

ADVENTA BERHAD
(Company No : 200301016113 (618533-M))
(Incorporated in Malaysia)
FOURTH QUARTER REPORT ENDED 31 DECEMBER 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 not 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.	INVESTMENT	As at 31-Dec-23 RM('000)	As at 31-Dec-22 RM('000)
	- Unquoted shares at cost	<u>11,500</u>	<u>NIL</u>

8. TRADE AND OTHER RECEIVABLES

	As at 31-Dec-23 RM ('000)	As at 31-Dec-22 RM ('000)
Trade Receivables		
Third parties	10,925	20,291
Allowance for impairment loss	(3,069)	(742)
	<u>7,856</u>	<u>19,549</u>
Other Receivables		
Third and Related parties	1,938	2,560
Allowance for impairment loss	-	(2,449)
	<u>1,938</u>	<u>111</u>
Deposits and Prepayments	<u>4,310</u>	<u>5,914</u>
	<u>14,104</u>	<u>25,574</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:

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	As at 31-Dec-23 RM ('000)	As at 31-Dec-22 RM ('000)
Not past due	4,619	4,549
Past due:		
- Less than 30 days	615	1,150
- 31 to 60 days	577	2,811
- 61 to 90 days	400	4,642
- More than 90 days	4,714	7,139
	10,925	20,291
Less: Loss allowance		
- Collectively impaired	(3,069)	(136)
- Individually impaired	-	(606)
Trade Receivable net	7,856	19,549

Credit impaired

Trade receivables are determined to be impaired at the reporting date are debts that are deemed to be difficult to collect in full or in part for respective reasons. These receivables are not secured by any collateral or credit enhancements.

9. 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	
	31-Dec-23	31-Dec-22	31-Dec-23	31-Dec-22
<u>Segment</u>	RM ('000)	RM ('000)	RM ('000)	RM ('000)
Healthcare	9,094	9,008	39,269	60,810
Corporate	240	240	960	960
Elimination	(687)	(801)	(3,053)	(2,865)
Total	8,647	8,447	37,176	58,905

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<u>(LBT)/PBT result</u>	Individual Quarter Ended		Cumulative Quarter Ended	
	31-Dec-23	31-Dec-22	31-Dec-23	31-Dec-22
<u>Segment</u>	RM ('000)	RM ('000)	RM ('000)	RM ('000)
Healthcare	(4,616)	(3,106)	(8,922)	(3,886)
Corporate	38	(493)	(1,040)	(879)
Elimination	-	-	-	-
Total	(4,578)	(3,599)	(9,962)	(4,765)

10. 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.

11. 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.

12. CHANGES IN COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the financial period ended 31 December 2023 and subsequent to financial period.

13. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

14. CAPITAL COMMITMENTS

The capital commitments at the financial period ended 31 December 2023 is as follows :

Capital Expenditure approved and contracted for	RM'000
- Property, plant and equipment for the manufacturing facility	<u>19,609</u>

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

15. PERFORMANCE REVIEW

	Individual Quarter Ended 4Q 2023	Individual Quarter Ended 4Q 2022	Changes	Changes
	RM ('000)	RM ('000)	RM ('000)	%
Revenue	8,647	8,447	200	2%
Loss before tax (LBT)	(4,578)	(3,599)	-979	-27%

There is a marginal increase in revenue compared to same period last year but the loss before tax in this quarter is 27% higher than same quarter last year. The main reason of such losses includes the pre-operating cost of Indonesian project and the provisions for impairment of debts which is based on financial prudence.

16. COMPARISON WITH PRECEDING QUARTER'S RESULTS

	Reporting Quarter 4Q 2023	Previous Quarter 3Q 2023	Changes	Changes
	RM ('000)	RM ('000)	RM ('000)	%
Revenue	8,647	8,117	530	6.5%
Loss Before Tax (LBT)	(4,578)	(1,994)	-2,584	-130%

The current quarter revenue recorded an increase of 6.5% compared to the previous quarter. This was driven by higher sales of hospital consumables. Loss before tax increased by RM 2.58m compared to previous quarter. The reason for the higher losses is mentioned in Note 15 above.

17. COMMENTARY ON CURRENT YEAR PROSPECTS

The Group reported RM 37m revenue and RM9.9m losses this year. The loss is large made up of three factors: a one-off provision of RM 3.5 million for inventory valuation and marked to market adjustments; the pre-operation expenses of Indonesia project as the company invested in a greenfield Indonesian manufacturing plant; provisions for impairment of debts in whole or in part out of prudence basis.

Recognising the current challenges, the Group is actively engaged in synergising business sectors, instilling margin enhancement strategies, restructuring resources, improving revenue sustainability and putting in new revenue streams.

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The healthcare market remains robust, with potential of continuous growth for the future. Technology has created a new playfield, enabling innovative products into the market faster than before. The Group has taken fresh initiatives to capitalize on innovation and digital healthcare to complement the core business.

Longer term, our investment in quality and sustainable businesses and markets will drive stability in earnings growth in every business units.

18. UTILISATION OF PROCEEDS

The gross proceeds arising from the Issuance of Rights Issue of RM38.19 million are as follows :

Details of Utilisation	Expected utilization time frame	Proposed Utilisation	Actual Utilisation	Remaining balance
		RM('000)	RM('000)	RM('000)
Business Expansion	Within 24 months	20,605	4,006	16,599
Working Capital	Within 18 months	8,182	-	8,182
Repayment of bank borrowings	Within 6 months	8,755	8,755	NIL
Estimated Expenses	Upon completion	654	654	NIL
Total		38,196	13,415	24,781

19. PROFIT FORECAST

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

20. TAXATION

Deferred tax asset is recognized as the company incurred losses during the year.

	Individual Quarter Ended		Cumulative Quarter Ended	
	31-Dec-23	31-Dec-22	31-Dec-23	31-Dec-22
	RM ('000)	RM ('000)	RM ('000)	RM ('000)
Income tax credit/(expense)	17	(2)	14	(33)
Deferred tax assets/(liabilities)	1,110	(407)	1,110	(407)
Total	1,127	(409)	1,124	(440)

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21. SALE OF UNQUOTED INVESTMENTS AND PROPERTIES

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

22. MARKETABLE SECURITIES

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

23. 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
- 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").

The above Proposals had been completed on 22 Nov 2023 after 152,785,770 Rights Shares were issued, listed and quoted on the Main Market of Bursa Malaysia Securities Berhad.

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

24. BANK BORROWINGS AND DEBT SECURITIES

The total bank borrowings of the Group as of financial period ended 31 December 2023 is as below:

	As at 31-Dec-23 RM ('000)	As at 31-Dec-22 RM ('000)
Non-Current (Secured):		
Term loan	5,670	-
Current (Secured):		
Trade loan	606	541
Term loan	1,461	-
Total Bank Borrowings	7,737	541

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25. 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.

26. EARNINGS PER SHARE

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

a. Basic

	Individual Quarter Ended		Cumulative Quarter Ended	
	31-Dec-23	31-Dec-22	31-Dec-23	31-Dec-22
Profit attributable to ordinary equity holders of the parent (RM '000)	(3,453)	(4,008)	(8,758)	(5,141)
Weighted average number of ordinary shares in issue (Unit '000)	305,572	152,786	305,572	152,786
Basic earnings per share (sen)	(1.13)	(2.62)	(2.87)	(3.36)

b. Diluted

There were no diluted earnings per share.

27. (LOSS) / PROFIT BEFORE TAX

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

	Individual Quarter Ended		Cumulative Quarter Ended	
	31-Dec-23	31-Dec-22	31-Dec-23	31-Dec-22
	RM'000	RM'000	RM'000	RM'000
Other income	29	40	155	173
Interest income	66	29	100	182
Loss on disposal of investment	(4)	-	(4)	-
Net foreign exchange loss/(gain)	(29)	(112)	(16)	(21)
Interest expenses	(501)	(339)	(1,642)	(1,417)

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28. REALISED AND UNREALISED PROFITS/LOSSES

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

	As at 31-Dec-2023	As at 31-Dec-2022
	RM'000	RM'000
<u>Group's total Retained profits:</u>		
Realised	1,637	9,351
Unrealised	(4,190)	(3,081)
Total Realised and unrealised	(2,553)	6,270
Less: Consol adjustments	(747)	(812)
(Accumulated losses)/ Retained profits	(3,300)	5,458

29. 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 23rd February 2024.

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