

ADVENTA BERHAD
(Company No : 200301016113 (618533-M))
(Incorporated in Malaysia)
SECOND QUARTER REPORT ENDED 30 JUNE 2023

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 2022. 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 2022.

The audited financial statements of the Group for the year ended 31 December 2022 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 2022.

2. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The preceding audited financial statements for the year ended 31 December 2022 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-23 RM ('000) | As at 31-Dec-22 RM ('000) |
|---------------------------------|--|--|
| Trade Receivables | | |
| Third parties | 23,345 | 20,491 |
| Allowance for impairment loss | (742) | (742) |
| | <u>22,603</u> | <u>19,749</u> |
| Other Receivables | | |
| Third and Related parties | 2,946 | 2,560 |
| Allowance for impairment loss | (2,449) | (2,449) |
| | <u>497</u> | <u>111</u> |
| Deposits and Prepayments | <u>15,880</u> | <u>5,914</u> |
| | <u>38,980</u> | <u>25,774</u> |

a) Trade Receivables

The Group's normal trade credit term ranges from 30 to 90 days (2022: 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-23 RM ('000) | As at 31-Dec-22 RM ('000) |
|-------------------------|--|--|
| Not past due | 4,779 | 4,749 |
| Past due: | | |
| - Less than 30 days | 1,793 | 1,150 |
| - 31 to 60 days | 3,592 | 2,811 |
| - 61 to 90 days | 46 | 4,642 |
| - More than 90 days | 13,135 | 7,139 |
| | <u>23,345</u> | <u>20,491</u> |
| Less: Loss allowance | | |
| - Collectively impaired | (136) | (136) |
| - Individually impaired | (606) | (606) |
| Trade Receivable net | <u>22,603</u> | <u>19,749</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.

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-23 | 30-Jun-22 | 30-Jun-23 | 30-Jun-22 |
| <u>Segment</u> | RM ('000) | RM ('000) | RM ('000) | RM ('000) |
| Healthcare | 7,187 | 22,624 | 21,615 | 40,919 |
| Corporate | 240 | 240 | 480 | 480 |
| Elimination | (766) | (963) | (1,683) | (1,203) |
| Total | 6,661 | 21,901 | 20,412 | 40,196 |

| <u>(LBT)/PBT result</u> | | | | |
|-------------------------|------------------|------------------|------------------|------------------|
| <u>Segment</u> | RM ('000) | RM ('000) | RM ('000) | RM ('000) |
| Healthcare | (2,279) | 434 | (2,915) | 1,374 |
| Corporate | (280) | (165) | (475) | (195) |
| Elimination | - | - | - | - |
| Total | (2,559) | 269 | (3,390) | 1,179 |

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 EVENTS

There are no material events subsequent to the end of the reporting period under review that have not been reflected in the quarterly financial statements.

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11. CHANGES IN COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the financial period ended 30 June 2023 and subsequent to financial period as of to date except the following:

On 31 May 2023 Adventa Berhad had acquired 99% shareholdings in PT Adventa Biotech International from its subsidiary Nextech Med Pte Ltd.

Both PT Adventa Biotech International and Nextech Med Pte Ltd became direct subsidiary of Adventa Berhad.

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 material capital commitments at the financial period ended 30 June 2023.

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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 2023 | Individual Quarter Ended 2Q 2022 | Changes | Changes |
|--|---|---|------------------|----------------|
| | RM ('000) | RM ('000) | RM ('000) | % |
| Revenue | 6,661 | 21,901 | (15,240) | -70% |
| Profit before tax / (Loss before tax) | (2,559) | 269 | (2,828) | -1,051% |

Revenue for the quarter was RM15.2 million lower compared to the corresponding Q2 last year as budget constraints and over-stocked positions at hospitals continued to affect demand for many of the company's key products. Despite some successful efforts to reduce operating costs and improve margins, the lower sales revenue has resulted in a loss before tax of RM2,559k compared to a previous profit of RM269k. Market prices for certain product lines have been on the downtrend during this post-covid period causing write-downs in inventory values which is the main reason for the losses incurred in this quarter.

15. COMPARISON WITH PRECEDING QUARTER'S RESULTS

| | Reporting Quarter 2Q 2023 | Previous Quarter 1Q 2023 | Changes | Changes |
|-----------------------|--|---|------------------|----------------|
| | RM ('000) | RM ('000) | RM ('000) | % |
| Revenue | 6,661 | 13,751 | (7,090) | -51% |
| Loss Before Tax (LBT) | (2,559) | (831) | (1,728) | -208% |

The current quarter recorded a decrease in revenue of RM7.09 million compared to the previous quarter and a loss before tax of RM2,559k compared to a loss of RM831k in the previous quarter. The lower revenue was due to continuing budget constraints and over-stocked positions at hospitals. Low demand for certain long held inventories necessitated a write-off of RM200k for these inventories and significant drops in market selling prices of certain other inventories caused a write-down in inventory values of RM1.2 million in this quarter to reflect the lower realizable values of these inventory items. These inventory write-downs largely contributed to the losses in the current quarter.

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16. COMMENTARY ON CURRENT YEAR PROSPECTS

Whilst we remain cautiously optimistic of the long term business prospects for the company with our on-going plans to expand the product portfolio with our in-house brand and move up the value chain by re-embarking into manufacturing, current year prospects will remain challenging possibly until the last quarter of the year when we expect demand for some of our key products to improve.

17. PROFIT FORECAST

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

18. TAXATION

The effective tax rate is higher than the statutory rate due to certain expenses being disallowed for tax purposes.

| | Individual Quarter Ended | | Cumulative Quarter Ended | |
|-----------------------------------|---------------------------------|------------------|---------------------------------|------------------|
| | 30-Jun-23 | 30-Jun-22 | 30-Jun-23 | 30-Jun-22 |
| | RM ('000) | RM ('000) | RM ('000) | RM ('000) |
| Income tax credit/(expense) | (2) | (96) | (2) | (468) |
| Deferred tax assets/(liabilities) | - | - | - | - |
| Total | (2) | (96) | (2) | (468) |

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.

21. CORPORATE PROPOSALS

On 14 July 2023, the Company announced the proposal to undertake the following :

- i) a renounceable rights issue of up to 152,785,770 new ordinary shares in Adventa ("Adventa Share(s)" or "Share(s)") ("Rights Share(s)") on the basis of 1 Rights Share for every 1 existing Adventa Share held, on an entitlement date to be determined and announced later ("Proposed Rights Issue"); and

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- ii) an exemption under subparagraph 4.08(1)(b) of the Rules on Take-overs, Mergers and Compulsory Acquisitions ("Rules") to Low Chin Guan and persons acting in concert with him from the obligation to undertake a mandatory take-over offer for all the remaining Adventa Shares not already owned by them pursuant to the Proposed Rights Issue ("Proposed Exemption").

On 9 August 2023, Bursa Malaysia Securities Berhad had approved the listing and quotation for up to 152,785,770 Rights Issue to be issued pursuant to the Proposed Rights Issue with conditions as announced on the same day to Bursa Malaysia Securities Berhad.

On 25th August 2023, the Company had announced the Notice of Extraordinary General Meeting to be held on 15th September 2023 pertaining to the Proposed Rights Issue and Proposed Exemption.

Save for the above, there was no other corporate proposal announced as at the date of this interim report but pending completion.

22. BANK BORROWINGS AND DEBT SECURITIES

The total bank borrowings of the Group as of financial period ended 30 June 2023 is as below :

| | As at 30-June-23 RM ('000) | As at 30-June-22 RM ('000) |
|-------------------------------|---|---|
| Non-Current (Secured): | | |
| Term loan | 7,131 | - |
| Current (Secured): | | |
| Trade loan | 1,646 | 3,041 |
| Term loan | 687 | - |
| Total Bank Borrowings | 9,464 | 3,041 |

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.

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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 | |
|--|---------------------------------|------------------|---------------------------------|------------------|
| | 30-Jun-23 | 30-Jun-22 | 30-Jun-23 | 30-Jun-22 |
| Profit attributable to ordinary equity holders of the parent (RM '000) | (2,539) | 82 | (3,364) | 782 |
| Weighted average number of ordinary shares in issue (Unit '000) | 152,786 | 152,786 | 152,786 | 152,786 |
| Basic earnings per share (sen) | (1.66) | 0.05 | (2.20) | 0.51 |

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 | |
|----------------------------------|---------------------------------|------------------|---------------------------------|------------------|
| | 30-Jun-23 | 30-Jun-22 | 30-Jun-23 | 30-Jun-22 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Other income | 39 | 40 | 86 | 89 |
| Interest income | 10 | 75 | 20 | 144 |
| Net foreign exchange loss/(gain) | 14 | (21) | (23) | (129) |
| Interest expenses | (413) | (367) | (735) | (701) |

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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 as follows:

| | As at 30-Jun-2023 | As at 30-Jun-2022 |
|--|------------------------------|------------------------------|
| | RM'000 | RM'000 |
| Group's total Retained profits: | | |
| Realised | 7,227 | 17,120 |
| Unrealised | (4,328) | (3,982) |
| Total Realised and unrealised | 2,899 | 13,138 |
| Less: Consol adjustments | (805) | (1,757) |
| Retained profits | 2,094 | 11,381 |

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 August 2023.

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