



ADVENTA BERHAD

(Company No : 618533-M)

(Incorporated in Malaysia)

FOURTH QUARTER REPORT ENDED 31 OCTOBER 2017

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS

	Note	Individual period		Cumulative period	
		Current 1 Quarter Ended 31-Oct-2017 RM'000	Unaudited Corresponding Quarter Ended 31-Oct-2016 RM'000	Unaudited Year To Date 31-Oct-2017 RM'000	Unaudited Corresponding Year To Date 31-Oct-2016 RM'000
Revenue	8	12,155	10,568	44,236	39,931
Operating expenses		(11,533)	(9,492)	(41,768)	(36,494)
Net foreign exchange gain/(loss)		(33)	(16)	15	(75)
Other operating income	25	64	125	327	624
Operating profit	8	653	1,185	2,810	3,986
Finance costs		(306)	(385)	(1,282)	(1,588)
Profit before taxation	13 & 25	347	800	1,528	2,398
Income tax expenses	17	(578)	(645)	(1,388)	(1,714)
Profit for the period		(231)	155	140	684
Profit attributable to:					
Owners of the parent		(231)	155	140	684
Non-controlling interests		-	-	-	-
Profit for the period		(231)	155	140	684
Earnings per share (sen):					
Basic	24	(0.15)	0.10	0.09	0.45
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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FOURTH QUARTER REPORT ENDED 31 OCTOBER 2017

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	<u>Individual period</u>	<u>Cumulative period</u>
	Current Quarter	Current Year
Note	31-Oct-2017 Unaudited RM'000	31-Oct-2017 Unaudited RM'000
Profit for the period	(231)	140
Other comprehensive income:		
Foreign currency translation	-	-
Total comprehensive income for the period	<u>(231)</u>	<u>140</u>
Total comprehensive income attributable to:		
Owners of the parent	(231)	140
Non-controlling interests	-	-
Total comprehensive income for the period	<u>(231)</u>	<u>140</u>

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FOURTH QUARTER REPORT ENDED 31 OCTOBER 2017

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Unaudited As at Note 31-Oct-2017 Year	Audited As at 31-Oct-2016 RM'000
ASSETS		
Non-current assets		
Property, plant & equipment	49,048	53,595
Deferred development cost	27,088	26,576
Intangible assets	5,017	5,017
Deferred tax assets	580	424
	81,733	85,612
Current assets		
Inventories	14,722	15,318
Trade and other receivables	20,610	13,018
Prepaid operating expenses	142	190
Cash and bank balances	10,223	21,002
	45,697	49,528
TOTAL ASSETS	127,430	135,140

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FOURTH QUARTER REPORT ENDED 31 OCTOBER 2017

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Unaudited As at Note 31-Oct-2017 Year	Audited As at 31-Oct-2016 RM'000
EQUITY AND LIABILITIES		
Current liabilities		
Trade payables and other payables	10,217	12,976
Income tax payables	26	122
Loans and borrowings	21 9,618	9,403
	<u>19,861</u>	<u>22,501</u>
Non-current liabilities		
Loans and borrowings	21 25,258	31,532
Deferred tax liabilities	1,064	-
	<u>26,322</u>	<u>31,532</u>
Total liabilities	<u>46,183</u>	<u>54,033</u>
Equity		
Share capital	58,305	53,475
Share Premium	-	4,830
Retained profits	22,942	22,802
Equity attributable to owners of the parent	<u>81,247</u>	<u>81,107</u>
Non-controlling interests	-	-
Total equity	<u>81,247</u>	<u>81,107</u>
TOTAL EQUITY AND LIABILITIES	<u>127,430</u>	<u>135,140</u>
Net assets per share (RM)	<u>0.53</u>	<u>0.53</u>

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FOURTH QUARTER REPORT ENDED 31 OCTOBER 2017

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	<u>Non-distributable</u> Share capital RM'000	<u>Share</u> premium RM'000	<u>Distributable</u> Retained profits RM'000	Total RM'000
<u>Quarter ended 31 October 2016</u>				
At 1 November 2015	53,475	4,830	22,118	80,423
Total comprehensive income	-	-	684	684
At 31 October 2016	<u>53,475</u>	<u>4,830</u>	<u>22,802</u>	<u>81,107</u>
<u>Quarter ended 31 October 2017</u>				
At 1 November 2016	53,475	4,830	22,802	81,107
Transfer on 31 January 2017	4,830	(4,830)	-	-
Total comprehensive income	-	-	140	140
At 31 October 2017	<u>58,305</u>	<u>-</u>	<u>22,942</u>	<u>81,247</u>

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FOURTH QUARTER REPORT ENDED 31 OCTOBER 2017

UNAUDITED ADJUSTED CONSOLIDATED STATEMENTS OF CASH FLOW

	Current Year to Date Ended RM'000	Corresponding Year to Date Ended RM'000
Cash flows from operating activities		
Profit before tax	1,528	2,398
Adjustments for:		
Depreciation and amortisation	3,139	2,756
Inventories written off and impairment of receivables	-	26
Interest expenses	-	1,588
Interest income	(286)	(606)
Net unrealised foreign exchange loss	15	145
Operating profit before working capital changes	4,396	6,307
Decrease/(Increase) in inventories	596	(3,761)
(Increase)/Decrease in trade and other receivables	(7,592)	4,882
Decrease in prepaid operating expenses	48	198
(Decrease) in payables	(2,759)	(1,923)
Cash (used in)/from operations	(5,311)	5,703
Interest paid	(1,282)	(1,588)
Taxes paid	(576)	(201)
Net cash (used in)/from operating activities	(7,169)	3,914

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FOURTH QUARTER REPORT ENDED 31 OCTOBER 2017

UNAUDITED ADJUSTED CONSOLIDATED STATEMENTS OF CASH FLOW

	Current Year to Date Ended RM'000	Corresponding Year to Date Ended RM'000
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,854)	(4,311)
Investment in deferred development cost	(1,805)	(3,697)
Interest received	286	605
Proceed from disposal of property, plant and equipment	4,561	-
Net cash from/(used in) investing activities	1,188	(7,403)
Cash flows from financing activities		
Net (decrease)/increase in borrowings	(6,061)	2,404
Interest paid	1,282	-
Net cash (used in)/ from financing activities	(4,779)	2,404
Net increase in cash and cash equivalents	(10,760)	(1,085)
Cash and cash equivalents at beginning of financial year	21,002	22,122
Effect of exchange rate changes on cash and cash equivalents	(19)	(35)
Cash and cash equivalents at end of financial year	10,223	21,002
Cash and cash equivalents at end of financial period comprise:		
- Cash and bank balances	10,223	21,002

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ADVENTA BERHAD
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FOURTH QUARTER REPORT ENDED 31 OCTOBER 2017

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 year ended 31 October 2017.



ADVENTA BERHAD
(Company No : 618533-M)
(Incorporated in Malaysia)
FOURTH QUARTER REPORT ENDED 31 OCTOBER 2017

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.

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 which 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 renal dialysis services to patients at home.



ADVENTA BERHAD
 (Company No : 618533-M)
 (Incorporated in Malaysia)
FOURTH QUARTER REPORT ENDED 31 OCTOBER 2017

UNAUDITED NOTES TO FINANCIAL STATEMENTS

	<u>Individual period</u>		<u>Cumulative period</u>	
	<u>Current year quarter</u> 31.10.2017 RM'000	<u>Preceding year corresponding quarter</u> 31.10.2016 RM'000	<u>Current year</u> 31.10.2017 RM'000	<u>Preceding year</u> 31.10.2016 RM'000
<u>Segment Revenue</u>				
Distribution	8,070	6,854	29,698	27,325
Sterilization	3,867	3,936	14,570	13,493
Home Dialysis	354	48	901	121
Corporate	-	-	-	-
Elimination of inter- segment Sales	(136)	(270)	(933)	(1,008)
	<u>12,155</u>	<u>10,568</u>	<u>44,236</u>	<u>39,931</u>
<u>Segment Results</u>				
Distribution	95	811	1,156	1,491
Sterilization	1,719	2,159	7,264	6,750
Home Dialysis	(1,225)	(1,456)	(4,882)	(3,274)
Corporate	(81)	(19)	(148)	79
Elimination	145	(310)	(580)	(1,060)
	<u>653</u>	<u>1,185</u>	<u>2,810</u>	<u>3,986</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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 (Incorporated in Malaysia)
FOURTH QUARTER REPORT ENDED 31 OCTOBER 2017

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 31.10.2017 RM'000	Preceding year corresponding quarter 31.10.2016 RM'000	
Revenue	12,155	10,568	15
EBITDA	1,405	1,909	-26
PBT	347	800	-57

Quarter Review

- Revenue up 15%.
- EBITDA dropped 26% to RM 1.405m
- PBT from Non -Dialysis business down by 30%

	<u>Cumulative period</u>		Variance %
	Current year 31.10.2017 RM'000	Preceding year corresponding 31.10.2016 RM'000	
Revenue	44,236	39,931	11
EBITDA	5,663	6,136	-8
PBT	1,528	2,398	-36

Year Review

- Revenue improved 11%.
- EBITDA decreased 8%.
- PBT fell 36% from higher operation cost of Dialysis business expansion.

On a year-on-year quarter review, revenue surged 15% with positive contribution from all segments.

	Q4 FY2017 RM'1000	Q4 FY2016 RM'1000	Change %
Healthcare Distribution	8,070	6,854	18
Sterilization	3,867	3,963	-2
Home Dialysis	354	48	638



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FOURTH QUARTER REPORT ENDED 31 OCTOBER 2017

UNAUDITED NOTES TO FINANCIAL STATEMENTS

Financial Analysis :

Comparative Q4 FY16	Revenue changes	EBITDA changes	PBT changes
Group	↑ 15 %	↓ 26 %	↓ 57 %
Distribution	↑ 18 %	↓ 83 %	↓ 86 %
Sterilization	↓ 2 %	↓ 17 %	↓ 19 %
Home Dialysis	↑ 638 %	P % *	P % *

- * P denotes positive changes from negative value.

Group:

Group's current quarter revenue increased by 15 % compared to same quarter last year. Distribution sales were strong going into the 3rd calendar quarter of hospitals. Home dialysis new patient count and revenue increased substantially.

Distribution:

Strong revenue growth at distribution business came from expanded product range and higher sales per product in the surgical segment. Weak hospital purchases of disposable supplies are in line with the lower budgets available. The introduction of 3 new technical products in the surgeries added business in the OR department.

Sterilization:

Revenue dropped by 2% from same quarter last year. The annual maintenance shutdown impacted revenue but is recoverable after plant resumed operations. Contribution continues to show resilience in both revenue and income. Profit before tax has dropped 19% compared same quarter last year from higher maintenance cost from the strong Euro (EUR).

Home Dialysis:

Big improvement in revenue generation from RM121k to RM901k this year, the results of the educational and promotional work of the year.



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FOURTH QUARTER REPORT ENDED 31 OCTOBER 2017

UNAUDITED NOTES TO FINANCIAL STATEMENTS

14. COMPARISON WITH PRECEDING QUARTER'S RESULTS

	4Q FY2017	3Q FY 2017	Variance
	RM'000	RM'000	%
Continuing operations			
Revenue	12,155	10,520	16
PBT	347	458	(24)
EBITDA	1,405	1,475	(5)

The Group's Revenue increased by 16% compared to preceding quarter mainly from Distribution business.

15. COMMENTARY ON CURRENT YEAR PROSPECTS

The Company's business has faced strong headwinds this year from high currency fluctuation, lower public healthcare spending and a cautious sentiment in the private healthcare. Cost reduction measures has been rolled out in all hospitals, from inventory reduction to alternate products sourcing. The sales strategies put in earlier was very productive as revenue grew 8% against a general industry reduction in spending. Margins were affected by the US Dollar surge against the trading Ringgit.

Our sterilization business has a high prospect going into the next financial year, with the upgrade and system improvement adding in an extra 20% new capacity. This shall allow better capacity utilization for efficiency and revenue.

The home dialysis business is still in its market rollout infancy. While there are very strong interest, many potential markets are still in stages of registrations and trials. We expect formal commercialisation of the home dialysis program soon in some markets which shall contribute to significant growth in revenue.

16. PROFIT FORECAST

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



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FOURTH QUARTER REPORT ENDED 31 OCTOBER 2017

UNAUDITED NOTES TO FINANCIAL STATEMENTS

17. TAXATION

	<u>Individual period</u>		<u>Cumulative period</u>	
	Current year quarter 31.10.2017 RM'000	Preceding year corresponding quarter 31.10.2016 RM'000	Current year 31.10.2017 RM'000	Preceding year 31.10.2016 RM'000
Income tax	(31)	(210)	(480)	(329)
Deferred tax	(547)	(435)	(908)	(1,385)
	<u>(578)</u>	<u>(645)</u>	<u>(1,388)</u>	<u>(1,714)</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 October 2017.

21. BORROWINGS AND DEBT SECURITIES

	As at 31.10.2017 RM'000	As at 31.10.2016 RM'000
Secured:		
Short Term Borrowings	9,618	9,403
Long Term Borrowings	25,258	31,532
Total Borrowings	<u>34,876</u>	<u>40,935</u>



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FOURTH QUARTER REPORT ENDED 31 OCTOBER 2017

UNAUDITED NOTES TO FINANCIAL STATEMENTS

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 2017.

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 Quarter Ended 31.10.2017	Corresponding Quarter Ended 31.10.2016	Current year Ended 31.10.2017	Corresponding Year Ended 31.10.2016
(Loss)/Profit attributable to ordinary equity holders of the parent (RM'000)	(231)	155	140	684
Weighted average number of Ordinary shares in issue ('000)	152,786	152,786	152,786	152,786
Basic earnings per share (sen)	(0.15)	0.10	0.09	0.45

b) Diluted

There were no diluted earnings per share.



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FOURTH QUARTER REPORT ENDED 31 OCTOBER 2017

UNAUDITED NOTES TO FINANCIAL STATEMENTS

25. PROFIT BEFORE TAX

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

	Quarter Ended 31.10.2017 RM'000	Year To Date Ended 31.10.2017 RM'000
Interest income	(41)	(286)
Other income	-	(19)
Interest expenses	306	1,282
Net foreign exchange loss	33	(15)
Depreciation and amortization	790	3,139

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 31.10.2017 RM'000	As at 31.10.2016 RM'000
Group's total retained profits:		
Realised	26,615	22,925
Unrealised	(483)	2,007
	<hr/> 26,132	<hr/> 24,932
Less: Consolidation adjustments	3,190	2,813
Retained profits as per financial statements	<hr/> 22,942	<hr/> 22,119

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 29 December 2017.

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