

ADVENTA BERHAD
(Company No : 200301016113 (618533-M))
(Incorporated in Malaysia)
SECOND QUARTER REPORT ENDED 30 JUNE 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 30-Jun-21 RM ('000)	As at 31-Dec-20 RM ('000)
Trade Receivables		
Third parties	26,176	23,190
Allowance for impairment loss	(5,923)	(6,090)
	<u>20,253</u>	<u>17,100</u>
Other Receivables		
Third parties and GST receivables	11,089	4,276
Allowance for impairment loss	-	(356)
	<u>11,089</u>	<u>3,920</u>
Deposits	350	460
	<u>31,692</u>	<u>21,480</u>

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 (ECLs) 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 30-Jun-21 RM ('000)	As at 31-Dec-20 RM ('000)
Not past due	7,669	7,598
Past due:		
- Less than 30 days	3,983	1,779
- 31 to 60 days	2,950	949
- 61 to 90 days	1,799	513
- More than 90 days	9,775	12,351
	<u>26,176</u>	<u>23,190</u>
Less: Loss allowance		
- Collectively impaired	(811)	(937)
- Individually impaired	(5,112)	(5,153)
Trade Receivable net	<u>20,253</u>	<u>17,100</u>

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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 renal dialysis business was disposed off on 3 May 2021.

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	
	30-Jun-21	30-Jun-20	30-Jun-21	30-Jun-20
<u>Segment</u>	RM ('000)	RM ('000)	RM ('000)	RM ('000)
Healthcare	20,069	63,784	33,053	77,958
Corporate	156	492	565	997
Elimination	(183)	(17,903)	(620)	(18,908)
Total	20,063	46,373	33,019	60,047

<u>PBT/(LBT) result</u>	RM ('000)		RM ('000)	
	RM ('000)	RM ('000)	RM ('000)	RM ('000)
<u>Segment</u>	RM ('000)	RM ('000)	RM ('000)	RM ('000)
Healthcare	8,497	1,861	7,326	3,101
Corporate	(769)	(282)	(889)	(614)
Elimination	-	-	-	-
Total	7,728	1,579	6,437	2,487

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 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 Lucenia (M) Sdn. Bhd. (“Lucenia”) took place on 3 May 2021 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. Lucenia 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 Lucenia 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 Lucenia.
- On 3 May 2021, Lucenia (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 30 June 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 2Q 2021	Individual Quarter Ended 2Q 2020	Changes	
	RM ('000)	RM ('000)	RM ('000)	%
Revenue	20,063	46,373	(26,310)	-57%
Profit before tax (PBT))	7,728*	1,579	6,149	389%

*Included in PBT of Q2 FY2021 is a gain on disposal of Lucenxia (M) Sdn. Bhd. (“Lucenxia Disposal”) of RM7.2m. The profit before tax from operation is RM0.91m before losses from Lucenxia .

The significant reduction in quarterly sales compared to last year is not reflective of the underlying business. The same period last year was the peak purchasing months of the hospitals in response to the first wave of Covid-19 pandemic. The underlying result is actually an improvement over previous preceding quarter.

15. COMPARISON WITH PRECEDING QUARTER’S RESULTS

	Individual Quarter Ended 2Q 2021	Individual Quarter Ended 1Q 2021	Changes	
	RM ('000)	RM ('000)	RM ('000)	%
Revenue	20,063	12,956	7,107	55%
Profit/(Loss) before tax ((LBT)/PBT)	7,728*	(1,292)	9,020	698%

*Included in PBT of Q2 FY2021 is a gain on disposal of Lucenxia (M) Sdn. Bhd. (“Lucenxia Disposal”) of RM7.2m.

The Group’s profit from operation improved from the disposal of Lucenxia. Added to the operation earnings is a one-off gain of RM 7.2 m from the disposal. Importantly, the healthcare sector improved by 55% in revenue from the return of hospital activities after a long period of enforced slowdown from the COVID -19 lockdown actions. Sales in the quarter is spread out more evenly between standards consumables and PPE.

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16. COMMENTARY ON CURRENT YEAR PROSPECTS

The Company see a robust improvement in the healthcare sector as the country reopen its economy. Healthcare is expected to lead the consumerism surge as jobs are created and retail reopen. Sales in the next two quarters will see an increase. Margins may be less predictable.

The damping factor will be the logistics bottleneck and record high sea freight from China or any part of the world. Shipping capacity constraints, ports closures at exporting and importing countries are creating a highly unpredictable supply chain schedule. Logistics related cost has increased and may further increase up to 5 folds in absolute terms compared to preCovid shipping costs. This will impact margins from both direct seafreight or emergency airfreight when the delays are unacceptable.

The company has taken several steps to increase purchases and inventory to avoid non-delivery defaults to hospitals. This has help the company to ride out the difficult seafreight situation.

17. UTILISATION OF PROCEEDS

The gross proceeds arising from Lucenxia (M) Sdn Bhd (“Lucenxia”) Disposal of RM11 million are as follow.

Details of utilisation	Revised Expected utilization time frame	Proposed Utilisation	Amount Utilised	Balance unutilised	*Variation
		RM'000	RM'000	RM'000	RM'000
Working capital	Within 24 months	8,400	8,400	-	2,000
Business expansion	Within 24 months	2,000	-	2,000	(2,000)
Estimated expenses	Within 3 months	600	600	-	-
Total		11,000	9,000	2,000	-

*Announcement on variation to the utilization of consideration from Lucenxia Disposal was made to Bursa Malaysia on 5 July 2021.

18. PROFIT FORECAST

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

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19. TAXATION

No tax is provided as the Company does not have taxable profit.

	Individual Quarter Ended		Cumulative Quarter Ended	
	30-Jun-21	30-Jun-20	30-Jun-21	30-Jun-20
	RM ('000)	RM ('000)	RM ('000)	RM ('000)
Income tax	-	(12)	-	(12)
Deferred tax assets/(liabilities)	-	-	-	-
Total	-	(12)	-	(12)

20. SALE OF UNQUOTED INVESTMENTS AND PROPERTIES

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

21. MARKETABLE SECURITIES

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

22. CORPORATE PROPOSALS

There was no corporate proposal announced which remain uncompleted at the financial period ended 30 June 2021.

23. BANK BORROWINGS AND DEBT SECURITIES

The total bank borrowings of the Group as of financial year ended 30 June 2021 as below.

	As at 30-Jun-21 RM ('000)	As at 30-Jun-20 RM ('000)
Current (Secured):		
Trade loan	170	-
Revolving Credit	-	10,628
Term Loan	-	2,000
	<hr/>	<hr/>
	170	12,628
Non-Current (Secured):		
Term Loan	-	500
Total Bank Borrowings	<hr/>	<hr/>
	170	13,128

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24. 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.

25. 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	
	30-Jun-21	30-Jun-20	30-Jun-21	30-Jun-20
Profit attributable to ordinary equity holders of the parent (RM '000)	7,711	1,691	6,589	2,699
Weighted average number of ordinary shares in issue (Unit '000)	152,786	152,786	152,786	152,786
Basic earnings per share (sen)	5.05	1.11	4.31	1.77

b. **Diluted**

There were no diluted earnings per share.

26. (LOSS) / PROFIT BEFORE TAX

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

	Individual Quarter Ended		Cumulative Quarter Ended	
	30-Jun-21	30-Jun-20	30-Jun-21	30-Jun-20
	RM'000	RM'000	RM'000	RM'000
Other income	(26)	(40)	(46)	(40)
Interest income	(28)	(19)	(37)	(160)
Net foreign exchange loss/(gain)	(14)	166	81	155
Interest expenses	277	454	630	627

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27. 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 30-Jun-2021	As at 30-Jun-2020
<u>Group's total (Accumulated losses)/Retained profits:</u>	RM'000	RM'000
Realised	(40,488)	(20,334)
Unrealised	(6,393)	(5,246)
Total Realised and unrealised	(46,881)	(25,580)
Less: Consol adjustments	50,943	37,531
(Accumulated losses) / Retained profits	4,062	11,951

28. 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 25th August 2021.

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