revenue improved 9%.
- EBITDA increased RM32k.
- PBT fell 26% from higher cost of operation in the Dialysis business.

On a year on year quarter review, revenue surged 37% with positive contribution from all segments.

	<b>Q3 FY2017 RM'1000</b>	<b>Q3 FY2016 RM'1000</b>	<b>Change %</b>
Healthcare Distribution	6,899	4,442	+55%
Sterilization	3,616	3,467	+4%
Home Dialysis	247	22	+1023%



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**UNAUDITED NOTES TO FINANCIAL STATEMENTS**

Profit Analysis :

Comparative Q3 FY16	Revenue changes	EBITDA changes	PBT changes
Group	↑ 37 %	↑ 61 %	P % *
Distribution	↑ 55 %	P % *	P % *
Sterilization	↑ 4 %	↑ 10 %	↑ 21 %

- \* P denotes positive change from negative value

Group:

Group's overall revenue increased by 37% compared same quarter last year due to higher contribution from the Distribution segment business turning from loss to profit before tax.

Distribution:

Improving sales to private healthcare improved significantly, lifting pressure from reduced income from public healthcare. The introduction of new products categories will build the base for future revenue growth.

Sterilization:

Revenue increased by 4% compared to proceeding year quarter. Contribution continues to show resilience in both revenue and income . Profit before tax has surged 21% compared same quarter last year from higher throughput and efficiency.

Home Dialysis:

The revenue generation is still insignificant in comparison with the other businesses but the quantum of improvement in revenue (increased by 1023%) is encouraging. The long period of regulatory approvals in the different countries weigh down revenue growth. The number of treatments is expected to increase sharply upon completion of the required approvals.



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**UNAUDITED NOTES TO FINANCIAL STATEMENTS**

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

	<b>3<sup>rd</sup> Quarter ended 31 July 2017</b>	<b>2<sup>nd</sup> Quarter ended 30 April 2017</b>	<b>Variance</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>%</b>
<b>Continuing operations</b>			
Revenue	10,520	12,179	(14)
PBT	458	684	(33)
EBITDA	1,475	1,729	(15)

The Group's Revenue dropped by 14% compared to preceding quarter mainly from Distribution business.

**15. COMMENTARY ON CURRENT YEAR PROSPECTS**

The company expect current trends of growth to continue into the last quarter of the year, driven by Distribution and Sterilization. Both segments see signs of improving sales from the past quarters of slow growth revenue.

To capitalize on the changing landscape in healthcare, the company has put in place new strategies for the coming quarters to increase range of products and choice of services. These initiatives shall see returns next year.

As the Ringgit recovers, purchase cost from overseas shall be reduce, improving margins. The Distribution business is heavily reliant on imports for its sales and a weak Ringgit is disadvantageous. The company is optimistic that the year will be profitable and improving.

**16. PROFIT FORECAST**

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



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**UNAUDITED NOTES TO FINANCIAL STATEMENTS**

**17. TAXATION**

	<u>Individual period</u>		<u>Cumulative period</u>	
	Current year	Preceding	Current year	Preceding
	quarter	year	quarter	year
	31.07.2017	corresponding	31.07.2017	corresponding
	quarter	quarter	quarter	quarter
	31.07.2017	31.07.2016	31.07.2017	31.07.2016
	RM'000	RM'000	RM'000	RM'000
Income tax	(125)	38	(373)	(119)
Deferred tax	(299)	(388)	(437)	(950)
	<u>(424)</u>	<u>(350)</u>	<u>(810)</u>	<u>(1,069)</u>

The effective tax rate of the Group is higher than statutory tax rate due to certain expenses which are not deductible for tax purposes.

**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 July 2017.



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**UNAUDITED NOTES TO FINANCIAL STATEMENTS**

**21. BORROWINGS AND DEBT SECURITIES**

	<b>As at 31.07.2017 RM'000</b>	<b>As at 31.07.2016 RM'000</b>
<b>Secured:</b>		
Short Term Borrowings	8,929	9,801
Long Term Borrowings	27,381	32,209
Total Borrowings	<u>36,310</u>	<u>42,010</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 2017.



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**UNAUDITED NOTES TO FINANCIAL STATEMENTS**

**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 31.07.2017</u>	<u>Preceding year corresponding quarter 31.07.2016</u>	<u>Current year quarter 31.07.2017</u>	<u>Preceding year corresponding quarter 31.07.2016</u>
Profit attributable to ordinary equity holders of the parent (RM'000)	34	(456)	371	529
Weighted average number of Ordinary shares in issue ('000)	152,786	152,786	152,786	152,786
Basic earnings per share (sen)	0.02	(0.30)	0.24	0.35

**b) Diluted**

There were no diluted earnings per share.

**25. PROFIT BEFORE TAX**

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

	<b>Individual period 31.07.2017 RM'000</b>	<b>Cumulative period 31.07.2017 RM'000</b>
Interest income	(63)	(245)
Other income	(8)	(19)
Interest expenses	293	976
Net foreign exchange loss	(4)	(48)





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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:

	<b>As at 31.07.2017</b>	<b>As at 31.07.2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Group's total retained profits:</b>		
Realised	26,484	24,972
Unrealised	27	753
	<hr/>	<hr/>
	26,510	25,725
Less: Consolidation adjustments	3,337	3,077
Retained profits as per financial statements	<hr/>	<hr/>
	23,173	22,648

**27. AUTHORISED FOR ISSUE**

The interim financial statements were authorized for issue by the Board of Directors in accordance with a resolution of the directors on 19 September 2017.

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