THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional advisers immediately.

ADVENTA

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

CIRCULAR TO SHAREHOLDERS IN RELATION TO

PART A

PROPOSED DISPOSAL BY ADVENTA BERHAD TO MR LOW CHIN GUAN OF ITS ENTIRE EQUITY INTEREST IN LUCENXIA (M) SDN. BHD., A WHOLLY-OWNED SUBSIDIARY OF ADVENTA BERHAD FOR A CASH CONSIDERATION OF RM11.0 MILLION ("PROPOSED LUCENXIA DISPOSAL")

PART B

INDEPENDENT ADVICE LETTER TO NON-INTERESTED SHAREHOLDERS OF ADVENTA BERHAD IN RELATION TO THE PROPOSED LUCENXIA DISPOSAL

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser

AmInvestment Bank

AmInvestment Bank Berhad
(Registration No. : 197501002220 (23742-V))
(A Participating Organisation of Bursa Malaysia Securities Berhad)

Independent Adviser

cfSolutions

cfSolutions Sdn Bhd
Reg. No. 198501004650 (137090-W)
licensed corporate finance adviser

The Notice of the Extraordinary General Meeting ("**EGM**") of Adventa Berhad to be held on a fully virtual basis at the broadcast venue at Meeting Room of Adventa Berhad of 21, Jalan Tandang 51/205A, Seksyen 51, 46050 Petaling Jaya, Selangor Darul Ehsan on Thursday, 8 April 2021 at 10.30 a.m. or at any adjournment thereof is enclosed together with the Form of Proxy in this Circular. The Administrative Guide on the Conduct of a Fully Virtual General Meeting is available at the Company's website at https://www.adventa.com.my/investor-relations-info.

A member entitled to attend, participate, speak and vote at the EGM is entitled to appoint more than one (1) proxy to attend, participate, speak and vote on his/ her behalf. In such event, the Form of Proxy must be lodged at SS E Solutions Sdn. Bhd. at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan not less than forty-eight (48) hours before the stipulated time appointed for holding the EGM or at any adjournment thereof. Alternatively, the Form of Proxy may also be lodged electronically via Securities Services e-Portal at https://www.sshsb.net.my/. The lodging of the Form of Proxy shall not preclude you from attending, participating, speaking and voting in person at the EGM should you subsequently wish to do so.

Last date and time for lodging the Form of Proxy	:	Tuesday, 6 April 2021 at 10.30 a.m.
Date and time of the EGM	:	Thursday, 8 April 2021 at 10.30 a.m. or at any adjournment thereof

This Circular is dated 24 March 2021

Except where the context otherwise requires, the following definitions shall apply throughout this Circular:-

Act	:	Companies Act 2016
Adventa or **Company**	:	Adventa Berhad (Registration No. 200301016113 (618533-M))
Adventa Group or **Group**	:	Adventa and its subsidiaries
Adventa Share(s) or **Share(s)**	:	Ordinary share(s) of Adventa
AmInvestment Bank or **Principal Adviser**	:	AmInvestment Bank Berhad (Registration No. 197501002220 (23742-V)), being the Principal Adviser for the Proposed Lucenxia Disposal
APD	:	Automated peritoneal dialysis
Board	:	Board of Directors of Adventa
Bursa Securities	:	Bursa Malaysia Securities Berhad (Registration No. 200301033577 (635998-W))
cfSolutions or **Independent Adviser**		cfSolutions Sdn. Bhd. (Registration No. 198501004650 (137090-W)), a Licensed Corporate Finance Adviser appointed as the Independent Adviser to advise the Non-Interested Shareholders on the Proposed Lucenxia Disposal
Circular	:	This circular dated 24 March 2021 in relation to the Proposed Lucenxia Disposal
Conditions	:	Conditions of the SSA as set out in Appendix II of this Circular
Consideration	:	Cash consideration of RM11.0 million for the Proposed Lucenxia Disposal
E-Beam	:	Electron Beam Sdn. Bhd. (Registration No. 200701019370 (777382-K))
EGM	:	Extraordinary General Meeting
EPS	:	Earnings per share
FP	:	Financial period(s) ended
FY	:	Financial year(s) ended
Guaranteed Patients	:	6,000 patients guaranteed under MoH SL Agreement
IAL	:	The independent adviser letter by cfSolutions as set out in Part B of this Circular
Independent Valuer	:	Crowe Advisory Sdn. Bhd. (Registration No. 200801005892 (807176-D))
Indicative Value Range	:	A range of indicative values of RM9.41 million to RM9.52 million for the entire equity interest in Lucenxia as at Valuation Date, as appraised by the Independent Valuer

LAT	:	Loss after taxation
LCX Lanka	:	Lucenxia Lanka (Private) Limited, a company incorporated in Sri Lanka
LCX Healthcare	:	Lucenxia Healthcare (Private) Limited, a company incorporated in Sri Lanka
Listing Requirements	:	Main Market Listing Requirements of Bursa Securities
LPD	:	19 March 2021, being the latest practicable date prior to the printing of this Circular
LTD	:	4 February 2021, being the last trading day prior to the announcement of Proposed Lucenxia Disposal
Lucenxia	:	Lucenxia (M) Sdn. Bhd. (Registration No.201001003831 (888422-V))
Lucenxia Group	:	Lucenxia and its subsidiaries, namely LCX Healthcare and LCX Lanka
MoH SL Agreement		An agreement dated 13 November 2019 entered into between LCX Healthcare and MoH Sri Lanka for the deployment of NAPHD Programme to provide peritoneal dialysis at home to patients diagnosed with chronic kidney disease for 8 years
MoH Sri Lanka	:	Ministry of Health, Nutrition and Indigenous Medicine, Sri Lanka
Mr Low or **Buyer**	:	Mr Low Chin Guan
NA	:	Net assets
NAPHD Programme	:	Automated peritoneal dialysis treatment services programme
NBV	:	Net book value
Non-Interested Shareholders	:	The shareholders of Adventa who are not interested in the Proposed Lucenxia Disposal
Outstanding Amount	:	An outstanding amount of RM11,000,000 owing by Lucenxia Group to Adventa as at the date of the SSA
PB	:	Price-book multiple
Proposed Lucenxia Disposal	:	Proposed disposal by Adventa to Mr Low of its entire equity interest in Lucenxia for the Consideration
Record of Depositors	:	A record of securities holders established and maintained by Bursa Malaysia Depository Sdn. Bhd.
Sale Shares	:	500,000 ordinary shares and 53,000,000 preference shares in Lucenxia representing 100% of the total issued share capital of Lucenxia
SSA	:	The conditional share sale agreement dated 5 February 2021 entered into between Adventa and Mr Low in relation to the Proposed Lucenxia Disposal
Valuation Date	:	30 September 2020
Valuation Report	:	Valuation report dated 24 February 2021 by Independent Valuer, Crowe Advisory Sdn. Bhd.

Valuation Letter	:	Valuation letter dated 24 February 2021 by Independent Valuer, Crowe Advisory Sdn. Bhd.

CURRENCIES

EUR	:	Euro
LKR	:	Sri Lankan Rupee
RM	:	Ringgit Malaysia and sen
USD	:	United States Dollar

Words importing the singular shall, where applicable, include the plural and vice versa, and words importing the masculine gender shall, where applicable, include the feminine and/or neuter gender, and vice versa. References to persons shall include corporations, unless otherwise specified.

Any discrepancies in the tables included in this Circular between the amount listed, actual figures and the totals thereof are due to rounding.

Any reference in this Circular to any enactment or guidelines is a reference to that enactment or guidelines as for the time being amended or re-enacted or guidelines. Any reference to a time of day in this Circular shall be a reference to Malaysian time, unless otherwise stated.

All references to "**you**" in this Circular are to the shareholders of Adventa.

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TABLE OF CONTENTS

EXECUTIVE SUMMARY

This is an executive summary highlighting the salient information relating to the Proposed Lucenxia Disposal. The information is derived from and should be read in conjunction with the full text of this Circular. You are advised to read and consider carefully the contents of this Circular (including the IAL set out in Part B and appendices of this Circular) before voting at the Company's forthcoming EGM to be convened.

Adventa is seeking its shareholders' approval on the Proposed Lucenxia Disposal. The Board (save for Mr Low), having considered all relevant aspects of the Proposed Lucenxia Disposal, recommends that you vote **IN FAVOUR** of the resolution in relation to the Proposed Lucenxia Disposal to be tabled at the Company's forthcoming EGM to be convened.

The Proposed Lucenxia Disposal can be summarised as set out below:-

Proposed Lucenxia Disposal	:	• Adventa had on 5 February 2021, entered into the SSA with Mr Low for the disposal of the entire equity interest held by Adventa in Lucenxia to Mr Low and/or his nominee(s) for a total cash consideration of RM11.0 million, subject to the terms as set out in the SSA. • The Proposed Lucenxia Disposal is a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements by virtue of Mr Low's interests in Adventa as detailed in Section 8 of this Circular. • In this respect, cfSolutions has been appointed as the Independent Adviser for the Proposed Lucenxia Disposal. A copy of their letter is appended in Part B of this Circular.
Rationale	:	• The Board, after considering, amongst others, the continuing substantial investment required, the associated risk and uncertain duration for Lucenxia Group to generate the required return, believes the Proposed Lucenxia Disposal presents the opportunity to Adventa Group to reduce the group's losses and improves its cash resources. • The Board also believes that with the ongoing COVID-19 pandemic, there are opportunities for Adventa Group to further grow its involvement in medical and healthcare related business. The proceeds from the Proposed Lucenxia Disposal will be mainly utilised to support and expand Adventa Group's medical and healthcare related businesses.
Risk factor	:	• The Proposed Lucenxia Disposal is subject to, but not limited to completion risk.
Effects of the Proposed Lucenxia Disposal	:	• The Proposed Lucenxia Disposal will not have any effect on the issued share capital and substantial shareholders' shareholdings of Adventa. • Based on the audited consolidated financial statements of Adventa Group for the financial year ended 31 December 2019 ("**FY2019**"), the Proposed Lucenxia Disposal should result in an improved proforma consolidated profit attributable to equity holders of RM34.77 million as compared to the RM22.44 million reported profit. The Proposed Lucenxia Disposal is expected to result in a pro forma gain of RM4.81 million to Adventa. • Based on the audited consolidated financial statements of Adventa Group for FY2019, pursuant to the Proposed Lucenxia Disposal:- (i) Adventa Group's NA per ordinary share should increase to RM0.47 from RM0.44; and (ii) Adventa Group's gearing should decrease to 0.004 times from 0.10 times.

PART A

LETTER FROM THE BOARD TO THE SHAREHOLDERS OF ADVENTA IN RELATION TO THE PROPOSED LUCENXIA DISPOSAL

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

Registered Office:

21, Jalan Tandang 51/205A
Seksyen 51
46050 Petaling Jaya
Selangor Darul Ehsan

24 March 2021

Board of Directors

Edmond Cheah Swee Leng *(Chairman/Senior Independent Non-Executive Director)*
Low Chin Guan *(Managing Director)*
Kwek Siew Leng *(Executive Director)*
Toh Seng Thong *(Independent Non-Executive Director)*
Dato' Dr. Norraesah Binti Haji Mohamad *(Independent Non-Executive Director)*

To: The Shareholders of Adventa

Dear Sir/Madam,

PROPOSED LUCENXIA DISPOSAL

1. INTRODUCTION

On 5 February 2021, AmInvestment Bank had, on behalf of the Board, announced that Adventa had on 5 February 2021, entered into the SSA with Mr Low for the disposal of the entire equity interest held by Adventa in Lucenxia to Mr Low and/or his nominee(s) for a total cash consideration of RM11.0 million, subject to the terms as set out in the SSA.

Mr Low is the Managing Director and a major shareholder of Adventa. Further details of Mr Low are set out in Section 2.2 below.

The Proposed Lucenxia Disposal is a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements by virtue of Mr Low's interests in Adventa as detailed in Section 8 of this Circular.

In this respect, the Board has appointed cfSolutions to act as the independent adviser for the Proposed Lucenxia Disposal.

The purpose of this Circular is to provide you with the details of the Proposed Lucenxia Disposal and to seek your approval on the resolution pertaining to the Proposed Lucenxia Disposal to be tabled at the Company's forthcoming EGM to be convened. The notice of EGM together with the form of proxy are enclosed with this Circular.

You are advised to read and carefully consider the contents of this Circular including the IAL (as set out in Part B of this Circular) together with the appendices contained herein before voting on the resolution pertaining to the Proposed Lucenxia Disposal to be tabled at the Company's forthcoming EGM to be convened.

2. PROPOSED LUCENXIA DISPOSAL

The Proposed Lucenxia Disposal entails the disposal of Adventa's entire equity interest of Lucenxia to Mr Low and/or his nominee(s) at a total cash consideration of RM11.0 million.

The salient terms of the SSA are set out in Appendix II of this Circular.

2.1 Information on Lucenxia

Lucenxia is a private limited company incorporated in Malaysia on 31 January 2010. It is a wholly-owned subsidiary of Adventa.

The principal activities of Lucenxia are the provision of home dialysis products for the treatment of end stage renal disease and its related services. As at LPD, Lucenxia has 2 foreign subsidiaries (which are incorporated in Sri Lanka) and their principal activities are as follows:-

(i) LCX Healthcare, a 55% owned subsidiary, is engaged in the provision of home dialysis products for the treatment of end stage renal disease and its related services; and

(ii) LCX Lanka, a wholly owned subsidiary, is in the business of importing products for Lucenxia Healthcare (Private) Limited. As at LPD, LCX Lanka is inactive.

As at LPD, Lucenxia has a total issued share capital of RM53,500,000.00 comprising 500,000 ordinary shares and 53,000,000 preference shares which amounted to RM500,000 and RM53,000,000 respectively. Lucenxia has only one director which is Mr Low.

Please refer to Appendix I of this Circular for further details on the financial information of Lucenxia.

2.2 Information on the Buyer, Mr Low

Mr Low Chin Guan, aged 61, a Malaysian, is a major shareholder and the Managing Director of Adventa Berhad. As at LPD, he holds 59,035,652 Adventa Shares representing 38.64% of the total issued share capital of Adventa. He was appointed to the Board of Adventa on 12 April 2004. He is also a member of the Remuneration Committee of Adventa and a Director for Lucenxia.

2.3 Basis of and justification for arriving at the Consideration

The Consideration was arrived at on a "willing-buyer willing-seller" basis after taking into consideration the following:-

(i) Lucenxia Group's loss-making performance since it became part of Adventa Group in July 2012 and its losses in the recent years as set out in Appendix I of this Circular;

(ii) Lucenxia Group's unaudited consolidated proforma NA of RM6.99 million as at 30 September 2020; and

(iii) Valuation Report dated 24 February 2021 by Independent Valuer, Crowe Advisory Sdn. Bhd. ascribing a range of indicative values of RM9.41 million to RM9.52 million for the entire equity interest in Lucenxia as at 30 September 2020.

Based on Lucenxia Group's unaudited NA as at 30 September 2020 of RM6.98 million, the Consideration of RM11.00 million represents a PB multiple of 1.57 times. The Consideration represents a premium of RM1.48 million to RM1.59 million or 16% to 17% to the range of values ascribed by Crowe Advisory Sdn. Bhd. in the Valuation Report.

Additionally, the Consideration of RM11.00 million represents a PB multiple of 2.44 times based on Lucenxia Group's unaudited NA as at 31 December 2020 of RM4.50 million.

For information, the Independent Valuer adopted the summation method under the cost approach as a primary approach in arriving at the a range of indicative values of RM9.41 million to RM9.52 million in view of the following:-

(i) Lucenxia's lack of direct income generating ability as demonstrated historically from year 2016 up to 30 September 2020 ("**Valuation Date**") and the expected negative operating cash flows of Lucenxia over the projected period from FY 31 December 2022 to FY 31 December 2024 has limited the feasibility to utilise the income and market approaches; and

(ii) The cost to replace Lucenxia (or its business) and/or to reproduce an asset similar to Lucenxia could not be reasonably assessed as Adventa reported impairment loss of RM37.4 million from its investment in Lucenxia in the FY 31 December 2018.

Under the summation method, each asset and liability component in Lucenxia as at the Valuation Date was assessed for adjustment to their carrying values separately. The indicative values of these individual components were added together to derive the indicative value of Lucenxia's entire equity interest as at the Valuation Date.

The range of values of the entire equity interest in Lucenxia as at the Valuation Date is RM9.41 million to RM9.52 million as summarised below:-

	Notes	**Low** *(RM'000)*	**High** *(RM'000)*
Unaudited Lucenxia NA as at Valuation Date		8,913	8,913
Adjustments:-			
Plant and equipment	(i)	10	10
Investment in subsidiaries	(ii)	488	596
Indicative value of 100% equity interest		**9,411**	**9,519**

Notes:

(i) Being adjustment to the value of Lucenxia's motor vehicles based on Valuation Report.

(ii) Being incremental value of the investment in subsidiaries, LCX Lanka and LCX Healthcare based on Valuation Report.

Please refer to Appendix IV of this Circular for the valuation letter by the Independent Valuer.

2.4 Date and original cost of investment

Adventa acquired 100% equity interest in E-Beam on 23 July 2012 for a consideration of RM9.0 million. Lucenxia was then a dormant wholly-owned subsidiary of E-Beam. On 31 March 2013, as part of the re-organisation of its group structure, Adventa acquired 100% equity interest in Lucenxia from E-Beam for a consideration of RM2.00. Adventa had subscribed for approximately RM0.5 million ordinary shares and RM53.0 million preference shares in Lucenxia between 2013 to 2019.

2.5 Assumption of liabilities

There are no other liabilities including contingent liabilities and guarantees relating to Lucenxia Group remaining with Adventa Group pursuant to the Proposed Lucenxia Disposal.

There is also no guarantee given by Adventa Group to Mr Low pursuant to the Proposed Lucenxia Disposal.

For information, as disclosed in Section 4 of Appendix II, existing corporate guarantee given by Adventa for the benefit of Lucenxia will be discharged within a period of 6 months from completion of the SSA and Mr Low will indemnify Adventa against all losses until the discharge is completed. For information, the process to discharge the existing corporate guarantee will only commence after the completion of the Proposed Lucenxia Disposal and it may take up to 6 months.

As at the date of the SSA, an outstanding amount of RM11,000,000 ("**Outstanding Amount**") is still owing by Lucenxia to Adventa. The Outstanding Amount was the principal amount advanced by Adventa to Lucenxia in March 2020 for the purchase of goods for the supplies of hospital equipment and related supplies for COVID-19. It is proposed that the Outstanding Amount shall carry 5% interest annually and be repaid over a period of 4 years. These terms are arrived at pursuant to negotiations between the transacting parties, taking into consideration the financial and cash flow position of Lucenxia, the disposal consideration, and the 5% annual interest payable on the Outstanding Amount.

2.6 Cash Company or PN17 Company

The Proposed Lucenxia Disposal is not expected to result in Adventa becoming a Cash Company or a PN17 Company as defined under the Listing Requirements.

2.7 Utilisation of proceeds

The gross proceeds arising from the Proposed Lucenxia Disposal of RM11.0 million is proposed to be utilised in the following manner:-

Details of utilisation	Notes	Expected utilisation timeframe	Amount
			(RM'000)
Working capital	(i)	Within 24 months	8,400
Business expansion	(ii)	Within 24 months	2,000
Estimated expenses	(iii)	Within 3 months	600
Total			**11,000**

Notes:-

(i) Working capital

The breakdown of working capital is as follows:-

	Notes	RM'000
Purchase of inventories	(a)	6,000
Operating costs	(b)	2,400
Total		**8,400**

Notes:-

(a) Purchase of inventories for Adventa Group's healthcare distribution business. Inventories for the healthcare distribution business include, but not limited to surgical instruments and devices, gloves, wound care management products, urology products, disposable protective products and non-woven disposable products.

(b) The breakdown of the operating costs are as follows:

	RM'000
Administrative costs such as rental, utilities, insurance and related cost	*1,000*
Personnel expenses such as salaries, sales commission and related cost	*1,400*
Total	***2,400***

(ii) Business expansion

Adventa proposes to utilise RM2.0 million for business expansion as Adventa is currently exploring various options to expand its involvement in the healthcare related business, including but not limited to, acquiring companies/businesses.

(iii) Estimated Expenses

The estimated expenses for the Proposed Lucenxia Disposal comprise the following:-

	Note	RM'000
Professional fees		530
Other ancillary expenses	(a)	70
Total		**600**

Note:-

(a) Relates to fees payable to authorities, cost of convening the EGM, printing costs and other incidental expenses.

Any excess or shortfall from proceeds allocated for such estimated expenses will be adjusted to/from proceeds allocated for working capital purposes.

Pending utilisation, the cash proceeds from the Proposed Lucenxia Disposal will be deposited with licensed financial institutions and/or invested in money market instruments.

The Outstanding Amount of RM11.0 million to be repaid by Lucenxia to Adventa will be used for working capital purposes as and when the repayment is received.

3. RATIONALE FOR THE PROPOSED LUCENXIA DISPOSAL

Lucenxia was incorporated in 2010 and commenced operation in 2012. Lucenxia started and completed the first clinical trial for APD across Malaysia in 2013. Subsequently in 2015, Lucenxia completed the second clinical trial across Malaysia.

In 2016, Lucenxia commercially launched its APD programme in Malaysia and completed the third clinical trial in 2019 with financial support from Adventa. As at 31 December 2019, the amount owed by Lucenxia to Adventa amounted to approximately RM3.9 million.

On 13 November 2019, Lucenxia via its 55% owned subsidiary, LCX Healthcare entered into MoH SL Agreement with the MoH of Sri Lanka to deploy its APD programme nationwide in Sri Lanka for a period of 8 years.

Based on the MoH SL Agreement, the NAPHD Programme will be carried out in 2 phases:-

(i) Phase 1 of the NAPHD Programme was intended to be carried out for a duration of not more than 3 months with an objective of securing a total of at least 100 patients; and

(ii) Phase 2 of the NAPHD Programme was intended to be carried out upon the completion of Phase 1 with an objective of securing a total of at least 6,000 patients.

The dialysis business in Sri Lanka, which is in Phase 1 Clinical Assessment, has not taken off as planned due to circumstances beyond Lucenxia's control including but not limited to COVID-19 pandemic events in Sri Lanka. Upon completion of Phase 1 and review of results, the Sri Lankan government has the option to decide whether to continue with the contract for a nationwide launch.

For information, Luxencia Group's unaudited proforma consolidated financial performance for the last 3 financial periods up until 31 December 2020 are summarised as follows:

	Financial year ended 31 Oct 2017	**14 months ended 31 Dec 2018**	**Financial year ended 31 Dec 2019**	**Financial year ended 31 Dec 2020**
	RM	*RM*	*RM*	*RM*
Revenue	901,062	708,597	1,484,588	(i) 49,464,372
LAT from home dialysis business	(4,883,266)	(6,050,964)	(8,360,073)	(8,740,221)
Impairment loss	-	(ii) (21,670,000)	-	-
Other income	-	-	-	(i) 5,758,818
Total LAT	**(4,883,266)**	**(27,720,964)**	**(8,360,073)**	**(2,981,403)**

Notes:

(i) The revenue included an emergency (outside of contract for COVID-19) supply to hospitals which was not within the regular business of Lucenxia. Such business is not expected to be repeated in the future. The revenue and the profit attributed to this emergency non-recurring supply amounted to RM43,858,295 and RM5,758,818 respectively.

(ii) The impairment cost related to development costs incurred for the home dialysis business.

As illustrated above, notwithstanding the abovementioned operational achievements of Lucenxia, Lucenxia continues to make losses and requires the financial support of its parent, Adventa to continue operation and establish market acceptances for its products and services. The Board, after considering, amongst others, the continuing substantial investment required, the associated risk and uncertain duration for Lucenxia Group to generate the required return, believes the Proposed Lucenxia Disposal presents the opportunity to Adventa Group to reduce the group's losses and improves its cash resources. The Proposed Lucenxia Disposal is expected to give rise to a gain on disposal of RM4.81 million based on its carrying value of Lucenxia as at 31 December 2020.

The Board also believes that with the ongoing COVID-19 pandemic, there are opportunities for Adventa Group to further grow its medical and healthcare related businesses. The proceeds from the Proposed Lucenxia Disposal will be mainly utilised to support and expand Adventa Group's involvement in medical and healthcare related business.

4. RISK FACTORS

The Proposed Lucenxia Disposal is subject to, but not limited to completion risk.

The completion of the Proposed Lucenxia Disposal is subject to the fulfilment of the Conditions in the SSA. In the event any of these Conditions is not fulfilled or waived within a period of ninety (90) days from the date of the SSA or such further period as may be mutually agreed between Mr Low and Adventa, the SSA may be terminated or delayed.

There is no assurance that the Proposed Lucenxia Disposal can be completed within the time period stipulated in the SSA. Whilst the management of Adventa will take reasonable steps to monitor the status and progress of the Proposed Lucenxia Disposal, there can be no assurances that the Proposed Lucenxia Disposal will be completed as contemplated by Adventa.

5. EFFECTS OF THE PROPOSED LUCENXIA DISPOSAL

5.1 Issued share capital and substantial shareholders' shareholdings

The Proposed Lucenxia Disposal will not have any effect on the issued share capital and substantial shareholders' shareholdings of Adventa as it does not involve any issuance of new shares in Adventa.

5.2 NA, NA per share and gearing

For illustration purposes, based on the audited consolidated statement of financial position of Adventa Group as at 31 December 2019, the proforma effects of the Proposed Lucenxia Disposal on NA, NA per share and gearing of Adventa Group assuming that the Proposed Lucenxia Disposal was effected on 31 December 2019, are as follows:-

	As at 31 December 2019	**After Proposed Lucenxia Disposal**
	(RM'000)	*(RM'000)*
Share capital	57,680	57,680
Retained earnings	9,252	(i) 14,061
Reserves	22	(ii) -
Equity attributable to owners of the Company/ NA	66,954	71,741
Non-controlling interests	(505)	(ii) -
Total equity	**66,449**	**71,741**
No. of shares in issue *('000)*	152,786	152,786
NA per share *(RM)*	0.44	0.47
Total borrowings	6,977	(iii) 308
Gearing *(times)*	0.10	0.004

Notes:-

(i) After accounting for the gain on disposal of RM4.81 million (including estimated expenses of RM0.60 million) for the Proposed Lucenxia Disposal.

(ii) As a result of the derecognition of Lucenxia Group as the subsidiary of Adventa Group.

(iii) After accounting for the total borrowings for Lucenxia Group of RM6.27 million as at 31 December 2019.

5.3 Earnings and EPS

For illustration purposes, assuming the Proposed Lucenxia Disposal was completed at the beginning of FY2019, the effects on the Adventa Group's earnings and EPS for FY2019 are as follows:-

		RM'000
Profit attributable to equity holders of the Company		22,438
Add:	Gain on disposal	(i) 4,809
Add:	Lucenxia's LAT	7,683
Proforma profit attributable to owners of the Company		**34,930**
Weighted average number of Shares in issue		152,786
Basic EPS (sen)		0.23

Note:

(i) Including the estimated expenses of RM0.60 million for the Proposed Lucenxia Disposal.

5.4 Expected gain arising from the Proposed Lucenxia Disposal

The Proposed Lucenxia Disposal is expected to result in a pro forma gain to Adventa Group, details of which are set out below:-

		RM'000
Consideration		11,000
Less:	NA of Lucenxia Group as at 31 December 2020 (excluding goodwill)	(4,161)
Less:	Goodwill	(383)
Less:	Estimated expenses in relation to the Proposed Lucenxia Disposal	(600)
Less:	Minority interest	(1,047)
Total proforma gain		**4,809**

6. APPROVALS REQUIRED

The Proposed Lucenxia Disposal is conditional upon the following approvals being obtained:-

(i) approval of the shareholders of Adventa at an EGM to be convened; and

(ii) approvals/consents of any other relevant authorities and/or parties, if required.

As at LPD, save for the consent from HSBC Bank Malaysia Berhad (in respect of the term and revolving credit loan obtained by Lucenxia from the HSBC Bank Malaysia Berhad) to waive the condition that Lucenxia shall remain as a subsidiary of Adventa, Adventa is not aware of any approvals/consents required from other authorities and/or parties.

The Proposed Lucenxia Disposal is not conditional upon any other corporate exercise/scheme which has been announced but not yet completed and/or any other corporate exercise/scheme by Adventa.

7. HIGHEST PERCENTAGE RATIO

The highest percentage ratio applicable to the Proposed Lucenxia Disposal pursuant to Paragraph 10.02(g) of the Listing Requirements is approximately 16.43%, based on the consideration of RM11.00 million as compared with the latest audited consolidated NA of Adventa Group for the FY2019 of RM66.95 million.

8. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

Save as disclosed below, none of the Directors, major shareholders, and/or persons connected to them have any interest, direct and/or indirect, in the Proposed Lucenxia Disposal.

Mr Low is interested in the Proposed Lucenxia Disposal by virtue of his directorship and shareholding in Adventa and his directorship in Lucenxia. His sister, Ms Low Lea Kwan, a substantial shareholder in Adventa, is a person connected to Mr Low.

As at LPD, the direct and/or indirect shareholdings of Mr Low and Ms Low Lea Kwan in Adventa are as follows:-

	← Direct →		← Indirect →	
	No. of shares	%	No. of shares	%
Mr Low Chin Guan	59,035,652	38.64	-	-
Ms Low Lea Kwan	8,410,960	5.51	-	-

Accordingly, Mr Low has abstained and will continue to abstain from all deliberations and voting at the Board meetings in relation to the Proposed Lucenxia Disposal.

Mr Low and Ms Low Lea Kwan will abstain from voting in respect of their direct shareholdings in Adventa, if any, on the resolution pertaining to the Proposed Lucenxia Disposal to be tabled at the forthcoming EGM. Mr Low and Ms Low Lea Kwan have also undertaken to ensure that persons connected with them will abstain from voting in respect of their direct and/or indirect shareholdings in Adventa, if any, on the resolution pertaining to the Proposed Lucenxia Disposal to be tabled at the forthcoming EGM.

9. TRANSACTION WITH THE SAME RELATED PARTY FOR THE PRECEDING 12 MONTHS

Save for the Proposed Lucenxia Disposal (excluding transactions in the ordinary course of business), there were no transaction entered into between Adventa Group and/or Mr Low and/or persons connected with Mr Low for the preceding twelve (12) months from the date of this Circular.

10. AUDIT COMMITTEE'S RECOMMENDATION

The Audit Committee of Adventa, after having considered all relevant aspects of the Proposed Lucenxia Disposal (including but not limited to the independent valuation of Lucenxia Group, rationale as well as terms and conditions and financial effects of the Proposed Lucenxia Disposal and the evaluation by the Independent Adviser) is of the opinion that the Proposed Lucenxia Disposal is in the best interest of Adventa, fair, reasonable and on normal commercial terms, and not detrimental to the interest of the minority shareholders of Adventa.

11. DIRECTORS' STATEMENT / RECOMMENDATION

The Board (save for Mr Low), after having considered all relevant aspects of the Proposed Lucenxia Disposal (including but not limited to the independent valuation of Lucenxia Group, rationale as well as terms and conditions and financial effects of the Proposed Lucenxia Disposal and the evaluation by the Independent Adviser) is of the opinion that the Proposed Lucenxia Disposal is in the best interest of Adventa, fair, reasonable and on normal commercial terms, and not detrimental to the interest of the Non-Interested Shareholders.

Accordingly, the Board recommends that you vote in favour of the resolution pertaining to the Proposed Lucenxia Disposal to be tabled at the Company's forthcoming EGM.

12. INDEPENDENT ADVISER

The Proposed Lucenxia Disposal is a related party transaction pursuant to the Listing Requirements. In compliance with paragraph 10.08 of the Listing Requirements, the Board had, on 30 January 2021, appointed cfSolutions to act as the Independent Adviser to undertake the following:-

(i) comment as to whether the Proposed Lucenxia Disposal is:-

  (a) fair and reasonable to the Non-Interested Shareholders;

(b) whether the Proposed Lucenxia Disposal is detriment to the Non-Interested Shareholders, and set out the reasons for such opinion, the key assumptions made and the factors taken into consideration in forming that opinion; and

(ii) advise the Non-Interested Shareholders on the Proposed Lucenxia Disposal, and whether the minority shareholders of Adventa should vote in favour of the Proposed Lucenxia Disposal.

Please refer to the IAL as set out in Part B of this Circular.

13. CORPORATE EXERCISES ANNOUNCED BUT PENDING COMPLETION

As at LPD, Adventa Group does not have any other corporate exercise which has been announced to Bursa Securities but has yet to be completed prior to the date of this Circular.

14. ESTIMATED TIMEFRAME FOR THE COMPLETION OF THE PROPOSED LUCENXIA DISPOSAL

Barring any unforeseen circumstances, the Proposed Lucenxia Disposal is expected to be completed in the second quarter of 2021.

15. EGM

The EGM, the notice of which is enclosed in this Circular, will be held on a fully virtual basis at the broadcast venue at Meeting Room of Adventa Berhad of 21, Jalan Tandang 51/205A, Seksyen 51, 46050 Petaling Jaya, Selangor Darul Ehsan on Thursday, 8 April 2021 at 10.30 a.m. or at any adjournment thereof for the purposes of considering and if thought fit, passing the resolution to give effect to the Proposed Lucenxia Disposal.

If you are unable to attend and vote in person at the EGM, please complete, sign and send the enclosed Form of Proxy in accordance with the instructions therein as soon as possible in any event so as to arrive at SS E Solutions Sdn. Bhd. at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan not later than forty-eight (48) hours before the time fixed for holding the EGM or at any adjournment thereof. Alternatively, the Form of Proxy may also be lodged electronically via Securities Services e-Portal at https://www.sshsb.net.my/. The lodging of the Form of Proxy will not preclude you from attending and voting at the EGM should you subsequently wish to do so.

16. FURTHER INFORMATION

Shareholders are advised to refer to the attached appendices for further information.

Yours faithfully
For and on behalf of the Board of
ADVENTA BERHAD

EDMOND CHEAH SWEE LENG
Chairman/Senior Independent Non-Executive Director

PART B

INDEPENDENT ADVICE LETTER BY cfSOLUTIONS IN RELATION TO THE PROPOSED LUCENXIA DISPOSAL

EXECUTIVE SUMMARY

All definitions used in this Executive Summary shall have the same meaning as the words and expressions defined in the definitions section of Part A of this Circular except where the context otherwise requires or is otherwise defined herein.

This Executive Summary highlights the salient information relating to the Proposed Lucenxia Disposal. We advise the Non-Interested Shareholders to read this IAL thoroughly for further information and recommendation in relation to the Proposed Lucenxia Disposal. This IAL should also be read in conjunction with Part A of this Circular and its enclosed appendices.

1. INTRODUCTION

On 5 February 2021, AmInvestment Bank announced that Adventa had on even date, entered into the SSA with Mr Low for the disposal of the entire equity interest held by Adventa in Lucenxia to Mr Low and/or his nominee(s) for a total cash consideration of RM11.0 million, subject to the terms as set out in the SSA.

Mr Low is the Managing Director and a major shareholder of Adventa. Further details of Mr Low are set out in Section 2.2 of Part A of this Circular.

The Proposed Lucenxia Disposal is deemed a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements by virtue of Mr Low's interests in Adventa as detailed in Section 8 of Part A of this Circular. In this respect, the Board has appointed cfSolutions on 30 January 2021 to act as the independent adviser to comment as to whether the Proposed Lucenxia Disposal is fair and reasonable and whether the Proposed Lucenxia Disposal is to the detriment of the Non-Interested Shareholders.

The purposes of this IAL are to provide the Non-Interested Shareholders with an evaluation on the fairness and reasonableness on the Proposed Lucenxia Disposal, together with our recommendation thereon, subject to the scope and limitations of our role and evaluation specified in this IAL.

The Non-Interested Shareholders should nonetheless rely on their own evaluation of the merits of the Proposed Lucenxia Disposal before making a decision on the course of action to be taken.

2. EVALUATION OF THE PROPOSED LUCENXIA DISPOSAL

We have assessed and evaluated the Proposed Lucenxia Disposal to arrive at our conclusion and recommendation after taking into consideration the various factors as summarised below:-

Section in this IAL	Area of Evaluation	Our Comments
7.1	Rationale of the Proposed Lucenxia Disposal	In assessing the rationale, we also considered the following:- (a) Despite investing approximately RM28.37 million in development cost up to 31 December 2019 and commercialisation of the Lucenxia INTELLIS cyclers in January 2016, Lucenxia has experienced continuous losses since its commencement of business in 2012; (b) LCX Lanka and LCX Healthcare are currently in negative shareholders' funds; (c) The expected further capital expenditure estimated by Lucenxia of RM46 million for FY 31 December 2021 to FY 31 December 2024 and beyond for which Lucenxia may have to depend on Adventa for funding; (d) As detailed in Sections 7.1(ii) and 7.1 (iv), the Independent Valuer noted that there are limitations in Lucenxia's prospect to achieve operating profits as a going concern and Lucenxia is not expected to generate positive operating cash flows from FY 31 December 2022 to FY 31 December 2024; (e) The low revenue generated for Lucenxia's APD systems since its launch in 2016 relative to the investments made; (f) The uncertainties surrounding the MoH SL Agreement; (g) The gain of RM4.81 million arising from the Proposed Lucenxia Disposal and improvement in the proforma effects to the basic EPS and NA per share; (h) The Proposed Lucenxia Disposal will enable the Company to redeploy its resources to other businesses which may yield better margins and profitability; and (i) The proceeds from the Proposed Lucenxia Disposal and repayment of the Outstanding Amount will provide additional cash flow to the Adventa Group to be channeled to other business segments.
7.2	Basis of arriving at the Consideration	In our evaluation of the Consideration, we have made reference to the Valuation Report issued by the Independent Valuer in respect of the valuation of the entire equity interest of Lucenxia as at Valuation Date. We have reviewed the qualifications of the Independent Valuer, their scope of engagement, their valuation methodology and the resultant valuation. We have reviewed the bases and assumptions on which the Valuation Report is based on and are of the view that they are fair and reasonable taking into consideration the following:- (a) The summation approach under the cost approach was used as a basis due to the lack of direct income generating ability as demonstrated historically from year 2016 up to Valuation Date and the expected negative operating cash flows of Lucenxia over the projected period from FY 31 December 2022 to FY 31 December 2024 has limited the feasibility to utilise the income and market approaches; (b) The Independent Valuer had separately assessed each asset and liability component in Lucenxia as at 30 September 2020 for the fair value. The bases and assumptions adopted in the summation

Section in this IAL	Area of Evaluation	Our Comments
		approach are reasonable; (c) The bases and assumptions adopted to derive the fair value of Lucenxia's investment in LCX Lanka are reasonable; and (d) The bases and assumptions adopted to derive the fair value of Lucenxia's investment in LCX Healthcare are reasonable. Additionally, we have also assessed the Consideration based on the relative valuation analysis using both comparable companies and comparable transactions. We considered the enterprise value over sales (**"EV/Sales")** multiple to provide an indication of market expectations on the valuation of companies as compared to its peers. We are of the view that the Consideration for the Proposed Lucenxia Disposal is fair and reasonable as: (a) The Consideration represents a premium of RM1.59 million to RM1.48 million or 16.90% to 15.55% above the Indicative Value Range of RM9.41 million to RM9.52 million; (b) The EV/Sales multiple based on the Consideration is above the EV/Sales multiple range of Comparable Companies; and (c) The EV/Sales multiple based on the Consideration is above the range of the EV/Sales multiple of Comparable Transactions.
7.3	Salient terms of the SSA	The salient terms of the SSA were mutually agreed between Adventa and the Buyer and are reasonable so far as the overall interests of Adventa are concerned.
7.4	Industry outlook and future prospects	We note that the recovery of the economy, both locally and globally, is dependent upon the successful COVID-19 containment measures. Despite opportunities in the dialysis market generally, Lucenxia has been incurring losses even though its APD cyclers had been launched since 2016. It is also anticipated by the Company that further substantial capital expenditure over the next few years will continuously be required to sustain the business. Furthermore, demand for peritoneal dialysis treatment is relatively lower as compared to hemodialysis treatment in Malaysia. The Proposed Lucenxia Disposal would enable the Adventa Group to redeploy its resources on other businesses and projects. Post disposal, Adventa will continue to operate in the healthcare sector vide its healthcare distribution business which may be able to benefit from the growth in the healthcare sector.
7.5	Financial effects of the Proposed Lucenxia Disposal	(a) The Proposed Lucenxia Disposal will not have any effect on the share capital and shareholdings structure of Adventa. (b) The Proposed Lucenxia Disposal will contribute positively to the Adventa Group with a net gain on disposal amounting to RM4.81 million. (c) The proforma NA increases from RM66.45 million to RM71.74 million while the NA per share increases from RM0.44 to RM0.47 per share arising with the one-off gain from the Proposed Lucenxia Disposal. In addition, the proforma gearing

Section in this IAL	Area of Evaluation	Our Comments
		reduces from 0.10 times to 0.004 times upon completion of the Proposed Lucenxia Disposal due to the accounting of the total borrowings in the Lucenxia Group. Premised on the above, we are of the view that the financial effects of the Proposed Lucenxia Disposal are reasonable.
7.6	Risk factors associated with the Proposed Lucenxia Disposal	The risk factors associated with the Proposed Lucenxia Disposal include but are not limited to the non-completion risk, non-fulfilment of post SSA completion obligations as well as risks associated with Adventa Group's remaining medical and healthcare distribution business. We noted the relevant mitigating measures undertaken to mitigate such risks. The Non-Interested Shareholders of Adventa should take note of the risk factors relating to the Proposed Lucenxia Disposal and the relevant mitigating measures undertaken to mitigate such risks (if any); and that there can be no assurance that any of the risk factors which are not meant to be exhaustive, will not have a material and adverse effect on the business and financial position of Adventa.

3. CONCLUSION AND RECOMMENDATION

Premised on the abovementioned factors and our evaluation and consideration as set out in this IAL, we are of the opinion that, on the basis of the information available to us, the Proposed Lucenxia Disposal is **FAIR AND REASONABLE** and is **NOT DETRIMENTAL** to the Non-Interested Shareholders.

Accordingly, cfSolutions recommends that the Non-Interested Shareholders **VOTE IN FAVOUR** of the ordinary resolution pertaining to the Proposed Lucenxia Disposal to be tabled at the forthcoming EGM.

The Non-Interested Shareholders are advised not to rely solely on the Executive Summary or this IAL to form an opinion on the Proposed Lucenxia Disposal. Non-Interested Shareholders shall exercise their own judgement and are responsible for the ultimate decision on whether to take that course of action. Further, the Non-Interested Shareholders should consider our recommendation herein together with the limitations of our evaluation of the Proposed Lucenxia Disposal as set out in Section 3 of this IAL. Non-Interested Shareholders are advised to consider the merits and demerits of the Proposed Lucenxia Disposal carefully based on all relevant and pertinent factors including those set out in the Circular and this IAL, as well as other publicly available information prior to making a decision to voting on the resolutions pertaining to the Proposed Lucenxia Disposal.

This IAL is prepared solely for the use of the Non-Interested Shareholders for the purpose of considering the Proposed Lucenxia Disposal and should not be used or relied upon by any other party for any other purpose whatsoever. We also have not given consideration to the specific investment objectives, risk profiles, financial situations, tax positions and any particular needs of any individual shareholder or any specific group of shareholders. IF YOU ARE IN ANY DOUBT AS TO THE COURSE OF ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKERS, BANK MANAGERS, SOLICITORS, ACCOUNTANTS OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

cfSolutions Sdn Bhd

Registration No. 198501004650 (137090-W)
Licensed Corporate Finance Adviser
Unit 711, 7th Floor, Block B, Phileo Damansara 1
Jalan 16/11, 46350 Petaling Jaya, Selangor D.E.
t: 03-7958 3228 f: 03-7932 0118 e: enquiry@cfsolutions.com.my

24 March 2021

To : The Non-Interested Shareholders of Adventa Berhad

Dear Sir/Madam,

INDEPENDENT ADVICE LETTER TO NON-INTERESTED SHAREHOLDERS OF ADVENTA BERHAD IN RELATION TO THE PROPOSED LUCENXIA DISPOSAL

This IAL is prepared for the inclusion in the circular to shareholders of Adventa in relation to the Proposed Lucenxia Disposal (**"this Circular"**). All definitions used in this IAL shall have the same meaning as defined in the definitions section of this Circular except where the context otherwise requires or is otherwise defined in this IAL.

1. INTRODUCTION

On 5 February 2021, AmInvestment Bank announced that Adventa had on even date, entered into the SSA with Mr Low for the disposal of the entire equity interest held by Adventa in Lucenxia to Mr Low and/or his nominee(s) for a total cash consideration of RM11.0 million, subject to the terms as set out in the SSA.

Mr Low is the Managing Director and a major shareholder of Adventa. Further details of Mr Low are set out in Section 2.2 of Part A of this Circular.

The Proposed Lucenxia Disposal is deemed a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements by virtue of Mr Low's interests in Adventa as detailed in Section 8 of Part A of this Circular. In this respect, the Board has appointed cfSolutions on 30 January 2021 to act as the independent adviser to comment as to whether the Proposed Lucenxia Disposal is fair and reasonable and whether the Proposed Lucenxia Disposal is to the detriment of the Non-Interested Shareholders.

The purposes of this IAL are to provide the Non-Interested Shareholders with an evaluation on the fairness and reasonableness on the Proposed Lucenxia Disposal, together with our recommendation thereon, subject to the scope and limitations of our role and evaluation specified in this IAL.

The Non-Interested Shareholders should nonetheless rely on their own evaluation of the merits of the Proposed Lucenxia Disposal before making a decision on the course of action to be taken. This IAL is prepared solely for the use of the Non-Interested Shareholders as a whole for the purpose of considering the Proposed Lucenxia Disposal and should not be used or relied upon by any other party for any other purpose whatsoever.

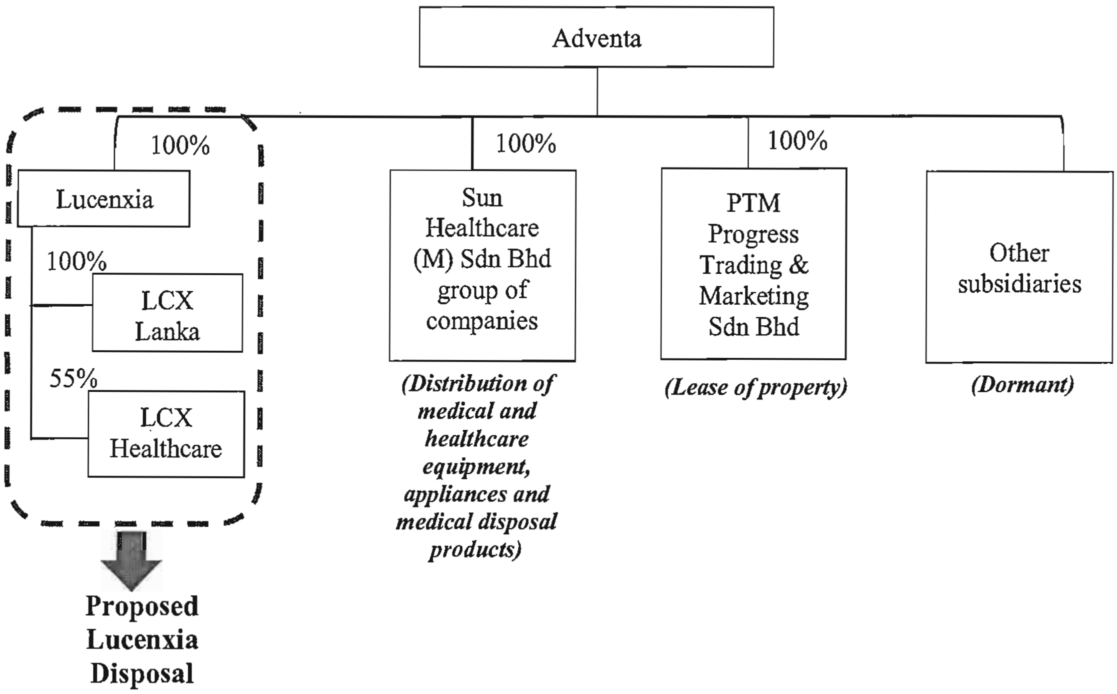
You are advised to read both the IAL together with the other sections of this Circular and to carefully consider the recommendation contained herein before voting on the resolution pertaining to the Proposed Lucenxia Disposal to be tabled at the forthcoming EGM of the Company. If you are in any doubt as to the course of action to be taken, you should consult your stockbrokers, bank managers, solicitors, accountants and other professional advisers immediately.

2. DETAILS OF THE PROPOSED LUCENXIA DISPOSAL

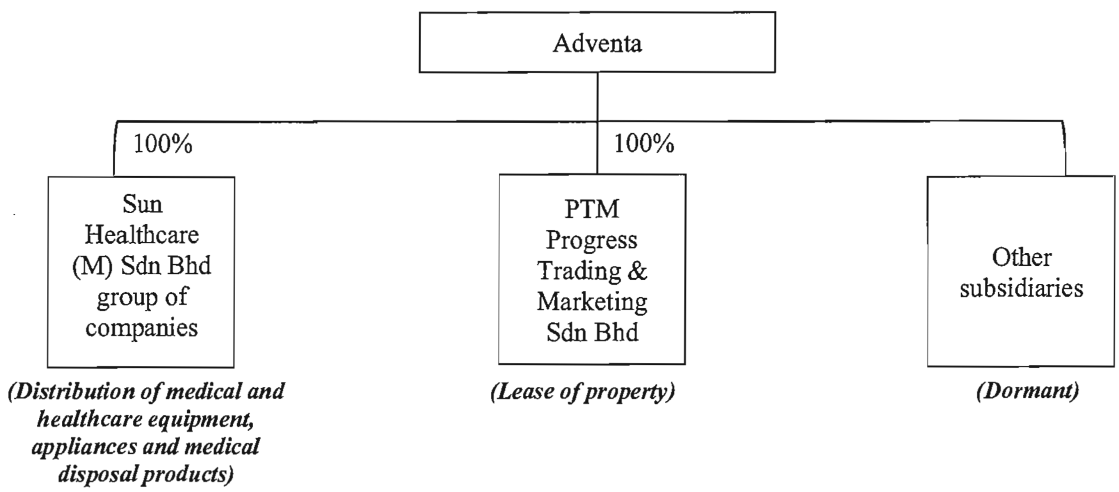
The details of the Proposed Lucenxia Disposal are as set out in Section 2 of Part A of this Circular and should be read in its entirety by the Non-Interested Shareholders.

The diagram below sets out the structure before and after the Proposed Lucenxia Disposal:-

Before the Proposed Lucenxia Disposal



After the Proposed Lucenxia Disposal



Post the Proposed Lucenxia Disposal, the Lucenxia Group will continue to provide home dialysis products for the treatment of end stage renal disease and its related services. In accordance with clauses stipulated in the SSA, the Adventa Group shall no longer use the name 'Lucenxia' and other brands used by Lucenxia in any form whatsoever either in Malaysia, in any other country or in any known media for a period of ten years from the completion of the SSA. Adventa warrants that the Adventa Group shall not be involved in the existing core business of the Lucenxia, involving the provision of peritoneal dialysis services or machines without the prior written consent of the Buyer or Lucenxia.

3. LIMITATIONS TO THE EVALUATION OF THE PROPOSED LUCENXIA DISPOSAL

cfSolutions was not involved in any negotiation, discussion or formulation of the Proposed Lucenxia Disposal and/or any deliberations and negotiations pertaining to the terms and conditions of the Proposed Lucenxia Disposal. cfSolutions' terms of reference as an independent adviser is limited to expressing an independent evaluation of the Proposed Lucenxia Disposal per the requirements of Paragraph 10.08(3) of the Listing Requirements.

In our evaluation and analysis, and in formulating our recommendation, we have reviewed and relied upon the reasonableness, accuracy and completeness of the following information:-

(i) Information as set out in Part A of this Circular and the appendices attached in this Circular;

(ii) The SSA;

(iii) The audited accounts of Lucenxia for the FY 31 October 2017, FY 31 December 2018 and 2019, LCX Lanka for FY 31 December 2018 and 2019 and LCX Healthcare for FY 31 December 2019;

(iv) The unaudited accounts of Lucenxia, LCX Lanka and LCX Healthcare for the 9-month period ended 30 September 2020 and 12-month period ended 31 December 2020;

(v) The Valuation Report dated 24 February 2021 ascribing a range of indicative values for the entire equity interest in Lucenxia as at 30 September 2020;

(vi) The MoH SL Agreement;

(vii) Discussion with the Board and the management of Adventa as well as representations made by them;

(viii) Other relevant information furnished to us by the management of Adventa in connection with the Proposed Lucenxia Disposal; and

(ix) Other publicly available information including but not limited to disclosures by government bodies as well as data from Bloomberg.

Our evaluation and recommendation expressed herein shall hold only in so far as the information and data supplied to us or which are available to us as at the date hereof remain accurate and consistent. We have further assumed that such information has been prepared in good faith and reflects the best judgment and estimates of Adventa as at the date hereon and Adventa is unaware of any facts that would make the documents, financial and/or other information as provided to us being incomplete, false, misleading or inaccurate. We have, however, not independently verified any of the information and documents for their accuracy, validity and/or completeness and express no opinion as to, any such documents, financials and/or other information nor have we undertaken any independent investigation into the businesses of the Adventa Group and Lucenxia Group. We have held discussions and made enquiries with the Directors and the management of Adventa as well as third party experts (where relevant) and reviewed documents and made reliance on information provided by them. Our review does not include any verification procedures which constitutes an audit on the information provided. Where possible, we have undertaken a reasonableness check and corroborated the information with independent sources as quoted throughout our IAL. Whilst we make no representation as to the accuracy, validity and completeness of the information provided, we have no reason to believe that the aforesaid information/documents provided to us are unreasonable, unreliable, incomplete, misleading and/or inaccurate or that the material omission of which would make the information misleading or inaccurate.

We have obtained confirmation from the Board of Adventa that they have seen this IAL and that they, collectively and individually, accept full responsibility for the accuracy of the information contained herein to the extent the information relates to the Proposed Lucenxia Disposal, Adventa Group and the Buyer, and confirm that, after having made all reasonable enquiries and to the best of their knowledge and belief, there is no statement or information contained in this IAL to the extent the statement or information relates to the Proposed Lucenxia Disposal, Adventa Group and the Buyer, which is inaccurate, incomplete, false or misleading and all information relevant to our evaluation of the Proposed Lucenxia Disposal have been disclosed to us and that there is no other fact or information, the omission of which would make any information or statement in this IAL and/or any information furnished to cfSolutions incomplete, false, misleading or inaccurate as at LPD.

In rendering our advice, cfSolutions had taken note of pertinent issues, which we believe are necessary and of importance to an assessment of the implications of the Proposed Lucenxia Disposal and are therefore of general concern to the Non-Interested Shareholders.

Our evaluation and recommendation expressed herein are based on prevailing economic, market, industry and other conditions (where applicable), and the information and/or documents made available to us, as at the LPD. Such conditions may change over a short period of time. Accordingly, our evaluation and recommendation expressed herein do not take into account of the information, events and conditions arising after the LPD. Our advice should be considered in the context of the entirety of this IAL.

We shall notify the Non-Interested Shareholders by way of announcement if, after despatching this IAL and prior to the EGM, we become aware that the information or document previously circulated or provided:

(i) contains a material statement which is false or misleading;

(ii) contains a statement from which there is a material omission; or

(iii) does not contain a statement relating to a material development.

If circumstances require, we shall send a supplementary letter to the Non-Interested Shareholders.

It is not within our terms of reference to express any opinion on the commercial merits of the Proposed Lucenxia Disposal. The assessment of the commercial merits of the Proposed Lucenxia Disposal remains the sole responsibility of the Board, although we may draw upon the Board's rationale in arriving at our opinion. As such, where comments or points of consideration are included on matters which may be commercially oriented, these are incidental to our overall evaluation. We wish to emphasise that our role as Independent Adviser does not extend to rendering an expert opinion on legal, accounting and tax positions relating to the Proposed Lucenxia Disposal and any particular needs of any individual shareholder or any specific group of shareholders. We will not be responsible for any damages or loss of any kind sustained or suffered by any individual shareholder or any group of shareholders in reliance on the opinion stated herein for any purpose whatsoever.

Accordingly:-

(i) cfSolutions' views and advice as contained in this IAL only cater to the Non-Interested Shareholders as a whole and not to any non-interested shareholder individually. Hence, in carrying out our evaluation, we have not given consideration to the specific investment objectives, risk profiles, financial situations, tax positions and any particular needs of any individual non-interested shareholder or any specific group of non-interested shareholders; and

(ii) we recommend that any individual non-interested shareholder or group of non-interested shareholders who is in doubt as to the action to be taken or require advice in relation to the Proposed Lucenxia Disposal in the context of their individual objectives, risk profiles, financial and tax situations or particular needs, should consult their respective stockbrokers, bank managers, accountants, solicitors or other professional advisers immediately.

4. CREDENTIALS, EXPERIENCE AND EXPERTISE OF CFSOLUTIONS

cfSolutions is a corporate finance adviser licensed by the Securities Commission in Malaysia under the Capital Markets and Services Act 2007 and recognised by Bursa Securities. cfSolutions offers a wide spectrum of corporate finance services including the provision of the independent advice, valuation and opinion on assets and transactions.

The credentials and experience of cfSolutions as an independent adviser where it has been appointed prior to the date of this IAL include, amongst others, the following:-

(i) Independent advice in relation to the proposed exemption to Mah Sau Cheong ("MSC") who is a major shareholder of Asian Pac Holdings Berhad ("Asian Pac") and persons acting in concert with him ("PAC") under Paragraph 4.08 of the Rules on Take-Overs, Mergers and Compulsory Acquisitions from the obligation to undertake a mandatory takeover offer for all the Asian Pac shares, convertible securities and new Asian Pac shares to be issued pursuant to the conversion of irredeemable convertible unsecured loan stocks and/or the exercise of the warrants not held by MSC or his PAC;

(ii) Independent advice in relation to the proposed acquisition of the Trump International Hotel & Tower Vancouver, 1151 West Georgia, Vancouver, B.C., Canada by Maxfine International Limited, a subsidiary of TA Global Berhad from West Georgia Development Limited Partnership for a total cash consideration of C$100.0 million (equivalent to approximately RM 293.71 million);

(iii) Independent advice in relation to the proposed extension of the maturity date of the Redeemable Convertible Unsecured Loan Stocks ("RCULS") of I-Berhad, namely RM132 million 2014/2019 unlisted RCULS ("RCULS-A") and RM69 million 2014/2019 unlisted RCULS ("RCULS-B") and the proposed amendments to the deed polls constituting the RCULS-A and RCULS-B as a consequence of the proposed extension of the maturity date of the RCULS;

(iv) Independent advice in relation to the proposed disposal of 100% equity interest in MPath Sdn Bhd by Malaysian Genomics Resource Centre Berhad to Gribbles Pathology (Malaysia) Sdn Bhd for a total consideration of RM42 million; and

(v) Independent advice in relation to the proposed acquisitions by Dynaciate SPI Sdn Bhd, a wholly-owned subsidiary of Dynaciate Group Berhad, of two industrial premises and machineries and equipment from Dynaciate Engineering Sdn Bhd and Dynaciate (Kuantan) Sdn Bhd for a total cash consideration of RM26,786,431.

Based on the credentials and experience above, cfSolutions has the necessary resources and expertise to carry out its role and responsibilities as an independent adviser to advise the Shareholders in relation to the Proposed Lucenxia Disposal.

5. DECLARATION OF CONFLICT OF INTEREST

As at the LPD, cfSolutions is not aware of any existing or potential conflict of interest situation arising from its capacity as an independent adviser for the Proposed Lucenxia Disposal. Save for the professional fees cfSolutions is entitled to as the independent adviser for the Proposed Lucenxia Disposal, the engagement of cfSolutions by Adventa is not driven by any other fee which is dependent on a particular opinion and recommendation.

Save for our role as an independent adviser for the Proposed Lucenxia Disposal, cfSolutions does not have any other professional relationship with Adventa in the past two (2) years prior to the date of the SSA.

6. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND PERSON(S) CONNECTED

As set out in Section 8 of Part A of this Circular, *save as disclosed below, none of the Directors, major shareholders, and/or persons connected to them have any interest, direct and/or indirect, in the Proposed Lucenxia Disposal.*

Mr Low is interested in the Proposed Lucenxia Disposal by virtue of his directorship and shareholding in Adventa and his directorship in Lucenxia. His sister, Ms Low Lea Kwan, a substantial shareholder in Adventa, is a person connected to Mr Low.

As at LPD, the direct and/or indirect shareholdings of Mr Low and Ms Low Lea Kwan in Adventa are as follows:-

	←Direct→		←Indirect→	
	No. of shares	***%***	***No. of shares***	***%***
Mr Low Chin Guan	*59,035,652*	*38.64*	-	-
Ms Low Lea Kwan	*8,410,960*	*5.51*	-	-

Accordingly, Mr Low has abstained and will continue to abstain from all deliberations and voting at the Board meetings in relation to the Proposed Lucenxia Disposal.

Mr Low and Ms Low Lea Kwan will abstain from voting in respect of their direct shareholdings in Adventa, if any, on the resolution pertaining to the Proposed Lucenxia Disposal to be tabled at the forthcoming EGM. Mr Low and Ms Low Lea Kwan have also undertaken to ensure that persons connected with them will abstain from voting in respect of their direct and/or indirect shareholdings in Adventa, if any, on the resolution pertaining to the Proposed Lucenxia Disposal to be tabled at the forthcoming EGM.

7. EVALUATION OF THE PROPOSED LUCENXIA DISPOSAL

In arriving at our opinion and recommendation, we have taken into consideration the various aspects of the Proposed Lucenxia Disposal. Our evaluation is set out in the ensuing sections:

		Section of the IAL
(a)	Rationale of the Proposed Lucenxia Disposal	7.1
(b)	Basis of arriving at the Consideration	7.2
(c)	Salient terms of the SSA	7.3
(d)	Industry outlook and future prospects	7.4
(e)	Financial effects of the Proposed Lucenxia Disposal	7.5
(f)	Risk factors associated with the Proposed Lucenxia Disposal	7.6

7.1. Rationale of the Proposed Lucenxia Disposal

Section 3 of Part A of this Circular contains the rationale for the Proposed Lucenxia Disposal, as follows:-

Lucenxia was incorporated in 2010 and commenced operation in 2012. Lucenxia started and completed the first clinical trial for APD across Malaysia in 2013. Subsequently in 2015, Lucenxia completed the second clinical trial across Malaysia.

In 2016, Lucenxia commercially launched its APD programme in Malaysia and completed the third clinical trial in 2019 with financial support from Adventa. As at 31 December 2019, the amount owed by Lucenxia to Adventa amounted to approximately RM3.9 million

On 13 November 2019, Lucenxia via its 55% owned subsidiary, LCX Healthcare entered into MoH SL Agreement with the MoH of Sri Lanka to deploy its APD programme nationwide in Sri Lanka for a period of 8 years.

Based on the MoH SL Agreement, the NAPHD Programme will be carried out in 2 phases:-

(i) Phase 1 of the NAPHD Programme was intended to be carried out for a duration of not more than 3 months with an objective of securing a total of at least 100 patients; and

(ii) Phase 2 of the NAPHD Programme was intended to be carried out upon the completion of Phase 1 with an objective of securing a total of at least 6,000 patients.

The dialysis business in Sri Lanka, which is in Phase 1 Clinical Assessment, has not taken off as planned due to circumstances beyond Lucenxia's control including but not limited to COVID-19 pandemic events in Sri Lanka. Upon completion of Phase 1 and review of results, the Sri Lankan government has the option to decide whether to continue with the contract for a nationwide launch.

For information, Lucenxia Group's unaudited proforma consolidated financial performance for the last 3 financial periods up until 31 December 2020 are summarised as follows:

	Financial year ended 31 Oct 2017	***14 months ended 31 Dec 2018***	***Financial year ended 31 Dec 2019***	***Financial year ended 31 Dec 2020***
	RM	*RM*	*RM*	*RM*
Revenue	*901,062*	*708,597*	*1,484,588*	*(i) 49,464,372*
LAT from home dialysis business	*(4,883,266)*	*(6,050,964)*	*(8,360,073)*	*(8,740,221)*
Impairment loss	-	*(ii) (21,670,000)*	-	-
Other income	-	-	-	*(i) 5,758,818*
Total LAT	***(4,883,266)***	***(27,720,964)***	***(8,360,073)***	***(2,981,403)***

Notes:

(i) *The revenue included an emergency (outside of contract for COVID-19) supply to hospitals which was not within the regular business of Lucenxia. Such business is not expected to be repeated in the future. The revenue and the profit attributed to this emergency non-recurring supply amounted to RM43,858,295 and RM5,758,818 respectively.*

(ii) *The impairment cost related to development costs incurred for the home dialysis business.*

As illustrated above, notwithstanding the abovementioned operational achievements of Lucenxia, Lucenxia continues to make losses and requires the financial support of its parent, Adventa to continue operation and establish market acceptances for its products and services. The Board, after considering, amongst others, the continuing substantial investment required, the associated risk and uncertain duration for Lucenxia Group to generate the required return, believes the Proposed Lucenxia Disposal presents the opportunity to Adventa Group to reduce the group's losses and improves its cash resources. The Proposed Lucenxia Disposal is expected to give rise to a gain on disposal of RM4.81 million based on its carrying value of Lucenxia as at 31 December 2020.

The Board also believes that with the ongoing COVID-19 pandemic, there are opportunities for Adventa Group to further grow its medical and healthcare related businesses. The proceeds from the Proposed Lucenxia Disposal will be mainly utilised to support and expand Adventa Group's involvement in medical and healthcare related business.

Our comments with regards to the rationale for the Proposed Lucenxia Disposal are as follows:

(i) Up to 31 December 2019, the Company had invested approximately RM28.37 million in development costs for Lucenxia INTELLIS, an intelligent APD cycler, of which RM21.67 million were impaired in 2018.

(ii) Although its APD cyclers were commercialised in January 2016, the business continued to incur losses from FY 31 October 2016 to FY 31 December 2019. Lucenxia's historical financial performance at company level from FY 31 October 2015 up to FY 31 December 2019 is as follows:-

FY /FP	Revenue (RM'000)	Normalised LBITDA (RM'000)	Normalised LAT* (RM'000)
31 October 2015	-	(548)	(590)
31 October 2016	121	(2,373)	(3,279)
31 October 2017	901	(3,478)	(4,818)
31 December 2018	709	(3,841)	(5,401)
31 December 2019	1,394	(3,616)	(4,465)

(Source: Valuation Report)

Note:-
* *Normalised LAT is due to adjustments for non-recurring expenses.*

Since the launch of its product in 2016, Lucenxia has only generated revenue amounting to RM3.13 million (up to 31 December 2019) while the development costs capitalised amounted to RM28.37 million.

We note the following from the Valuation Report :

Lucenxia has not generated operating profit since commencing commercial operations in year 2016 up to the Valuation Date. This limits Lucenxia's prospect to achieve operating profits should it continue as a going concern without any evidence which can reasonably support improvement to its financial performance in future.

(iii) The unaudited statements of financial position as at 31 December 2020 of Lucenxia's subsidiaries, LCX Lanka and LCX Healthcare, showed that both companies are in negative shareholders' equity of RM0.33 million and RM2.33 million respectively. The last audited statements of financial position as at 31 December 2019 of both subsidiaries were in negative shareholders' equity of RM0.20 million and RM1.12 million respectively.

(iv) The Company anticipates that further capital expenditure of approximately RM46 million will be required by Lucenxia in the next 4 years up to FY 31 December 2024. *(Source : Valuation Report)*

Based on the financial projections of Lucenxia from 1 October 2020 up to FY 31 December 2024, the Independent Valuer noted that:

Lucenxia requires substantial capital expenditures in order to sustain the projected earnings and growth – due to the nature of its business which involves product evolvement and/or improvement over time, Lucenxia is required to expend over activities for products' ratification prior to commercialisation.

Lucenxia is not expected to generate positive operating cash flows over the projected period from FY 31 December 2022 to 2024.

Historically, Lucenxia is dependent on its holding company, Adventa, to fund its capital expenditure and working capital requirements and is not self-sustaining.

Beyond FY 31 December 2024, the Company expects capital expenditure will continue due to the nature of the business mentioned above. The Proposed Lucenxia Disposal would enable Adventa to dispose Lucenxia and avoid incurring the expected cash outflows.

(v) According to the MoH SL Agreement, phase 1 of the NAPHD Programme was intended to be carried out for a duration of not more than 3 months with an objective of securing a total of at least 100 patients. This will be followed by 6,000 Guaranteed Patients under MoH SL Agreement.

We also note that in the Rationale above, the Company stated that:
"The dialysis business in Sri Lanka, which is in Phase 1 Clinical Assessment, has not taken off as planned due to circumstances beyond Lucenxia's control including but not limited to COVID-19 pandemic events in Sri Lanka. Upon completion of Phase 1 and review of results, the Sri Lankan government has the option to decide whether to continue with the contract for a nationwide launch."

As at the LPD, Phase 1 Clinical Assessment has not been completed. Given the progress of the MoH SL Agreement, the Board is not able to ascertain when the Guaranteed Patients stated in the MoH SL Agreement would be achieved.

(vi) The Proposed Lucenxia Disposal would enable Adventa to divest its interest at a gain of RM4.81 million and avoid future cash outflows required by Lucenxia and its subsidiaries.

(vii) The Proposed Lucenxia Disposal will enable the Company to redeploy its resources to other businesses which may yield better margins and profitability.

(viii) The proceeds from the Proposed Lucenxia Disposal together with the repayment of the Outstanding Amount from Lucenxia to the Adventa Group of RM11 million will provide additional cash flow to the Adventa Group post disposal and allow the Adventa Group to channel the monies to other business segments.

(ix) The Proposed Lucenxia Disposal would enable Adventa to continue to pursue opportunities in the distribution of medical and healthcare equipment, appliances and medical disposal products including personal protective equipment which had grown rapidly in 2019 *(Source : Adventa's Annual Report 2019).*

In summary, we are of the view that the rationale of the Proposed Lucenxia Disposal is fair and reasonable taking into consideration the following:-

(i) Despite investing approximately RM28.37 million in development cost up to 31 December 2019 and commercialisation of the Lucenxia INTELLIS cyclers in January 2016, Lucenxia has experienced continuous losses since its commencement of business in 2012;
(ii) LCX Lanka and LCX Healthcare are currently in negative shareholders' funds;
(iii) The expected further capital expenditure estimated by Lucenxia of RM46 million for FY 31 December 2021 to FY 31 December 2024 and beyond for which Lucenxia may have to depend on Adventa for funding;
(iv) As detailed above, the Independent Valuer noted that there are limitations in Lucenxia's prospect to achieve operating profits as a going concern and Lucenxia is not expected to generate positive operating cash flows from FY 31 December 2022 to FY 31 December 2024;
(v) The low revenue generated from Lucenxia's APD systems since its launch in 2016 relative to the investments made;
(vi) The uncertainties surrounding the MoH SL Agreement;
(vii) The gain of RM4.81 million arising from the Proposed Lucenxia Disposal and improvement in the proforma effects to the basic EPS and NA per share;

(viii) **The Proposed Lucenxia Disposal will enable the Company to redeploy its resources to other businesses which may yield better margins and profitability; and**

(ix) **The proceeds from the Proposed Lucenxia Disposal and repayment of the Outstanding Amount will provide additional cash flow to the Adventa Group to be channeled to other business segments.**

7.2. Basis of arriving at the Consideration

The basis of arriving at the Consideration is set out in Section 2.3 of Part A of this Circular. We note that the Consideration was arrived at on a "willing-buyer willing-seller" basis after taking into consideration, amongst others, the Indicative Value Range of RM9.41 million to RM9.52 million for the entire equity interest in Lucenxia as at Valuation Date, as appraised by the Independent Valuer.

Accordingly, we have considered the Indicative Value Range as appraised by the Independent Valuer in the ensuing section.

7.2.1. Valuation as appraised by the Independent Valuer

We have taken into consideration the Valuation Report together with the Valuation Letter appended as Appendix IV of this Circular in evaluating the fairness and reasonableness of the Consideration. The Independent Valuer adopted the summation method under the cost approach as a primary approach in arriving at the Indicative Value Range in view that:-

(i) Lucenxia's lack of direct income generating ability as demonstrated historically from year 2016 up to Valuation Date and the expected negative operating cash flows of Lucenxia over the projected period from FY 31 December 2022 to FY 31 December 2024 has limited the feasibility to utilise the income and market approaches; and

(ii) The cost to replace Lucenxia (or its business) and/or to reproduce an asset similar to Lucenxia could not be reasonably assessed as Adventa reported impairment loss of RM37.4 million from its investment in Lucenxia in the FY 31 December 2018.

Under the summation method, each asset and liability component in Lucenxia as at the Valuation Date was assessed for adjustment to their carrying values separately. The indicative values of these individual components were added together to derive the indicative value of Lucenxia's entire equity interest as at the Valuation Date.

We summarise the Valuation Report issued by the Independent Valuer wherein the Indicative Value Range for the entire equity interest in Lucenxia is derived as follows:-

RM'000	Notes	Unaudited as at 30 September 2020	Adjusted as at 30 September 2020 Low range	High range
Non-current assets				
Plant and equipment	A	7,549	7,559	7,559
Development costs	B	3,234	3,234	3,234
Right-of-use asset	C	196	196	196
Investment in subsidiaries	D	115	603	711
		11,094	11,592	11,700

RM'000	Notes	Unaudited as at 30 September 2020	Adjusted as at 30 September 2020 Low range	High range
Current assets				
Inventories	C	1,761	1,761	1,761
Trade receivables	C	11,345	11,345	11,345
Other receivables, deposits and prepayments	C	2,886	2,886	2,886
Amount due from related companies	C	22,884	22,884	22,884
Cash and bank balances	C	5,182	5,182	5,182
		44,058	44,058	44,058
Total assets		**55,152**	**55,650**	**55,758**
Current liabilities				
Trade payables	C	344	344	344
Other payables and accruals	C	962	962	962
Amount due to related companies	C	27,987	27,987	27,987
Amount due to director	C	14,500	14,500	14,500
		43,793	43,793	43,793
Non-current liabilities				
Loan and borrowings	C	2,000	2,000	2,000
Lease liabilities	C	243	243	243
Right-of-use liability	C	203	203	203
		2,446	2,446	2,446
Total liabilities		**46,239**	**46,239**	**46,239**
Share capital		53,500	53,500	53,500
Accumulated losses		(44,587)	(44,577)	(44,577)
Revaluation reserves		-	488	596
Shareholders' equity		**8,913**	**9,411**	**9,519**
Indicative value of 100% equity interest in Lucenxia as at Valuation Date			**9,411**	**9,519**

<u>Note A</u>

The plant and equipment are measured at purchase price plus all directly attributable cost incurred and less accumulated depreciation and any accumulated impairment losses and consist of the following:-

- Plant and machineries mainly comprising APD machines and plant fittings purchased;
- Renovation cost incurred for Lucenxia's office and rented factory premises in Selayang;
- Factory and office equipment as well as furniture and fittings; and
- Signboard and warehouse equipment.

The Independent Valuer adjusted the total net book value of motor vehicles upwards by RM0.01 million on the Valuation Date based on the market value stipulated in the insurance policies of the respective motor vehicle which were in force as at the date of Valuation Report.

We note the following:-

(i) The depreciation rate of the plant and equipment adopted ranged from 10% to 20% per annum on a straight line basis which is consistent with the Adventa Group's rates; and
(ii) The Independent Valuer had noted that 90.1% of total net book value of plant and equipment as at 30 September 2020 amounting to RM6.8 million were purchased in the FP 30 September 2020 which are hence deemed as recent purchase prices and depreciated based on the Company's policy depreciation rates.

Note B

The development costs relate to costs capitalised from the development of home dialysis machines including patient care management system. The carrying value of the development costs as at 30 September 2020 is assumed to represent its fair value as at the Valuation Date.

The Independent Valuer did not adjust the development costs in view that:-

(i) The product (APD machine model under Phase 2) is still in development stage and has not commercialised; and
(ii) The last assessment for impairment performed by the Management is less than a year to the Valuation Date.

We note that the impairment losses were determined using cash flow projections from financial forecast and projections approved by the Board of Directors covering a five-year period for the renal dialysis business *(Source : Adventa's Annual Report 2019)* and the last assessment was conducted during the audit for the year ended 31 December 2019.

Note C

The Independent Valuer reviewed the details of items under Note C and did not make any adjustments. No impairment was made to the trade receivables as the Management represented that the amounts are fully recoverable.

We note that the amounts recorded in the management accounts for the FP 30 September 2020 of Lucenxia are based on the carrying amounts of the respective assets and liabilities.

Note D

As at the date of Valuation Report, Lucenxia held 100% and 55% of the equity interest in LCX Lanka and LCX Healthcare respectively. Lucenxia's investment in subsidiaries in Sri Lanka as at the Valuation Date is summarised as follows:-

RM'000	Note	Unaudited as at 30 September 2020	Adjusted as at 30 September 2020 Low range	Adjusted as at 30 September 2020 High range
LCX Lanka	**D (i)**	75	102	102
LCX Healthcare	**D (ii)**	40	501	609
Total investment in subsidiaries of Lucenxia		**115**	**603**	**711**

Note D (i) - Investment in LCX Lanka

In arriving at the estimated fair value of Lucenxia's investment in LCX Lanka, the Independent Valuer adopted the reproduction cost method based on the following considerations:-

(i) LCX Lanka has not commenced operation as at Valuation Date. It only holds the license and registration for APD system under brand name of INTELLIS; and

(ii) The management represented that the LCX Lanka is not expected to be a business generating unit for the Lucenxia Group and it will only lease the INTELLIS APD system to LCX Healthcare in return for rental payments from 2021 onwards.

We noted that the Independent Valuer arrived at the fair value of investment in LCX Lanka represented by the reproduction cost of the license and registration for INTELLIS APD system held by LCX Lanka, which comprise the following:

Reproduction cost item	USD'000	LKR'000 (1)	RM'000 (1)
Registration cost	3	462	10
Licensing cost	1	185	4
Good manufacturing practice inspection cost	20	3,698	83
Pharmacist cost	n/a	211	5
		4,556	102

Note:-

(1) Translated based on the following exchange rates as at Valuation Date as extracted from Bloomberg:-
   (i) USD1.00 : LKR184.91;
   (ii) USD1.00 : RM4.1598; and
   (iii) LKR1.00 : RM0.0225.

The above reproduction cost was based on management's representation of the cost to be incurred. The Independent Valuer had computed the pharmacist cost of LKR0.21 million based on the expected pharmacist cost incurred from the Valuation Date to the expiry of the certification on 30 June 2021 and applying a discount rate of 11.2% to arrive at the present value of the expected pharmacist cost. We note the discount rate adopted is within the range of the discount rates adopted in Note D (ii) below. Details of our evaluation of the discount rate adopted is also set out in Note D (ii).

Note D (ii) - Investment in LCX Healthcare

LCX Healthcare is principally involved in the provision of home dialysis products for the treatment of end stage renal disease and its related services. We note that LCX Healthcare had on 13 November 2019, signed an agreement with the MoH Sri Lanka for the deployment NAPHD Programme to provide peritoneal dialysis at home to patients diagnosed with chronic kidney disease for 8 years from 13 November 2019. According to the MoH SL Agreement, the NAPHD Programme will be carried out in 2 phases:-

(i) Phase 1 of the NAPHD Programme was intended to be carried out for a duration of not more than 3 months with an objective of securing a total of at least 100 patients; and

(ii) Phase 2 of the NAPHD Programme was intended to be carried out upon the completion of Phase 1 with an objective of securing a total of at least 6,000 patients.

In arriving at the estimated fair value of Lucenxia's investment in LCX Healthcare, the Independent Valuer adopted the discounted cash flow method under the income approach based on the consideration that LCX Healthcare holds the MoH SL Agreement to deploy the APD programme nationwide in Sri Lanka for a period of 8 years from 13 November 2019 – indicating future economic benefits attributed from the company.

The Independent Valuer's approach to the indicate valuation of LCX Healthcare is based on the following parameters:-

(i) Derive the net cash flows from the financial projections from 1 October 2020 to 31 December 2024 for LCX Healthcare prepared by the Management of Adventa (**"Financial Projections"**); and

(ii) Discount the net cash flows at a cost of equity (**"Ke"**) that was derived from the Capital Asset Pricing Model of between 11.2% and 12.2%.

The key assumptions of the Financial Projections and the parameters to arrive at the Ke are discussed in the ensuring paragraphs.

I. Key assumptions on the Financial Projections

The key assumptions adopted by the Management of Adventa on the Financial Projections and our comments thereon are set out below:-

Item	Bases and assumptions by the Management	Our comments
Revenue	The annual revenues entitled by LCX Healthcare during the projection periods were projected based on estimated number of patients, the rate of patients at which the management anticipates they will receive, using the scheduled price per patient month as provided in the MoH SL Agreement as a proxy for pricing.	**We note that the revenue growth is projected by the Management taking into consideration the MoH SL Agreement and the present patient count.** **We also noted that the scheduled price per patient month approximated based on MoH SL Agreement is appropriate as it is the most recent contract secured by LCX Healthcare reflecting the prevailing market rate.**
Cost of goods sold	Cost of goods sold was estimated based on gross profit margin of approximately 37% over the projection periods.	**We noted that the projected gross profit margin is reflective of the last audited gross profit margin for FY 31 December 2019 of LCX Healthcare of 37%.**
Operating and administrative expenses	Save for the salaries projected to increase at 10%, the following expenses were projected to have an increment of 5% over the projection periods after the current year: (i) Professional fees; (ii) Rental of office, warehouse	**We noted that most of the expenses will be incurred in Sri Lankan Rupees and were assumed at 5% increment per annum. The Central Bank of Sri Lanka has projected the inflation rate of Sri Lanka to range from 5% to 6% from 2021 to 2024.** ***(Source: Chapter 1, Recent Economic Development Highlights of 2020 and Prospects for 2021, Central***

Item	Bases and assumptions by the Management	Our comments
	and machine; (iii) License and registration expenses; and (iv) Miscellaneous expenses.	***Bank of Sri Lanka)***
Finance cost	The finance cost was estimated based on the interest rate of 3.25% charged on the amount due to Lucenxia.	**We noted that LCX Healthcare does not have any interest-bearing debt as at the Valuation Date. Hence, we refer to the interest rate charged on the amount due to Lucenxia as agreed between the parties prior to the projection periods. The rate of 3.25% is consistent to the rate charged by Adventa to its subsidiaries in the FY 31 December 2019.**
Tax expenses	The tax rate of 14% is used.	**The statutory corporate income tax rate of Sri Lanka in 2020 is 24% with a special rate of 14% granted to gains and profits from providing health care services. *(Source : Sri Lanka Inland Revenue Department website)***

Other financial and business assumptions by the Management :

(a) There will be no significant changes in the prevailing economic conditions in Malaysia, Sri Lanka and elsewhere which will adversely affect the activity or performance of LCX Healthcare.

(b) There will be no significant changes in the present legislation or government regulations affecting the activities of the LCX Healthcare or the market in which it operates.

(c) There will be no significant changes in the structure and principal activities of LCX Healthcare other than those taken into consideration in the Financial Projections.

(d) There will be no major breakdown or disruption of plants & machinery and their supplies & facilities, industrial disputes or any abnormal factors, either domestic or overseas which will adversely affect the operations of LCX Healthcare.

(e) There will be no significant changes in demand for LCX Healthcare's products other than those taken into consideration in the Financial Projections.

(f) There will be no material changes in materials consumed, wages, overheads and other incidental operating costs, other than those taken into consideration in the Financial Projections.

(g) There will be no material acquisitions, disposals or written off of fixed assets other than those taken into consideration in the projection.

(h) There will be no significant fluctuations in foreign currency exchange rates.

(i) Existing financial support from related company will remain available with no significant changes in the interest rates and LCX Healthcare will be able to secure sufficient financing support for working capital purposes if necessary.

(j) There will be no significant changes in the existing key personnel and management and accounting policies from those presently adopted by LCX Healthcare.

(k) LCX Healthcare will not engage in any new material litigation and there will be no legal proceedings against LCX Healthcare which will adversely affect the activities or performance of LCX Healthcare or give rise to any contingent liabilities which will materially affect the position or business of LCX Healthcare.

(l) Assuming Covid-19 pandemic is over and people are able to travel freely.

Terminal Value

The Independent Valuer had considered a terminal value for LCX Healthcare under the discounted cash flow methodology. Terminal value is the estimated value of all future cash flows generated by a business entity beyond the forecasting period, which is usually ascribed to a business entity assumed to have a continuing business presence under a discounted cash flow method. We note that that the Independent Valuer had adopted the perpetual growth model to compute the terminal value based on a terminal growth rate of nil. The growth rate can be attributed to the risk associated with the business as well as external factors that may directly or indirectly affect the business of LCX Healthcare.

II. Cost of Equity

The Independent Valuer derived Ke using the Capital Asset Pricing Model model, which is calculated as follows:-

$$Ke = R_f + \beta\,(R_m - R_f) + \text{Size premium} + \text{Premium for unsystematic risk}$$

The parameters used for the computation of the Cost of Equity are discussed below:-

Parameters of Ke	Basis and key assumptions	Our comments
Risk free rate (R_f)	R_f of 1.675% was estimated based on the 10-year Malaysian Government Bonds yield of 2.675% per annum whilst the default spread of 1% as at Valuation Date. (Source :	Risk-free rate of return represents the expected rate of return generated from a risk-free investment. **We note that the default risk adopted by the Independent Valuer approximates the default risk for Malaysia stated by New York**

Parameters of Ke	Basis and key assumptions	Our comments
	Bloomberg)	**University as at 8 January 2021 is 1.06%. *(Source : Country Default Spreads and Risk Premiums as at 8 January 2021, Aswath Damodaran)*** **We noted that the Independent Valuer has adopted the Malaysian Government Bonds as a basis of computing the risk free rate notwithstanding that LCX Healthcare is located in Sri Lanka. This is reasonable on the basis that the funding for LCX Healthcare is ultimately from Adventa, which is located in Malaysia.**
Beta (β)	The relevered β of 0.755 was derived using the unlevered betas and gearing of comparable companies and the standard corporate tax rate of 24%. The selected comparable companies are public listed companies in the renal healthcare industry, namely Baxter International Inc. and Fresenius Medical Care AG & Co. KGaA **("Selected Comparable Companies")** with principal businesses similar to those of LCX Lanka.	Beta is the sensitivity of an asset's returns to the changes in market returns. It measures the correlation of systematic risk between the LCX Healthcare and the market assuming LCX Healthcare is a quoted and traded stock. A beta of more than 1 signifies that the LCX Healthcare is riskier than the market and vice versa. For information purposes, the term "unlevered beta" refers to the beta of a company without any debt. Unlevering a beta removes the financial effects from leverage. The formula to calculate a company's unlevered beta is as follows: Unlevered β = levered β / [1 + (1-tax rate) x debt/equity] The term "levered beta" refers to the beta of a company with debt. Levering a beta includes the financial effects from leverage. The unlevered beta should be adjusted to the levered beta of the company as per formula below: Levered β = unlevered β x [1 + (1-tax rate) x debt/equity] We note that the Selected Comparable Companies used by the Independent Valuer also operate in renal healthcare industry. As the adjusted beta extracted from Bloomberg is based on the capital structure of the respective Selected Comparable Companies, the Independent Valuer had un-levered the adjusted beta

Parameters of Ke	Basis and key assumptions	Our comments
		and re-levered it based on the gearing position of the Selected Comparable Companies to serve as the point of reference to LCX Healthcare's gearing position for this analysis. As a result, the re-levered beta of LCX Healthcare was translated to 0.755. The Independent Valuer noted that LCX Healthcare may have different business models as compared to the Selected Comparable Companies. Nonetheless, these companies are acceptable as proxies for the purposes of deriving the estimated beta of LCX Healthcare as the comparable companies operate in renal healthcare industry.
Equity risk premium ($R_m - R_f$)	Equity risk premium was computed based on the 10-year weekly average risk premium for United States up to Valuation Date of 7.650% regressed against the country risk premium for Malaysia calculated at 0.565%, as sourced from Bloomberg. Accordingly, the Independent Valuer had derived a ($R_m - R_f$) of 8.215%.	Expected market rate of return, R_m represents the expected rate of return for investing in a portfolio consisting of a weighted sum of assets representing the entire equity market. The equity risk premium derived from 10-year weekly average risk premium for the United States and adjusted for country risk premium for Malaysia is a reasonable indicator of the equity market return due to the following:- (i) Equity markets in Sri Lanka and Malaysia have similar country risk properties as they are both Asian developing markets. Further, the holding company, Lucenxia is based in Malaysia; (ii) The risk premium parameter of the United States adjusted for risk properties of developing markets could effectively estimate the return expected by an investor for investing in equity market of Sri Lanka; and (iii) Given the volatility of the stock market and market cycles, we view that a 10-year historical rate of return of the equity market in United States is an appropriate estimate of the expected market rate of return as it normalises the year-on-year fluctuations of the

Parameters of Ke	Basis and key assumptions	Our comments
		stock market and mitigates market bias.
Size premium	30% was applied as the marketability discount of the unlisted shares.	**We note that the 30% applied by the Independent Valuer is within the range discussed by Aswath Damodaran, in his book titled "Investment Valuation: Tools and Techniques for Determining the Value of Any Asset", of 20.00% to 30.00%.**
Premium for unsystematic risk	Unsystematic risk of 1% to 2% due to unstable income generated from the MoH SL Agreement as at the Valuation Date. (Note : Total size premium and unsystematic risk premium ranged from 3.36% to 4.36%)	We consider specific risk is applicable to the Lucenxia Group as it has additional exposure to the following risks relative to the listed comparable companies:- (i) As stated in Section 7.1, Lucenxia requires continuous investment in research and development activities and RM21.67 million of cost capitalised was impaired in 2018; (ii) LCX Healthcare's and LCX Lanka's revenues are denominated in Sri Lankan Rupee. Volatility is high for currency of emerging markets; and (iii) Lack of profit track record. **Based on Damodaran's discussion paper on the Cost of Illiquidity, an illiquidity premium of 3% to 4% had been applied on smaller companies to derive the discount rate using capital asset pricing model to account for the lack of marketability and unsystematic risk. We note that the Independent Valuer's total illiquidity and unsystematic risk premium ranged from 3.36% to 4.36% which approximates the range stated in the abovementioned discussion paper.**

Based on the above parameters, the fair value of the investment in LCX Healthcare derived by the Independent Valuer are as follows:-

	Low Range	**High Range**
Discount rate	12.2%	11.2%
Equity value of 100% interest	RM0.91 million	RM1.11 million
Equity value of 55% interest	RM0.50 million	RM0.61 million

We have reviewed the qualifications of the Independent Valuer, their scope of engagement, their valuation methodology and the resultant valuation which is summarised above. We have reviewed the bases and assumptions on which the Valuation Report is based on and are of the view that they are fair and reasonable taking into consideration the following:

(a) **The summation approach under the cost approach was used as a basis due to the lack of direct income generating ability as demonstrated historically from year 2016 up to Valuation Date and the expected negative operating cash flows of Lucenxia over the projected period from FY 31 December 2022 to FY 31 December 2024 has limited the feasibility to utilise the income and market approaches;**

(b) **The Independent Valuer had separately assessed each asset and liability component in Lucenxia as at 30 September 2020 for the fair value. The bases and assumptions adopted in the summation approach are reasonable;**

(c) **The bases and assumptions adopted to derive the fair value of Lucenxia's investment in LCX Lanka are reasonable; and**

(d) **The bases and assumptions adopted to derive the fair value of Lucenxia's investment in LCX Healthcare are reasonable.**

Notwithstanding the Independent Valuer had not relied on market approaches, we have alternatively assessed the Consideration based on the relative valuation analysis using both comparable companies and comparable transactions in the ensuing Section 7.2.2. The relative valuation approach using comparable companies generally seeks to compare the trading multiples of publicly listed companies that are deemed comparable to Lucenxia. The relative valuation approach using comparable transactions attempts to compare the pricing of the recent transactions within the same industry as Lucenxia.

7.2.2. Relative valuation analysis

The principal activities of Lucenxia are the provision of home dialysis products for the treatment of end stage renal disease and its related services. The range of services offered by Lucenxia are similar to those providing dialysis services and/or its related services in the healthcare facilities and services industry.

Enterprise value (**"EV"**) multiples relate the total market value of all sources of a company's capital (whether debt or equity) to a measure of fundamental value for the entire company. EV/Sales multiples is a valuation metric which compares the total value of a company, i.e. EV to its revenue and is less susceptible to earnings manipulation. Sales is used as the denominator instead of an earnings base also in view that the accounting policies in respect of capitalising R&D costs may vary among peers and the commercialisation of new products of dialysis providers is subject to certain degree of uncertainty. Hence, we consider it appropriate to use EV/Sales multiples to compare the valuation of Lucenxia to its peers and provide an indication of market expectations on the valuation of companies.

In Section 7.2.2.1, we have selected companies involved in the provision of healthcare facilities and services as we find their services most similar and suitable for benchmarking.

In Section 7.2.2.2, we also compared recent transactions in the healthcare facilities and services companies (which are providing dialysis services and/or its related products) to provide a gauge of the current market expectation of the valuation at which companies are traded.

We wish to highlight that while the relative valuation approach is used to establish a value for the business under review against the valuation benchmark exhibited by comparable companies and comparable transactions, the selection may not be exactly similar or directly comparable to Lucenxia in terms of the size of the company, the type of principal activities, the scale of operations, the geographical and market coverage, the track record, the future prospects, the asset base, the business risks as well as the marketability of its shares. The selected comparable companies are companies involved in the provision of healthcare facilities and services which are relatively similar to Lucenxia in general and serves as a basis for us to ascertain the fairness and reasonableness of the Consideration.

7.2.2.1. Comparable Companies

We note that in Malaysia, the dialysis services players are primarily private entities. There is hence a lack of publicly available information on local comparable companies. We widened the geographical scope and have selected companies in developed markets which principal activities are at least 50% in the dialysis services business as we find their services most similar and suitable for benchmarking. We adjusted the enterprise value multiples of overseas comparable companies for country risks to take into consideration the variances arising from different economic, sovereign and political risks that each country has. Further, as the comparable companies are listed whilst Lucenxia Group is not, an illiquidity discount is applied prior to comparison in view that a publicly listed asset is expected to be more freely traded than a similar asset which is not.

The EV/Sales multiple of the comparable companies in the healthcare facilities and services industry (**"Comparable Companies"**) based on the latest Annual Reports of the respective companies are as follows:-

Company	**Country/ Currency**	**Country risk premium** $^{\alpha}$	**EV** $^{\beta}$	**Revenue**	**EV/Sales**	**Adjusted EV/Sales** $^{\sim}$
		(%)	**('mil)**	**('mil)**	**(times)**	**(times)**
Fresenius Medical Care AG & Co KGaA [(1)]	German/ EUR	0.0000%	31,013.02	17,329.00	1.79	1.94
Fresenius SE & Co KGaA[(2)]	German/ EUR	0.0000%	57,954.76	35,409.00	1.64	1.77
DaVita Inc [(3)]	United States/ USD	8.6920%	25,224.61	11,388.48	2.21	2.21
High						**2.21**
Low						**1.77**
After applying an illiquidity discount of 30% $^{\mu}$						
High						**1.55**
Low						**1.24**
Lucenxia Group	Malaysia/ MYR	8.4330%	**58.92^**	**4.76***		**12.38**

<u>*Notes:-*</u>

α *Country risk premium as at LTD as extracted from Bloomberg.*

β *Computed based on respective closing price as at LTD as extracted from Bloomberg.*

~ *Adjusted for country risk.*

μ *Discounts of 30% imputed to factor in illiquidity in view that Lucenxia shares are unquoted. We note that Aswath Damodaran, in his book titled "Investment Valuation: Tools and Techniques for Determining the Value of Any Asset", discussed on 20.00% to 30.00% of illiquidity discount.*

^ *Computed based on the latest information available as at LTD, being the Consideration (in view that Lucenxia is unlisted and its shares are unquoted) and unaudited 9-month management accounts as at FP 30 September 2020 of Lucenxia Group.*

* *Based on the latest information available as at LTD, being the annualised unaudited 9-month revenue of Lucenxia Group for FP 30 September 2020 after eliminating one-off event of RM43.86 million.*

(1) *Fresenius Medical Care AG & Co KGaA group is principally engaged in the provision of dialysis treatment and related dialysis care services to persons who suffer from end-stage renal disease and other health care services as well as provision of dialysis and non-dialysis products. The company is listed on the Frankfurt Stock Exchange.*

(2) *Fresenius SE & Co KGaA group is principally engaged in the provision of products and services for dialysis, hospitals and outpatient medical care as well as hospital operations. The company is listed on the Frankfurt Stock Exchange.*

(3) *DaVita Inc group is principally engaged in the provision of dialysis and related lab services, its ancillary services and strategic initiatives including its international operations as well as corporate administrative support. The company is listed on New York Stock Exchange.*

(Source : The latest Annual Reports of the respective companies and www.bloomberg.com)

From the table above, the implied EV/Sales multiple of Lucenxia based on the Consideration and the annualised unaudited 9-month revenue of Lucenxia Group for FP 30 September 2020 (after eliminating one-off event) is 12.38 times. This is above the adjusted EV/Sales range of the Comparable Companies of between 1.24 to 1.55 times.

7.2.2.2. Comparable Transactions

We have undertaken a comparative analysis on similar precedent transactions in the healthcare facilities and services industry in the past four years (**"Comparable Transactions"**), as follows:-

Acquirer/ Disposer	**Target**	**Announcement date**	**Country of target / Country risk premium**	**EV/ Sales~**
				(times)
Innovative Renal Care, LLC	American Renal Associates Holdings, Inc. (1)	2 October 2020	United States/ 8.6920%	1.69
Fresenius Medical Care Holdings, Inc	NxStage Medical, Inc. (2)	7 Aug 2017	United States/ 8.6920%	5.33
High				**5.33**
Low				**1.69**
After applying an illiquidity discount of 30% μ				
High				**3.73**
Low				**1.18**
Lucenxia Group			Malaysia/ 8.4330%	**12.38**

Notes:-

~ *Adjusted for country risk.*

μ *Discounts of 30% imputed to factor in illiquidity in view that Lucenxia shares are unquoted. We note that Aswath Damodaran, in his book titled "Investment Valuation: Tools and Techniques for Determining the Value of Any Asset", discussed on 20.00% to 30.00% of illiquidity discount.*

(1) *American Renal Associates Holdings, Inc. is principally involved in the provision of outpatient dialysis services in the United States for patients suffering from chronic kidney failure (also known as end stage renal disease) and other kidney diseases. The company was listed on New York Stock Exchange.*

(2) *NxStage Medical, Inc. is principally involved in the development, manufacture and marketing of innovative products for the treatment of end-stage renal disease and acute kidney failure. The company was listed on Nasdaq Global Select Market.*

In using the EV multiple ranges of the Comparable Transactions, the country risk had been adjusted for and an illiquidity discount of 30% has been applied taking into consideration that the shares of the target companies are quoted in foreign countries whereas the shares of Lucenxia are unquoted shares.

From the table above, the implied EV/Sales multiple of Lucenxia of 12.38 times is above the adjusted EV/Sales range of the Comparable Transactions of 1.18 to 3.73 times.

Premises on the above evaluation, we are of the view that the Consideration is fair and reasonable as:-

(a) The Consideration represents a premium of RM1.59 million to RM1.48 million or 16.90% to 15.55% above the Indicative Value Range of RM9.41 million to RM9.52 million;

(b) The EV/Sales multiple based on the Consideration is above the EV/Sales multiple range of Comparable Companies; and

(c) The EV/Sales multiple based on the Consideration is above the range of the EV/Sales multiple of Comparable Transactions.

7.2.3 Outstanding Amount

We note from Section 2.5 of Part A and Appendix II of this Circular, the Outstanding Amount of RM11 million owing by the Lucenxia Group which will be repaid in 3 tranches over the next 48 months from the Completion Date (Please refer to Note 4 of Section 7.3 below). The Outstanding Amount would bear annual interest rate of 5%.

The Adventa Group would not have borrowings post the Proposed Lucenxia Disposal (on a proforma basis based on the audited accounts as at 31 December 2019) save for the hire purchase balances of RM0.31 million bearing annual interest rate ranging from 2.27% to 3.37%. The proforma cost of borrowings of the Adventa Group would hence be below the 5% charged to Lucenxia.

We have also compared the interest rate charged on the Outstanding Amount to the fixed deposit rate as at LTD. We note that the interest rate charged on the Outstanding Amount is higher than the Maybank's 12-month fixed deposit rates is 1.85% per annum. *(Source: Malayan Bank Berhad's website)*

Furthermore, we noted that the interest rate charged on the Outstanding Amount is higher than the interest rate charged by the Adventa to its subsidiaries of 3.25%. *(Source : Adventa's Annual Report 2019)*

Based on the amount owing of RM11 million and the interest rate of 5%, Adventa will stand to earn RM550,000 per annum.

As detailed in Section 2.7 of Part A of this Circular, *the Outstanding Amount of RM11.0 million to be repaid by Lucenxia to Adventa will be used for working capital purposes as and when the repayment is received.*

As detailed in Section 2.5 of Part A of this Circular, the repayment terms of the Outstanding Amount, including the tenure and tranches, are negotiated terms between Adventa and the Buyer after taking into consideration, amongst others, *the financial and cash flow position of Lucenxia, the disposal consideration and the 5% annual interest payable on the Outstanding Amount.*

Having considered the above, we are of the view that the terms of the repayment is fair and reasonable based on the following:-

(i) Lucenxia is not expected to generate positive operating cash flows from FY 31 December 2022 to FY 31 December 2024. Accordingly, the Financial Projections which is projected up to 31 December 2024, showed no repayment of the Outstanding Amount, i.e. the Management anticipates it to remain outstanding should the Proposed Lucenxia Disposal not proceed;

(ii) The Proposed Lucenxia Disposal would enable Adventa to progressively recover the Outstanding Amount over a period of 48 months;

(iii) The certainty of collection of the Outstanding Amount pursuant to the Proposed Lucenxia Disposal would contribute positively towards Adventa's plans for its healthcare distribution business;

(iv) The current cost of borrowings incurred by Adventa is lower than the interest charge on the Outstanding Amount;

(v) The Outstanding Amount would bear annual interest rate of 5%, which is higher than returns currently generated by the healthcare distribution business. The healthcare distribution business recorded losses for the financial period ended 31 December 2018 and financial years ended 31 December 2019 and 2020. Please refer to Section 7.6 (ii) for the further details on the performance of the healthcare distributions business.

7.3. Salient terms of the SSA

The salient terms of the SSA, as extracted from Appendix II of this Circular, are as follows:-

No	*Salient Terms*	Comments
1.	***Sale of the Sale Shares*** *Adventa shall sell 500,000 ordinary shares and 53,000,000 preference shares in Lucenxia (collectively, "**Sale Shares**") and Mr Low or his nominee shall buy the Sale Shares free from all encumbrances (other than the outstanding amount as provided under item (4) below) and with all rights and benefits for a purchase consideration of RM11,000,000.00 ("**Consideration**").*	The Proposed Lucenxia Disposal involves both the ordinary shares and preference shares representing 100% equity interest in Lucenxia. This clause is reasonable as it lists down the securities to be disposed for the Consideration.

<table>
<tr><th>No</th><th>Salient Terms</th><th>Comments</th></tr>
<tr><td>2.</td><td>Matters to be satisfied

The obligation of Mr Low or his nominee to buy the Sale Shares from Adventa is conditional upon the following:

(i) Adventa obtaining the approval of its shareholders for the Proposed Lucenxia Disposal in an extraordinary general meeting; and

(ii) the consent of all other relevant parties (including but not limited to approvals of financial institutions),

(collectively, "Conditions"), within a period of ninety (90) days from the date of the SSA or such further period as may be mutually agreed between the Adventa and Mr Low ("Long Stop Date").</td><td>This Clause lists the conditions precedent to be met within a period of 90 days (or a further period as mutually agreed) before proceeding to complete the Proposed Lucenxia Disposal.

This is reasonable as the consents and approvals of the various parties are required to facilitate the Proposed Lucenxia Disposal.</td></tr>
<tr><td>3.</td><td>Manner of payment

The Consideration is payable in full by Mr Low or his nominee to Adventa in cash on a date within 30 days from the date on which all Conditions are satisfied, or such other date mutually agreed between the Adventa and Mr Low ("Completion Date").</td><td>Once the SSA is unconditional, the Buyer is to pay the Consideration in cash to Adventa to complete the Proposed Lucenxia Disposal.

This clause is reasonable with the details arrived at on a negotiated basis between both parties.</td></tr>
<tr><td>4.</td><td>Post completion obligations

As at the date of the SSA, an outstanding amount of RM11,000,000 is still owing by Lucenxia Group to Adventa. The Outstanding Amount shall be repaid by Lucenxia to Adventa over 4 years in the following manner:

<table><tr><th></th><th>Outstanding Amount to be repaid (RM)</th></tr><tr><td>12 months from the Completion Date</td><td>3,000,000</td></tr><tr><td>30 months from the Completion Date</td><td>4,000,000</td></tr><tr><td>48 months from the Completion Date</td><td>4,000,000</td></tr><tr><td>Total</td><td>11,000,000</td></tr></table>
provided that all or part of the Outstanding Amount which remain unpaid shall be subject to late payment interest at the rate of 5% per</td><td>This clause details the timeframe in which the Outstanding Amount is to be repaid together with the interest to be charged thereon.

In addition, the Buyer undertakes to procure Lucenxia to discharge the Corporate Guarantee within a period of 6 months from Completion. The Buyer further undertakes to indemnify Adventa against all loss, claim, action, liability suffered or incurred by Adventa arising or in connection with the Corporate Guarantee after the Completion Date.

This clause is reasonable with the details arrived at on a negotiated basis between both parties.</td></tr>
</table>

No	*Salient Terms*	Comments
	annum accruing on daily basis, payable by Lucenxia to Adventa when the relevant tranche of Outstanding Amount is repaid by Lucenxia to Adventa. If Lucenxia is unable to fulfil its obligation to repay the Outstanding Amount and/or late payment interest, Mr Low or his nominee shall repay such Outstanding Amount and/or late payment interest, on behalf of Lucenxia. *As there is a corporate guarantee given by Adventa to HSBC Bank Malaysia Berhad as security in respect of the Term and Revolving Credit Loan obtained by Lucenxia from the HSBC Bank Malaysia Berhad ("**Corporate Guarantee**"), Mr Low undertakes to procure Lucenxia to discharge the Corporate Guarantee within a period of 6 months from Completion Date. Mr Low further undertakes to indemnify Adventa against all loss, claim, action, liability suffered or incurred by Adventa arising or in connection with the Corporate Guarantee after the Completion Date.*	
5.	***Termination of the SSA*** *Without prejudice to either party's rights under or in connection with the SSA, the SSA may be terminated in any of the following events:* *(i) any of the Conditions is not satisfied by the Long Stop Date;* *(ii) Mr Low or his nominee or Adventa breaches all or any of the provisions of the SSA or any of the SSA's warranties;* *(iii) any of Adventa, Mr Low or his nominee and/or the Lucenxia is or becomes insolvent; or* *(iv) it appears that any of the warranties in the SSA is or has become inaccurate or misleading,* *the party not in default shall be entitled to serve a notice of termination on the party in default.* *Upon receipt of the notice of termination from the party not in default by the party in default, the SSA shall be terminated and neither party shall have any claim against each other save for antecedent breach.*	This clause states the events which will result in termination of the SSA. Upon termination, the SSA shall be terminated and neither party shall have any claim against each other save for antecedent breach. This clause is reasonable as both parties are entitled to terminate the SSA should there be a breach by the other party.

No	*Salient Terms*	Comments
6.	***Restrictions*** *For a period of 10 years from the Completion Date, Adventa and its subsidiaries (excluding Lucenxia Group) shall be forbidden to use the name "Lucenxia" and other brands currently used by Lucenxia as at the date of the SSA in any form whatsoever either in Malaysia or in any other country or in any known media wheresoever. Adventa further warrants that Adventa and its subsidiaries (excluding Lucenxia Group) shall not be involved in the existing core business of Lucenxia, involving the provision of peritoneal dialysis services or machines without the prior written consent of Mr Low or Lucenxia.* *Insofar as Adventa who has been granted the usage of the brand of "Lucenxia" in one form or other hereinafter and all intellectual property rights related to "Lucenxia" shall be vested upon Mr Low after the Completion Date.*	Pursuant to the Proposed Lucenxia Disposal, Adventa will not be allowed to use the brand Lucenxia or any other brands under the Lucenxia Group. Adventa will also not be allowed to compete with Lucenxia in the renal dialysis business for the next 10 years. This clause is reasonable with the details arrived at on a negotiated basis between both parties.

Premised on the above, we are of the view that the salient terms of the SSA are reasonable.

7.4. Industry outlook and future prospects

7.4.1. Overview and outlook of economies

Global economy

At the October World Economic Outlook, the International Monetary Fund (IMF) revised up its projection of global growth in 2020 to -4.4% (June projection: -4.9%). For 2021, the IMF projects the global economy to grow by 5.2%, although this outlook is highly conditional on progress in the resolution of the pandemic. The recent resurgence in COVID-19 cases across some advanced and emerging economies therefore poses a downside to the outlook. Some major economies have already begun to reinstate containment measures and delay plans to reopen. This will dampen growth prospects in the fourth quarter of 2020 and recovery momentum heading into 2021.
(Source: Quarterly Economic Bulletin - Third Quarter of 2020, Bank Negara Malaysia)

Malaysian Economy

In line with the reopening of the economy from earlier COVID-19 containment measures and improving external demand conditions, the Malaysian economy recorded a smaller contraction of 2.7% in the third quarter. On a quarter-on-quarter seasonally adjusted basis, the economy turned around to register an expansion of 18.2% (2Q 2020: -16.5%)
(Source: Quarterly Economic Bulletin - Third Quarter of 2020, Bank Negara Malaysia)

On the back of the COVID-19 pandemic, the Malaysian economy contracted by 8.3% in the first half of 2020. The economy is projected to improve in the second half and, thus, record an overall smaller contraction of 4.5% in 2020.
(Source: Chapter 1, Economic Outlook 2021, Ministry of Finance Malaysia)

Apart from implementing various stages of the Movement Control Order (MCO) since March 2020 to curb the transmission of COVID-19, the Government has embarked on a series of economic stimulus measures totalling RM305 billion entailing fiscal and nonfiscal measures. In this regard, the Economic Stimulus Package Prihatin Rakyat (PRIHATIN) totalling RM250 billion was unveiled in March 2020, followed closely by the PRIHATIN SME+ worth RM10 billion in April. In June 2020, the Government announced the Short-Term Economic Recovery Plan (PENJANA) totalling RM35 billion and in September 2020, the Government released the RM10 billion additional package, dubbed the PRIHATIN Supplementary Initiative Package (KITA PRIHATIN).

This momentum is expected to set the foundation for the nation's GDP to grow by up to 7.5% in 2021. That achievement hinges heavily on the next phase in the Government's 6R strategy – Revitalise – represented by Budget 2021. As a strategic plan for ensuring Malaysia's growth in the coming year, Budget 2021 seeks to balance healthcare capacity needs, while building upon the current economic recovery momentum together and developing better resilience for the future.
(Source: Foreword, Economic Outlook 2021, Ministry of Finance Malaysia)

Sri Lankan Economy

Immediately after the Presidential elections, a fiscal stimulus package was unveiled in late 2019 targeting the corporate sector of Sri Lanka with a view to enhancing production and economic growth. Due to the negative effects stemming from the COVID- 19 pandemic, the economy contracted by 1.6% during the first quarter of 2020 and 16.3% in second quarter 2020, negating the impact of the fiscal stimulus. However, as a result of re-opening the country and positive policy stimuli, a GDP growth of 1.5% was recorded in third quarter of 2020.

Meanwhile, the sovereign rating of Sri Lanka was downgraded by three rating agencies, heightening the challenges to service the country's external debt. Challenges to external debt sustainability are looming with the declining external demand for exports and mobility restrictions affecting tourism and other inflows, weighing heavily on foreign currency inflows amidst limited reserve assets to defend plausible risks. However, the fiscal policy strategy of the Budget for 2021 is expected to strengthen the medium-term fiscal consolidation path through tax policy reforms, while further rationalization of recurrent expenditure and prioritizing public investment to stimulate the economy as enunciated in the national policy framework, "Vistas of Prosperity and Splendour".
(Source: Financial System Stability Review 2020, Central Bank of Sri Lanka)

In 2020, the economy is projected to contract by 1.7% reflecting the impact of the pandemic induced fallout, particularly in the second quarter of the year. The Sri Lankan economy is expected to rebound in 2021 (GDP was projected to be 5.0%) as evidenced by the fast recovery of activity since the relaxation of the lockdown in May 2020, although a resurgence of COVID-19 cases, as observed in October, could affect the momentum to some extent.
(Source: Chapter 1, Recent Economic Development Highlights of 2020 and Prospects for 2021, Central Bank of Sri Lanka)

7.4.2. Overview and prospect of dialysis market

Dialysis market in Malaysia

The number of prevalent dialysis patients showed an increase to 44,136 in 2018 from 19,430 in 2008, with 39,593 prevalent haemodialysis (HD) patients and 4,543 prevalent peritoneal dialysis (PD) patients, as shown in the table below:-

Year	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
No. of HD patients	39,593	38,061	36,638	34,236	31,798	29,451	26,827	24,260	21,793	19,750	17,677
No. of PD patients	4,543	4,294	3,989	3,792	3,308	2,870	2,573	2,182	1,997	1,891	1,753
No. of dialysis patients	44,136	42,355	40,627	38,028	35,106	32,321	29,400	26,442	23,790	21,641	19,430
HD patients (%)	89.7%	89.9%	90.2%	90.0%	90.6%	91.1%	91.2%	91.7%	91.6%	91.3%	91.0%
PD patients (%)	10.3%	10.1%	9.8%	10.0%	9.4%	8.9%	8.8%	8.3%	8.4%	8.7%	9.0%

(Source: 26th Report of the Malaysian Dialysis and Transplant Registry 2018, National Renal Registry)

The government continued to be the main source of funding for dialysis therapy for new and existing patients in this country (more than 50% of dialysis therapy costs). These funds were channeled not only to the government dialysis centres but also as subsidies to non-governmental centres and payment of dialysis treatment for public pensioners, civil servants, and their dependents in private centres. Out of pocket payment i.e. self-funding for dialysis, was about 25% to 30% of dialysis therapy costs.

The number of new dialysis patients continued to increase over the last 10 years from 4,606 in 2008 to 8,431 in 2018 with 7,200 new HD and 1,231 new PD patients:-

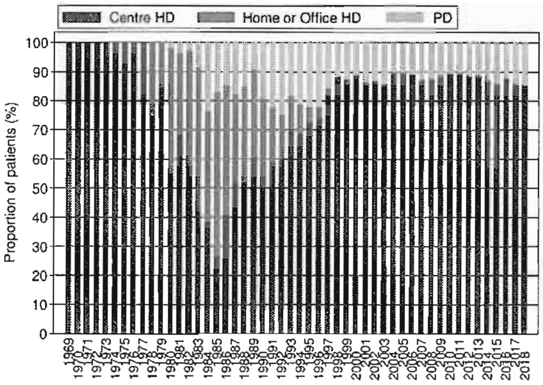
Year	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
No. of new HD patients	7,200	6,896	7,086	6,901	6,621	6,211	5,937	5,422	4,739	4,375	4,037
No. of new PD patients	1,231	1,135	1,004	1,136	997	783	759	615	537	548	569
No. of new dialysis patients	8,431	8,031	8,090	8,037	7,618	6,994	6,696	6,037	5,276	4,923	4,606

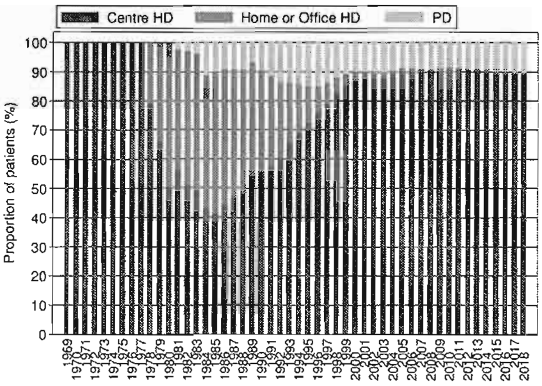
(Source: 26th Report of the Malaysian Dialysis and Transplant Registry 2018, National Renal Registry)

HD centre predominates with regard to the location and method of dialysis, accounting for 85% and 89% for new and prevalent dialysis patients respectively in 2018 as illustrated in the figures below. Even though there was an encouraging trend of an increase in new PD patients for the last 4 years, the prevalent PD patients has remained less than 10%. This probably signifies the high dropout rate of PD patients.

Figures : Method and location of dialysis patients 1969-2018

(i) New dialysis patients *(ii) Prevalent dialysis patients*





(Source: 26th Report of the Malaysian Dialysis and Transplant Registry 2018, National Renal Registry)

Nonetheless, we note that the Nephrology Services of the Ministry of Health Malaysia and the Public Health Department have developed a national strategic action plan for the medium term from 2018 to 2025, namely ACT-KID 2018-2025, to reduce the burden of Chronic Kidney Disease (CKD) in Malaysia. One of the focuses of this plan is to shift towards home-based dialysis therapy and increase access to peritoneal dialysis. An extract of the particular indicator and its target under ACT-KID for year 2025 is as follows:-

Indicator	2 yearly interim target (Target in 2025)	Note
To increase the rate of peritoneal dialysis uptake	20% of dialysis patients by 2025	The number of PD patients was 3,727 (10%) in 2015

(Source: ACT-KID 2018-2025, Nephrology Services & Department of Public Health, Ministry of Health Malaysia)

Dialysis market in Sri Lanka

We noted the increasing number of dialysis patients and kidney transplant from the historical data of renal unit of the National Hospital of Sri Lanka from 2003 to 2013 are as follows:-

Year	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
No. of HD patients	11,669	10,161	8,593	8,097	9,314	8,504	6,378	6,576	5,785	4,978	4,603
No. of kidney transplant	57	50	38	35	25	24	19	6	3	-	-
No. of new patients	330	231	203	129	61	*	*	*	*	*	*

Notes:
* *Information not available.*

(Sources: Website of General Hospital of Sri Lanka)

Accordingly, the Government of Sri Lanka had implemented several programmes to mitigate the burden of CKD patients, amongst others, the initiation of the National Automated Peritoneal Home Dialysis (NAPHD) Programme and commencement of the pilot phase of NAPHD Programme during 2019. Besides that, the indicators and respective targets were established for National Chronic Kidney Disease Programme, which are set out in the table below:-

Indicator	Target	Progress		
		2017	2018	2019
Percentage of persons screened, with high risk of CKD of unknown etiology, against target population of 2,418,954	200,000	274,887 (11.3% of the target population)	207,899 (8.6% of the target population)	155,625 (6.4% of the target population)
Number of dialysis units in areas with high risk of CKD of unknown etiology against baseline of 248 by the end of 2015	Total of 550 machines	By the end of 2017, a total of 454 machines	By the end of 2018, a total of 477 machines	By the end of 2019, a total of 532 machines
No. of patients undergoing dialysis	-	1,935	2,759	3,302

(Source: Annual Performance Report 2019, Ministry of Health and Indigenous Medical Services, Sri Lanka)

Amidst the challenges surrounding COVID-19, the healthcare system continued to combat the incidence of non-communicable diseases (NCDs) such as diabetes, chronic respiratory diseases, CKD, cancers, and cardiovascular diseases which remain a leading cause of mortality and morbidity issues in the population. Although numerous infrastructure development, surveillance and monitoring, health promotion, and risk reduction activities were planned for the control of acute and chronic NCDs in the country, the Ministry of Health was unable to make much progress in relation to these activities, due to the increased focus on curtailing the pandemic during the first half of 2020. However, despite COVID-19 related restrictions, the Ministry of Health facilitated the provision of medicines to NCD patients who were receiving long term care through the Government and private sector hospitals.

While the COVID-19 pandemic created unprecedented disruptions across all spheres of the economy, importantly in the health sectors, these disruptions also provide opportunities to devise novel and innovative means of delivering such services. This includes delivery of healthcare services through online consultant channelling services and home delivery of medicine to regular patients of government hospitals.
(Source: Chapter 3, Recent Economic Developments: Highlights of 2020 and Prospects for 2021, Central Bank of Sri Lanka)

Premised on the foregoing, we note that the recovery of the economy, both locally and globally, is dependent upon the successful COVID-19 containment measures. Despite opportunities in the dialysis market generally, Lucenxia has been incurring losses even though its APD cyclers had been launched since 2016. It is also anticipated by the Company that further substantial capital expenditure over the next few years will continuously be required to sustain the business. Furthermore, demand for peritoneal dialysis treatment is relatively lower as compared to hemodialysis treatment in Malaysia. The Proposed Lucenxia Disposal would enable the Adventa Group to redeploy its resources on other businesses and projects. Post disposal, Adventa will continue to

operate in the healthcare sector vide its healthcare distribution business which may be able to benefit from the growth in the healthcare sector.

7.5. Financial effects of the Proposed Lucenxia Disposal

The effects of the Proposed Lucenxia Disposal of the share capital, substantial shareholders' shareholdings, earnings, NA and gearing of Adventa as extracted from Section 5 of Part A of this Circular (*in italic*) and our comments are as follows:-

7.5.1. Share capital and substantial shareholders' shareholdings

The Proposed Lucenxia Disposal will not have any effect on the issued share capital and substantial shareholders' shareholdings of Adventa as it does not involve any issuance of new shares in Adventa.

The Consideration will be satisfied wholly via cash and hence, the Proposed Lucenxia Disposal will not have any effect on the share capital and shareholdings structure of Adventa.

7.5.2. Earnings and EPS

For illustration purposes, assuming the Proposed Lucenxia Disposal was completed at the beginning of FY2019, the effects on the Adventa Group's earnings and EPS for FY2019 are as follows:-

		RM'000
Profit attributable to equity holders of the Company		*22,438*
Add:	*Gain on disposal*	*(i) 4,809*
Add:	*Lucenxia's LAT*	*7,683*
Proforma profit attributable to owners of the Company		***34,930***
Weighted average number of Shares in issue		*152,786*
Basic EPS (sen)		*0.23*

Note:-
(i) Including the estimated expenses of RM0.60 million for the Proposed Lucenxia Disposal.

We note that the Proposed Lucenxia Disposal will contribute positively to the Adventa Group with a net gain on disposal amounting to RM4.81 million.

7.5.3. NA and gearing

For illustration purposes, based on the audited consolidated statement of financial position of Adventa Group as at 31 December 2019, the proforma effects of the Proposed Lucenxia Disposal on NA, NA per share and gearing of Adventa Group assuming that the Proposed Lucenxia Disposal was effected on 31 December 2019, are as follows:-

	As at 31 December 2019	After Proposed Lucenxia Disposal
	(RM'000)	(RM'000)
Share capital	57,680	57,680
Retained earnings	9,252	(i) 14,061
Reserves	22	(ii) -
Equity attributable to owners of the Company/ NA	66,954	71,741
Non-controlling interests	(505)	(ii) -
Total equity	**66,449**	**71,741**
No. of shares in issue ('000)	152,786	152,786
NA per share (RM)	0.44	0.47
Total borrowings	6,977	(iii) 308
Gearing (times)	0.10	0.004

Notes:-

(i) After accounting for the gain on disposal of RM4.81 million (including estimated expenses of RM0.60 million) for the Proposed Lucenxia Disposal.

(ii) As a result of the derecognition of Lucenxia Group as the subsidiary of Adventa Group.

(iii) After accounting for the total borrowings for Lucenxia Group of RM6.27 million as at 31 December 2019.

We note that the Proposed Lucenxia Disposal will contribute positively to the Adventa Group. The proforma NA increases from RM66.45 million to RM71.74 million while the NA per share increases from RM0.44 to RM0.47 per share arising with the one-off gain from the Proposed Lucenxia Disposal. In addition, the proforma gearing reduces from 0.10 times to 0.004 times upon completion of the Proposed Lucenxia Disposal due to the accounting of the total borrowings in the Lucenxia Group.

Premised on the above, we are of the view that the financial effects of the Proposed Lucenxia Disposal are reasonable.

7.6. Risk factors associated with the Proposed Lucenxia Disposal

As extracted from Section 4 of Part A of this Circular:

The Proposed Lucenxia Disposal is subject to, but not limited to completion risk.

The completion of the Proposed Lucenxia Disposal is subject to the fulfilment of the Conditions in the SSA. In the event any of these Conditions is not fulfilled or waived within a period of ninety (90) days from the date of the SSA or such further period as may be mutually agreed between Mr Low and Adventa, the SSA may be terminated or delayed.

There is no assurance that the Proposed Lucenxia Disposal can be completed within the time period stipulated in the SSA. Whilst the management of Adventa will take reasonable steps to monitor the status and progress of the Proposed Lucenxia Disposal, there can be no assurances that the Proposed Lucenxia Disposal will be completed as contemplated by Adventa.

Should the Proposed Lucenxia Disposal be not completed, Adventa will continue to hold its investment in Lucenxia. In such a circumstance, Adventa would remain status quo and

Lucenxia together with its associated risks remain in the Adventa Group. The associated risks would include, but are not limited to, the risks in the economies in which the Lucenxia Group is operating in, risks in the home dialysis business, competition risk, technological obsolescence risk, reputation and liability risks, legal and compliance risks and others.

In addition to the risk factors of the Proposed Lucenxia Disposal as set out in Section 4 of Part A of this Circular, we also noted the following are the additional risk factors that we believe are relevant:

(i) Non-fulfilment of post SSA completion obligations

The Outstanding Amount shall be repaid by Lucenxia to Adventa over 4 years. There can be no assurance that such amount will be fully repaid within the agreed timeline. The capability of Lucenxia to fully settle the said amount is dependent upon the ability of Lucenxia Group to generate sufficient cash flows to meet its obligations and/or its ability to obtain additional financing for such repayment.

The SSA has provided that in the event of a default on the payment of the Outstanding Amount from Lucenxia and any interest thereof, the Buyer or his nominee shall repay such Outstanding Amount and/or late payment interest, on behalf of Lucenxia.

(ii) Remaining medical and healthcare distribution business

Post the Proposed Lucenxia Disposal, Adventa will have its medical and healthcare distribution business remaining as its main business arm. The revenue and profit or loss generated from this area of businesses for the past 3 financial years are shown below:

RM'000	**Audited From 1 November 2017 to 31 December 2018**	**Audited FY 31 December 2019**	**Unaudited FY 31 December 2020**
Revenue	40,881	28,755	54,248
Loss after taxation	(2,118)	(2,397)	(9,178)

(Source : Annual Reports of Sun Healthcare (M) Sdn Bhd for FY 31 October 2018 to FY 31 December 2020)

The growth of medical and healthcare distribution business is subject to, amongst others, factors such as, market awareness and demand, competition and successful marketing of its services/products in the targeted markets. Part of the proceeds from the Proposed Lucenxia Disposal will be utilised to support the Adventa Group's expansion plans for this business segment. However, there can be no assurance that the medical and healthcare distribution business will be profitable and/or will perform as planned.

In the event the growth of the medical and healthcare distribution business does not materialise in line with the Board's current expectations, the Board will need to seek alternative business avenues to sustain Adventa's corporate objectives and growth.

The Non-Interested Shareholders of Adventa should take note of the risk factors relating to the Proposed Lucenxia Disposal and the relevant mitigating measures undertaken for such risks (if any); and that there can be no assurance that any of the risk factors which

are not meant to be exhaustive, will not have a material and adverse effect on the business and financial position of Adventa.

8. FURTHER INFORMATION

The Non-Interested Shareholders of Adventa are advised to refer to Part A of this Circular together with the appendices for further information.

9. CONCLUSION AND RECOMMENDATION

We have assessed and evaluated the Proposed Lucenxia Disposal to arrive at our conclusion and recommendation after taking into consideration the various factors as summarised below:-

Section in this IAL	Area of Evaluation	Our Comments
7.1	Rationale of the Proposed Lucenxia Disposal	In assessing the rationale, we also considered the following:- (a) Despite investing approximately RM28.37 million in development cost up to 31 December 2019 and commercialisation of the Lucenxia INTELLIS cyclers in January 2016, Lucenxia has experienced continuous losses since its commencement of business in 2012; (b) LCX Lanka and LCX Healthcare are currently in negative shareholders' funds; (c) The expected further capital expenditure estimated by Lucenxia of RM46 million for FY 31 December 2021 to FY 31 December 2024 and beyond for which Lucenxia may have to depend on Adventa for funding; (d) As detailed in Sections 7.1(ii) and 7.1 (iv), the Independent Valuer noted that there are limitations in Lucenxia's prospect to achieve operating profits as a going concern and Lucenxia is not expected to generate positive operating cash flows from FY 31 December 2022 to FY 31 December 2024; (e) The low revenue generated for Lucenxia's APD systems since its launch in 2016 relative to the investments made; (f) The uncertainties surrounding the MoH SL Agreement; (g) The gain of RM4.81 million arising from the Proposed Lucenxia Disposal and improvement in the proforma effects to the basic EPS and NA per share; (h) The Proposed Lucenxia Disposal will enable the Company to redeploy its resources to other businesses which may yield better margins and profitability; and (i) The proceeds from the Proposed Lucenxia Disposal and repayment of the Outstanding Amount will provide additional cash flow to the Adventa Group to be channeled to other business segments.
7.2	Basis of arriving at the Consideration	In our evaluation of the Consideration, we have made reference to the Valuation Report issued by the Independent Valuer in respect of the valuation of the entire equity interest of Lucenxia as at Valuation

Section in this IAL	Area of Evaluation	Our Comments
		Date. We have reviewed the qualifications of the Independent Valuer, their scope of engagement, their valuation methodology and the resultant valuation. We have reviewed the bases and assumptions on which the Valuation Report is based on and are of the view that they are fair and reasonable taking into consideration the following:- (a) The summation approach under the cost approach was used as a basis due to the lack of direct income generating ability as demonstrated historically from year 2016 up to Valuation Date and the expected negative operating cash flows of Lucenxia over the projected period from FY 31 December 2022 to FY 31 December 2024 has limited the feasibility to utilise the income and market approaches; (b) The Independent Valuer had separately assessed each asset and liability component in Lucenxia as at 30 September 2020 for the fair value. The bases and assumptions adopted in the summation approach are reasonable; (c) The bases and assumptions adopted to derive the fair value of Lucenxia's investment in LCX Lanka are reasonable; and (d) The bases and assumptions adopted to derive the fair value of Lucenxia's investment in LCX Healthcare are reasonable. Additionally, we have also assessed the Consideration based on the relative valuation analysis using both comparable companies and comparable transactions. We considered the enterprise value over sales (**"EV/Sales"**) multiple to provide an indication of market expectations on the valuation of companies as compared to its peers. We are of the view that the Consideration for the Proposed Lucenxia Disposal is fair and reasonable as: (a) The Consideration represents a premium of RM1.59 million to RM1.48 million or 16.90% to 15.55% above the Indicative Value Range of RM9.41 million to RM9.52 million; (b) The EV/Sales multiple based on the Consideration is above the EV/Sales multiple range of Comparable Companies; and (c) The EV/Sales multiple based on the Consideration is above the range of the EV/Sales multiple of Comparable Transactions.
7.3	Salient terms of the SSA	The salient terms of the SSA were mutually agreed between Adventa and the Buyer and are reasonable so far as the overall interests of Adventa are concerned.
7.4	Industry outlook and future prospects	We note that the recovery of the economy, both locally and globally, is dependent upon the successful COVID-19 containment measures. Despite opportunities in the dialysis market generally, Lucenxia has been incurring losses even though its APD cyclers had been launched since 2016. It is also anticipated by the Company that further substantial capital expenditure over the next few years will continuously be required to sustain the business. Furthermore, demand for peritoneal dialysis treatment is relatively lower as compared to hemodialysis treatment in Malaysia. The Proposed

Section in this IAL	Area of Evaluation	Our Comments
		Lucenxia Disposal would enable the Adventa Group to redeploy its resources on other businesses and projects. Post disposal, Adventa will continue to operate in the healthcare sector vide its healthcare distribution business which may be able to benefit from the growth in the healthcare sector.
7.5	Financial effects of the Proposed Lucenxia Disposal	(a) The Proposed Lucenxia Disposal will not have any effect on the share capital and shareholdings structure of Adventa. (b) The Proposed Lucenxia Disposal will contribute positively to the Adventa Group with a net gain on disposal amounting to RM4.81 million. (c) The proforma NA increases from RM66.45 million to RM71.74 million while the NA per share increases from RM0.44 to RM0.47 per share arising with the one-off gain from the Proposed Lucenxia Disposal. In addition, the proforma gearing reduces from 0.10 times to 0.004 times upon completion of the Proposed Lucenxia Disposal due to the accounting of the total borrowings in the Lucenxia Group. Premised on the above, we are of the view that the financial effects of the Proposed Lucenxia Disposal are reasonable.
7.6	Risk factors associated with the Proposed Lucenxia Disposal	The risk factors associated with the Proposed Lucenxia Disposal include but are not limited to the non-completion risk, non-fulfilment of post SSA completion obligations as well as risks associated with Adventa Group's remaining medical and healthcare distribution business. We noted the relevant mitigating measures undertaken to mitigate such risks. The Non-Interested Shareholders of Adventa should take note of the risk factors relating to the Proposed Lucenxia Disposal and the relevant mitigating measures undertaken to mitigate such risks (if any); and that there can be no assurance that any of the risk factors which are not meant to be exhaustive, will not have a material and adverse effect on the business and financial position of Adventa.

Premised on the abovementioned factors and our evaluation and consideration as set out in this IAL, we are of the opinion that, on the basis of the information available to us, the Proposed Lucenxia Disposal is FAIR AND REASONABLE and is NOT DETRIMENTAL to the Non-Interested Shareholders of Adventa.

Accordingly, cfSolutions recommends that the Non-Interested Shareholders VOTE IN FAVOUR of the ordinary resolution pertaining to the Proposed Lucenxia Disposal to be tabled at the forthcoming EGM.

We wish to highlight that whilst we may provide you our advice and opinion on the Proposed Lucenxia Disposal, the Non-Interested Shareholders shall exercise their own judgement and are responsible for the ultimate decision on whether to take that course of action. Non-Interested Shareholders are advised to consider the merits and demerits of the Proposed Lucenxia Disposal carefully based on all relevant and pertinent factors including those in this Circular and this IAL, as well as other publicly available information prior to making a decision to voting on the resolution pertaining to the Proposed Lucenxia Disposal.

Further, the Board (save for Mr Low) as stated in Section 11 of Part A of this Circular, having considered all relevant aspects of the Proposed Lucenxia Disposal (including but not limited to the independent valuation of Lucenxia Group, rationale as well as terms and conditions and financial effects of the Proposed Lucenxia Disposal and the evaluation by the Independent Adviser) is of the opinion that the Proposed Lucenxia Disposal is in the best interest of Adventa, fair, reasonable and on normal commercial terms, and not detrimental to the interest of the Non-Interested Shareholders. Accordingly, the Board has recommended that the shareholders vote in favour of the ordinary resolution in relation to the Proposed Lucenxia Disposal to be tabled at the forthcoming EGM.

Yours faithfully
cfSolutions Sdn Bhd

Calvin Chun Director	**Leow Kar Hue** Director

1. BACKGROUND INFORMATION

1.1 Corporate information

Lucenxia is a private limited company incorporated in Malaysia on 31 January 2010 under the Companies Act, 1965 and is deemed registered under the Act. It is a wholly-owned subsidiary of Adventa. The registered office of Lucenxia is Lot 345 Aras 2, Seksyen 27, Jalan Pengkalan Chepa, 15400, Kota Bharu, Kelantan.

As at LPD, Lucenxia has a total issued share capital of RM53,500,000.00 comprising of 500,000 ordinary shares and 53,000,000 preference shares which amounting to RM500,000 and RM53,000,000 respectively. Lucenxia has only one director which is Mr Low.

1.2 History and general nature of business

Lucenxia was then a dormant wholly-owned subsidiary of E-Beam when Adventa acquired 100% equity interest in E-Beam on 23 July 2012 for a consideration of RM9.0 million. On 31 March 2013, as part of the re-organisation of its group structure, Lucenxia was acquired by Adventa from E-Beam for a consideration of RM2.00 for 100% equity interest in Lucenxia. Adventa had subscribed for approximately RM0.5 million ordinary shares and RM53.0 million preference shares in Lucenxia between 2013 to 2019.

Lucenxia was incorporated in 2010 and commenced operation in 2012. Lucenxia has completed the first home dialysis clinical trial across Malaysia in 2013. Subsequently in 2015, Lucenxia completed the second clinical trial across Malaysia. In 2016, Lucenxia commercially launched its APD programme in Malaysia and completed the third clinical trial in 2019 involving with the financial support from Adventa. The principal activities of Lucenxia are the provision of home dialysis products for the treatment of end stage renal disease and its related services. The principal market for Lucenxia's business operations is Malaysia and Sri Lanka and its sales revenue are primarily generated in Malaysia as at 31 December 2020.

Lucenxia offers APD and Continuous Ambulatory Peritoneal Dialysis ("**CAPD**") systems to its patients. APD is a programmable dialysis process, which is usually performed at night when the patient is asleep. Patient needs to connect the catheter to a machine called APD cycler. The machine will automatically perform the exchanges while the patient is asleep. CAPD uses the natural gravity pull to do the exchanges, without cycler. Gravity forces will pull the dialysis solution from the bag to the peritoneum cavity and allow enough amount of dwell time, this usually takes around four to six hours. The patient will then connect to a drainage bag and drain the waste solution by gravity pulls. Unlike automated peritoneal dialysis, CAPD exchanges are manual exchanges, patient will need to perform four to five exchanges a day to ensure continuous removal of waste from the body. As patient needs to manually connect to the dialysis bag and sits at a position to allow the gravity pulls, CAPD must be done during the day when patient is awake. The process can be performed at any clean and dry place with dialysis solution and equipment.

1.3 Subsidiaries and associated companies

As at LPD, Lucenxia has 2 foreign subsidiaries (which are incorporated in Sri Lanka) and their details are as follows:-

(i) LCX Healthcare, a 55% owned subsidiary incorporated on 19 January 2018, which is engaged in the provision of home dialysis products for the treatment of end stage renal disease and its related services.

LCX Healthcare has a total issued share capital of LKR3,000,000 comprising of 300,000 ordinary shares at LKR10 each. S.M.V Santhanam Suppiah and Kankanige Cyril Chandana Perera owns 45,000 ordinary shares (representing 15% equity interest) and 90,000 ordinary shares (representing 30% equity interest) respectively in LCX Healthcare.

The directors of LCX Healthcare are Galabada Payagalage Dinesh Udayakantha, Mr Low and Kwek Siew Leng.

LCX Healthcare commenced its business activities on 24 December 2019. LCX Healthcare doesn't own any major assets; and

(ii) LCX Lanka, a wholly owned subsidiary incorporated on 24 May 2017, which is in the business of importing products for Lucenxia Healthcare (Private) Limited. As at LPD, LCX Lanka is inactive. LCX Lanka has a total issued share capital of LKR3,000,000 comprising of 300,000 ordinary shares at LKR10 each.

The directors of LCX Lanka are Galabada Payagalage Dinesh Udayakantha, Mr Low and Kwek Siew Leng. LCX Lanka doesn't own any major assets.

1.4 Directors

As at LPD, the director of Lucenxia is Mr Low (Malaysian) and he does not have any shareholdings in Lucenxia.

1.5 Substantial shareholders

As at LPD, Lucenxia is wholly-owned by Adventa.

2. SUMMARY OF KEY FINANCIAL DATA

No audited consolidated financial statements for Lucenxia are available as LCX Healthcare and LCX Lanka are consolidated at Adventa Group level.

The table below sets out a summary of Lucenxia's unaudited proforma consolidated financial statements for the past three (3) financial years/period up until 31 December 2020.

	Financial year ended 31 Oct 2017	**14 months ended 31 Dec 2018**	**Financial year ended 31 Dec 2019**	**Financial year ended 31 Dec 2020**
	RM	*RM*	*RM*	*RM*
Revenue	901,062	708,597	1,484,588	(i) 49,464,372
LAT from dialysis business	(4,883,266)	(6,050,964)	(8,360,073)	(8,740,221)
Impairment loss	-	(ii) (21,670,000)	-	-
Other income	-	-	-	(i) 5,758,818
Total loss before tax / LAT	**(4,883,266)**	**(27,720,964)**	**(8,360,073)**	**(2,981,403)**
No. of shares in issue (units)	31,500,000	38,500,000	53,500,000	53,500,000
Loss per share (RM)	(0.16)	(0.72)	(0.16)	(0.05)
Shareholders' funds / NA	21,711,968	1,069,953	7,389,145	4,544,220
NA per share (RM)	0.69	0.03	0.14	0.08
Current assets	7,926,595	4,415,566	13,437,148	16,440,163
Current liabilities	8,148,007	3,783,467	7,646,796	22,015,428
Current ratio (times)	0.97	1.17	1.76	0.75
Total borrowings	13,014,703	10,500,000	6,272,175	1,733,271
Gearing (times)	0.60	9.81	0.85	0.38

Notes:

(i) The revenue included an emergency (outside of contract for COVID-19) supply to the hospitals which was not within the regular business of Lucenxia. Such business is not expected to be repeated in the future. The revenue and the profit attributed to this emergency non-recurring supply amounted to RM43,858,295 and RM5,758,818 respectively.

(ii) The impairment cost related to development costs incurred for the home dialysis business.

Commentary: -

Financial year ended 31 October 2017 ("FY2017") compared to Financial year ended 31 Oct 2016 ("FY2016")

Lucenxia recorded a revenue of RM0.90 million for FY2017 as compared to RM0.12 million for FY2016 as Lucenxia just commercially launched the Lucenxia INTELLIS, an intelligent APD cycler on 22 January 2016. Lucenxia business was still at infancy stage in 2016.

The LAT increased from RM3.28 million in FY2016 to RM4.88 million in FY2017, representing an increase of RM1.60 million or 48.78%. The increase was mainly due to the increase of staff cost of RM1.10 million and amortisation of development cost of RM0.43 million resulting from a full year operation of home dialysis business.

Financial period of 14 months ended 31 Dec 2018 ("FP2018") compared to FY2017

Revenue was affected as cessation of supplies in consumables refrain Lucenxia in recruitment of patients. This had resulted the revenue to decease to RM0.71 million in FP2018 as compared to RM0.90 million in FY2017.

The LAT increased from RM4.88 million in FY2017 to RM6.05 million in FP2018 (before accounting for the impairment loss on the development cost of RM21.67 million in FP2018), representing an increase of RM1.17 million or 23.98%. The increase in LAT was mainly due to the higher operational cost incurred during FP2018.

Financial year ended 31 December 2019 ("FY2019") compared to FP2018

Revenue for FY2019 increased by RM0.77 million from RM0.71 million in FP2018 to RM1.48 million as Lucenxia managed to source a new supplier for the consumables required to resume the recruitment of patients and generate of additional income from non-clinical study patient pool.

The LAT from dialysis business increased to RM8.36 million from RM6.05 million representing an increase of RM2.31 million or 38.18%. The increase in LAT mainly due to by the development cost write-off of RM3.02 million during FY2019.

Financial year ended 31 December 2020 ("FY2020") compared to FY2019

The revenue for the financial year ended 31 December 2020 amounted to RM49.46 million. The increase in home dialysis revenue was mainly due to higher number of patients under the sponsored clinical study, which generally last for a year. The sale of hospital related products was a one-off emergency supply to hospitals. This was not within the regular business of Lucenxia and such business is not expected to be repeated in the future.

The home dialysis business continued to record a LAT of RM8.74 million in FY2020 (before accounting for the profit from the non-recurring supply of emergency healthcare equipment and supplies of RM5.76 million in FY2020).

3. ACCOUNTING POLICIES AND AUDIT QUALIFICATIONS

Based on the audited financial statements of Lucenxia for the FY2017 to FY2019, there are no accounting policies adopted by Lucenxia which are peculiar due to the nature of the business or industry in which Lucenxia is involved in. There was no audit qualification for E-Beam financial statements for the years under review.

4. FURTHER INFORMATION

4.1 Material litigation

As at LPD, Lucenxia is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and the Board of Lucenxia has no knowledge of any proceedings pending or threatened against Lucenxia or of any facts likely to give rise to any proceedings which may materially affect the financial position or business of Lucenxia.

4.2 Contingent liabilities

As at LPD, there are no material contingent liabilities incurred or known to be incurred by Lucenxia which upon being enforced may materially and adversely affect the financial position of Lucenxia.

4.3 Material commitments

As at LPD, there are no material commitments incurred or known to be incurred by Lucenxia which upon being enforced may materially and adversely affect the financial position of Lucenxia.

4.4 Material contracts

The Board of Lucenxia has confirmed that there are no material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by Lucenxia within two (2) years immediately preceding the date of this Circular.

The salient terms of the SSA are as follows:

1. Sale of the Sale Shares

Adventa shall sell 500,000 ordinary shares and 53,000,000 preference shares in Lucenxia (collectively, "**Sale Shares**") and Mr Low or his nominee shall buy the Sale Shares free from all encumbrances (other than the outstanding amount as provided under item (4) below) and with all rights and benefits for a purchase consideration of RM11,000,000.00 ("**Consideration**").

2. Matters to be satisfied

The obligation of Mr Low or its nominee to buy the Sale Shares from Adventa is conditional upon the following:

(i) Adventa obtaining the approval of its shareholders for the Proposed Lucenxia Disposal in an extraordinary general meeting; and

(ii) the consent of all other relevant parties (including but not limited to approvals of financial institutions),

(collectively, "**Conditions**"), within a period of ninety (90) days from the date of the SSA or such further period as may be mutually agreed between the Adventa and Mr Low ("**Long Stop Date**").

3. Manner of payment

The Consideration is payable in full by Mr Low or his nominee to Adventa in cash on a date within 30 days from the date on which all Conditions are satisfied, or such other date mutually agreed between the Adventa and Mr Low ("**Completion Date**").

4. Post completion obligations

As at the date of the SSA, an outstanding amount of RM11,000,000 is still owing by Lucenxia Group to Adventa. The Outstanding Amount shall be repaid by Lucenxia to Adventa over 4 years in the following manner:

	Outstanding Amount to be repaid (RM)
12 months from the Completion Date	3,000,000
30 months from the Completion Date	4,000,000
48 months from the Completion Date	4,000,000
Total	**11,000,000**

provided that all or part of the Outstanding Amount which remain unpaid shall be subject to late payment interest at the rate of 5% per annum accruing on daily basis, payable by Lucenxia to Adventa when the relevant tranche of Outstanding Amount is repaid by Lucenxia to Adventa. If Lucenxia is unable to fulfil its obligation to repay the Outstanding Amount and/or late payment interest, Mr Low or his nominee shall repay such Outstanding Amount and/or late payment interest, on behalf of Lucenxia.

As there is a corporate guarantee given by Adventa to HSBC Bank Malaysia Berhad as security in respect of the Term and Revolving Credit Loan obtained by Lucenxia from the HSBC Bank Malaysia Berhad ("**Corporate Guarantee**"), Mr Low undertakes to procure Lucenxia to discharge the Corporate Guarantee within a period of 6 months from Completion Date. Mr Low further undertakes to indemnify Adventa against all loss, claim, action, liability suffered or incurred by Adventa arising or in connection with the Corporate Guarantee after the Completion Date.

5. Termination of the SSA

Without prejudice to either party's rights under or in connection with the SSA, the SSA may be terminated in any of the following events :

(i) any of the Conditions is not satisfied by the Long Stop Date;

(ii) Mr Low or his nominee or Adventa breaches all or any of the provisions of the SSA or any of the SSA's warranties;

(iii) any of Adventa, Mr Low or his nominee and/or the Lucenxia is or becomes insolvent; or

(iv) it appears that any of the warranties in the SSA is or has become inaccurate or misleading,

the party not in default shall be entitled to serve a notice of termination on the party in default.

Upon receipt of the notice of termination from the party not in default by the party in default, the SSA shall be terminated and neither party shall have any claim against each other save for antecedent breach.

6. Restrictions

For a period of 10 years from the Completion Date, Adventa and its subsidiaries (excluding Lucenxia Group) shall be forbidden to use the name "Lucenxia" and other brands currently used by Lucenxia as at the date of the SSA in any form whatsoever either in Malaysia or in any other country or in any known media wheresoever. Adventa further warrants that Adventa and its subsidiaries (excluding Lucenxia Group) shall not be involved in the existing core business of Lucenxia, involving the provision of peritoneal dialysis services or machines without the prior written consent of Mr Low or Lucenxia.

Insofar as Adventa who has been granted the usage of the brand of "Lucenxia" in one form or other hereinafter and all intellectual property rights related to "Lucenxia" shall be vested upon Mr Low after the Completion Date.

MOORE

LUCENXIA (M) SDN. BHD.
Registration No.: 201001003831 (888422-V)
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2019

LUCENXIA (M) SDN. BHD.
Registration No.: 201001003831 (888422-V)
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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Registration No.: 201001003831 (888422-V)

LUCENXIA (M) SDN. BHD.
(Incorporated in Malaysia)

DIRECTOR'S REPORT

The Director hereby submit his report and the audited financial statements of the Company for the financial year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The principal activities of the Company are the provision of home dialysis products for the treatment of end stage renal disease and its related services.

The principal activities and other information of its subsidiaries are set out in Note 13 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	RM
Loss for the financial year, net of tax	7,683,556

DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial period. The Company is not in a position to pay or declare dividends for the current financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

ISSUANCE OF SHARES OR DEBENTURES

On 23 September 2019, the Company has issued 15,000,000 units of redeemable preference shares of RM1.00 each via capitalisation of amount due to holding company of RM9,000,000 and RM6,000,000 via cash. The salient features of the redeemable preference shares are disclosed in Note 17 to the financial statements.

The Company has not issued any debentures during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year.

Registration No.: 201001003831 (888422-V)

DIRECTORS OF THE COMPANY

The Directors in office since the beginning of the financial year to the date of this report are:

Low Chin Guan	
Tan Xi Yi	(Appointed on 1 June 2019 and resigned on 4 February 2020)
Choy Wah Wei	(Resigned on 1 June 2019)

DIRECTORS' INTERESTS

The interest of Low Chin Guan in shares or in debentures of the Company and its related corporations during the financial year are disclosed in the Directors' report of the holding company pursuant to Section 59(3) of the Companies Act 2016 in Malaysia.

The other Director in office at the end of the financial year had no interest in the ordinary shares of the Company or its related corporations during the financial year.

DIRECTORS' REMUNERATION AND BENEFITS

The amount of fees and other benefits paid to or receivable by the Directors or past Directors of the Company and the estimated money value of any other benefits received or receivable by them otherwise than in cash from the Company for their services to the Company were as follows:

	RM
Salaries and other emoluments	55,000
Contributions to defined contribution plan	3,300
Social security contributions	49
Total fees and other benefits	58,349

Since the end of the previous financial period, no Director of the Company has received nor become entitled to receive any benefit (other than Directors' emoluments received or due and receivable as disclosed in the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, except as disclosed in Note 22(b) to the financial statements.

There were no arrangements during or at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

OTHER STATUTORY INFORMATION

(a) Before the statement of comprehensive income and statement of financial position of the Company were made out, the Director took reasonable steps:

   (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied himself that there were no known bad debts and that adequate provision had been made for doubtful debts; and

   (ii) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their value as shown in the accounting records of the Company have been written down to an amount which they might be expected so to realise.

Registration No.: 201001003831 (888422-V)

OTHER STATUTORY INFORMATION (cont'd)

(b) At the date of this report, the Director is not aware of any circumstances:

(i) which would necessitate the writing off of bad debts or render the amount of the provision for doubtful debts inadequate to any substantial extent;

(ii) which would render the values attributed to current assets in the financial statements of the Company misleading;

(iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate; or

(iv) not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

(c) At the date of this report, there does not exist:

(i) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liability of the Company which has arisen since the end of the financial year.

(d) In the opinion of the Director:

(i) no contingent or other liability has become enforceable, or likely to become enforceable, within the period of twelve months after the end of the financial year, which will or may affect the ability of the Company to meet its obligations as and when they fall due;

(ii) the results of the operations of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature; and

(iii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Company for the financial year in which this report is made.

(e) The total amount paid to or receivable by the auditors as remuneration for their services as auditors for the financial year from the Company is RM35,000.

(f) There was no amount paid to or receivable by any third party in respect of the services provided to the Company by any Director or past Director of the Company.

(g) There was no indemnity given to or insurance effected for any Director, officer or auditor of the Company.

HOLDING COMPANY

The Director regards Adventa Berhad, a company incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad as the holding company of the Company.

Registration No.: 201001003831 (888422-V)

AUDITORS

The auditors, Messrs. Moore Stephens Associates PLT, have expressed their willingness to continue in office.

Approved and signed by me in accordance with a resolution dated 18 May 2020.

LOW CHIN GUAN

Registration No.: 201001003831 (888422-V)

LUCENXIA (M) SDN. BHD.
(Incorporated in Malaysia)

STATEMENT BY DIRECTOR
Pursuant to Section 251(2) of the Companies Act 2016

I, being the sole Director of the Company, do hereby state that, in my opinion, the accompanying financial statements as set out on pages 9 to 62 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia, so as to give a true and fair view of the financial position of the Company as at 31 December 2019 and of its financial performance and cash flows for the financial year then ended.

Approved and signed by me in accordance with a resolution dated 18 May 2020.

LOW CHIN GUAN

STATUTORY DECLARATION
Pursuant to Section 251(1) of the Companies Act 2016

I, LOW CHIN GUAN, being the Director primarily responsible for the financial management of the Company, do solemnly and sincerely declare that the financial statements as set out on pages 9 to 62 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed
at Petaling Jaya in the State of Selangor
Darul Ehsan on 18 May 2020

LOW CHIN GUAN

Before me,

PESURUHJAYA SUMPAH
No.: B185
Nama: NG SAY HUNG
1/1/2019 - 31/12/2021
MALAYSIA

No. 71-1, Jalan SS21/37
Damansara Utama (Up Town)
47400 Petaling Jaya, Selangor D.E

MOORE

Moore Stephens Associates PLT

Chartered Accountants (AF002096)
Unit 3.3A, 3rd Floor, Surian Tower
No. 1 Jalan PJU 7/3, Mutiara Damansara
47810 Petaling Jaya, Selangor, Malaysia

T +603 7728 1800 (General) ; 7724 1033 (Assurance)
F +603 7728 9800 (General) ; 7733 1033 (Assurance)

www.moore.com.my

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF LUCENXIA (M) SDN. BHD.
Registration No.: 201001003831 (888422-V)
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Lucenxia (M) Sdn. Bhd., which comprise the statement of financial position as at 31 December 2019 of the Company, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 9 to 62.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and IESBA Code.

Information Other than the Financial Statements and Auditors' Report Thereon

The Director of the Company is responsible for the other information. The other information comprises the Director's Report but does not include the financial statements of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Company does not cover the Director's Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Company, our responsibility is to read the Director's Report and, in doing so, consider whether the Director's Report is materially inconsistent with the financial statements of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the Director's Report, we are required to report that fact. We have nothing to report in this regard.

MOORE

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF
LUCENXIA (M) SDN. BHD.
Registration No.: 201001003831 (888422-V)
(Incorporated in Malaysia)

Responsibilities of the Director for the Financial Statements

The Director of the Company is responsible for the preparation of the financial statements of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Director is also responsible for such internal control as the Director determines is necessary to enable the preparation of financial statements of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Company, the Director is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Director either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the financial statements of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Director.

MOORE

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF LUCENXIA (M) SDN. BHD.
Registration No.: 201001003831 (888422-V)
(Incorporated in Malaysia)

Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)

(d) Conclude on the appropriateness of the Director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Director regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other Matter

This report is made solely to the member of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Moore

MOORE STEPHENS ASSOCIATES PLT
201304000972 (LLP0000963-LCA)
Chartered Accountants (AF002096)

LO KUAN CHE
03016/11/2020 J
Chartered Accountant

Petaling Jaya, Selangor
Date: 18 May 2020

Registration No.: 201001003831 (888422-V)

LUCENXIA (M) SDN. BHD.
(Incorporated in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	01.01.2019 to 31.12.2019 RM	01.11.2017 to 31.12.2018 RM
Revenue	4	1,394,027	708,597
Cost of sales		(1,299,633)	(629,156)
Gross profit		94,394	79,441
Other income	5	54,869	22,267
Administrative expenses		(2,289,089)	(3,054,550)
Selling and marketing expenses		(356,442)	(193,723)
Other operating expenses		(4,594,246)	(24,440,084)
Loss from operations		(7,090,514)	(27,586,649)
Finance costs	6	(593,042)	(498)
Loss before tax	7	(7,683,556)	(27,587,147)
Income tax expense	9	-	-
Loss net of tax, representing total comprehensive income for the financial year/period		(7,683,556)	(27,587,147)

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

Registration No.: 201001003831 (888422-V)

LUCENXIA (M) SDN. BHD.
(Incorporated in Malaysia)

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019**

	Note	2019 RM	2018 RM
ASSETS			
Non-Current Assets			
Plant and equipment	10	1,109,091	744,661
Right-of-use assets	11	686,296	-
Development costs	12	3,190,993	5,108,287
Investment in subsidiaries	13	115,336	75,336
		5,101,716	5,928,284
Current Assets			
Inventories	14	1,352,779	859,991
Trade and other receivables	15	10,239,864	4,972,946
Fixed deposit placed with a licensed bank	16	2,500,000	-
Cash and bank balances	16	995,531	136,392
		15,088,174	5,969,329
TOTAL ASSETS		20,189,890	11,897,613
EQUITY AND LIABILITIES			
Equity			
Share capital	17	53,500,000	38,500,000
Accumulated losses		(45,058,470)	(37,374,914)
Total Equity		8,441,530	1,125,086
Non-Current Liabilities			
Loans and borrowings	18	1,500,000	3,500,000
Lease liabilities	19	369,123	-
		1,869,123	3,500,000
Current Liabilities			
Trade and other payables	20	5,079,365	272,527
Loans and borrowings	18	4,500,000	7,000,000
Lease liabilities	19	299,872	-
		9,879,237	7,272,527
Total Liabilities		11,748,360	10,772,527
TOTAL EQUITY AND LIABILITIES		20,189,890	11,897,613

The annexed notes form an integral part of,
and should be read in conjunction with, these financial statements.

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LUCENXIA (M) SDN. BHD.
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

		<---------- Attributable to Owner of the Company ------------>			
		<----- Non-Distributable ----->			
	Note	Ordinary Shares RM	Redeemable Preference Shares RM	Accumulated Losses RM	Total Equity RM
At 1 November 2017		11,500,000	20,000,000	(9,787,767)	21,712,233
Transaction with Owner:					
Issuance of redeemable preference shares	17	-	7,000,000	-	7,000,000
Loss net of tax, representing total comprehensive income for the financial period		-	-	(27,587,147)	(27,587,147)
At 31 December 2018		11,500,000	27,000,000	(37,374,914)	1,125,086
At 1 January 2019		11,500,000	27,000,000	(37,374,914)	1,125,086
Transaction with Owner:					
Issuance of redeemable preference shares	17	-	15,000,000	-	15,000,000
Loss net of tax, representing total comprehensive income for the financial year		-	-	(7,683,556)	(7,683,556)
At 31 December 2019		11,500,000	42,000,000	(45,058,470)	8,441,530

The annexed notes form an integral part of,
and should be read in conjunction with, these financial statements.

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LUCENXIA (M) SDN. BHD.
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	01.01.2019 to 31.12.2019 RM	01.11.2017 to 31.12.2018 RM
Cash Flows from Operating Activities			
Loss before tax		(7,683,556)	(27,587,147)
Adjustments for:			
Amortisation of development costs		-	1,512,196
Development costs written off		3,024,355	-
Depreciation of plant and equipment		120,575	47,385
Depreciation of right-of-use assets		135,529	-
Impairment loss on:			
- development costs		-	21,674,917
- trade receivables		3,299	178,385
Interest income		(54,869)	(14,965)
Interest expense		593,042	498
Inventories written down		235,392	-
Inventories written off		10,482	345,848
Plant and equipment written off		-	2,170
Unrealised loss/(gain) on foreign exchange, net		4,771	(2,244)
Operating loss before changes in working capital		(3,610,980)	(3,842,957)
Changes in working capital:			
Inventories		(738,662)	(82,205)
Trade and other receivables		(3,504,303)	1,450,476
Trade and other payables		882,816	(861,499)
Cash used in operations		(6,971,129)	(3,336,185)
Interest paid		(593,042)	(498)
Interest received		9,229	5,250
Net cash used in operating activities		(7,554,942)	(3,331,433)
Cash Flows from Investing Activities			
Acquisition of a subsidiary	13	(40,000)	-
Additional investment in a subsidiary	13	-	(75,336)
Payment for development costs		(1,107,061)	(1,152,970)
Proceeds from disposal of plant and equipment		2,749	-
Purchase of plant and equipment	10	(487,754)	(3,001)
Purchase of right-of-use assets	11	(23,700)	-
Net cash used in investing activities		(1,655,766)	(1,231,307)

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LUCENXIA (M) SDN. BHD.
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd)

	Note	01.01.2019 to 31.12.2019 RM	01.11.2017 to 31.12.2018 RM
Cash Flows from Financing Activities			
Advances from holding company		3,924,744	-
Advances to subsidiaries		(1,723,843)	(668,308)
Increase in deposit pledged		(94,360)	-
Increase in fixed deposit pledged		(2,500,000)	-
Payment for the principal portion of lease liabilities	(i)	(129,130)	-
Proceeds from issuance of redeemable preference shares		15,000,000	7,000,000
Repayment of loans and borrowings		(4,500,000)	(2,514,703)
Net cash from financing activities		9,977,411	3,816,989
Net increase/(decrease) in cash and cash equivalents		766,703	(745,751)
Cash and cash equivalents at beginning of the financial year/period		136,392	882,143
Effect of exchange rate changes on cash and cash equivalents		(1,924)	-
Cash and cash equivalents at end of the financial year/period	(ii)	901,171	136,392

(i) Cash outflows for right-of-use assets are as follows:

	01.01.2019 to 31.12.2019 RM
Included in net cash used in operating activities	
- Interest paid in relation to lease liabilities	(12,695)
- Payment relating to short-term leases	(232,800)
Included in net cash from financing activities	
- Payment for the principal portion of lease liabilities	(129,130)
	(374,625)

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LUCENXIA (M) SDN. BHD.
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd)

(ii) Cash and cash equivalents comprise:

	Note	2019 RM	2018 RM
Cash and bank balances		901,171	136,392
Pledged deposit to a licensed bank	16(i)	94,360	-
		995,531	136,392
Fixed deposit placed with a licensed bank	16(ii)	2,500,000	-
		3,495,531	136,392
Less:			
- Pledged deposit as performance bond		(94,360)	-
- Fixed deposit pledged as collateral		(2,500,000)	-
		901,171	136,392

(iii) The reconciliation of movements of liabilities to cash flows arising from financing activities:

	At 1 November 2017 RM	Net changes from financing cash flows RM	Capitalisation of amount due to holding company RM	At 31 December 2018 RM
Amount due to holding company	-	7,000,000	(7,000,000)	-
Loans and borrowings:				
- Hire purchase	14,703	(14,703)	-	-
- Revolving credit	5,000,000	-	-	5,000,000
- Term loan	8,000,000	(2,500,000)	-	5,500,000
	13,014,703	(2,514,703)	-	10,500,000
Total liabilities from financing activities	13,014,703	4,485,297	(7,000,000)	10,500,000

	At 1 January 2019 RM	Net changes from financing cash flows RM	Capitalisation of amount due to holding company RM	Acquisition of new leases RM	At 31 December 2019 RM
Amount due to holding company	-	12,924,744	(9,000,000)	-	3,924,744
Lease liabilities	-	(129,130)	-	798,125	668,995
Loans and borrowings:					
- Revolving credit	5,000,000	(2,500,000)	-	-	2,500,000
- Term loan	5,500,000	(2,000,000)	-	-	3,500,000
	10,500,000	(4,500,000)	-	-	6,000,000
Total liabilities from financing activities	10,500,000	8,295,614	(9,000,000)	798,125	10,593,739

The annexed notes form an integral part of,
and should be read in conjunction with, these financial statements.

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LUCENXIA (M) SDN. BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2019

1. CORPORATE INFORMATION

The Company is a private limited liability company, incorporated and domiciled in Malaysia.

The registered office of the Company is located at Lot 345, Aras 2, Seksyen 27, Jalan Pangkalan Chepa, 15400 Kota Bharu, Kelantan Darul Naim, Malaysia.

The principal place of business of the Company is located at No. 21, Jalan Tandang 51/205A, Seksyen 51, 46050 Petaling Jaya, Selangor Darul Ehsan.

The principal activities of the Company are the provision of home dialysis products for the treatment of end stage renal disease and its related services. The principal activities and other information of its subsidiaries are set out in Note 13. There have been no significant changes in the nature of these activities during the financial year.

The Director regards Adventa Berhad, a company incorporated in Malaysia and listed on the main Market of Bursa Malaysia Securities Berhad as the holding company of the Company. The registered office of the holding company is located at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Malaysia.

The financial statements were authorised for issue in accordance with a resolution dated 18 May 2020.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations ("IC Int") and Amendments to IC Int

(i) Adoption of new MFRSs, Amendments/Improvements to MFRSs and IC Int

MFRS 9	Financial Instruments (IFRS 9 as issued by IASB in July 2014)
MFRS 15	Revenue from Contracts with Customers
MFRS 16	Leases
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to MFRS 9	Prepayment Features with Negative Compensation
Amendments to MFRS 15	Clarification to MFRS 15: Revenue from Contracts with Customers
Amendments to MFRS 4	Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
Amendments to MFRS 119	Plan Amendment, Curtailment or Settlement
Amendments to MFRS 128	Long-term Interests in Associates and Joint Ventures
Amendments to MFRS 140	Transfers of Investment Property

2. **BASIS OF PREPARATION** (cont'd)

(a) **Statement of compliance** (cont'd)

New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations ("IC Int") and Amendments to IC Int (cont'd)

(i) **Adoption of new MFRSs, Amendments/Improvements to MFRSs and IC Int** (cont'd)

IC Interpretation 22	Foreign Currency Transactions and Advance Consideration
IC Interpretation 23	Uncertainty over Income Tax Treatments
Annual Improvements to MFRSs 2014-2016 Cycle	
Annual Improvements to MFRSs 2015-2017 Cycle	

The adoption of the new MFRSs, Amendments/Improvements to MFRSs and IC Int did not have any significant effect on the financial statements of the Company except for: -

MFRS 9 Financial Instruments

(i) Classification and measurement

The following are the changes in the classification of the Company's financial assets:

Loans and receivables classified as amortised cost

Trade, other receivables and other financial assets, including refundable deposits previously classified as Loans and Receivables under MFRS 139 as at 31 December 2018 are measured at amortised cost and there is no material difference in the measurement upon adoption of MFRS 9.

(ii) Impairment

In previous financial years, trade and other receivables are impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after initial recognition of the receivables (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the receivables ("incurred loss model"). Upon adoption of MFRS 9, the Company is recording expected credit losses on all its trade and other receivables, either on a 12-month or lifetime basis. No additional impairment losses are recognised at the date of initial application.

MFRS 15 Revenue from Contracts with Customers

The adoption of MFRS 15 resulted in changes in accounting policies in the financial statements. Other than the enhanced new disclosures relating to contracts with customers, which the Company has complied with in the current financial year, the adoption of this standard does not have any significant effect on the financial statements of the Company.

MFRS 16 Leases

MFRS 16 replaced MFRS 117 *Leases*, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Leases – Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

2. **BASIS OF PREPARATION** (cont'd)

(a) **Statement of compliance** (cont'd)

New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations ("IC Int") and Amendments to IC Int (cont'd)

(i) **Adoption of new MFRSs, Amendments/Improvements to MFRSs and IC Int** (cont'd)

MFRS 16 Leases (cont'd)

MFRS 16 introduced a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use ("ROU") asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. ROU asset is depreciated throughout the lease period in accordance with the depreciation requirements of MFRS 116 *Property, Plant and Equipment* whereas lease liability is accreted to reflect interest and is reduced to reflect lease payments made. Leases that were classified as finance leases under MFRS 117, the carrying amount of the ROU asset and lease liability at the date of initial application shall be the carrying amount of the lease asset and lease liability immediately before the date of initial application.

For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

The Company has also applied the following practical expedients permitted by MFRS 16 as follows:

- Leases of less than 12 months duration and leases for low value items are excluded. Rental payments associated with these leases will be recognised in the statement of comprehensive income on a straight-line basis over the life of the lease;
- The Company does not apply the standard to leases which lease terms end within 12 months from 1 January 2019; and
- The Company uses hindsight in determining lease terms for contracts that contain options for extension or termination.

The adoption of MFRS 16 required the Company to make judgment on the discount rate used on transition to discount future lease payments (i.e. the Company's incremental borrowing rates). This rate has been calculated to reflect the underlying lease terms and observable inputs. The risk-free rate component has been based on Cost of Fund ("COF") and has been adjusted for credit risk.

The Company applied the modified retrospective approach which requires the impact of the adoption to be included in the opening retained earnings on 1 January 2019. As such, comparative information was not restated and continues to be reported under MFRS 117 and related interpretations.

The right-of-use assets and lease liabilities are presented as a separate line in the statement of financial position.

2. BASIS OF PREPARATION (cont'd)

(a) Statement of compliance (cont'd)

New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations ("IC Int") and Amendments to IC Int (cont'd)

(ii) New MFRSs, Amendments/Improvements to MFRSs and IC Int that are issued but not yet effective and have not been early adopted

The Company has not adopted the following new MFRSs, Amendments/Improvements to MFRSs and IC Int that have been issued as at the date of authorisation of these financial statements but are not yet effective for the Company: -

Effective for financial periods beginning on or after 1 January 2020

Amendments to MFRS 2	Share-Based Payment
Amendments to MFRS 3	Business Combinations
Amendments to MFRS 6	Exploration for and Evaluation of Mineral Resources
Amendments to MFRS 14	Regulatory Deferral Accounts
Amendments to MFRS 101 and MFRS 108	Definition of Material
Amendments to MFRS 134	Interim Financial Reporting
Amendments to MFRS 137	Provisions, Contingent Liabilities and Contingent Assets
Amendments to MFRS 138	Intangible Assets
Amendments to MFRS 9 and MFRS 7	Interest Rate Benchmark Reform
Amendments to IC Interpretation 12	Service Concession Arrangements
Amendments to IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments
Amendments to IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine
Amendments to IC Interpretation 22	Foreign Currency Transactions and Advance Consideration
Amendments to IC Interpretation 132	Intangible Assets - Web Site Costs

Effective for financial periods beginning on or after 1 January 2021

MFRS 17	Insurance Contracts

Effective for financial periods beginning on or after 1 January 2022

Amendments to MFRS 101	Classification of Liabilities as Current or Non-current

Effective date to be announced

Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The Company will adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are not expected to have any effect to the financial statements of the Company upon their initial applications.

2. **BASIS OF PREPARATION** (cont'd)

(b) **Basis of measurement**

The financial statements have been prepared on the historical cost convention except for those as disclosed in the accounting policy notes.

(c) **Functional and presentation currency**

The financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency.

(d) **Significant accounting estimates and judgements**

The summary of accounting policies as described in Note 3 are essential to understand the Company's results of operations, financial position, cash flows and other disclosures. Certain of these accounting policies require critical accounting estimates that involve complex and subjective judgements and the use of assumptions, some of which may be for matters that are inherently uncertain and susceptible to change. Directors exercise their judgement in the process of applying the Company's accounting policies.

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Company's accounting policies and reported amounts of assets, liabilities, income and expenses, and disclosures made. Estimates and underlying assumptions are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

The key assumptions concerning the future and other key sources of estimation or uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below.

(i) **Depreciation of plant and equipment**

The cost of plant and equipment is depreciated on a straight-line method over the assets' useful lives. The Directors estimate the useful lives of these plant and equipment to be between 5 to 10 years.

The Company anticipates that the residual values of its plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount.

Changes in the expected level of usage could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(ii) **Income taxes**

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Company recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business.

Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the year in which such determination is made.

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2. **BASIS OF PREPARATION** (cont'd)

(d) **Significant accounting estimates and judgements** (cont'd)

(iii) **Impairment of non-financial assets**

When the recoverable amount of an asset is determined based on the estimate of the value-in-use of the cash-generating unit to which the asset is allocated, the management is required to make an estimate of the expected future cash flows from the cash-generating unit and also to apply a suitable discount rate in order to determine the present value of those cash flows.

(iv) **Impairment of financial assets and receivables**

The Company assesses at each reporting date whether there is any objective evidence that a loan or receivable is impaired. To determine whether there is objective evidence of impairment, the Company considers factors such as the probability of insolvency or significant financial difficulties of the debtor or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amounts of the Company's loans and receivables at the reporting date are disclosed in notes to the financial statements.

In adoption of MFRS 9, the Company assesses on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortised cost. The impairment methodology applied as disclosed in Note 3(n)(i) depends on whether there has been a significant increase in credit risk.

(v) **Deferred tax assets and liabilities**

Deferred tax implications arising from the changes in corporate income tax rates are measured with reference to the estimated realisation and settlement of temporary differences in the future periods in which the tax rates are expected to apply, based on the tax rates enacted or substantively enacted at the reporting date. While management's estimates on the realisation and settlement of temporary differences are based on the available information at the reporting date, changes in business strategy, future operating performance and other factors could potentially impact on the actual timing and amount of temporary differences realised and settled. Any difference between the actual amount and the estimated amount would be recognised in the profit or loss in the period in which actual realisation and settlement occurs.

(vi) **Impairment of development costs**

The development costs are related to development of home dialysis machines including patient care management system.

The Company reviews the useful lives of development costs at each reporting date in accordance with the accounting policy as disclosed in Note 3(i). The Company also assesses whether there are any indicators of impairment for development costs at each reporting date and tested for impairment when there are indicators that the carrying amounts may not be recoverable.

This requires management to estimate the expected future cash flows, which depends significantly on the procurement of future projects, to apply a suitable discount rate to determine the present value of those cash flows. The impairment assessment could be materially affected by the changes in the assumptions and estimates used in the cash flows projection.

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2. BASIS OF PREPARATION (cont'd)

(d) Significant accounting estimates and judgements (cont'd)

(vii) Amortisation of development costs

The development costs are amortised on a straight-line basis over its useful life. The management estimates the useful lives of the development costs to be 20 years which is a common life expectancy in the healthcare industry. Changes in the technology could impact the economic useful lives of these assets, therefore future amortisation charges could be revised.

(viii) Write-down of inventories

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

(e) Change in accounting policy

The Company changes its accounting policy for inventories as disclosed in Note 3(k) from weighted average cost formula to first-in, first-out ("FIFO") cost formula comparatively. According to MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, this constitutes a change in accounting policy with potential retrospective implications.

Accordingly, the management has quantified the impact of such changes as immaterial and no adjustment being made to the Company's opening accumulated losses and the impact of the change in accounting policy as described above will be accounted for prospectively.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements.

(a) Investment in subsidiaries

A subsidiary is an entity over which the Company has all the following:

(i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
(ii) Exposure, or rights, to variable returns from its investment with the investee; and
(iii) The ability to use its power over the investee to affect its returns.

In the Company's separate financial statements, investment in subsidiaries are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in the profit or loss.

The financial statements of the subsidiaries are not consolidated with the financial statements of the Company as the Company itself is a wholly-owned subsidiary of Adventa Berhad, a company incorporated in Malaysia. Adventa Berhad produces consolidated financial statements for public use that comply with MFRSs, whereby copies can be obtained at its registered office as disclosed in Note 1.

(b) Foreign currency transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in Ringgit Malaysia using the exchange rates prevailing at the dates of the transactions. Monetary items denominated in foreign currencies at the reporting date are translated to the functional currencies at the exchange rates on the reporting date. Non-monetary items denominated in foreign currencies are not retranslated at the reporting date except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

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3. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

(b) **Foreign currency transactions** (cont'd)

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in the profit or loss for the period except for exchange differences arising on monetary items that form part of the Company's net investment in foreign operation.

(c) **Revenue and other income recognition**

Revenue is recognised when or as a performance obligation in the contract with customer is satisfied, i.e. when the "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation is a promise to transfer a distinct goods or service (or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer) to the customer that is explicitly stated in the contract and implied in the Company's customary business practices.

Revenue is measured at the amount of consideration to which the Company expects to be entitled in exchange for transferring the promised goods or services to the customers, excluding amounts collected on behalf of third parties such as sales taxes or goods and services taxes. If the amount of consideration varies due to discounts, rebates, refunds, credits, incentives, penalties or other similar items, the Company estimates the amount of consideration to which it will be entitled based on the expected value or the most likely outcome. If the contract with customer contains more than one performance obligation, the amount of consideration is allocated to each performance obligation based on the relative stand-alone selling prices of the goods or services promised in the contract.

The revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The control of the promised goods or services may be transferred over time or at a point in time. The control over the goods or services is transferred over time and revenue is recognised over time if:

- The customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs;
- The Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- The Company's performance does not create an asset with an alternative use and the Company has an enforceable right to payment for performance completed to date.

Revenue for performance obligation that is not satisfied over time is recognised at the point in time at which the customer obtains control of the promised goods or services.

<u>Rental income</u>

Rental income from dialysis machine is recognised on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income over the term of the lease.

<u>Service rendered</u>

Revenue from services rendered is recognised in the profit or loss when the services are performed.

3. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

(c) **Revenue and other income recognition** (cont'd)

Other revenue earned by the Company are recognised on the following basis:

Interest income

Interest income is recognised on an accrual basis using the effective interest method.

(d) **Employee benefits**

Short-term employee benefits

Wages, salaries, social security contributions and bonuses are recognised as an expense in the financial year/period in which the associated services are rendered by employees of the Company. Short-term accumulating compensated absences such as paid annual leaves are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short-term non-accumulating compensated absences such as sick leave are recognised when absences occur.

The expected cost of accumulating compensated absences is measured as additional amount expected to be paid as a result of the unused entitlement that has accumulated at the end of the reporting period.

Defined contribution plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense as incurred. Once the contributions have been paid, the Company has no further payment obligations.

(e) **Borrowing costs**

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in the profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(f) **Income taxes**

Current tax

Tax expense represents the aggregate amount of current and deferred tax. Current tax is the expected amount payable in respect of taxable income for the financial year/period, using tax rates enacted or substantively enacted by the reporting date, and any adjustments recognised for prior years' tax. When an item is recognised outside profit or loss, the related tax effect is recognised either in other comprehensive income or directly in equity.

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3. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

(f) **Income taxes** (cont'd)

Deferred tax

Deferred tax is recognised using the liability method, on all temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is not recognised if the temporary difference arises from the initial recognition of an asset or liability in a transaction, which is not a business combination and at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to apply in the period in which the assets are realised or the liabilities are settled, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are recognised only to the extent that there are sufficient taxable temporary differences relating to the same taxable entity and the same taxation authority to offset or when it is probable that future taxable profits will be available against which the assets can be utilised.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will be available for the assets to be utilised.

Deferred tax assets relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transactions either in other comprehensive income or directly in equity and deferred tax arising from business combination is adjusted against goodwill on acquisition or the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the acquisition cost.

(g) **Leases**

Current financial year

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those of plant and equipment as follows:

Motor vehicles	10 years
Warehouse premise	Over the lease period of 2 years

If right-of-use asset relates to a class of plant and equipment to which the lessee applies the revaluation model in MFRS 116, a lessee may elect to apply that revaluation model to all of the right-of-use assets that relate to that class of plant and equipment.

The right-of-use assets and lease liabilities are presented as a separate line in the statement of financial position.

3. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

(g) **Leases** (cont'd)

Current financial year (cont'd)

In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurement of the lease liability. The Company applies MFRS 136 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in Note 3(n)(ii).

The lease liability is initially measured at the present value of future lease payments at the commencement date, discounted using the Company's incremental borrowing rates. Lease payments included in the measurement of the lease liability include fixed payments, any variable lease payments, amount expected to be payable under a residual value guarantee, and exercise price under an extension option that the Company is reasonably certain to exercise.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in rate, or if the Company changes its assessment of whether it will exercise an extension or termination option.

Lease payments associated with short-term leases and leases of low value assets are recognised on a straight-line basis as an expense in the profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Previous financial year

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or asset or the arrangement conveys a right to use the asset, even if that right is not explicitly specific in an arrangement.

(i) Finance Lease

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance lease. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the profit or loss. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

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3. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

(g) **Leases** (cont'd)

Previous financial year (cont'd)

(ii) Operating Lease

Leases, where the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised in the statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property.

Payments made under operating leases are recognised in the profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in the profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to the profit or loss in the reporting period in which they are incurred.

(h) **Plant and equipment**

Plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

(i) Recognition and measurement

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the asset to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. All other repair and maintenance costs are recognised in the profit or loss as incurred.

When significant parts of an item of plant and equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

Plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposal of plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in the profit or loss.

(ii) Subsequent costs

The cost of replacing part of an item of plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of plant and equipment are recognised in the profit or loss as incurred.

3. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

(h) **Plant and equipment** (cont'd)

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in the profit or loss on straight line basis over its estimated useful lives of each component of an item of plant and equipment at the following annual rates:

Computer equipment	20%
Furniture and fittings	10%
Motor vehicles	10%
Office equipment	10%
Renovation	10%
Signboard	10%
Warehouse equipment	10%
Machinery	14%

Depreciation methods, useful lives and residual values are reviewed at end of the reporting period, and adjusted as appropriate.

Fully depreciated plant and equipment are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these plant and equipment.

(i) **Capital work-in-progress**

Capital work-in-progress is stated at cost less any accumulated impairment losses and includes borrowing costs incurred during the period of construction.

No depreciation is provided on capital work-in-progress and upon completion of construction, the cost will be transferred to plant and equipment.

(j) **Intangible assets**

Development costs

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Company intends to and has sufficient resources to complete development and to use or sell the asset.

The expenditure capitalised includes the cost of materials, direct labour and overheads costs that are directly attributable to prepare the asset for its intended use. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Other development expenditure is recognised in the profit or loss as incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

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3. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

(j) **Intangible assets** (cont'd)

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in the profit or loss as incurred.

Amortisation

Amortisation is calculated based on the cost of an asset less its residual value.

Amortisation is recognised in the profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use.

The estimated useful lives for the current and comparative periods are as follows:

Development costs	20 years

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are not amortised but are tested for impairment annually and whenever there is an indication that they may be impaired.

Gain or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when the asset is derecognised.

(k) **Inventories**

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is measured based on first-in, first-out ("FIFO") cost formula, and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

(l) **Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand and bank balances and fixed deposit placed with a licensed bank that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits, if any.

(m) **Financial instruments**

Unless specifically disclosed below, the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9 *Financial Instruments*, the Company has elected not to restate the comparatives.

3. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

(m) **Financial instruments** (cont'd)

(i) **Initial recognition and measurement**

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the instrument.

Current financial year

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

Previous financial year

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised as fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

(ii) **Financial instrument categories and subsequent measurement**

The Company categorises financial instruments as follows:

Financial assets

Current financial year

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

3. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

(m) **Financial instruments** (cont'd)

(ii) **Financial instrument categories and subsequent measurement** (cont'd)

The Company categorises financial instruments as follows: (cont'd)

Financial assets (cont'd)

Current financial year (cont'd)

Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses.

Interest income, foreign exchange gains and losses and impairment are recognised in the profit or loss. Any gain or loss on derecognition is recognised in the profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 3(n)(i)) where the effective interest rate is applied to the amortised cost.

All financial assets are subject to impairment assessment (see Note 3(n)(i)).

Previous financial year

All financial assets of the Company were classified and measured under MFRS 139 *Financial Instruments: Recognition and Measurement* as follows:

Loans and receivables

Loans and receivables category comprise debt instruments and financial assets with fixed or determinable payments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

All financial assets are subject to impairment assessment (see Note 3(n)(i)).

Financial liabilities

Current financial year

The category of financial liabilities at initial recognition is as follows:

Amortised cost

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

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3. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

(m) **Financial instruments** (cont'd)

(ii) **Financial instrument categories and subsequent measurement** (cont'd)

Financial liabilities (cont'd)

The Company categorises financial instruments as follows: (cont'd)

Previous financial year

All financial liabilities of the Company were subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination or financial liabilities that are specifically designated into this category upon initial recognition.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in the profit or loss.

(iii) **Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and liability simultaneously.

(iv) **Regular way purchase or sale of financial assets**

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the market place concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

(a) the recognition of an asset to be received and the liability to pay for it on the trade date; and

(b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

(v) **Derecognition**

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risk and rewards of ownership of the financial assets are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit or loss.

3. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

(m) **Financial instruments** (cont'd)

(v) **Derecognition** (cont'd)

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the profit or loss.

(n) **Impairment**

(i) Financial assets

Unless specifically disclosed below, the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9 *Financial Instruments*, the Company has elected not to restate the comparatives.

Current financial year

The Company recognises loss allowances for expected credit losses ("ECL") on financial assets measured at amortised cost. Expected credit losses are a probability-weighted estimate of credit losses.

Loss allowances of the Company are measured on either of the following basis:

(i) 12-month ECLs - represents the ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or

(ii) Lifetime ECLs - represents the ECLs that will result from all possible default events over the expected life of a financial instrument.

The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Simplified approach - trade receivables

The Company applies the simplified approach to provide ECLs for all trade receivables as permitted by MFRS 9. The simplified approach required expected lifetime losses to be recognised from initial recognition of the receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where applicable.

General approach - other financial instruments contracts and financial guarantee contracts

The Company applies the general approach to provide for ECLs on all other financial instruments and financial guarantee contracts, which requires the loss allowance to be measured at an amount equal to 12-months ECLs at initial recognition. At each reporting date, the Company assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

3. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

(n) **Impairment** (cont'd)

(i) Financial assets (cont'd)

Current financial year (cont'd)

General approach - other financial instruments contracts and financial guarantee contracts (cont'd)

In assessing whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward looking information, where available.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- The financial asset is more than 365 days past due.

The Company considers a financial guarantee contract to be in default when the debtor of the loan is unlikely to pay its credit obligations to the creditors and the Company in full, without recourse by the Company to actions such as realising security (if any is held). The Company only apply a discount rate if, and to the extent that, the risks are not taken into account by adjusting the expected cash shortfalls.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Credit impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost is credit impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit impaired includes the observable data about the following events:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or significant past due event (e.g. being more than 365 days past due);
- The lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower or a concession that the lender would not otherwise consider (e.g. the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise);
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for security because of financial difficulties.

3. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

(n) **Impairment** (cont'd)

(i) Financial assets (cont'd)

Current financial year (cont'd)

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due. Any recoveries made are recognised in the profit or loss.

Previous financial year

All financial assets are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised.

If any such evidence exists, the amount of impairment loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of impairment loss is recognised in the profit or loss.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in the profit or loss.

(ii) Non-financial assets

The carrying amounts of non-financial assets (except for inventories) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised immediately in the profit or loss, unless the asset is carried at a revalued amount, in which such impairment loss is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups.

The recoverable amount of an asset or cash-generating units is the greater of its value-in-use and its fair value less costs to sell. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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3. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

(n) **Impairment** (cont'd)

(ii) Non-financial assets (cont'd)

Except for goodwill, assets that were previously impaired are reviewed for possible reversal of the impairment at the end of each reporting period. Any subsequent increase in recoverable amount is recognised in the profit or loss unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation reserve. Reversal of impairment loss is restricted by the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

An impairment loss is recognised for the amount by which the carrying amount of the subsidiary, joint venture or associate exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and present value of the estimated future cash flows expected to be derived from the investment including the proceeds from its disposal. Any subsequent increase in recoverable amount is recognised in the profit or loss.

(o) **Equity instruments**

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

Preference shares

Preference share capital is classified as equity if it is non-redeemable, or is redeemable but only at the Company's option, and any dividends are discretionary. Dividends thereon are recognised as distributions within equity. Preference share capital is classified as financial liability if it is redeemable on a specific date or at the option of the equity holders, or if dividend payments are not discretionary. Dividends thereon are recognised as interest expense in the profit or loss as accrued.

(p) **Provisions**

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Provisions are reviewed at each end of the reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision. The relating expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(q) Fair value measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

The Company recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

4. REVENUE

	01.01.2019 to 31.12.2019 RM	01.11.2017 to 31.12.2018 RM
Renal dialysis treatment	1,394,027	708,597

The Company provides home dialysis products for the treatment of end stage renal disease and its related services to its customers.

Performance obligation ("PO")

The contracts with customers are bundled and consist of obligations for the sales of dialysis treatment package which includes supply of dialysis machine and medical consumables in relation to the treatment of end stage renal disease. However, the management has assessed that these services are interrelated and interdependent and shall not be considered as distinct services which come as a service package offered to customer. The PO is satisfied upon monthly services rendered charged based on the fixed package price per month.

Timing of recognition / Unsatisfied PO

Revenue is recognised at point in time when the agreed scope of work stipulated in the service contract has been performed and accepted by respective contract customer. There is no unsatisfied POs yet to be recognised as revenue as at the reporting date.

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5. OTHER INCOME

	01.01.2019 to 31.12.2019 RM	01.11.2017 to 31.12.2018 RM
Interest income	54,869	14,965
Realised gain on foreign exchange	-	4,335
Unrealised gain on foreign exchange	-	2,967
	54,869	22,267

6. FINANCE COSTS

	01.01.2019 to 31.12.2019 RM	01.11.2017 to 31.12.2018 RM
Interest expense on:		
- Hire purchase payables	-	498
- Interest charged by holding company	102,012	-
- Lease liabilities	12,695	-
- Letter of credit	222	-
- Revolving credit	229,828	-
- Term loan	248,285	-
	593,042	498

7. LOSS BEFORE TAX

Loss before tax is arrived at after charging: -

	01.01.2019 to 31.12.2019 RM	01.11.2017 to 31.12.2018 RM
Amortisation of development costs	-	1,512,196
Auditors' remuneration	35,000	35,000
Development costs written off	3,024,355	-
Depreciation of plant and equipment	120,575	47,385
Depreciation of right-of-use assets	135,529	-
Directors' remuneration (Note 8)	58,349	563,377
Employee benefit expenses (Note 8)	2,068,603	2,166,017
Impairment loss on:		
- development costs	-	21,674,917
- trade receivables	3,299	178,385
Inventories written down	235,392	-
Inventories written off	10,482	345,848
Management fee	802,944	-
Plant and equipment written off	-	2,170
Realised loss on foreign exchange	3,173	24,681
Rental of premises	232,800	266,600
Unrealised loss on foreign exchange	4,771	723
Warehouse handling fee	55,965	-

8. EMPLOYEE BENEFIT EXPENSES AND DIRECTORS' REMUNERATION

	01.01.2019 to 31.12.2019 RM	01.11.2017 to 31.12.2018 RM
Staff costs:		
Salaries, allowances, overtime and bonus	1,750,286	1,833,518
Contributions to defined contribution plan	210,264	229,712
Social security contributions	23,072	26,249
Other benefits	84,981	76,538
	2,068,603	2,166,017
Directors' remunerations:		
Salaries and other emoluments	55,000	513,600
Contributions to defined contribution plan	3,300	48,146
Social security contributions	49	1,631
	58,349	563,377

9. INCOME TAX EXPENSE

There is no provision for tax expenses for the current year and previous period as the Company did not generate any taxable income.

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2018: 24%) of the estimated assessable profit for the year/period.

The reconciliation of the tax amount at statutory income tax rate to the Company's tax expense is as follows:

	01.01.2019 to 31.12.2019 RM	01.11.2017 to 31.12.2018 RM
Loss before tax	(7,683,556)	(27,587,147)
Tax at the Malaysian statutory income tax rate of 24% (2018: 24%)	(1,844,100)	(6,620,915)
Expenses not deductible for tax purposes	741,200	4,700,675
Deferred tax assets not recognised	1,102,900	1,920,240
Income tax expense for the financial year/period	-	-

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9. INCOME TAX EXPENSE (cont'd)

The Company has the following estimated unutilised tax losses and unabsorbed capital allowances, available for set-off against future taxable profits as follows:

	2019 RM	2018 RM
Unutilised tax losses	15,405,198	10,917,624
Unabsorbed capital allowances	4,677,434	3,679,659
	20,082,632	14,597,283

With effect from Year of Assessment 2019, the unutilised tax losses in a year of assessment of the Company can only be carried forward for a maximum period of 7 consecutive years of assessment to be utilised against income from any business source.

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10. PLANT AND EQUIPMENT

	Computer equipment RM	Furniture and fittings RM	Machinery RM	Motor vehicles RM	Office equipment RM	Renovation RM	Signboard RM	Warehouse equipment RM	Capital work-in-progress RM	Total RM
2019										
Cost										
At 1 January 2019	102,417	17,147	742,500	125,117	69,981	7,615	53,425	-	-	1,118,202
Additions	16,458	729	874	-	16,840	5,275	-	5,085	442,493	487,754
Disposals	(6,242)	-	-	-	-	-	-	-	-	(6,242)
At 31 December 2019	112,633	17,876	743,374	125,117	86,821	12,890	53,425	5,085	442,493	1,599,714
Accumulated Depreciation										
At 1 January 2019	80,143	10,064	166,103	59,478	35,893	3,644	18,216	-	-	373,541
Charge for the financial year	10,109	1,737	82,398	12,528	7,149	1,252	5,352	50	-	120,575
Disposals	(3,493)	-	-	-	-	-	-	-	-	(3,493)
At 31 December 2019	86,759	11,801	248,501	72,006	43,042	4,896	23,568	50	-	490,623
Net Carrying Amount										
At 31 December 2019	25,874	6,075	494,873	53,111	43,779	7,994	29,857	5,035	442,493	1,109,091

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10. **PLANT AND EQUIPMENT** (cont'd)

	Computer equipment RM	Furniture and fittings RM	Machinery RM	Motor vehicles RM	Office equipment RM	Renovation RM	Signboard RM	Total RM
2018								
Cost								
At 1 November 2017	99,575	17,147	-	125,117	71,992	7,615	53,425	374,871
Additions	2,842	-	-	-	159	-	-	3,001
Written off	-	-	-	-	(2,170)	-	-	(2,170)
Transfer from development costs (Note 12)	-	-	742,500	-	-	-	-	742,500
At 31 December 2018	102,417	17,147	742,500	125,117	69,981	7,615	53,425	1,118,202
Accumulated Depreciation								
At 1 November 2017	63,348	8,062	-	44,862	29,061	2,748	11,972	160,053
Charge for the financial period	16,795	2,002	-	14,616	6,832	896	6,244	47,385
Transfer from development costs (Note 12)	-	-	166,103	-	-	-	-	166,103
At 31 December 2018	80,143	10,064	166,103	59,478	35,893	3,644	18,216	373,541
Net Carrying Amount								
At 31 December 2018	22,274	7,083	576,397	65,639	34,088	3,971	35,209	744,661

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11. RIGHT-OF-USE ASSETS

	Motor vehicles RM	Warehouse premise RM	Total RM
2019			
Cost			
At 1 January 2019	-	-	-
Additions:			
- Cash payments	23,700	-	23,700
- Hire purchase arrangements	276,000	-	276,000
- New lease	-	522,125	522,125
At 31 December	299,700	522,125	821,825
Accumulated Depreciation			
At 1 January 2019	-	-	-
Charge for the financial year	4,998	130,531	135,529
At 31 December 2019	4,998	130,531	135,529
Net Carrying Amount			
At 31 December 2019	294,702	391,594	686,296

The expenses charged to the profit or loss during the financial year are as follows:

	01.01.2019 to 31.12.2019 RM
Depreciation of right-of-use assets	135,529
Interest expense on lease liabilities	12,695
Expenses relating to short-term leases	232,800

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12. DEVELOPMENT COSTS

	2019 RM	2018 RM
Cost		
At beginning of the financial year/period	30,289,577	29,879,107
Additions	1,107,061	1,152,970
Written off	(3,024,355)	-
Transfer to plant and equipment (Note 10)	-	(742,500)
At end of the financial year/period	28,372,283	30,289,577
Accumulated Amortisation		
At beginning of the financial year/period	3,506,373	2,160,280
Amortisation for the financial year/period	-	1,512,196
Transfer to plant and equipment (Note 10)	-	(166,103)
At end of the financial year/period	3,506,373	3,506,373
Accumulated Impairment Loss		
At beginning of the financial year/period	21,674,917	-
Impairment loss for the financial year/period	-	21,674,917
At end of the financial year/period	21,674,917	21,674,917
Net Carrying Amount		
At end of the financial year/period	3,190,993	5,108,287

Development costs

Development costs relate to development of home dialysis machines including patient care management system and amortised over a period of 20 years. It includes development costs of completed successful projects for commercial implementation and also ongoing development projects.

Amortisation expense

The amortisation of development costs is included in "other operating expenses" line item in the statement of comprehensive income.

Impairment testing for development costs

The recoverable amount of the product development costs has been determined based on value-in-use calculation using cash flows projections from financial forecast and projections approved by the Board of Directors covering a five-year period for the renal dialysis business.

The key parameters used in the preparation of the cash flows projections is the pre-tax discount rate (per annum) of 5.65% (2018: 5.77%).

Impairment loss recognised

2018

During the financial period, total impairment loss amounted to RM21,674,917 was recognised to write-down the carrying amount of development costs shown in the "other operating expenses" line item in the statement of comprehensive income.

12. **DEVELOPMENT COSTS** (cont'd)

Impairment loss recognised (cont'd)

2018 (cont'd)

As there is no indication from past records to show the improvement trend of results plus some complexities in determining future values as the products are relatively new in different markets, the development costs arguably are subject to impairment.

13. **INVESTMENT IN SUBSIDIARIES**

	2019 RM	2018 RM
Unquoted shares, at cost		
At beginning of the financial year/period	75,336	-
Addition	40,000	75,336
At end of the financial year/period	115,336	75,336

The details of its subsidiaries are as follows:

Name of Subsidiaries	Country of Incorporation	Principal Activities	Effective Equity Interest 2019	2018
Lucenxia Lanka (Private) Limited ("Lucenxia Lanka") ^	Sri Lanka	Dormant	100%	100%
Lucenxia Healthcare (Private) Limited ("Lucenxia Healthcare") ^	Sri Lanka	Provision of home dialysis products for the treatment of end stage renal disease and its related services	55%	-

^ *Audited by member firm of Moore Global Network Limited*

Acquisition of a subsidiary

On 23 July 2019, the Company has completed the acquisition of 55% equity interest in Lucenxia Healthcare from Mr. S. M. Vignaswaren S. Suppiah comprising 165,000 ordinary shares of LKR10 each for total cash consideration of LKR 1.65 million equivalent to RM40,000. Consequent thereon, Lucenxia Healthcare become a subsidiary of the Company.

Additional investment in a subsidiary

2018

On 31 March 2018, the Company acquired additional 299,999 ordinary shares for a total cash consideration of RM75,336 in Lucenxia Lanka.

Lucenxia Lanka intends to undertake healthcare business and has yet to commence its operations during the financial year/period.

14. INVENTORIES

	2019 RM	2018 RM
At cost:		
Consumables	1,346,673	859,991
At net realisable value:		
Consumables	6,106	-
	1,352,779	859,991

During the financial year/period:

(a) The Company recognised inventories as cost of sales amounted to RM1,041,481 (2018: RM250,008).

(b) The Company has written down inventories of RM235,392 (2018: Nil) which was recognised as cost of sales.

(c) The Company has written off inventories of RM10,482 (2018: RM345,848) which was recognised as cost of sales.

15. TRADE AND OTHER RECEIVABLES

	2019 RM	2018 RM
Trade receivables:		
Third parties	760,164	249,365
Amount due from a subsidiary	75,875	-
	836,039	249,365
Less: Allowance for impairment loss		
- Third parties	(181,684)	(178,385)
Trade receivables, net	654,355	70,980
Other receivables:		
Third parties	6,767,128	3,875,234
Goods and Services Tax ("GST") receivable	261,158	261,158
Amounts due from subsidiaries	2,447,506	678,023
	9,475,792	4,814,415
Deposits	94,310	43,310
Prepayments	15,407	44,241
Other receivables, net	9,585,509	4,901,966
Total trade and other receivables	10,239,864	4,972,946

(a) **Trade receivables**

The normal credit terms of trade receivables of the Company are 30 to 90 days (2018: 30 to 90 days). Other credit terms are assessed and approved on a case-by-case basis. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

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15. TRADE AND OTHER RECEIVABLES (cont'd)

(b) Amounts due from subsidiaries

Non-trade

These amounts represent unsecured advances, bear interest of 3.25% (2018: 3.25%) per annum and are collectible on demand.

16. FIXED DEPOSIT PLACED WITH A LICENSED BANK / CASH AND BANK BALANCES

(i) Included in the cash and bank balances at the end of the reporting period was an amount of RM94,360 (2018: Nil) pledged deposit to a licensed bank as security for performance guarantee which is non-interest bearing.

(ii) The effective interest rate of the fixed deposit placed with a licensed bank is 2.75% (2018: Nil) per annum and has maturity period of 1 month (2018: Nil), which has been pledged to a licensed bank as security for banking facilities granted to the Company as disclosed in Note 18.

17. SHARE CAPITAL

	Number of shares		Amount	
	2019	2018	2019	2018
	Unit	Unit	RM	RM
Issued and fully paid:				
Ordinary shares:				
At beginning/end of the financial year/period	500,000	500,000	500,000	500,000
Redeemable preference shares:				
At beginning of the financial year/period	38,000,000	31,000,000	38,000,000	31,000,000
Issued during the financial year/period	15,000,000	7,000,000	15,000,000	7,000,000
At end of the financial year/ period	53,000,000	38,000,000	53,000,000	38,000,000
Total issued and fully paid up share capital	53,500,000	38,500,000	53,500,000	38,500,000

The holder of ordinary shares is entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regards to the Company's residual interests.

On 23 September 2019, the Company has issued 15,000,000 units of redeemable preference shares of RM1.00 each via capitalisation of amount due to holding company of RM9,000,000 and RM6,000,000 via cash.

In prior period, the Company had issued 7,000,000 units of redeemable preference shares of RM1.00 each via capitalisation of amount due to holding company of RM7,000,000.

The salient features of the Company's redeemable preference shares are as follows:

(i) Each holder of redeemable preference shares shall be entitled to receive any dividend at any time and from time to time at the rate equivalent to the rate of dividend declared and paid on one ordinary share.

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17. SHARE CAPITAL (cont'd)

The salient features of the Company's redeemable preference shares are as follows: (cont'd)

(ii) The subscription price for each redeemable preference share shall be RM1. Each redeemable preference share shall have a par value of RM1.

(iii) The holders of redeemable preference shares shall, in a liquidation of, or on a return of capital by the Company be entitled (in priority to any distribution or payment to be made in favour of holders of any other classes of shares in the Company) to be paid the Issue Amount for each redeemable preference share.

(iv) The redeemable preference share shall not confer the right to any further or other rights to participate in the profits or assets of the Company nor shall they confer a right to participate in any issue of ordinary shares.

(v) The holders of redeemable preference shares shall not be entitled to attend or vote at any General Meeting, but shall be entitled to attend, speak and vote at any class meeting of the holders of the redeemable preference shares.

(vi) The holders of redeemable preference shares shall be entitled to attend (in person or by proxy or attorney or in the case of a corporation, by a representative) any General Meeting of the Company and to be counted for the purposes of a quorum at such General Meeting and, in a poll thereat, to one vote in respect of each redeemable share held if (but only if):

- the redeemable preference shares divided or any part thereof is in arrears and has remained unpaid for at last 12 months;
- the resolution in question varies or abrogates the rights attached to the redeemable preference shares; or
- the resolution in question is for the winding-up of the Company.

18. LOANS AND BORROWINGS

	2019 RM	2018 RM
Current:		
Secured:		
Revolving credit	2,500,000	5,000,000
Term loan	2,000,000	2,000,000
	4,500,000	7,000,000
Non-current:		
Secured:		
Term loan	1,500,000	3,500,000
Total loans and borrowings:		
Revolving credit	2,500,000	5,000,000
Term loan	3,500,000	5,500,000
	6,000,000	10,500,000

18. LOANS AND BORROWINGS (cont'd)

The remaining maturities of the loans and borrowings as at the reporting date are as follows:

	2019 RM	2018 RM
On demand or within one year	4,500,000	7,000,000
More than 1 year but not more than 2 years	1,500,000	2,000,000
More than 2 years but not more than 5 years	-	1,500,000
	6,000,000	10,500,000

The range of interest rates per annum at the reporting date for the loans and borrowings are as follows:

	2019 %	2018 %
Revolving credit	COF + 1.5%	COF + 1.5%
Term loan	COF + 1.25%	COF + 1.25%

COF – Cost of Funds

Revolving credit

The loan is secured by a corporate guarantee from holding company and fixed deposit as disclosed in Note 16(ii).

Term loan

The term loan is denominated in RM and is used to finance the purchase of dialysis and related machines. The term loan is repayable by 20 equal quarterly instalments of RM500,000 commencing 30 December 2016. The loan is secured by the corporate guarantee from the holding company and fixed deposit as disclosed in Note 16(ii).

19. LEASE LIABILITIES

	Hire purchase RM	Warehouse premise RM	Total RM
2019			
Future minimum lease payments:			
Payable within one year	45,900	276,000	321,900
Payable more than 1 year but not more than 2 years	45,900	138,000	183,900
Payable more than 2 years but not more than 5 years	137,700	-	137,700
Payable more than 5 years	87,882	-	87,882
	317,382	414,000	731,382
Less: Unexpired finance charges	(45,207)	(17,180)	(62,387)
Present value of future minimum lease payments	272,175	396,820	668,995

19. LEASE LIABILITIES (cont'd)

	Hire purchase RM	Warehouse premise RM	Total RM
2019			
Present value of future minimum lease payments:			
Payable within one year	38,904	260,968	299,872
Payable more than 1 year but not more than 2 years	39,442	135,852	175,294
Payable more than 2 years but not more than 5 years	118,326	-	118,326
Payable more than 5 years	75,503	-	75,503
	272,175	396,820	668,995
Analysed as:			
Current	38,904	260,968	299,872
Non-current	233,271	135,852	369,123
	272,175	396,820	668,995

The range of interest rates per annum at the reporting date for the lease liabilities are as follows:

	2019 %
Hire purchase (motor vehicles)	2.34
Warehouse premise	5.40

20. TRADE AND OTHER PAYABLES

	2019 RM	2018 RM
Trade payables:		
Third parties	566,146	48,957
Amounts due to related companies	102,538	-
	668,684	48,957
Other payables:		
Third parties	120,164	-
Accruals	301,733	223,570
Amount due to holding company	3,924,744	-
Amount due to a related company	64,040	-
	4,410,681	223,570
Total trade and other payables	5,079,365	272,527

(a) **Trade payables**

The normal credit terms granted by the trade creditors to the Company are 30 to 90 days (2018: 30 to 90 days).

20. **TRADE AND OTHER PAYABLES** (cont'd)

(b) **Amount due to holding company**

This amount represents unsecured advance, bears interest of 3.25% (2018: Nil) per annum and is repayable on demand.

(c) **Amount due to a related company**

Non-trade

This amount represents unsecured advance, interest-free and is repayable on demand.

21. DEFERRED TAX

Presented after appropriate offsetting as follows:

	2019 RM	2018 RM
Deferred tax assets	(19,803)	(10,456)
Deferred tax liabilities	19,803	10,456
	-	-

This is in respect of estimated deferred tax (assets)/liabilities arising from temporary differences as follows:

	2019 RM	2018 RM
Deferred tax assets:		
- Unabsorbed capital allowances	(19,803)	(10,456)
Deferred tax liabilities:		
- Differences between the carrying amount of plant and equipment and its tax base	19,803	10,456
	-	-

The estimated temporary differences for which no deferred tax assets have been recognised in the financial statements are as follows:

	2019 RM	2018 RM
Unutilised tax losses	15,405,198	10,917,624
Unabsorbed capital allowances	4,594,921	3,636,092
Other deductible temporary differences	743,800	1,594,911
	20,743,919	16,148,627

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profits will be available against which the Company can utilise the benefits therefrom.

The comparative figures have been restated to reflect the actual tax losses carry forward, capital allowances and other deductible temporary differences available to the Company.

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22. RELATED PARTIES DISCLOSURES

(a) Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decision, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The Company has a related party relationship with its holding company, related companies, subsidiaries and key management personnel. The related companies are subsidiaries of its holding company, Adventa Berhad. The related parties are companies in which certain Directors have financial interest.

The related party balances are disclosed in Notes 15 and 20 respectively. The related party transactions of the Company are shown below.

(b) Related party transactions

	01.01.2019 to 31.12.2019 RM	01.11.2017 to 31.12.2018 RM
Transactions with holding company:		
- Capitalisation of amount due to	(9,000,000)	-
- Disposal of plant and equipment	(2,749)	-
- Interest paid/payable	102,012	-
- Management fee payable	802,944	-
- Net advances from	12,019,788	-
Transactions with subsidiaries:		
- Additional investment	40,000	75,336
- Interest received/receivables	(45,640)	(9,715)
- Net advances to	(1,723,843)	(668,308)
- Sales of consumables	(75,875)	-
Transactions with related companies:		
- Payment on behalf	64,040	-
- Purchases from	229,492	412
- Repayment to	(182,919)	-
- Warehouse handling services	55,965	-
Transaction with a related party:		
- Payment of lease liabilities and interest	138,000	-
Transaction with a Director:		
- Rental of premises	226,800	264,600

(c) Compensation of key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. The key management personnel comprise all the Directors of the Company and its holding company.

22. RELATED PARTIES DISCLOSURES (cont'd)

(c) Compensation of key management personnel (cont'd)

The remuneration paid by the Company to key management personnel during the financial year/period are as follows:

	01.01.2019 to 31.12.2019 RM	01.11.2017 to 31.12.2018 RM
Directors' remuneration:		
Salaries and other emoluments	55,000	513,600
Contributions to defined contribution plan	3,300	48,146
Social security contribution	49	1,631
	58,349	563,377

23. FINANCIAL INSTRUMENTS

Categories of financial instruments

The Company's financial assets and financial liabilities are all categorised at amortised costs respectively. In prior year, the Company's financial assets and financial liabilities are all categorised as loans and receivables and other financial liabilities at amortised costs respectively.

Financial Risk Management Objectives and Policies

The Company's risk management policy is to ensure that adequate financial resources are available for the development of the Company's operations whilst managing its financial risks, including credit risk, interest rate risk, liquidity risk and foreign currency risk. The Company operates within clearly defined guidelines that are approved by the Board and the Company's policy is not to engage in speculative transactions. The Company does not apply hedge accounting.

The following sections provide details regarding the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(i) Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's exposure to credit risk arises primarily from its receivables (which consist of trade and other receivables as well as amounts due from subsidiaries). There are no significant changes as compared to prior years.

<u>Trade receivables</u>

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit risk is minimised and monitored via strictly limiting the Company's associations to business partners with good credit rating. Credit evaluations are performed on all customers requiring credit over a certain amount.

23. FINANCIAL INSTRUMENTS (cont'd)

(i) Credit risk (cont'd)

Trade receivables (cont'd)

Risk management objectives, policies and processes for managing the risk (cont'd)

At each reporting date, the Company assesses whether any of the trade receivables are credit impaired.

The gross carrying amounts of credit impaired receivables are written off (either partially or full) when there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to write-off. Nevertheless, receivables that are written off could still be subject to enforcement activities.

Exposure to credit risk, credit quality and collateral

As the Company does not hold any collateral, the maximum exposure to credit risk from receivables is represented by the carrying amounts in the statement of financial position as at the end of the reporting period.

Credit risk concentration profile

The Company determines concentration of credit risk by monitoring the profiles of their receivables on an ongoing basis.

As at 31 December 2019, the Company has significant concentration of credit risk arising from the amounts due from 2 customers (2018: 2 customers) constituting 93% (2018: 75%) of net trade reeivables of the Company.

Recognition and measurement of impairment loss

In managing credit risk of trade receivables, the Company manages its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances and to ensure that receivables that are neither past due nor impaired are stated at their realisable values. Any receivables having significant balances past due more than 365 days, which are deemed to have higher credit risk, are monitored individually. The Company has recognised a loss allowance of 100% against all receivables over 365 days past due (credit-impaired) because historical experience has indicated that these receivables are generally not recoverable.

The Company has applied the simplified approach in MFRS 9 to measure the loss allowance at lifetime expected credit losses as disclosed in Note 3(n)(i). The Company assesses impairment of trade receivables on individual basis. This is due to the number of debtors is minimal and these debtors can be individually managed by the Company in an effective and efficient manner. The Company has reasonable and supportable information available to assess the impairment individually.

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23. **FINANCIAL INSTRUMENTS** (cont'd)

Financial Risk Management Objectives and Policies (cont'd)

(i) **Credit risk** (cont'd)

Trade receivables (cont'd)

Impairment losses

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2019.

	Gross RM	Loss Allowance RM	Net RM
2019			
Trade receivables			
Not past due	581,822	-	581,822
Past due:			
- Less than 30 days	11,763	-	11,763
- 31 to 60 days	22	-	22
- 61 to 90 days	5,000	-	5,000
- More than 90 days	55,748	-	55,748
	72,533	-	72,533
	654,355	-	654,355
Credit impaired			
Individually impaired	181,684	(181,684)	-
Trade receivables, net	836,039	(181,684)	654,355

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 on payments. These receivables are not secured by any collateral or credit enhancements.

Previous accounting policy for impairment of receivables

In the prior years, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet been identified. For these receivables the estimated impairment losses were recognised in a separate provision for impairment. The Company considered that there was evidence of impairment if any of the following indicators were present:

- significant financial difficulties of the debtor;
- probability that the debtor will enter bankruptcy or financial reorganisation; and
- default or late payments

Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

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23. **FINANCIAL INSTRUMENTS** (cont'd)

Financial Risk Management Objectives and Policies (cont'd)

(i) **Credit risk** (cont'd)

Trade receivables (cont'd)

Impairment losses (cont'd)

Previous accounting policy for impairment of receivables (cont'd)

Comparative information under MFRS 139 Financial Instruments: Recognition and Measurement

The ageing of trade receivables as at 31 December 2018 was as follows:

	Gross RM	Individual impairment RM	Net RM
2018			
Trade receivables			
Past due:			
- Less than 30 days	36,907	-	36,907
- 31 to 60 days	5,900	-	5,900
- 61 to 90 days	16,099	-	16,099
- More than 90 days	190,459	(178,385)	12,074
	249,365	(178,385)	70,980

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records and mostly are regular customers that have been transacting with the Company. None of the trade receivables that are neither past due nor impaired have been renegotiated during the financial period.

Receivables that are past due but not impaired

Trade receivables of the Company amounted to RM70,980 that are past due but not impaired at the reporting date and are unsecured in nature. However, the Directors are of the opinion that these debts should be realisable in full without material losses in the ordinary course of business.

These trade receivables relate mostly to customers with slower repayment patterns, for whom there is no history of default. The Company do not hold any collateral or other credit enhancement over these balances.

The movement in the allowance for impairment loss on trade receivables are as follows:

	2019 RM	2018 RM
At beginning of the financial year/period	178,385	-
Charge for the financial year/period	3,299	178,385
At end of the financial year/period	181,684	178,385

23. **FINANCIAL INSTRUMENTS** (cont'd)

Financial Risk Management Objectives and Policies (cont'd)

(i) **Credit risk** (cont'd)

Cash and cash equivalents

The cash and cash equivalents are held with banks and financial institutions. As at the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position. These banks and financial institutions have low credit risks. Hence, a loss allowance is not necessary.

Other receivables and deposits

Expected credit loss of other receivables is determined individually after considering the financial strength of the other receivables. As at the end of the reporting period, the maximum exposure to credit risks is represented by their carrying amounts in the statement of financial position.

Credit risk on deposits are mainly arising from deposits paid to its landlord as security and utilities deposit for rental of office and warehouse premises which will be received upon termination of such services and thus have low credit risks.

As at the end of the reporting period, no allowance for doubtful debts is necessary in respect of other receivables and deposits that are neither past due nor impaired as these are mainly arising from debtors that have good records of payment in the past.

Financial guarantees

Risk management objectives, policies and processes for managing the risk

The Company provides corporate guarantees to banks in respect of trade banking facilities granted to its holding company which can be used interchangeably by the Company and its related companies. The Company monitors on an ongoing basis the results of the related companies and the repayments made by the related companies.

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounted to RM1,007,761 (2018: RM2,762,621), representing the outstanding credit facilities of the related companies at the end of the reporting period.

The financial guarantees are provided as credit enhancements to the trade banking facilities.

Recognition and measurement of impairment loss

The Company assumes that there is a significant increase in credit risk when the related companies' financial position deteriorates significantly. The Company considers a financial guarantee to be credit impaired when:

- The related companies are unlikely to repay its credit obligations to the bank in full; or
- The related companies are continuously loss-making and having a deficit in shareholders' fund.

The Company determines the probability of default of the trade banking facilities individually using internal information available. At the end of the reporting period, there were no indication that the related companies which was granted with the trade banking facilities would default on repayment. Hence, the financial guarantee granted by the Company has not been recognised since the fair value on initial recognition was not material.

23. **FINANCIAL INSTRUMENTS** (cont'd)

Financial Risk Management Objectives and Policies (cont'd)

(i) **Credit risk** (cont'd)

Inter-company loans and advances

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured loans and advances to its subsidiaries. The Company monitors the ability of the subsidiaries to repay the loans and advances on an individual basis.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position. Loans and advances provided are not secured by any collateral.

Recognition and measurement of impairment loss

Generally, the Company considers loans and advances to subsidiaries have low credit risk. The Company assumes that there is a significant increase in credit risk when the subsidiaries' financial position deteriorates significantly. As the Company is able to determine the timing of payments of the subsidiaries loans and advances when they are payable, the Company considers the loans and advances to be credit impaired when the subsidiaries are unlikely to repay its loans or advances to the Company in full given insufficient highly liquid resources when the loans are demanded.

The Company determines the probability of default for these loans and advances individually using internal information available.

As at the reporting date, there were no indications of impairment loss in respect of amounts due from subsidiaries.

(ii) **Interest rate risk**

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk arises mainly from interest-bearing financial assets and liabilities.

In respect of interest-earning financial assets and interest-bearing financial liabilities, its effective interest rates at the reporting date, in which they reprice or mature, whichever is earlier are disclosed in Notes 15, 16, 18, 19 and 20 respectively.

Exposure in interest rate risk

The interest rate profile of the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	2019 RM	2018 RM
Floating rate instruments:		
Financial assets:		
- Fixed deposit placed with a licensed bank	2,500,000	-
Financial liabilities:		
- Revolving credit	(2,500,000)	(5,000,000)
- Term loan	(3,500,000)	(5,500,000)
	(6,000,000)	(10,500,000)
Net financial liabilities	(3,500,000)	(10,500,000)

23. FINANCIAL INSTRUMENTS (cont'd)

Financial Risk Management Objectives and Policies (cont'd)

(ii) **Interest rate risk** (cont'd)

Interest rate risk sensitivity analysis

The following table details the sensitivity analysis on the floating rate instruments to a reasonably possible change in the interest rate as at the end of the reporting period with all other variables held constant:

	2019 RM	2018 RM
Effect on increase/(decrease) on loss after tax:		
Increase of 50 basis points (2018: 10 basis points)	13,300	7,980
Decrease of 50 basis points (2018: 10 basis points)	(13,300)	(7,980)
Effect on increase/(decrease) on equity:		
Increase of 50 basis points (2018: 10 basis points)	(13,300)	(7,980)
Decrease of 50 basis points (2018: 10 basis points)	13,300	7,980

(iii) **Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligations associated with financial liabilities. The Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Company's objective is to maintain a balance between continuity of funding and flexibility through use of stand-by credit facilities.

The Company's liquidity risk management policy is to manage their debt maturity profile, operating cash flows and the availability of funding so as to ensure that refinancing, repayment and funding needs are met. In addition, the Company maintains sufficient levels of cash and available banking facilities at a reasonable level to their overall debt position to meet its working capital requirement.

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23. **FINANCIAL INSTRUMENTS** (cont'd)

Financial Risk Management Objectives and Policies (cont'd)

(iii) **Liquidity risk** (cont'd)

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):

	Carrying Amount RM	<— Contractual Cash Flows —> On demand/ Within 1 year RM	1 - 2 years RM	2 - 5 years RM	Over 5 years RM	Total RM
2019						
Financial liabilities:						
Trade and other payables	5,079,365	5,079,365	-	-	-	5,079,365
Loans and borrowings:						
- Revolving credit	2,500,000	2,634,500	-	-	-	2,634,500
- Term loan	3,500,000	2,139,836	1,537,931	-	-	3,677,767
Lease liabilities	668,995	321,900	183,900	137,700	87,882	731,382
	11,748,360	10,175,601	1,721,831	137,700	87,882	12,123,014
2018						
Financial liabilities:						
Trade and other payables	272,527	272,527	-	-	-	272,527
Loans and borrowings:						
- Revolving credit	5,000,000	2,239,005	2,126,521	1,513,805	-	5,879,331
- Term loan	5,500,000	2,255,292	2,147,803	1,540,092	-	5,943,187
	10,772,527	4,766,824	4,274,324	3,053,897	-	12,095,045

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23. FINANCIAL INSTRUMENTS (cont'd)

Financial Risk Management Objectives and Policies (cont'd)

(iv) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the functional currency of the Company. The currencies giving rise to this risk are primarily Chinese Yuan Renminbi ("CNY"), United States Dollar ("USD") and Sri Lankan Rupee ("LKR").

The Company also holds cash and cash equivalents denominated in foreign currencies to pay its foreign purchases as a natural hedge against fluctuations in foreign currency risk.

Foreign exchange exposures in transactional currencies other than functional currency of the Company are kept to an acceptable level.

Exposure to foreign currency risk

The Company's significant exposure to foreign currency (a currency which is other than functional currency of the Company) risk, based on carrying amounts as at end of the reporting period was:

	Cash at bank RM	Receivables RM	Payables RM	Total RM
2019				
LKR	1,961	-	-	1,961
USD	36,647	-	(791)	35,856
	38,608	-	(791)	37,817
2018				
CNY	-	-	(680)	(680)
USD	14,282	56,217	-	70,499
	14,282	56,217	(680)	69,819

Foreign currency risk sensitivity analysis

The following table demonstrates the sensitivity of the Company's loss net of tax to a reasonably possible change in these foreign currencies exchange rates against RM, with all other variables held constant:

	Increase/(Decrease) in Loss net of tax 2019 RM	2018 RM
CNY/RM - Strengthened 5% (2018: 5%)	-	26
- Weakened 5% (2018: 5%)	-	(26)
LKR/RM - Strengthened 5% (2018: 5%)	(75)	-
- Weakened 5% (2018: 5%)	75	-
USD/RM - Strengthened 5% (2018: 5%)	(1,363)	(2,679)
- Weakened 5% (2018: 5%)	1,363	2,679

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24. FAIR VALUE INFORMATION

Financial instrument other than those carried at fair value

Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair values

The carrying amounts of short-term receivables and payables, cash and cash equivalents and short-term borrowings approximate their fair values due to the relatively short-term nature of these financial instruments and insignificant impact of discounting.

The carrying amount of long-term floating rate loan approximate its fair value as the loans will be re-priced to market interest rate on or near reporting date.

The fair values of hire purchase payables are determined by discounting the relevant cash flows using current interest rates for similar instruments as at the end of the reporting period. The carrying value and fair value of the hire purchase payables are not materially different.

There were no material transfer between Level 1, Level 2 and Level 3 during the financial year.

25. CAPITAL MANAGEMENT

The primary objective of the Company's capital management is to ensure that it maintains a healthy capital ratio in order to support its business and maximise shareholders value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic and business conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies and processes during the financial year/period ended 31 December 2019 and 31 December 2018.

The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt includes loans and borrowings and lease liabilities, less cash and cash equivalents whilst total capital is the equity attributable to the Owners of the Company.

The gearing ratio as at 31 December 2019 and 31 December 2018, which are within the Company's objective of capital management are as follows:

	2019 RM	2018 RM
Loans and borrowings	6,000,000	10,500,000
Lease liabilities	668,995	-
	6,668,995	10,500,000
Less:		
- Fixed deposit placed with a licensed bank	2,500,000	-
- Cash and bank balances	995,531	136,392
	3,495,531	136,392
Net debts	3,173,464	10,363,608
Equity attributable to the Owners of the Company, representing total capital	8,441,530	1,125,086
Capital and net debts	11,614,994	11,488,694
Gearing ratio	27%	90%

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25. CAPITAL MANAGEMENT (cont'd)

There were no changes in the Company's approach to capital management during the financial year/period.

The Company is in compliance with all externally imposed capital requirements.

26. CAPITAL COMMITMENTS

The future capital commitments payable for the acquisition of plant and equipment at the reporting date but not recognised as payable is as follows:

	2019 RM	2018 RM
Approved and contracted for:		
- Purchase of plant and equipment	586,592	-

27. COMPARATIVE FIGURES

(i) The comparatives relating to the statement of comprehensive income, statement of changes in equity, statement of cash flows and related notes is made up from 1 November 2017 to 31 December 2018 and therefore are not in respect of comparable periods with the current financial year from 1 January 2019 to 31 December 2019.

(ii) The comparative figures are reclassified to conform with the current year's presentation:

	As previously reported RM	As reclassified RM
01.11.2017 to 31.12.2018		
Statement of Comprehensive Income:		
Cost of sales	(283,308)	(629,156)
Other operating expenses	(24,785,932)	(24,440,084)
Statement of Cash Flows:		
Cash Flows from Operating Activities		
Changes in working capital:		
- Trade and other receivables	782,168	1,450,476
Cash used in operations	(4,004,493)	(3,336,185)
Net cash used in operating activities	(3,999,741)	(3,331,433)
Cash Flows from Financing Activities		
Advances to subsidiaries	-	(668,308)
Net cash from financing activities	4,485,297	3,816,989

Crowe

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24 February 2021

The Board of Directors
Adventa Berhad
No 21 Jalan Tandang 51/205A
Seksyen 51
46050 Petaling Jaya
Selangor

Strictly Private and Confidential

Dear Sir / Madam

VALUATION OF THE ENTIRE EQUITY INTEREST OF LUCENXIA (M) SDN BHD ("LCX")

1. INTRODUCTION

Adventa Berhad ("Adventa") has engaged Crowe Advisory Sdn Bhd ("Crowe") to perform an valuation of the entire equity interest of LCX as at 30 September 2020 ("Valuation"). Our report on the foregoing has been issued on 24 February 2021 and is hereinafter referred to as the "Report".

This letter provides a summary of the Valuation ("Letter"). This Letter should be read in conjunction with the Report.

This Letter is prepared strictly and solely for Adventa's exclusive use and for purpose of inclusion in the circular to the shareholders of Adventa pursuant to the proposed disposal of majority equity interest in LCX by Adventa ("Proposed Disposal") (hereinafter, the "Circular"). It is not intended for general circulation and cannot be disclosed or referred to, in whole or in part, in any other documents. We shall not be responsible or liable for any losses or damages as a result of reliance by any party contrary to the provisions set out in this Letter and our engagement letter dated 9 October 2020.

2. BACKGROUND

2.1 INFORMATION ON LCX

LCX is a private limited company involved in providing home dialysis products for the treatment of end-stage renal disease and related services. LCX offers both automated peritoneal dialysis ("APD") and continuous ambulatory peritoneal dialysis systems.

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2. BACKGROUND (CONT'D)

2.1 INFORMATION ON LCX (CONT'D)

As at the date of the Report, LCX's subsidiaries and their principal activities are summarised below:-

Subsidiaries	Country of incorporation	Principal activities	Effective equity interest
Lucenxia Lanka (Private) Limited ("LCX Lanka")	Sri Lanka	Dormant	100%
Lucenxia Healthcare (Private) Limited ("LCX Healthcare")	Sri Lanka	Provision of home dialysis products for the treatment of end stage renal disease and its related services	55%

LCX Lanka was incorporated in Sri Lanka on 24 May 2017 and holds the license and registration for Lucenxia INTELLIS, a home APD device, in Sri Lanka.

LCX completed the acquisition of LCX Healthcare on 23 July 2019. LCX Healthcare started its business activity as peritoneal dialysis service provider in Sri Lanka in November 2019.

As at the date of this Letter, Mr Low Chin Guan is the sole director of LCX. He is also Adventa's major shareholder and Managing Director.

2.2 SOURCES OF INFORMATION

In carrying out the Valuation, we have relied on, inter-alia, the following information and/or documents provided to us by Adventa's management ("Management"):-

(a) The Financial Projections (as defined below) over the period from 1 October 2020 up to the financial year ended ("FYE") 31 December 2024 ("Projected Period") together with the key underlying bases and assumptions, which was prepared and provided to us by the Management:-

   (i) Projected profit and loss, cash flow and balance sheet of LCX ("LCX Financial Projections");
   (ii) Projected profit and loss, cash flow and balance sheet of LCX Lanka ("LCX Lanka Financial Projections"); and
   (iii) Projected profit and loss, cash flow and balance sheet of LCX Healthcare ("LCX Healthcare Financial Projections").

   (collectively, the "Financial Projections");

(b) Audited financial statements of LCX for the FYE 31 October 2016 to FYE 31 October 2017, financial period from 1 November 2017 to 31 December 2018 and FYE 31 December 2019;

(c) Audited financial statements of LCX Lanka for the FYE 31 December 2018 and FYE 31 December 2019;

(d) Audited financial statements of LCX Healthcare for the FYE 31 December 2019;

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2. BACKGROUND (CONT'D)

2.2 SOURCES OF INFORMATION (CONT'D)

(e) Unaudited financial statements of LCX, LCX Lanka and LCX Healthcare (collectively, the "LCX Group"), and the consolidated unaudited financial statements of LCX for the financial period ended ("FPE") 30 September 2020 prepared by the Management;

(f) Agreement entered into between LCX Healthcare and the Ministry of Health Sri Lanka on 13 November 2019 ("MOH Agreement");

(g) Responses from the Management to the information requested by Crowe regarding the Valuation;

(h) The letter of representation signed by the Management dated 11 January 2021 confirming, inter-alia, the accuracy, completeness and reliability of the information provided to us; and

(i) Any relevant publicly available information.

3. VALUATION

3.1 Basis of Valuation

The basis of the Valuation is defined as the "estimated amount for which an asset or liability should exchange on the assessment date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

The concept of market value refers to "a price expressed in terms of money payable for the asset in an arm's length market transaction". Market value is "the best price reasonably obtainable by the seller and the most advantageous price reasonably obtainable by the buyer". The amount would not be considered market value if it was influenced by special terms and circumstances available only to specific owner or purchaser, and not characteristic of a typical buyer or seller.

In addition, the range of values that we have estimated is based on going concern use and not, for example, with the break-up value of the business or the value which a third party may place on the business in a take-over situation.

3.2 Valuation Date

The date of valuation is **30 September 2020** ("Valuation Date"). The concept of Valuation Date requires "that the value is time-specific as of a given date". As market and market conditions may change, the estimated value may be incorrect or inappropriate at a different time.

3.3 Method of Valuation

There are various methods in carrying out a valuation, the common ones being the income approach, the market approach and the cost approach.

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3. VALUATION (CONT'D)

3.3 Method of Valuation (Cont'd)

The income approach estimates the fair value of a company or business by converting future cash flows to a single current value. Income approach methods are effectively based on discounting the future cash flows to its present value, notably the discounted cash flow ("DCF") method.

The market approach estimates a company's fair market value by considering the market price of transactions or the market value of comparable companies. This approach often uses market multiples derived from a set of comparable companies and transactions.

The cost approach estimates the value of an asset based on the principle that a buyer will not pay more for an asset than the cost to obtain an asset of equal utility, whether by purchase or recreating the asset, unless other factors such as undue time, inconvenience, or risk, amongst others, are involved.

We adopted the summation method under the cost approach as the principal approach to the Valuation following our consideration below:-

(a) LCX did not generate operating profit since commencing commercial operations in year 2016 up to the Valuation Date. This limits LCX's prospect to achieve operating profits should it continues as a going concern without any evidence which can reasonably supports improvement to its financial performance in future.

(b) Based on the LCX Financial Projections, LCX is not expected to generate positive operating cash flows over the projected period from the FYE 31 December 2022 to FYE 31 December 2024. Hence, the DCF method under the income approach which relies upon, amongst others, the expected future cash flows of an asset, is not considered as a feasible approach to the Valuation.

(c) LCX did not achieve maintainable earnings historically which can be used as unit of comparison against earnings multiples achieved from precedent transactions of companies in similar business, or against market multiples derived from publicly-traded companies which operate within similar business or industry. Additionally, guideline companies may differ in terms of size, geographical and economic profile of their businesses as compared to LCX. Hence, the market approach is not considered as a feasible approach to the Valuation.

The summation method under the cost approach is considered as a feasible approach to the Valuation from the following consideration:-

(a) LCX's lack of direct income generating ability as demonstrated historically and the expected negative operating cash flows demonstrated in the LCX Financial Projections limits the feasibility to utilise the income and market approaches.

(b) The cost to replace LCX (or its business) and/or to reproduce an asset similar to LCX could not be reasonably assessed. The cost to invest in an asset may not reflect the amount recoverable from the investment – Adventa reported impairment loss of RM37.4 million from its investment in LCX in the FYE 31 December 2018.

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3. VALUATION (CONT'D)

3.3 Method of Valuation (Cont'd)

Under the summation method, each asset and liability component in LCX as at the Valuation Date is assessed for adjustment to their carrying values separately. The values of these individual components are added together to derive the value of LCX's entire equity interest as at the Valuation Date.

3.4 Bases and Assumptions of the Valuation

The key bases and assumptions adopted in the Valuation are as follows:-

3.4.1 Financial and business assumptions

(a) The audited financial statements of the LCX Group for the following financial years provide a true and fair view of the financial performance of the LCX Group:-

LCX Group	FYE
LCX	▪ 31 October 2016 up to 31 October 2017; and ▪ 31 December 2018 up to 31 December 2019.
LCX Lanka	▪ 31 December 2018 and 31 December 2019.
LCX Healthcare	▪ 31 December 2019.

(b) The unaudited financial statements of the LCX Group for the FPE 30 September 2020 prepared by the Management represented a true and fair view of the financial performance of LCX, LCX Lanka and LCX Healthcare individually at a company level as well as the LCX Group on a consolidated group basis. We have not carried out any audit, verification or review of these financial statements and accounts to ensure the accuracy, completeness and reliability of these accounts.

(c) The Financial Projections which have been provided to us by the Management will be achieved throughout the Projected Period. We have not carried out any audit, verification or review of the bases and assumptions used by the Management to derive the Financial Projections. The Management assumes full responsibilities for the accuracy, completeness and reliability of the Financial Projections as well as the reasonableness of the underlying bases and assumptions used by the Management to derive the Financial Projections.

(d) It is assumed that there are no, and will not be, any changes to the estimated operation parameters, including no significant changes in the projected costs and expenses as set out by the Management in the Financial Projections which will materially affect LCX after the Valuation Date. It is further assumed that there are no changes to the bases and assumptions used by the Management in the Financial Projections after 23 November 2020.

(e) There will be no material acquisition or disposal of property, plant and equipment or investments other than those already planned and incorporated in the Financial Projections by the Management.

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3. VALUATION (CONT'D)

3.4 Bases and Assumptions of the Valuation (Cont'd)

3.4.1 Financial and business assumptions (Cont'd)

(f) There will be adequate financial support provided to ensure cash flow requirements are met, either for purposes of working capital or for capital expenditures in the Financial Projections.

(g) Other than those already disclosed to us, it is assumed that there will be no material changes to the book value of the assets and liabilities of LCX as at the Valuation Date, which will largely affect the Valuation.

(h) All liabilities of LCX are fully accounted for and there are no undisclosed actual or contingent assets or liabilities, including but not limited to, contracts and/or off-balance sheet financial instruments, no unusual obligations or commitments other than those incurred in the ordinary course of business, nor any pending litigation which would have a material effect on the financial position or business of LCX, now and in the future.

(i) It is assumed that the current operations and activities of LCX will continue, and the Valuation has not taken into account any future developments and/or potential venture activities that the company may undertake, save for those already disclosed in this Report.

(j) There will be no major changes to the principal activities and financial position of LCX after the Valuation Date that will materially affect the Valuation.

(k) The Valuation has been carried out on the basis to determine the value of the entire equity interest of LCX pursuant to the Proposed Disposal. As such, it is assumed that any changes as to the shareholding structure of LCX after the Valuation Date will not materially affect the Valuation.

(l) There is no quantification of the impact from the Covid-19 pandemic towards LCX's business as at the Valuation Date – lack of reasonable basis to support any attempt at quantifying this effect due to the various socio-economic uncertainties arising from this pandemic. The Valuation assumed that any possible effect from the Covid-19 pandemic to LCX's business was subsumed in LCX's financial position as at the Valuation Date.

3.4.2 General assumptions

(a) There will be no material changes in the present legislation, government regulations, inflation rates, interest rates, foreign exchange rates, bases and rates of taxation, and other lending guidelines which will affect LCX's operations and financial performance.

(b) There will be no significant changes to the prevailing economic and political conditions that will have an adverse effect on LCX's operations.

(c) There will be no major proceedings against LCX that will adversely affect LCX's existence as a going concern after the Valuation Date.

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3. VALUATION (CONT'D)

3.4 Bases and Assumptions of the Valuation (Cont'd)

3.4.2 General assumptions (Cont'd)

(d) There will be no event of force majeure occurring such as any act of God, act of public enemies, war, act of terrorism, restraint of Government or people of any nation, riots, insurrections, civil commotion, floods, fire, restrictions due to quarantines, epidemics, storms, or any other causes beyond the reasonable control of LCX, which materially affect the financial performance and operations of LCX.

Please note that the Valuation is highly dependent on, amongst others, the achievability of the Financial Projections as well as the materialisation of the bases and assumptions used in the Valuation. We wish to highlight that the Valuation may be materially or adversely affected should the actual results or events differ from any of the bases and assumptions upon which the Valuation and/or the Financial Projections were based.

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3. VALUATION (CONT'D)

3.5 Valuation Results

Based on the Valuation approach as outlined in Section 3.3 above, the range of values of the entire equity interest in LCX as at the Valuation Date is **RM9.41 million to RM9.52 million** as illustrated below:-

			Low range		High range	
RM'000	Notes	As at 30-9-20	Adjustments	Adjusted as at 30-9-20	Adjustments	Adjusted as at 30-9-20
Non-current assets						
Plant and equipment	1	7,549	10	7,559	10	7,559
Development costs		3,234		3,234		3,234
ROU asset		196		196		196
Investment in subsidiaries	2	115	488	603	596	711
		11,094		11,592		11,700
Current assets						
Inventories		1,761		1,761		1,761
Trade receivables		11,345		11,345		11,345
Other receivables, deposits and prepayments		2,886		2,886		2,886
Amount due from related companies		22,884		22,884		22,884
Cash and bank balances		5,182		5,182		5,182
		44,058		44,058		44,058
Total assets		55,152		55,650		55,758
Current liabilities						
Trade payables		344		344		344
Other payables and accruals		962		962		962
Amount due to related companies		27,987		27,987		27,987
Amount due to director		14,500		14,500		14,500
		43,793		43,793		43,793
Non-current liabilities						
Loans and borrowings		2,000		2,000		2,000
Lease liabilities		243		243		243
ROU liability		203		203		203
		2,446		2,446		2,446
Total liabilities		46,239		46,239		46,239
Share capital		53,500		53,500		53,500
Accumulated losses		(44,587)	10	(44,577)	10	(44,577)
Revaluation reserves		-	488	488	596	596
Shareholders' equity		8,913		9,411		9,519
Indicative Valuation of LCX @ 100% equity interest				9,411		9,519

Notes

1. Refers to adjustment on the net book value of LCX's motor vehicles to reflect their insured sum as at the Valuation Date.

2. LCX's investment in subsidiaries as at the Valuation Date is summarised as below:-

	Low range			High range		
	As at 30-9-20			As at 30-9-20		
RM'000	NBV [A]	Fair value [B]	Adjustment [B] - [A]	NBV [A]	Fair value [B]	Adjustment [B] - [A]
LCX Lanka	75	102	27	75	102	27
LCX Healthcare	40	501	461	40	609	569
	115	**603**	**488**	**115**	**711**	**596**

Sub-note – Amounts shown are influenced by rounding adjustments.

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3. VALUATION (CONT'D)

3.5 Valuation Results (Cont'd)

Notes (Cont'd)

2. (Cont'd)

LCX Lanka

In arriving at the estimated fair value of LCX's investment in LCX Lanka, we have adopted the reproduction cost method based on the following considerations:-

(a) At present, LCX Lanka only holds the license and registration for Lucenxia INTELLIS machine and has not commenced operation;

(b) The Management established LCX Lanka with the intention for the company to be the license holder and registered proprietor of Lucenxia INTELLIS, whilst LCX Healthcare is the operation arm and service provider for Lucenxia INTELLIS in Sri Lanka; and

(c) The LCX Lanka Financial Projections reflects the Management's intention for LCX Lanka to act as lessor for the Lucenxia INTELLIS machines to LCX Healthcare (lessee) – the only source of revenue expected for LCX Lanka will be rental paid to LCX Lanka by LCX Healthcare. LCX Lanka is not expected to be a business generating unit for the LCX Group.

Premised on the foregoing, the fair value of LCX Lanka lies in the cost to set-up its mechanism (license and product registration) in Sri Lanka – the cost to reproduce LCX Lanka's mechanism.

As at the Valuation Date, the estimated reproduction cost of the license and the registration held by LCX Lanka comprised the following:-

	RM'000
Registration cost	10
License cost	4
Good Manufacturing Practice inspection cost	83
Pharmacist cost	5
	102

(Source: Management and Crowe's analysis)

LCX Healthcare

In arriving at the estimated fair value of LCX's investment in LCX Healthcare, we adopted the DCF method under the income approach based on the consideration that LCX Healthcare holds the MOH Agreement to deploy the APD programme nationwide in Sri Lanka for a period of 8 years from 13 November 2019 – indicating future economic benefits attributed from the company.

Our approach to the valuation of LCX Healthcare using the DCF method is based on the following parameters:-

(a) The LCX Healthcare Financial Projections together with the key underlying bases and assumptions provided by the Management; and

(b) Discounting the net cash flows using the discount rate range of 11.2% to 12.2%.

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3. VALUATION (CONT'D)

3.5 Valuation Results (Cont'd)

Notes (Cont'd)

2. (Cont'd)

Based on the Valuation approach outlined above, the range of values of 55% equity interest in LCX Healthcare as at the Valuation Date is estimated to be within the range of **RM0.50 million** to **RM0.61 million**, as summarised below:-

	RM'million	Comments
DCF analysis		
Enterprise value	0.91 – 1.11	Based on the LCX Healthcare Financial Projections with an assumed discount rate range of 11.2% to 12.2% as illustrated in **Appendices 1 and 2** of this Letter.
Equity value - 100% equity interest	0.91 – 1.11	Based on the range of EV of RM0.91 million to RM1.11 million, and after considering Nil borrowings reported by LCX Healthcare as at the Valuation Date.
- 55% equity interest	0.50 – 0.61	Values for 55% equity interest in LCX Healthcare.

There is no other adjustment to the book values of LCX's assets and liabilities as at the Valuation Date other than those already indicated.

3.6 Conclusion

Based on the foregoing, the range of values of the entire equity interest in LCX as at the Valuation Date is **RM9.41 million to RM9.52 million**.

The estimated range of values involves reliance on specific bases and assumptions as well as available market data used in the Valuation, where applied. The final price of the equity interests in LCX will reflect the specific circumstances of the buyer and seller, their perceptions of business and market factors at the point of execution.

Please note that the estimated range of values based on the methodology applied are limited by the Valuation approach (as outlined) and any reference to these range of values will have to be read in the context of the approach used in the Valuation.

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4. LIMITATIONS

The Valuation is valid only for the Valuation Date and for the purpose specified herein.

Certain data and information have been obtained from the Management in the form of reports, models, supporting documents, work papers and oral representations in meetings and discussions. No attempt has been made by us to verify or audit the reliability of the data and information given for the purpose of the Valuation, nor have any attempts been made to ensure that the public information obtained represents an exhaustive list of relevant facts. Accordingly, we issue no warranty or other form of assurance regarding the reliability and completeness of information furnished by the Management.

For the purpose of the Valuation, we have not conducted any audit or other verification procedures in respect of any financial and non-financial data and information used in our work. Additionally, the scope of the Valuation are different from that required for an audit which is based on generally accepted auditing standards and for that reason, it does not provide the same level of assurance as an audit of financial statements.

The data and information provided to Crowe by the Management include the Financial Projections. We have assumed that the Financial Projections is reasonable and do not reflect any material bias, either positive or negative.

We assume no responsibility for the legal description or matters including legal considerations.

Crowe, in no way, guarantees or otherwise warrants the achievability of the Financial Projections. Forecasts and projections are inherently uncertain and are based on predictions of future events that cannot be assured and are necessarily based on certain assumptions that may or may not materialise. Consequently, actual future results can be significantly more or less favourable than those projected.

Concurrently, Crowe does not guarantee or warrants the achievability of the disposal of the equity interest in LCX at the value. The estimated value involves reliance on specific bases and assumptions as well as available market data used in the Valuation. In the event of a market transaction involving LCX, the final value attributed to it will normally reflect the aspiration, circumstances and knowledge of a specific buyer and seller at the point of transaction. These factors may differ materially from those assumed in the Valuation and will affect the value.

5. RESTRICTIONS

This Letter is prepared strictly and solely for Adventa's exclusive use and other than for the inclusion in the Circular, this Letter is not intended for general circulation or publication and is not to be reproduced, quoted or referred to, in whole or in part, in any public document or announcement or to be included in any submissions to any regulatory bodies without our prior written consent. We reserve the right to amend this Letter in terms of its format and contents before providing our consent.

Save for the purpose stated herein, this Letter cannot be relied upon by any party other than Adventa. Accordingly, we are not responsible or liable for any form of losses however occasioned to any third party as a result of the circulation, publication, reproduction or use of, or reliance on this Letter, in whole or in part.

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5. **RESTRICTIONS (CONT'D)**

We are not required to give testimony or to be in attendance in court with reference to the assets, properties, or business interest in question unless arrangements have been previously made. Neither Crowe nor any of its members or employees undertakes responsibility arising in any way whatsoever to any person in respect of this Letter, including any error or omission therein, however caused. We are under no obligation to update our Letter in respect of events or information that comes to our attention subsequent to the date of this Letter. Notwithstanding this, we reserve the right, should we consider it necessary, to revise our Letter in light of any information that existed at the date of this Letter but which becomes known to us subsequent to the date of this Letter.

Yours faithfully
Crowe Advisory Sdn Bhd

Foong Yi

Phoon Foong-Yi
Director, Advisory

Leow Sue Fern
Associate Director, Advisory

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Appendix 1: Discount Rate Analysis – LCX Healthcare

	Note	Cost of equity Low range	Cost of equity High range
Industry relevered beta	1	0.755	0.755
Equity risk premium	3	8.215%	8.215%
Equity risk premium for LCX Healthcare		6.202%	6.202%
Add: Risk free rate	4	1.675%	1.675%
		7.88%	7.88%
Add: Size premium	5	2.36%	2.36%
		10.2%	10.2%
Add: Premium for unsystematic risk	6	2.0%	1.0%
Cost of equity	7	**12.2%**	**11.2%**

Notes:

1. Relevered beta analysis:

		Remarks / Notes
Unlevered beta	0.508	Refer to **Appendix 2**
D/E	0.6389	Note 2 below
Income tax rate	24%	Corporate income tax rate in 2020
Relevered beta	**0.755**	

2. We have relied upon the gearing position of the Comparable Companies (defined in Appendix 2) to serve as the point of reference to LCX Healthcare's gearing position for this analysis.

3. Based on the 10-year weekly average risk premium for US up to 30 September 2020 of 7.650% regressed against the country risk premium for Malaysia calculated at 0.565% (Source: Bloomberg).

4. 10-year Malaysia Government Bonds yield as at 30 September 2020 of 2.675% less default spread of 1% (Source: Bloomberg).

5. Assumed size discount of 30% to account for LCX Healthcare's limitation in terms of illiquidity and size as compared to the Comparable Companies.

6. Additional premium to account for the unsystematic risks associated with LCX Healthcare's business and its forecasted financial performance, with further consideration that LCX Healthcare has yet to generate income from the MOH Agreement as at the Valuation Date.

7. We have used cost of equity to calculate the present value of LCX Healthcare's forecasted free cash flow to equity – LCX Healthcare did not have any other interest-bearing borrowings as at the Valuation Date save for the amount due to its related parties. Any receipt from, or repayment to, related parties by LCX Healthcare during the projected period were considered in the changes in working capital under the DCF method.

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Appendix 2: Comparable Companies – LCX Healthcare

1. In our assessment of comparable listed companies involved in the renal healthcare industry ("Comparable Companies"), we have selected Comparable Companies based on certain benchmarks in the following order:-

   (a) **Business nature** – Companies which are comparable to LCX in terms of principal business nature.

   (b) **Financial performance** – Companies with reported annual net earnings (profits) based on their latest annual report (filing).

2. Based on the assessment specified above, the Comparable Companies are as follows:-

Comparable companies	Principal activities [1]	Date of relevant filing	D/E Ratio[2]	Tax rate[3]	Beta (Observed)[4]	Unlevered Beta[5]
Baxter International Inc.	The company develops, manufactures and markets products and technologies related to hemophilia, immune disorders, infectious diseases, kidney disease, trauma and other chronic and acute medical conditions. The company's products are used by hospitals, kidney dialysis centers, nursing homes, rehabilitation centers, doctors' offices and research laboratories.	31 Dec 2019	0.68	21%	0.769	0.501
Fresenius Medical Care AG & Co. KGaA	The company offers kidney dialysis services, and manufactures and distributes equipment and products used in the treatment of dialysis patients. The company also offers clinical laboratory testing and diagnostic testing services and provides home infusion, respiratory therapy, ultrasound, and echo-cardiography.	31 Dec 2019	0.60	15%	0.779	0.516
					Median	0.508

Notes:-

1. Source: Bloomberg.
2. Refers to total borrowings over total equity (Source: Audited financial statements as at the date of filing).

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Appendix 2: Comparable Companies – LCX Healthcare (Cont'd)

2. (Cont'd.)

Notes (Cont'd):-

3. Refers to the corporate tax rate applied in the country of domicile for each of the Comparable Company.
4. 5-year weekly average adjusted beta (Source: Bloomberg).
5. Unlevered beta based on the corporate tax applied in each Comparable Company's country of domicile.

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1. RESPONSIBILITY STATEMENT

This Circular has been seen and approved by the Board and they collectively and individually accept full responsibility for the accuracy of the information given and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there is no false or misleading statement or other facts the omission of which would make any information in this Circular false or misleading.

2. CONSENT AND CONFLICT OF INTEREST

2.1 AmInvestment Bank

AmInvestment Bank, being the Principal Adviser for the Proposed Lucenxia Disposal, has given and has not subsequently withdrawn their written consent for the inclusion in this Circular of their names, reports and/or letters (where applicable) and all references thereto in the form and context in which they appear in this Circular.

AmInvestment Bank has given its written confirmation that it is not aware of any conflict of interest which exists or is likely to exist in its capacity as the Principal Adviser in respect of the Proposed Lucenxia Disposal.

AmInvestment Bank, its related and associated companies, as well as its holding company, AMMB Holdings Berhad and the subsidiaries and associated companies of its holding company ("**AmBank Group**") form a diversified financial group and are engaged in a wide range of investment and commercial banking, brokerage, securities trading, asset and funds management and credit transaction service businesses.

In the ordinary course of their businesses, any member of AmBank Group may at any time extend services to any company as well as hold long or short positions, and trade or otherwise effect transactions, for its own account or the account of its other clients, in debt or equity securities or senior loans of any company. Accordingly, there may be situations where parts of the AmBank Group and/or its clients now have or in the future, may have interests or take actions that may conflict with the interests of Adventa Group.

As at LPD, AmBank Group has not extended any credit facilities to the Adventa Group.

AmInvestment Bank is of the view that its role as the Principal Adviser for the Proposed Lucenxia Disposal is not likely to result in a conflict of interest or potential conflict of interest situation for the following reasons:-

(i) AmInvestment Bank's role in the Proposed Lucenxia Disposal is undertaken in the ordinary course of business; and

(ii) AmInvestment Bank undertakes each of its roles on an arm's length basis and its conduct is regulated by Bank Negara Malaysia and the Securities Commission Malaysia and governed under, inter alia, the Financial Services Act 2013, the Capital Markets and Services Act 2007, and AmBank Group's Chinese Wall policy and internal controls and checks.

Premised on the above, AmInvestment Bank confirms that it is not aware of any conflict of interest which exist or is likely to exist in its capacity as the Principal Adviser in respect of the Proposed Lucenxia Disposal.

2.2 cfSolutions

cfSolutions, being the Independent Adviser for the Proposed Lucenxia Disposal, has given and has not subsequently withdrawn their written consent for the inclusion in this Circular of their name, reports and/or letters (where applicable) and all references thereto in the form and context in which they appear in this Circular.

cfSolutions has given a written confirmation that it is not aware of any conflict of interest which exists or is likely to exist in its capacity as the Independent Adviser in respect of the Proposed Lucenxia Disposal.

2.3 Crowe Advisory Sdn Bhd

Crowe Advisory Sdn Bhd, being the Independent Valuer for the Proposed Lucenxia Disposal, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of their name, the Valuation Report in respect of the entire equity interest in Lucenxia as set out in Appendix IV of this Circular and all references thereto in the form and context in which they so appear in this Circular.

Crowe Advisory Sdn Bhd has given its written confirmation that it is not aware of any conflict of interest which exists or is likely to exist in its capacity as the Independent Valuer for the Proposed Lucenxia Disposal.

3. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES

3.1 Material commitments

As at LPD, there is no material commitments incurred or known to be incurred by Adventa Group, which upon becoming enforceable may have a material impact on the profit or NA of Adventa Group.

3.2 Contingent liabilities

As at LPD, there is no material contingent liabilities incurred or known to be incurred by Adventa Group which upon being enforced may materially and adversely affect the financial position of Adventa Group.

4. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of Adventa at 21, Jalan Tandang 51/205A, Seksyen 51, 46050 Petaling Jaya, Selangor Darul Ehsan, Malaysia during normal business hours from Mondays to Fridays (except public holidays) from the date of this Circular up to and including the date of the forthcoming EGM:

(i) Constitution of Adventa;

(ii) copy of the SSA;

(iii) copy of the Valuation Report and Valuation Letter;

(iv) the audited consolidated financial statements of Adventa for the financial year ended 31 October 2017, 14-months FPE 31 December 2018, financial year ended 31 December 2019 and the latest unaudited consolidated financial statements of Adventa for the financial year ended 31 December 2020;

(v) unaudited proforma consolidated financial statements of Lucenxia Group for the financial year ended 31 December 2020;

(vi) the audited financial statements of Lucenxia for the financial year ended 31 October 2017, 14-months FPE 31 December 2018, financial year ended 31 December 2019; and

(vii) the letters of consent referred to in Section 2 above.

ADVENTA

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

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting of Adventa Berhad ("**Adventa**" or "**the Company**") will be held on a fully virtual basis at the broadcast venue at Meeting Room of Adventa of 21, Jalan Tandang 51/205A, Seksyen 51, 46050 Petaling Jaya, Selangor Darul Ehsan on Thursday, 8 April 2021 at 10.30 a.m. for the purpose of considering and if thought fit, passing with or without modifications, the following resolution:

ORDINARY RESOLUTION

PROPOSED DISPOSAL BY ADVENTA BERHAD ("ADVENTA") TO MR LOW CHIN GUAN ("MR LOW" OR "BUYER") OF ITS ENTIRE EQUITY INTEREST IN LUCENXIA (M) SDN. BHD. ("LUCENXIA"), A WHOLLY-OWNED SUBSIDIARY OF ADVENTA ("PROPOSED LUCENXIA DISPOSAL")

"**THAT**, subject to the fulfilment of all other conditions precedent under the conditional Share Sale Agreement dated 5 February 2021 ("**SSA**") between Adventa and Mr Low in relation to the Proposed Lucenxia Disposal, and all approvals being obtained from the relevant authorities and/or parties (if required), approval be and is hereby given to the Company to dispose of its entire equity interest in Lucenxia to Mr Low or his nominee for a total cash consideration of RM11.0 million.

AND THAT the Board be and is hereby authorised to do all such acts and things and enter into any arrangements, guarantees and/or documents as the Board deems necessary and expedient in order to implement, finalise and/or give full effect to and complete the Proposed Lucenxia Disposal; and where applicable with full powers to assent to any terms, conditions, modifications, variations and/or amendments as may be required by the relevant regulatory authorities or as the Board may deem necessary or expedient to implement, finalise and/or give full effect to and complete the Proposed Lucenxia Disposal."

By Order of the Board
CHUA SIEW CHUAN (SSM PC No. 201908002648) (MAICSA 0777689)
LIM LIH CHAU (SSM PC No. 201908001454**)** (LS 0010105)
Company Secretaries
Kuala Lumpur
24 March 2021

Notes:-

1. *In respect of deposited securities, only members whose names appear in the Record of Depositors on 1 April 2021 shall be eligible to attend the Meeting.*
2. *A Member entitled to attend and vote at the Meeting is entitled to appoint more than one (1) proxy to attend, participate, speak and vote instead of the Member at the Meeting. A proxy need not be a Member of the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the Meeting of the Company shall have the same rights as the Member to attend, participate, speak and vote at the meeting and upon appointment a proxy shall be deemed to confer authority to demand or join in demanding a poll.*
   As guided by the Securities Commission Malaysia's Guidance Note and FAQs on the Conduct of General Meetings for Listed Issuers that was issued on 18 April 2020 and its subsequent revisions, the right to speak is not limited to verbal communication only but includes other modes of expression. Therefore, all shareholders and proxies shall communicate with the main venue of the Meeting via a real time submission of typed texts through a text box within Securities Services e-Portal's platform during the live streaming of the Meeting as the primary mode of communication. In the event of any technical glitch in this primary mode of communication, shareholders and proxies may email their questions to eservices@sshsb.com.my during the Meeting. The questions and/or remarks submitted by the shareholders and/or proxies will be broadcasted and responded by the Chairman/Board/Management/relevant advisers during the Meeting.
   Where a Member appoints more than one (1) proxy in relation to the Meeting, he shall specify the proportion of his shareholdings to be represented by each proxy, failing which the appointment shall be invalid.
3. *The instrument appointing a proxy shall be in writing under the hand of the Member or of his attorney duly authorised in writing or, if the Member is a corporation, shall either be executed under the corporation's common seal or under the hand of an officer or attorney duly authorised.*
4. *Where a Member of the Company is an Exempt Authorised Nominee which holds Deposited Securities in the Company for multiple beneficial owners in one (1) securities account ("**Omnibus Account**"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.*

5. *Appointment of proxy and registration for remote participation and voting*

The instrument appointing a proxy shall be deposited at SS E Solutions Sdn. Bhd. at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan not less than forty-eight (48) hours before the time for holding the Meeting or any adjournment thereof. The proxy appointment may also be lodged electronically via Securities Services e-Portal at https://www.sshsb.net.my/. The lodging of the Form of Proxy will not preclude any shareholder from participating and voting remotely at the Meeting should any shareholder subsequently wishes to do so, provided a notice of termination of proxy authority in writing is given to the Company and deposited at SS E Solutions Sdn. Bhd. at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan not less than twenty-four (24) hours before the time stipulated for holding the Meeting or at any adjournment thereof. The resolution set out in this notice of meeting is to be voted by poll.

Should you wish to personally participate at the Meeting remotely, please register electronically via Securities Services e-Portal at https://www.sshsb.net.my/ by the registration cut-off date and time.

ADVENTA

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

CDS ACCOUNT NO.	- -
NO. OF SHARES HELD	
TELEPHONE NO.	
EMAIL ADDRESS	

FORM OF PROXY

I/We ....
(FULL NAME IN BLOCK LETTERS)

(NRIC No./Passport No./Registration No.. ....)

of ....
(FULL ADDRESS)

being a *member/members of **ADVENTA BERHAD**, hereby appoint

Name of Proxy	**NRIC No./Passport No.**	**Proportion of Shareholdings Represented**	
		No. of Shares	**%**
Address			

*and

Name of Proxy	**NRIC No./Passport No.**	**Proportion of Shareholdings Represented**	
		No. of Shares	**%**
Address			

or failing him, the **CHAIRMAN OF THE MEETING** as *my/our proxy to vote for *me/us on *my/our behalf at the Extraordinary General Meeting ("**EGM**") of the Company to be held on a fully virtual basis at the broadcast venue at Meeting Room of Adventa Berhad of 21, Jalan Tandang 51/205A, Seksyen 51, 46050 Petaling Jaya, Selangor Darul Ehsan on Thursday, 8 April 2021 at 10.30 a.m. and at any adjournment thereof.

Please indicate with an "X" in the space provided on how you wish to cast your vote. If you do not do so, the proxy will vote or abstain from voting at his discretion.

ORDINARY RESOLUTION		**FOR**	**AGAINST**
1.	PROPOSAL LUCENXIA DISPOSAL		

Dated this .... day of .... 2021 ....

Signature(s) of member(s)/Common Seal

* Delete if not applicable

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   Should you wish to personally participate at the Meeting remotely, please register electronically via Securities Services e-Portal at https://www.sshsb.net.my/ by the registration cut-off date and time.

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AFFIX
STAMP

Poll Administrator
SS E Solutions Sdn. Bhd.
Level 7 Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur

2nd Fold Here

Fold This Flap For Sealing