ADVENTA BERHAD
Registration No. 200301016113 (618533-M)
(Incorporated in Malaysia)

SUMMARY OF KEY MATTERS DISCUSSED AT THE EIGHTEENTH ANNUAL GENERAL MEETING ("18TH AGM") OF ADVENTA BERHAD TO BE DEEMED HELD WHERE THE CHAIRMAN OF THE MEETING IS IN PETALING JAYA, SELANGOR DARUL EHSAN AND ON A FULLY VIRTUAL BASIS HOSTED ON SECURITIES SERVICES E-PORTAL IN MALAYSIA ON THURSDAY, 24 JUNE 2021 AT 10:30 A.M.

Minority Shareholders Watch Group's ("MSWG") questions and answers

Operational and Financial Matters

Question 1:

The Company has been loss making for the last 2 financial years. In FYE 2019, it posted a loss after tax of RM12.5 million on the back of a turnover of RM30.2 million while for FYE 2020 it posted a loss after tax of RM12.3 million on a revenue of RM87.2 million. (Page 5 of AR 2020)

a) What are the steps being taken by the Company to bring the Company back to profitability?
b) What is the guidance on revenue and net profit for FYE 2021?

Answer:

Please note that the FYE 2019 the Company has a net profit of RM22 million combining the continuing and discontinued operations.

a) The non-hospital business has a significant drag on the overall profitability of the group, which would otherwise have been positive. The Company took steps to reverse this by dispose of the loss-making entity, allowing the healthcare supplies segment to better utilise capital and resources. The disposal was completed in May 2021. We expect the Company's results to turn positive from Q2 onwards barring any unforeseen circumstances.

b) The Company expect the revenue from the hospital supplies business to improve by more than 35% and a positive contribution in net profit projected with current economic conditions.

Question 2:

The Company's purported strengths are in the areas of supply chain and product promotion in the medical sector. The Company is looking for organic and acquisition driven growth. (Page 5 of AR 2020)

Has the Company identified any potential businesses for acquisition and what are the areas of business that the Company is exploring into?

Answer:

The Company has identified synergistic sectors that could leverage on our strength, but it is premature to disclose details.

Question 3:

The Company has exited the dialysis business as it was no longer aligned to the Company's business objectives. (Page 5 of AR 2020).

a) What were the proceeds from the disposal of the dialysis business? Did the Company record a gain or loss on disposal?
b) What are the technology and information driven businesses that the Company is considering venturing into? (Page 5 of AR 2020)

Answer:

a) The disposal proceeds of the dialysis business is RM11 million. Based on unaudited accounts of the Company, the Company recorded about RM7.2 million gain on disposal.

b) Healthcare has always been medical knowledge and technology in diagnostics. We anticipate healthcare in the near future to be driven by data and analytic. As a first line prevention and then therapy application, we are looking into an integrated data platform for higher efficiency and more customised solution for hospitals and patients.

Question 4:

Impairment losses on receivables increased significantly in FYE 2020 to RM4.2 million from RM1.5 million in FYE 2019. (Page 52 of AR 2020)

a) What was the reason for the substantial increase in impairment?
b) How much of these impairments have been recovered to-date?
c) What percentage of these impairments are expected to be non- recoverable?
d) Are impairments expected to increase, going forward?

Answer:

a) The reason for the increased in impairment in FYE020 arise from oversea customers where receivables are weakening and slow. Our accounting policy dictates that overdue receivables and debts (even though it may be recoverable) should be subjected to impairment.

b) There's 5% have been recovered to date.

c) The Company has taken steps to recover these debts. We expect a slower payments trend and some non-recoverability. It is too pre-mature to conclude the non-recoverability.

d) With FMCO certain company face a slow down in business and hence payment of debt. The accounting policy dictates that overdue receivables and debts (even though it may be recoverable) should be subjected to impairment. Hence, we expect there might still be a need to provide for impairment on receivables on general basis going forward.

Question 5:

The value of inventories written-down increased sharply in FYE 2020 to RM10.7 from RM1.6 million in FYE 2019. (Page 52 of AR 2020)

a) What were the reasons for the substantial increase in inventories written-down? (eg stock obsolescence or slow moving stock)
b) Is the value of inventories written-down expected to increase with the slowdown in the economy?
c) Are any of the written-down inventories salvageable?

Answer:

a) The reason for the substantial increase in inventories written down is due to

1. highly fluctuating raw material prices and supply demand changes.
2. intense competition amid slowdown in the healthcare industry.
3. price control by Government on certain PPEs
4. air freighted products not taken up by the market in time.

b) The management of the supplies has improved with clarity of consumption, where demand is more predictable and not crisis driven. The economy, while expected to slow down, will not be a factor of impairment but of revenue. As cost of trade are better managed with higher supply-demand predictability, we do not expect to see past impairment rates.

c) Writing down inventory values indicate the prudent accounting policy that the company practice, to show the extend of change in the market cost-price levels. It does not indicate that the inventories are damaged/defective or unsellable. If such happen, a write off will be made, which is not the case here.

Corporate Governance ("CG")

Question 1:

Based on the Corporate Governance (CG) report of the Company on application of the Practices under the Malaysian Code on Corporate Governance (MCCG), the board will not seek annual shareholders' approval through a two-tier voting process for Directors intending to seek office beyond the 12 years term. Adventa does not adopt a two-tier voting process in the upcoming AGM to seek annual shareholders' approval for the retention of two long-serving independent directors namely Mr. Toh Seng Thong and Mr. Edmond Cheah Swee Leng, who have served the Board since 10 May 2004 and 27 September 2004 respectively.

Why has the Company not applied the practice of two-tier voting as advocated by the MCCG? Does the Company intend to apply two-tier voting in the future? If so, by when?

Answer:

Intended Outcome 4.0 of the MCCG is deemed achieved by the Company through the following alternative practices which are appropriate to and practical for the Company:

- Three (3) Independent Directors of five (5) Directors in the Board represent compliance to the requirement of Practice 4.1 of the MCCG which requires at least half of the Board comprises Independent Directors.
- The Board has the right mix of skills, experience and knowledge base with a broad background in business and finance. In this context, Board decisions are always made with diverse perspectives and insights.
- All Independent Directors had fulfilled the criteria under the definition of Independent Director pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.
- All Independent Directors had actively participated in the Board deliberations, provided objectivity in decision making and an independent voice to the Board and contributed in preventing Board domination by any single party.
- All Independent Directors had devoted sufficient time and attention to their responsibilities as an Independent Non-Executive Director of the Company.
- All Independent Directors had exercised their due care in the interest of the Company and shareholders during their tenure as an Independent Non-Executive Director of the Company.

The Company will endeavour to apply the two-tier voting where it is practicable and provide alternatives to meet the intended outcome.

Question 2:

Chapter 9, Paragraph 9.21(2) of the Main Market Listing Requirements (MMLR) requires companies to publish a summary of the key matters discussed (KMD) at the AGM onto the Company's website soon after the conclusion of the general meeting. As at 17 June 2021, the summary of KMD at Adventa's AGM held in 2020 was not available on the Company's website – https://www.adventa.com.my/

Please take note.

Answer:

The Company had published a summary of the key matters discussed (KMD) at the AGM onto the Company's website soon after the conclusion of the 17th AGM. All the information for 17th AGM had already been replaced with the latest information for the forthcoming 18th AGM on 25th May 2021.

For your information, the Company has re-uploaded the KMD onto Company's website.

Question 3:

The total internal audit fee incurred by the Company for FYE 2020 was RM15,000 or around RM1,250 per month. (Page 26 of AR 2020)

a) Given that the fee is rather small, how does the Audit Committee assure itself that there would be adequate coverage and an effective audit function?
b) What were the areas covered by the internal audit during FYE 2020?
c) How many internal audit reports were issued during FYE 2020?

Answer:

a) The fee charged is based on the size of the company's accounts and its complexities and cannot be used to assess the adequacy and effectiveness of audit function. The Audit Committee reviewed the Internal Auditor's audit plan and structure and discussed the Internal Audit plan to ensure improvement where possible, the adequacy of coverage and its effectiveness.

b) During the FYE 2020, Internal Auditor conducted audits of operations under Fixed Assets and Inventory Management.

c) One internal audit report were issued during FYE2020.

<u>Shareholders' questions and answers session</u>

Question 1:

Ms. Tee Beng Ngo, a proxyholder highlighted that as the company is paying Directors' fees, meeting allowances and other benefits to its Board of Directors' during this pandemic, the Company should also be fair and give some door gifts, e-vouchers, or e-wallet to all its shareholders and proxies attending this live streaming Meeting as a token of appreciation for their attendance.

Answer:

Mr. Low Chin Guan ("**Mr. Low**"), on behalf of the Board, expressed their appreciation for the support giving by the shareholders to the Company. Mr. Low highlighted that the Company has always work towards maximising shareholders' value and informed the Meeting that the Company took note of the aforesaid request where a few other shareholders also suggested the same. The Company would consider the same for future general meeting.

Question 2:

Ms. Teh Sue Wei, a shareholder requested for a printed hard copy of the annual report.

Answer:

Mr. Low responded that a printed hard copy of the annual report may be requested by completing the requisition form which is made available in the Company's website.

Ms. Chua Siew Chuan, *the Company Secretary* added that alternately, the shareholders may also send in their request for hard copy of the annual report via the live streaming portal.