

ADVENTA Berhad
(Company No : 200301016113 (618533-M))
(Incorporated in Malaysia)
FIRST QUARTER REPORT ENDED 31 MARCH 2021
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 December 2020. The explanatory notes attached to the interim financial statements explain events and transactions that are significant to the understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2020.

The audited financial statements of the Group for the year ended 31 December 2020 were prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"). The significant accounting policies and method of computations adopted in the preparation of the financial report are consistent with those adopted in the audited financial statements of the Group for the financial year ended 31 December 2020.

2. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The preceding audited financial statements for the year ended 31 December 2020 were no subject to any qualification.

3. 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 current quarter under review.

4. CHANGES IN ESTIMATES

There were no changes in estimates that have had a material effect on the current quarter results.

5. DEBTS AND EQUITY SECURITIES

There were no issuances, cancellations, repurchases, resale, and repayments of debt and equity securities during the current quarter under review.

6. DIVIDENDS PAID

There was no dividend paid during the current quarter under review.

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7. TRADE AND OTHER RECEIVABLES

| | As at 31-Mar-21 RM ('000) | As at 31-Dec-20 RM ('000) |
|-----------------------------------|--|--|
| Trade Receivables | | |
| Third parties | 20,376 | 23,190 |
| Allowance for impairment loss | (6,090) | (6,090) |
| | 14,286 | 17,100 |
| Other Receivables | | |
| Third parties and GST receivables | 527 | 4,276 |
| Allowance for impairment loss | - | (356) |
| | 527 | 3,920 |
| Deposits | 933 | 460 |
| | 15,746 | 21,480 |

a) Trade Receivables

The Group's normal trade credit term ranges from 30 to 90 days (2020: 30 to 90 days). Other credit terms are assessed and approved on a case-by-case basis. They are recognized at their original invoice amounts which represent their fair value on initial recognition.

The Group recognizes loss allowances for expected credit losses (ELC) on trade receivables measured at amortised cost. The Group applies the simplified approach to provide ECLs for all trade receivables as permitted by MFRS 9.

The following table provides information about the exposure to credit risk and ECLs for trade receivables:

| | As at 31-Mar-21 RM ('000) | As at 31-Dec-20 RM ('000) |
|-------------------------|--|--|
| Not past due | 4,621 | 7,598 |
| Past due: | | |
| - Less than 30 days | 2,735 | 1,779 |
| - 31 to 60 days | 1,788 | 949 |
| - 61 to 90 days | 516 | 513 |
| - More than 90 days | 10,716 | 12,351 |
| | 15,755 | 15,592 |
| Less: Loss allowance | | |
| - Collectively impaired | (937) | (937) |
| - Individually impaired | (5,153) | (5,153) |
| Trade Receivable net | 14,286 | 17,100 |

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Credit impaired

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted payments. These receivables are not secured by any collateral or credit enhancements.

8. SEGMENTAL INFORMATION

Healthcare: The business involves the supply of healthcare and related products, services to hospitals, healthcare centers and pharmacies. This includes the renal dialysis business which is for home and center-based treatments, serving both the domestic and export markets.

The Group's segmental revenue and profit/(loss) before tax (PBT/LBT) for the current quarter are as follow:

| <u>Revenue</u> | Individual Quarter Ended | | Cumulative Quarter Ended | |
|----------------|---------------------------------|------------------|---------------------------------|------------------|
| | 31-Mar-21 | 31-Mar-20 | 31-Mar-21 | 31-Mar-20 |
| <u>Segment</u> | RM ('000) | RM ('000) | RM ('000) | RM ('000) |
| Healthcare | 12,985 | 14,174 | 12,985 | 14,174 |
| Corporate | 409 | 505 | 409 | 505 |
| Elimination | (438) | (1,005) | (438) | (1,005) |
| Total | 12,956 | 13,674 | 12,956 | 13,674 |

| <u>PBT/(LBT) result</u> | | | | |
|-------------------------|------------------|------------------|------------------|------------------|
| <u>Segment</u> | RM ('000) | RM ('000) | RM ('000) | RM ('000) |
| Healthcare | (1,171) | 1,240 | (1,171) | 1,240 |
| Corporate | (120) | (332) | (120) | (332) |
| Elimination | - | - | - | - |
| Total | (1,291) | 908 | (1,291) | 908 |

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

Significant and subsequent event announced from the previous quarter are as follow :

The Company announced that the completion of the Proposed Disposal of the entire equity of Lucenxia (M) Sdn. Bhd. (“Lucenxia”) took place on 3 May 2020 as all the Conditions Precedent in the Share Sale Agreement (“SSA”) have been fulfilled and the SSA has become unconditional. Approval has been granted by the shareholders in the Extraordinary General Meeting (EGM) on 8 April 2021. Lucenxia ceased to be a subsidiary of the Company with the completion took place on 3 May 2021.

11. CHANGES IN COMPOSITION OF THE GROUP

- On 20 April 2021, the directors of the Company has approved the transfer of 100% equity shareholding of Lucenxia International Sdn. Bhd owned by Adventa Berhad to Mr. Low Chin Guan as part of compliance to the terms as set out in the SSA of the Proposed Disposal of Lucenxia.
- On 3 May 2021, Lucenxia (M) Sdn. Bhd. ceased to be the subsidiary of the Company.

12. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no contingent liabilities or contingent assets for the Group for the current quarter under review.

13. CAPITAL COMMITMENTS

There were no commitments for the purchase of property, plant and equipment at the financial period ended 31 March 2021.

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PART B – ADDITIONAL INFORMATION AS REQUIRED BY APPENDIX 9B OF BURSA MALAYSIA LISTING REQUIREMENTS

14. PERFORMANCE REVIEW

| | Individual Quarter Ended 1Q 2021 | Individual Quarter Ended 1Q 2020 | Changes | |
|--|---|---|------------------|----------|
| | RM ('000) | RM ('000) | RM ('000) | % |
| Revenue | 12,956 | 13,674 | (718) | -5% |
| (Loss)/Profit before tax (LBT)/PBT) | (1,291) | 908 | (2,199) | -242% |

In this first quarter of Q1 2021 sales contracted by 5% compared to the same quarter last year, from reduced procurement by hospitals. The same quarter last year saw a big surge in buying to meet emergency pandemic needs, which has now tapered off. The lower selling price of products due to price controls and competition has impacted margin, reflected in a loss before tax of RM1.3m.

15. COMPARISON WITH PRECEDING QUARTER'S RESULTS

| | Individual Quarter Ended 1Q 2021 | Individual Quarter Ended 4Q 2020 | Changes | |
|-------------------------|---|---|------------------|----------|
| | RM ('000) | RM ('000) | RM ('000) | % |
| Revenue | 12,956 | 12,706 | 250 | 2% |
| (Loss) before tax (LBT) | (1,291) | (9,584) | 8,292 | -86.5% |

Compared to the previous quarter, this quarter sees a small but strategic improvement of 2% in revenue and a significant 86.5% decrease in loss. The previous quarter's result includes a provision of RM6 million impairment of trade receivables. Ignoring this factor, the result still shows a trading improvement over the previous quarter, with the hospital products distribution segment contributing positively to the Group results.

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16. COMMENTARY ON CURRENT YEAR PROSPECTS

As the surge in Covid-19 infections again indicates that the pandemic is far from over, the sales of PPE will continue to dominate the healthcare business. While elective surgeries are cautiously restarted and driving sales of other consumables, it is expected that the PPE products to still dominate hospital procurement.

The company is poised to meet this opportunity with its strong inventory and supply network of quality products needed for the containment and management of the pandemic. The next quarters will see material changes as the home dialysis business is disposed of and the company refocuses on hospital and medical equipment supply.

As the company dilutes inventory of expensively purchased PPE products with new purchases, margins are expected to improve.

17. PROFIT FORECAST

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

18. TAXATION

No tax is provided as the company incurred a loss.

| | Individual Quarter Ended | | Cumulative Quarter Ended | |
|-----------------------------------|---------------------------------|------------------|---------------------------------|------------------|
| | 31-Mar-21 | 31-Mar-20 | 31-Mar-21 | 31-Mar-20 |
| | RM ('000) | RM ('000) | RM ('000) | RM ('000) |
| Income tax | - | (12) | - | (12) |
| Deferred tax assets/(liabilities) | - | - | - | - |
| Total | - | (12) | - | (12) |

19. SALE OF UNQUOTED INVESTMENTS AND PROPERTIES

There was no sale of unquoted investments and properties during the current quarter under review.

20. MARKETABLE SECURITIES

There was no purchase or disposal of marketable securities during the current quarter under review.

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21. CORPORATE PROPOSALS

There was no corporate proposal announced which remain uncompleted at the financial period ended 31 March 2021 except those mentioned in Note 10.

22. BANK BORROWINGS AND DEBT SECURITIES

The total bank borrowings of the Group as of financial year ended 31 December 2020 as below.

| | As at 31-Mar-21 RM ('000) | As at 31-Mar-20 RM ('000) |
|-------------------------------|--|--|
| Current (Secured): | | |
| Revolving Credit | - | 5,000 |
| Term Loan | 1,000 | 2,000 |
| | - | 7,000 |
| Non-Current (Secured): | | |
| Term Loan | - | 1,000 |
| Total Bank Borrowings | 1,000 | 8,000 |

23. CHANGES IN MATERIAL LITIGATION

The Board confirms that the Adventa Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant. The Board has no knowledge of any proceedings pending against Adventa Group or any facts likely to give rise to any proceeding which may have a material impact on the business or the financial position of Adventa Group.

24. EARNINGS PER SHARE

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

a. **Basic**

| | Individual Quarter Ended | | Cumulative Quarter Ended | |
|---|---------------------------------|------------------|---------------------------------|------------------|
| | 31-Mar-21 | 31-Mar-20 | 31-Mar-21 | 31-Mar-20 |
| (Loss)/Profit attributable to ordinary equity holders of the parent (RM '000) | (1,122) | 1,008 | (1,122) | 1,008 |
| Weighted average number of ordinary shares in issue (Unit '000) | 152,786 | 152,786 | 152,786 | 152,786 |
| Basic earnings per share (sen) | (0.73) | 0.66 | (0.73) | 0.66 |

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b. Diluted

There were no diluted earnings per share.

25. (LOSS) / PROFIT BEFORE TAX

(Loss) / profit before tax is stated after charging/(crediting):

| | Individual Quarter Ended | | Cumulative Quarter Ended | |
|----------------------------------|---------------------------------|------------------|---------------------------------|------------------|
| | 31-Mar-21 | 31-Mar-20 | 31-Mar-21 | 31-Mar-20 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Other income | (94) | - | (94) | - |
| Interest income | (9) | (173) | (9) | (173) |
| Net foreign exchange loss/(gain) | 95 | (11) | 95 | (11) |
| Interest expenses | 353 | 173 | 353 | 173 |

26. REALISED AND UNREALISED PROFITS/(LOSSES)

The breakdown of the retained profits of the Group as at reporting date into realised and unrealised profits/(losses) is presented as follows:

| | As at 31-Mar-2021 | As at 31-Mar-2020 |
|--|------------------------------|------------------------------|
| <u>Group's total (Accumulated losses)/Retained profits:</u> | RM'000 | RM'000 |
| Realised | (32,949) | (22,063) |
| Unrealised | (13,870) | (5,106) |
| Total Realised and unrealised | (46,819) | (27,169) |
| Less: Consol adjustments | 43,170 | 37,429 |
| (Accumulated losses) / Retained profits | (3,649) | (64,598) |

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 28th May 2021.

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