



ADVENTA

ADVENTA BERHAD

(Company No : 618533-M)

(Incorporated in Malaysia)

SECOND QUARTER REPORT ENDED 30 APRIL 2018

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS

	Note	Individual period		Cumulative period	
		Current Quarter Ended Unaudited 30-Apr-2018 RM'000	Corresponding Quarter Ended Unaudited 30-Apr-2017 RM'000	Current Year to Date Unaudited 30-Apr-2018 RM'000	Corresponding Year to Date Unaudited 30-Apr-2017 RM'000
Revenue	8	15,360	12,179	29,248	21,561
Operating expenses		(13,767)	(11,201)	(25,775)	(20,392)
Net foreign exchange gain/(loss)		8	(35)	(120)	44
Other operating income	25	9	84	31	193
Operating profit	8	1,610	1,027	3,384	1,406
Finance costs		(294)	(344)	(577)	(683)
Profit before taxation	13 & 25	1,316	683	2,807	723
Income tax expenses	17	(614)	(538)	(1,431)	(386)
Profit for the period		702	145	1,376	337
Profit attributable to:					
Owners of the parent		702	145	1,376	337
Profit for the period		702	145	1,376	337
Earnings per share (sen):					
Basic	24	0.46	0.09	0.90	0.22
Diluted	24	N/A	N/A	N/A	N/A
Number of ordinary shares ('000)	24	152,786	152,786	152,786	152,786

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	<u>Individual period</u>	<u>Cumulative period</u>
Note	Current year quarter 30-Apr-2018 Unaudited RM'000	Current period 30-Apr-2018 Unaudited RM'000
Profit for the period	702	1,376
Other comprehensive income:		
Foreign currency translation	-	-
Total comprehensive income for the period	<u>702</u>	<u>1,376</u>
Total comprehensive income attributable to:		
Owners of the parent	702	1,376
Non-controlling interests	-	-
Total comprehensive income for the period	<u>702</u>	<u>1,376</u>

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CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Unaudited As at Note 30-Apr-2018 RM'000	Audited As at 31-Oct-2017 RM'000
ASSETS		
Non-current assets		
Property, plant & equipment	48,335	49,046
Deferred development cost	27,000	27,088
Intangible assets	5,017	5,017
Deferred tax assets	-	579
	<u>80,352</u>	<u>81,730</u>
Current assets		
Inventories	16,521	14,722
Trade and other receivables	25,720	21,841
Prepaid operating expenses	340	142
Tax recoverable	-	86
Cash and bank balances	6,484	10,215
	<u>49,065</u>	<u>47,006</u>
TOTAL ASSETS	<u><u>129,417</u></u>	<u><u>128,736</u></u>

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CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		Unaudited	Audited
		As at	As at
	Note	30-Apr-2018	31-Oct-2017
		RM'000	RM'000
EQUITY AND LIABILITIES			
Current liabilities			
Trade payables and other payables		13,108	11,439
Income tax payables		392	110
Loans and borrowings	21	<u>7,653</u>	<u>9,618</u>
		<u>21,153</u>	<u>21,167</u>
Non-current liabilities			
Loans and borrowings	21	24,657	25,258
Deferred tax liabilities		<u>1,245</u>	<u>1,064</u>
		<u>25,902</u>	<u>26,322</u>
Total liabilities		<u>47,055</u>	<u>47,489</u>
Equity			
Share capital		58,044	58,305
Retained profits		<u>24,318</u>	<u>22,942</u>
Equity attributable to owners of the parent		<u>82,362</u>	<u>81,247</u>
Total equity		<u>82,362</u>	<u>81,247</u>
TOTAL EQUITY AND LIABILITIES		<u>129,417</u>	<u>128,736</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>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
<u>Quarter ended 30 April 2017</u>				
At 1 November 2016	53,475	4,830	22,802	81,107
Total comprehensive income	-	-	337	337
At 30 April 2017	<u>53,475</u>	<u>4,830</u>	<u>23,139</u>	<u>81,444</u>
<u>Quarter ended 30 April 2018</u>				
At 1 November 2017	58,305	-	22,942	81,247
Total comprehensive income	(261)	-	1,376	1,115
At 30 April 2018	<u>58,044</u>	<u>-</u>	<u>24,318</u>	<u>82,362</u>

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UNAUDITED ADJUSTED CONSOLIDATED STATEMENTS OF CASH FLOW

	Current Year to Date Ended 30-Apr-2018 Unaudited RM'000	Corresponding Year to Date Ended 30-Apr-2017 Unaudited RM'000
Cash flows from operating activities		
Profit before tax	2,807	723
Adjustments for:		
Depreciation of property, plant and equipment	943	914
Interest income	(31)	(182)
Net unrealised foreign exchange loss	(33)	27
Operating profit before working capital changes	3,687	1,482
Increase in inventories	(1,799)	(808)
Increase in trade and other receivables	(5,091)	(10,483)
Increase in prepaid operating expenses	(198)	(86)
Increase in payables	2,905	1,125
Cash used in operations	(496)	(8,770)
Interest paid	(577)	(683)
Taxes paid	(302)	(108)
Net cash used in operating activities	(1,375)	(9,561)

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UNAUDITED ADJUSTED CONSOLIDATED STATEMENTS OF CASH FLOW

	Current Year to Date Ended 30-Apr-2018 Unaudited RM'000	Corresponding Year to Date Ended 30-Apr-2017 Unaudited RM'000
Cash flows from investing activities		
Purchase of property, plant and equipment	(231)	(765)
Corporate exercise expenses	(261)	-
Investment in deferred development cost	88	112
Interest received	31	182
Proceed from disposal of property, plant and equipment	-	4,458
Net cash (used in)/from investing activities	(374)	3,987
Cash flows from financing activities		
Net decrease in borrowings	(2,559)	(2,486)
Interest paid	577	683
Net cash used in financing activities	(1,983)	(1,803)
Net decrease in cash and cash equivalents	(3,732)	(7,377)
Cash and cash equivalents at beginning of financial period	10,215	21,002
Cash and cash equivalents at end of financial period	6,484	13,625
Cash and cash equivalents at end of financial period comprise:		
- Cash and bank balances	6,484	13,625

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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 that the Company plan of exporting its home peritoneal dialysis to other neighboring countries and is in the process of finalizing the product registration.

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 30 % compare to prior quarter. The wider options and higher product range has added new accounts and increased sales in existing hospitals.

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 30 April 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.



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8. SEGMENTAL INFORMATION

The company has recognized that the existing businesses are organized along two core businesses, Healthcare and Sterilization services. To improve on synergies and scale efficiencies, certain functions are shared to optimize cost effectiveness.

Healthcare: The manufacture, trading and third party logistics for the supply of healthcare and related products and services to hospitals, healthcare centers and distributors in Malaysia and overseas. This include ambulatory, acute centers and chronic care. Included in this segment is the emerging dialysis business which include home and center based dialysis, supplies and nursing care. A segment of high potential, it is still in a state of foundation building and hence is incurring operational losses. The management is sure that this will turn around as soon as scale is achieved in the markets where we have or are building operations capability.

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

A comparison of Adventa's segmental revenue for the 2Q ended 30 April 2018 (2Q 2018) and year to date (FY2018) with the corresponding period last financial result is as follow:

	Quarter			Year to date		
	2Q 2018	2Q 2017	Variance	6M FY2018	6M FY2017	Variance
Revenue	RM ('000)	RM ('000)	%	RM ('000)	RM ('000)	%
Healthcare	11,444	8,802	30%	21,231	15,029	41%
Sterilisation	4,149	3,650	14%	8,481	7,087	20%
Elimination	(233)	(272)	-15%	(464)	(556)	-17%
Total	15,360	12,180	26%	29,248	21,561	36%

	Quarter			Year to date		
	2Q 2018	2Q 2017	Variance	6M FY2018	6M FY2017	Variance
Segment Results	RM ('000)	RM ('000)	%	RM ('000)	RM ('000)	%
Healthcare	(81)	(546)	85%	(641)	(1,415)	55%
Sterilization	1,903	1,854	3%	4,335	3,436	26%
Corporate	(212)	104	-304%	(310)	152	-304%
Elimination	-	(385)	NA	-	(767)	NA
Total	1,610	1,027	57%	3,384	1,406	141%

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.



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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

A Comparison of Adventa's income performance for the 2Q 2018 ended 30 April 2018 and 6 months year to date (FY 2018) with the corresponding period last year is as follows:

	Quarter			Year to date		
	2Q 2018	2Q 2017	Var %	6M FY2018	6M FY2017	Var %
Revenue	15,360	12,180	26%	29,248	21,561	36%
EBITDA	2,397	1,839	30%	4,944	2,894	71%
PBT	1,316	683	93%	2,807	723	288%

Group's current quarter revenue expanded by 26 % from same quarter last year. The improvement comes from all businesses of the group ie healthcare and sterilization segment. The strongest growth came from hospital supplies distribution with a solid 30% improvement.

Performance of each segment are as follows:

Revenue	Quarter			Year to date		
	2Q 2018	2Q 2017	Var %	6M FY2018	6M FY2017	Var %
Healthcare	11,444	8,802	29%	21,696	15,498	40%
Sterilisation	4,149	3,649	15%	8,016	6,619	21%

Profit Before Tax	Quarter			Year to date		
	2Q 2018	2Q 2017	Var %	6M FY2018	6M FY2017	Var %
Healthcare	(92)	(739)	88%	(356)	(1,793)	80%
Sterilisation	1,621	1,485	9%	3,775	2,693	40%



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Healthcare:

Healthcare business revenue grew 29% from same quarter last year. Profit before tax improved from a loss of -RM 739,000 to -RM 92,000, coming from better product range, wider distribution and better coordinated field marketing efforts. The dialysis segment is still making losses due to costs of building operations and of investment in equipment. The loss in the dialysis segment is -RM 983,000 this quarter (2Q -2018), a reduction from the loss of -RM 1,159,000 of 2Q 2017.

Sterilization:

Service revenue increased by 15% from same quarter last year with the growth coming from higher throughput and yield. Profit before tax is up by 9% from full operations with higher yield and lower maintenance expenditure.

14. COMPARISON WITH PRECEDING QUARTER'S RESULTS

	2Q 2018	1Q 2018	Variance
	RM ('000)	RM ('000)	%
Revenue	15,360	13,888	11%
Profit Before Tax	1,316	1,491	-12%
EBITDA	2,397	2,547	-6%

Group's revenue increased by 11% compared to last quarter. Profits before tax are lower at RM1.32m, a decrease of RM 75,000 quarter to quarter, due to higher expenditure in cost of maintenance at the sterilization business.

15. COMMENTARY ON CURRENT YEAR PROSPECTS

Strong return from a streamlined healthcare business has improved same-account revenue and margins. The more efficient logistics increased customer satisfaction and created better values across the supply chain. We expect cost savings to be shared with our customers in maintaining a cap on the ever-increasing cost of medical consumables. Our competitive prices have helped many centers managed their tight budgets.

Our direct delivery and distribution system is enhanced with an on-line sales department that allows patients leaving hospitals and clinics to continue assessing and buying quality healthcare products on-line, eliminating costly search and store purchase. This on-line portal has grown significantly over the last 12 months.



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On dialysis, the business is extended to all modes of dialysis, giving wider choices to patients in the first time selection of modality and subsequent changes when needed. This expanded business shall free up patient choice and improve quality of life. As the business continue its growth into a regimented market, we see encouraging improvement in acceptance among the healthcare community and patients.

Our sterilization services continue to grow as expected, with a healthy double digit year on year growth rate, gaining more industrial accounts and improving utilization of capacity. The reliability of the service has created a stable customer base that leveraged our cost effectiveness to expand their manufacturing capacities. We do not expect to further spend on capex this financial year on sterilization but use existing capacity to improve throughput for higher yield per hour of operation.

16. PROFIT FORECAST

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

17. TAXATION

The effective tax rate of the Group is lower than statutory tax rate due to availability of capital allowances and investment tax allowances.

	Quarter		Year to date	
	2Q 2018	2Q 2017	6M FY2018	6M FY2017
Tax	RM'000	RM'000	RM'000	RM'000
Income tax	(353)	(148)	(670)	(248)
Deferred tax	(261)	(390)	(761)	(138)
Total	(614)	(538)	(1,431)	(386)

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.



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20. CORPORATE PROPOSALS

Status of Corporate Proposals

There were no corporate proposals announced which remain uncompleted at the end of the financial period ended 30 April 2018 except the following:

- 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 8th June 2018, Bursa Malaysia Securities Berhad, vide its letter dated 8 June 2018, approved the following:
- Admission to the Official List and the listing and quotation of 45,835,731 new Warrants to be issued pursuant to the Proposed Rights Issue;
 - Listing and quotation of 91,671,462 new ordinary shares to be issued pursuant to the Proposed Rights Issue; and
 - Listing and quotation of up to 45,835,731 new ordinary shares to be issued pursuant to the exercise of the new Warrants on the Main Market of Bursa Securities.



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21. BORROWINGS AND DEBT SECURITIES

	As at 2Q 2018	As At 2Q 2017	Variance
<u>Secured:</u>	RM'000	RM'000	%
Short Term Borrowings	7,653	9,987	-25%
Long Term Borrowings	24,657	28,462	-13%
Total Borrowings	32,310	38,449	-16%

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 30 April 2018.

24. EARNINGS PER SHARE

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

a) Basis

	Quarter Ended		Year to date Ended	
	2Q2018	2Q 2017	FY2018	FY2017
	'000	'000	'000	'000
Profit attributable to ordinary equity holders of the parent (RM)	702	229	1,376	337
Weighted average number of ordinary shares in issue (Unit)	152,786	152,786	152,786	152,786
Basic earnings per share (sen)	0.46	0.09	0.90	0.09

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):

	2Q 2018	
	Quarter	YTD
	RM'000	
Interest income	(31)	(182)
Other income	-	(11)
Interest expenses	577	683
Net foreign exchange loss	120	(44)

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:

	YTD		
	2Q 2018	2Q 2017	Variance
Group's total retained profits:	RM'000		%
Realised	28,786	26,352	9%
Unrealised	-1,278	314	NA
Total Realised and unrealised	27,508	26,666	3%
Less: Consol adjustments	3,190	3,526	-10%
Retained profits	24,318	23,140	5%

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 20th June 2018.

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