



ADVENTA

ADVENTA BERHAD

(Company No : 618533-M)

(Incorporated in Malaysia)

FIRST QUARTER REPORT ENDED 31 JANUARY 2018

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS

| | Note | Individual period | | Cumulative period | |
|-----------------------------------|---------|---|--|---|---|
| | | Current year quarter Unaudited 31-Jan-2018 RM'000 | Preceding year corresponding quarter Unaudited 31-Jan-2017 RM'000 | Current period Unaudited 31-Jan-2018 RM'000 | Preceding period Unaudited 31-Jan-2017 RM'000 |
| Revenue | 8 | 13,888 | 9,381 | 13,888 | 9,381 |
| Operating expenses | | (12,008) | (9,191) | (12,008) | (9,191) |
| Net foreign exchange gain/(loss) | | (128) | 79 | (128) | 79 |
| Other operating income | 25 | 22 | 109 | 22 | 109 |
| Operating profit | 8 | 1,774 | 378 | 1,774 | 378 |
| Finance costs | | (283) | (339) | (283) | (339) |
| Profit before taxation | 13 & 25 | 1,491 | 39 | 1,491 | 39 |
| Income tax expenses | 17 | (817) | 152 | (817) | 152 |
| Profit for the period | | 674 | 191 | 674 | 191 |
| Profit attributable to: | | | | | |
| Owners of the parent | | 674 | 191 | 674 | 191 |
| Non-controlling interests | | - | - | - | - |
| Profit for the period | | 674 | 191 | 674 | 191 |
| Earnings per share (sen): | | | | | |
| Basic | 24 | 0.44 | 0.13 | 0.44 | 0.13 |
| 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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FIRST QUARTER REPORT ENDED 31 JANUARY 2018

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| | <u>Individual period</u> | <u>Cumulative period</u> |
|--|--------------------------|--------------------------|
| | Current year quarter | Current period |
| Note | 31-Jan-2018 | 31-Jan-2018 |
| | Unaudited RM'000 | Unaudited RM'000 |
| Profit for the period | 674 | 674 |
| Other comprehensive income: | | |
| Foreign currency translation | - | - |
| Total comprehensive income for the period | <u>674</u> | <u>674</u> |
| Total comprehensive income attributable to: | | |
| Owners of the parent | 674 | 674 |
| Non-controlling interests | - | - |
| Total comprehensive income for the period | <u>674</u> | <u>674</u> |

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FIRST QUARTER REPORT ENDED 31 JANUARY 2018

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| | Unaudited As at | Audited As at |
|-----------------------------|--------------------|------------------|
| Note | 31-Jan-2018 | 31-Oct-2017 |
| | RM'000 | RM'000 |
| ASSETS | | |
| Non-current assets | | |
| Property, plant & equipment | 48,777 | 49,048 |
| Deferred development cost | 27,054 | 27,088 |
| Intangible assets | 5,017 | 5,017 |
| Deferred tax assets | - | 580 |
| | 80,848 | 81,733 |
| Current assets | | |
| Inventories | 15,628 | 14,722 |
| Trade and other receivables | 26,325 | 20,610 |
| Prepaid operating expenses | 232 | 142 |
| Cash and bank balances | 4,943 | 10,223 |
| | 47,128 | 45,697 |
| TOTAL ASSETS | 127,976 | 127,430 |

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CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| | Unaudited | Audited |
|--|----------------|----------------|
| | As at | As at |
| Note | 31-Jan-2018 | 31-Oct-2017 |
| | RM'000 | RM'000 |
| EQUITY AND LIABILITIES | | |
| Current liabilities | | |
| Trade payables and other payables | 11,883 | 10,217 |
| Income tax payables | 154 | 26 |
| Loans and borrowings | 21 7,054 | 9,618 |
| | <u>19,091</u> | <u>19,861</u> |
| Non-current liabilities | | |
| Loans and borrowings | 21 25,979 | 25,258 |
| Deferred tax liabilities | 985 | 1,064 |
| | <u>26,964</u> | <u>26,322</u> |
| Total liabilities | <u>46,055</u> | <u>46,183</u> |
| Equity | | |
| Share capital | 58,305 | 58,305 |
| Share premium | - | - |
| Retained profits | 23,616 | 22,942 |
| Equity attributable to owners of the parent | <u>81,921</u> | <u>81,247</u> |
| Non-controlling interests | - | - |
| Total equity | <u>81,921</u> | <u>81,247</u> |
| TOTAL EQUITY AND LIABILITIES | <u>127,976</u> | <u>127,430</u> |
| Net assets per share (RM) | <u>0.54</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 2017</u> | | | | |
| At 1 November 2016 | 53,475 | 4,830 | 22,802 | 81,107 |
| Total comprehensive income | 4,830 | (4,830) | 141 | 141 |
| At 31 October 2017 | <u>58,305</u> | <u>-</u> | <u>22,943</u> | <u>81,248</u> |
| <u>Quarter ended 31 January 2018</u> | | | | |
| At 1 November 2017 | 58,305 | - | 22,942 | 81,247 |
| Total comprehensive income | - | - | 674 | 674 |
| At 31 January 2018 | <u>58,305</u> | <u>-</u> | <u>23,616</u> | <u>81,921</u> |

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FIRST QUARTER REPORT ENDED 31 JANUARY 2018

UNAUDITED ADJUSTED CONSOLIDATED STATEMENTS OF CASH FLOW

| | Current year to date 31-Jan-2018 Unaudited RM'000 | Preceding year corresponding period 30-Jan-2017 Unaudited RM'000 |
|---|---|---|
| Cash flows from operating activities | | |
| Profit before tax | 1,491 | 39 |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | 470 | 456 |
| Interest income | (22) | (102) |
| Net unrealised foreign exchange loss | (83) | 57 |
| Operating profit before working capital changes | 1,856 | 450 |
| (Increase)/Decrease in inventories | (906) | 444 |
| (Increase)/Decrease in trade and other receivables | (5,647) | (8,299) |
| Increase in prepaid operating expenses | (90) | (114) |
| Increase/(Decrease) in payables | 1,681 | (2,059) |
| Cash (used in)/from operations | (3,106) | (9,578) |
| Interest paid | (283) | (339) |
| Taxes paid | (187) | (58) |
| Taxes refunded | - | - |
| Net cash (used in)/from operating activities | (3,576) | (9,975) |

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UNAUDITED ADJUSTED CONSOLIDATED STATEMENTS OF CASH FLOW

| | Current year to date 31-Jan-2018 Unaudited RM'000 | Preceding year corresponding period 30-Jan-2017 Unaudited RM'000 |
|--|---|---|
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (199) | (597) |
| Investment in deferred development cost | 34 | 124 |
| Interest received | 22 | 102 |
| Proceed from disposal of property, plant and equipment | - | 4,458 |
| Net cash (used in)/from investing activities | (143) | 4,087 |
| Cash flows from financing activities | | |
| Net (decrease)/increase in borrowings | (1,844) | (1,778) |
| Interest paid | 283 | 339 |
| Net cash (used in)/from financing activities | (1,561) | (1,439) |
| Net increase in cash and cash equivalents | (5,280) | (7,327) |
| Cash and cash equivalents at beginning of financial year | 10,223 | 21,002 |
| Cash and cash equivalents at end of financial year | 4,943 | 13,675 |
| Cash and cash equivalents at end of financial period comprise: | | |
| - Cash and bank balances | 4,943 | 13,675 |

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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 2017. 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 2017.

The audited financial statements of the Group for the year ended 31 October 2017 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 2017.

2. AUDITORS’ REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The Independent Auditors have expressed an “except for” opinion on the Intangible Assets in the Audited Financial Statement of the company for the Financial Year Ended 31st October 2017 pursuant to paragraph 9.19(37) of the Main Market Listing Requirement of Bursa Malaysia Securities Berhad relating to the product development and goodwill of a subsidiary involved in home peritoneal dialysis products and services.

The Directors of the Company is of the opinion that the recoverable amount of the said intangible assets is higher than the carrying value as at 31 October 2017 and wish to highlight the following improvements:

1. The revenue from the home peritoneal dialysis business for the current quarter has increased by 129% compared to preceding year corresponding quarter.
2. The Company is planning to export its home peritoneal dialysis to other neighbouring countries.

Barring unforeseen circumstances, the Group expects a timeline of 24 months from 27th February 2018, being the date of the announcement of the “except for” opinion via Bursa Malaysia, to address the matter.



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3. COMMENTS ABOUT SEASONAL, CYCLICAL AND EXCEPTIONAL FACTORS

Sales from private healthcare has improved this quarter by 56 %. The wider options and higher product range has added new accounts and increased sales in existing hospitals. This quarter being the first quarter of the year has the added advantage of new budgets released. Sales went up 56 % in our hospital supplies distribution business.

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 January 2018.

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.



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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.

| | Individual period | | Cumulative period | |
|--|---|--|---|--|
| | Current year quarter 31.1.2018 RM'000 | Preceding year corresponding quarter 31.1.2017 RM'000 | Current year quarter 31.1.2018 RM'000 | Preceding year corresponding quarter 31.1.2017 RM'000 |
| <u>Segment Revenue</u> | | | | |
| Distribution | 9,518 | 6,109 | 9,518 | 6,109 |
| Sterilization | 4,332 | 3,438 | 4,332 | 3,438 |
| Home Dialysis | 270 | 118 | 270 | 118 |
| Corporate | - | - | - | - |
| Elimination of inter- segment Sales | (232) | (284) | (232) | (284) |
| | 13,888 | 9,381 | 13,888 | 9,381 |
| <u>Segment Results</u> | | | | |
| Distribution | 583 | 411 | 583 | 411 |
| Sterilization | 2,432 | 1,582 | 2,432 | 1,582 |
| Home Dialysis | (1143) | (1,280) | (1,143) | (1,280) |
| Corporate | (98) | 48 | (98) | 48 |
| Elimination | - | (383) | - | (383) |
| | 1,774 | 378 | 1,774 | 378 |

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.



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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

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 | Preceding year | Variance |
| | year | corresponding | |
| | quarter | quarter | |
| 31.1.2018 | 31.1.2017 | | |
| | RM'000 | RM'000 | % |
| Revenue | 13,888 | 9,381 | 48 |
| EBITDA | 2,547 | 1,055 | 141 |
| PBT | 1,491 | 39 | 3,723 |

Quarter Review

- Revenue up 48%.
- EBITDA moved up 141% to RM 2.547m
- PBT moved up to RM1.491m

| | <u>Cumulative period</u> | | |
|-----------|--------------------------|----------------|----------|
| | Current | Preceding year | Variance |
| | year | corresponding | |
| | quarter | quarter | |
| 31.1.2018 | 31.1.2017 | | |
| | RM'000 | RM'000 | % |
| Revenue | 13,888 | 9,381 | 48 |
| EBITDA | 2,547 | 1,055 | 141 |
| PBT | 1,491 | 39 | 3,723 |

Year Review

- Revenue improved 48%.
- EBITDA increased 141
- %.
- PBT moved up to RM1.491m

Group revenue surged 48% with increase in revenue from all segments of business as follows:

| | Q1 FY2018 | Q1 FY2017 | Change |
|-------------------------|-----------|-----------|--------|
| | RM'1000 | RM'1000 | % |
| Healthcare Distribution | 9,518 | 6,109 | 56 |
| Sterilization | 4,332 | 3,438 | 26 |
| Home Dialysis | 270 | 118 | 129 |



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Financial Analysis :

| Comparative Q1 FY18 | Revenue changes | EBITDA changes | PBT changes |
|---------------------|-----------------|----------------|-------------|
| Group | ↑ 48 % | ↑ 141 % | ↑ 3,751 % |
| Distribution | ↑ 56 % | ↑ 36 % | ↑ 155 % |
| Sterilization | ↑ 26 % | ↑ 44 % | ↑ 77 % |
| Home Dialysis | ↑ 129% | P % * | P % * |

- * P denotes positive changes from negative value.

Group:

Group's current quarter revenue expanded by 48 % from same quarter last year. The improvement comes from all three businesses of the group ie distribution, sterilisation and home dialysis segment. The strongest growth came from hospital supplies distribution with a solid 56% improvement.

Distribution:

Hospital supplies business revenue grew 56% from same quarter last year. Profit before tax jumped 155% from cost savings and a favourable exchange rate. New products added to the range of medical supplies give our customers a wider choice in their procurement.

Sterilization:

Service revenue increased by 26% from same quarter last year with the growth coming from higher throughput and yield. Profit before tax is up by 77% from full operations with higher yield and less maintenance expenditure.

Home Dialysis:

Sales revenue is strong with a 129% growth, even though operating margin remain negative from on-going market expansion and service improvement. The revenue growth indicates improving acceptances of the home-dialysis concepts.



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14. COMPARISON WITH PRECEDING QUARTER'S RESULTS

| | 1st Quarter ended 31 Jan 2018 RM'000 | 4th Quarter ended 31 Oct 2017 RM'000 | Variance % |
|------------------------------|--|--|-----------------------|
| Continuing operations | | | |
| Revenue | 13,888 | 12,155 | 14 |
| PBT | 1,491 | 347 | 330 |
| EBITDA | 2,547 | 1,403 | 82 |

Group's revenue increased by 14% compared to last quarter with improvement from the distribution business of 18% increase and Sterilisation business of 12% increase in revenue. Higher profit before tax of RM1.74m achieved this quarter, a 330% increase over last quarter.

15. COMMENTARY ON CURRENT YEAR PROSPECTS

The robust improvement in all businesses of the group is expected to continue this year with strong earnings growth coming from both the hospital supplies and sterilization segment. In part due to the cost strategy and the growing medical devices industry in the region, both businesses gained in revenue and improved margins. The on-line marketing portal is showing similarly encouraging growth rate.

As the hospital supplies exports continue to spread into regional countries, the economy of scale allows domestic supplies to be competitively attractive to large users like hospital chains. This opportunity to grow into more categories of supplies will sustain the double digit growth of the last two quarters.

Our sterilization business benefitted from improved system upgrades carried out last year and higher yield throughput result in better margins. The business unit is evaluating the options of adding new equipment and capacity later in the year. The new capacity, if added, is not expected to contribute to earnings till 2020. Sterilization outsourcing is expected to continuously expand in the region and being the only electron beam irradiation service provider, Electron Beam is able to provide specialist services to sensitive medical devices manufacturers regionally.

Improved sales revenue in home dialysis segment is encouraging, even though operating margin remain negative from on-going market expansion and service improvement. The Company is looking at exporting its home peritoneal dialysis services to neighbouring countries to expand its market base. We expect the growth of this segment to continue.



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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 31.1.2018 RM'000 | Preceding year corresponding quarter 31.1.2017 RM'000 | Current year quarter 31.1.2018 RM'000 | Preceding year corresponding quarter 31.1.2017 RM'000 |
| Income tax | (317) | (100) | (317) | (100) |
| Deferred tax | (500) | 252 | (500) | 252 |
| | <u>(817)</u> | <u>152</u> | <u>(817)</u> | <u>152</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.

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 January 2018 except the following:



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- a) On 17th January 2018 the Board announced that the Company is proposing to undertake a renounceable rights of 91,671,462 new ordinary shares in Adventa ('**Adventa Shares**') ('**Rights Shares**') together with 45,835,731 free detachable warrants ('**Rights Warrants**'), on the basis of three (3) Rights Shares for every five (5) existing Adventa Shares held and one (1) free Rights Warrant for every two (2) Rights Shares subscribed for, on an entitlement date to be determined later ('**Entitlement Date**') ('**Proposed Rights Issue**')

In conjunction with the Proposed Rights Issue, an application for exemption to Low Chin Guan ("Mr Low") and persons acting in concert with him ("PAC") under paragraph 4.08 of the rules on Take-overs, Mergers and Compulsory Acquisitions ("Rules") form the obligation to undertake a mandatory offer for the remaining Adventa Shares not already owned by them arising from the application for excess Rights Shares under the Proposed Rights Issue as well as the subsequent exercise of the Rights Warrants into new Adventa Shares ("Proposed Exemption") will also be undertaken.

- b) On 12th February 2018 The Board of Directors announced that the company will be seeking the approval from its shareholders for the following proposals at the forthcoming Fifteenth Annual General Meeting :
- Proposed renewal of shareholders' mandate for recurrent related party transactions of a revenue or trading nature which are necessary for the day to day operations; and
 - Proposed renewal of share buy-back authority of up to ten percent (10%) of the issued and paid-up share capital of Adventa Berhad

21. BORROWINGS AND DEBT SECURITIES

| | As at 31.1.2018 RM'000 | As at 31.1.2017 RM'000 |
|-----------------------|------------------------------|------------------------------|
| Secured: | | |
| Short Term Borrowings | 7,054 | 9,942 |
| Long Term Borrowings | 25,979 | 29,216 |
| Total Borrowings | <u>33,033</u> | <u>39,158</u> |



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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 January 2018.

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> <u>31.1.2018</u> | <u>Preceding year corresponding quarter</u> <u>31.1.2017</u> | <u>Current year quarter</u> <u>31.1.2018</u> | <u>Preceding year corresponding quarter</u> <u>31.1.2017</u> |
| Profit attributable to ordinary equity holders of the parent (RM'000) | 674 | 191 | 674 | 191 |
| Weighted average number of Ordinary shares in issue ('000) | 152,786 | 152,786 | 152,786 | 152,786 |
| Basic earnings per share (sen) | 0.44 | 0.13 | 0.44 | 0.13 |

b) Diluted

There were no diluted earnings per share.



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25. PROFIT BEFORE TAX

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

| | Individual period 31.1.2018 RM'000 | Cumulative period 31.1.2018 RM'000 |
|---------------------------|---|---|
| Interest income | (22) | (22) |
| Other income | - | - |
| Interest expenses | 283 | 283 |
| Net foreign exchange loss | 128 | 128 |

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 31.1.2018 RM'000 | As at 31.1.2017 RM'000 |
|--|-----------------------------------|-----------------------------------|
| Group's total retained profits: | | |
| Realised | 28,123 | 25,619 |
| Unrealised | (1,067) | 735 |
| | <hr/> 27,056 | <hr/> 26,354 |
| Less: Consolidation adjustments | 3,190 | 3,360 |
| Retained profits as per financial statements | <hr/> 23,866 | <hr/> 22,994 |

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 28 March 2018.

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