



ADVENTA BERHAD

(Company No : 200301016113 (618533-M))

(Incorporated in Malaysia)

SECOND QUARTER REPORT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2023

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS

	Note	Individual period		Cumulative period	
		Current Year Quarter 30-Jun-2023 RM'000	Preceding Year Corresponding Quarter 30-Jun-2022 RM'000	Current Year Quarter 30-Jun-2023 RM'000	Preceding Year Corresponding Quarter 30-Jun-2022 RM'000
Revenue	8	6,661	21,901	20,412	40,196
Operating expenses		(8,870)	(21,120)	(23,150)	(37,952)
Net foreign exchange loss	25	14	(21)	(23)	(129)
Other income	25	49	115	106	233
Operating profit/(loss)		(2,146)	875	(2,655)	2,348
Finance costs	25	(413)	(367)	(735)	(701)
Share of results of associates		-	(239)	-	(468)
Profit/(loss) before taxation	8	(2,559)	269	(3,390)	1,179
Income tax expense	18	(2)	(96)	(2)	(468)
Profit/(loss) for the period		(2,561)	173	(3,392)	711
Profit attributable to:					
Owners of the parent	24	(2,539)	82	(3,364)	782
Non-controlling interests		(22)	91	(28)	(71)
Profit/(loss) for the period		(2,561)	173	(3,392)	711
Earnings/(losses) per share (sen):					
Basic	24	(1.66)	0.05	(2.20)	0.51
Diluted		N/A	N/A	N/A	N/A
Number of ordinary shares ('000)	24	152,786	152,786	152,786	152,786

These condensed consolidated income statements should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.



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SECOND QUARTER REPORT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2023

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Individual period		Cumulative period	
	Current Year Quarter 30-Jun-2023 RM'000	Preceding Year Corresponding Quarter 30-Jun-2022 RM'000	Current Year Quarter 30-Jun-2023 RM'000	Preceding Year Corresponding Quarter 30-Jun-2022 RM'000
Profit for the period	(2,561)	173	(3,392)	711
Other comprehensive income:				
Foreign currency translation	1,095	(229)	1,983	(439)
Total comprehensive income for the period	<u>(1,466)</u>	<u>(56)</u>	<u>(1,409)</u>	<u>272</u>
Total comprehensive income attributable to:				
Owners of the parent	(2,539)	82	(3,364)	782
Non-controlling interests	1,073	(138)	1,955	(510)
Total comprehensive income for the period	<u>(1,466)</u>	<u>(56)</u>	<u>(1,409)</u>	<u>272</u>

These condensed consolidated income statements should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.



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SECOND QUARTER REPORT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2023

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	Unaudited As at 30-Jun-2023 RM'000	Audited As at 31-Dec-2022 RM'000
ASSETS			
Non-current assets			
Property, plant & equipment		12,577	14,123
Intangible assets		197	55
Deferred tax assets		426	426
		13,200	14,604
Current assets			
Inventories		15,359	19,747
Trade and other receivables	7	38,980	25,574
Tax recoverable		1,118	1,138
Cash and bank balances		5,782	10,945
		61,239	57,404
TOTAL ASSETS		74,439	72,008

These condensed consolidated statements of financial position should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.



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CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Unaudited As at Note 30-Jun-2023 RM'000	Audited As at 31-Dec-2022 RM'000
EQUITY AND LIABILITIES		
Non-Current liabilities		
Bank borrowings	22 <u>7,131</u>	<u>-</u>
Current liabilities		
Trade payables and other payables	3,386	8,429
Lease liabilities	27	67
Bank borrowings	22 <u>2,333</u>	<u>541</u>
	<u>5,746</u>	<u>9,037</u>
Total liabilities	<u>12,877</u>	<u>9,037</u>
Equity		
Share capital	57,680	57,680
Foreign exchange reserve	1,792	(153)
Retained earnings	<u>2,094</u>	<u>5,457</u>
Equity attributable to owners of the parent	61,566	62,984
Non-controlling interests	<u>(4)</u>	<u>(13)</u>
Total equity	<u>61,562</u>	<u>62,971</u>
TOTAL EQUITY AND LIABILITIES	<u>74,439</u>	<u>72,008</u>
Net assets per share (RM)	<u>0.40</u>	<u>0.41</u>

These condensed consolidated statements of financial position should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.



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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	<u>Non-distributable</u>		<u>Distributable</u>		Non-controlling interests	Total equity
	Share capital	Foreign exchange reserve	Retained profits	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Period ended 31 December 2022</u>						
At 1 January 2022	57,680	2	10,599	68,281	20	68,301
Profit for the financial period	-	-	(5,141)	(5,141)	(64)	(5,205)
Other comprehensive income						
Foreign currency translation differences for foreign operations, representing total other comprehensive income	-	(156)	-	(156)	31	(125)
Total comprehensive income	-	(156)	-	(156)	31	(125)
At 31 December 2022	<u>57,680</u>	<u>(154)</u>	<u>5,458</u>	<u>62,984</u>	<u>(13)</u>	<u>62,971</u>
<u>Period ended 30 June 2023</u>						
At 1 January 2023	57,680	(154)	5,458	62,984	(13)	62,971
Profit for the financial period	-	-	(3,364)	(3,364)	(28)	(3,392)
Other comprehensive income						
Foreign currency translation differences for foreign operations, representing total other comprehensive income	-	1,946	-	1,946	37	1,983
Total comprehensive income	-	1,946	-	1,946	37	1,983
At 30 June 2023	<u>57,680</u>	<u>1,792</u>	<u>2,094</u>	<u>61,566</u>	<u>(4)</u>	<u>61,562</u>

These condensed consolidated statements of changes in equity should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.



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SECOND QUARTER REPORT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2023

UNAUDITED ADJUSTED CONSOLIDATED STATEMENTS OF CASH FLOW

	Current Period to Date Ended 30-Jun-2023 RM'000	Corresponding Period to Date Ended 30-Jun-2022 RM'000
Cash flows from operating activities		
Profit/(loss) before tax	(3,390)	1,179
Adjustments for:		
Depreciation of property, plant and equipment	331	548
Inventories written off	204	-
Interest expense	735	701
Interest income	(21)	(145)
Operating profit/(loss) before working capital changes	<u>(2,141)</u>	<u>2,283</u>
Decrease/(increase) in inventories	4,185	1,345
(Increase)/decrease in receivables	(13,406)	7,581
Decrease in payables	<u>(5,043)</u>	<u>(14,406)</u>
Cash used in operations	(16,405)	(3,197)
Taxes paid	<u>(28)</u>	<u>(385)</u>
Net cash used in operating activities	(16,433)	(3,582)

These condensed consolidated statements of cash flow should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.



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SECOND QUARTER REPORT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2023

UNAUDITED ADJUSTED CONSOLIDATED STATEMENTS OF CASH FLOW

	Current Year to Date Ended 30-Jun-2023 Unaudited RM'000	Corresponding Year to Date Ended 30-Jun-2022 Audited RM'000
Cash flows from investing activities		
Purchase of property, plant and equipment	(5)	(351)
Proceed from disposal of plant and equipment	1,221	202
Acquisition of subsidiaries	(142)	-
Interest received	21	145
Net cash used from/(used in) investing activities	1,095	(4)
Cash flows from financing activities		
Net increase in borrowings	8,883	2,290
Interest paid	(735)	(701)
Net cash from financing activities	8,148	1,589
Effects of foreign exchange rate changes	2,027	480
Net decrease/(increase) in cash and cash equivalents	(5,163)	(1,517)
Cash and cash equivalents at beginning of financial period	10,945	7,805
Cash and cash equivalents at end of financial period	5,782	6,288
Cash and cash equivalents at end of financial period comprise:		
- Cash and bank balances	5,782	6,288

These condensed consolidated statements of cash flow should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

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UNAUDITED NOTES TO FINANCIAL STATEMENTS

PART A - EXPLANATORY NOTES PURSUANT TO MFRS 134

1. BASIS OF PREPARATION

The interim financial report is unaudited and has been prepared in accordance with Malaysia Financial Reporting Standard ("MFRS") 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial report should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2022. The explanatory notes attached to the interim financial statements explain events and transactions that are significant to the understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2022.

The audited financial statements of the Group for the year ended 31 December 2022 were prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"). The significant accounting policies and method of computations adopted in the preparation of the financial report are consistent with those adopted in the audited financial statements of the Group for the financial year ended 31 December 2022.

2. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The preceding audited financial statements for the year ended 31 December 2022 were no subject to any qualification.

3. UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE, OR INCIDENCE

There were no other unusual items affecting assets, liabilities, equity, net income, and cash flows during the current quarter under review.

4. CHANGES IN ESTIMATES

There were no changes in estimates that have had a material effect on the current quarter results.

5. DEBTS AND EQUITY SECURITIES

There were no issuances, cancellations, repurchases, resale, and repayments of debt and equity securities during the current quarter under review.

6. DIVIDENDS PAID

There was no dividend paid during the current quarter under review.

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7. TRADE AND OTHER RECEIVABLES

	As at 30-Jun-23 RM ('000)	As at 31-Dec-22 RM ('000)
Trade Receivables		
Third parties	23,345	20,491
Allowance for impairment loss	(742)	(742)
	<u>22,603</u>	<u>19,749</u>
Other Receivables		
Third and Related parties	2,946	2,560
Allowance for impairment loss	(2,449)	(2,449)
	<u>497</u>	<u>111</u>
Deposits and Prepayments	<u>15,880</u>	<u>5,914</u>
	<u>38,980</u>	<u>25,774</u>

a) Trade Receivables

The Group's normal trade credit term ranges from 30 to 90 days (2022: 30 to 90 days). Other credit terms are assessed and approved on a case-by-case basis. They are recognized at their original invoice amounts which represent their fair value on initial recognition.

The Group recognizes loss allowances for expected credit losses (ECLs) on trade receivables measured at amortised cost. The Group applies the simplified approach to provide ECLs for all trade receivables as permitted by MFRS 9.

The following table provides information about the exposure to credit risk and ECLs for trade receivables:

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

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Credit impaired

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted payments. These receivables are not secured by any collateral or credit enhancements.

8. SEGMENTAL INFORMATION

Healthcare: The business involves the supply of healthcare and related products, services to hospitals, healthcare centers and pharmacies.

The Group's segmental revenue and profit/(loss) before tax (PBT/LBT) for the current quarter are as follow:

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

(LBT)/PBT result

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

9. VALUATIONS OF PROPERTY, PLANT AND EQUIPMENT

The valuations of property, plant and equipment have been brought forward, without amendment from the previous annual financial statements of the Group.

10. SIGNIFICANT EVENTS

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

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11. CHANGES IN COMPOSITION OF THE GROUP

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

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

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

12. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

13. CAPITAL COMMITMENTS

There were no material capital commitments at the financial period ended 30 June 2023.

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UNAUDITED NOTES TO FINANCIAL STATEMENTS

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

14. PERFORMANCE REVIEW

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

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

15. COMPARISON WITH PRECEDING QUARTER'S RESULTS

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

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

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16. COMMENTARY ON CURRENT YEAR PROSPECTS

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

17. PROFIT FORECAST

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

18. TAXATION

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

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

19. SALE OF UNQUOTED INVESTMENTS AND PROPERTIES

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

20. MARKETABLE SECURITIES

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

21. CORPORATE PROPOSALS

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

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

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

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

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

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

22. BANK BORROWINGS AND DEBT SECURITIES

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

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

23. CHANGES IN MATERIAL LITIGATION

The Board confirms that the Adventa Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant. The Board has no knowledge of any proceedings pending against Adventa Group or any facts likely to give rise to any proceeding which may have a material impact on the business or the financial position of Adventa Group.

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24. EARNINGS PER SHARE

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

a. **Basic**

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

b. **Diluted**

There were no diluted earnings per share.

25. (LOSS) / PROFIT BEFORE TAX

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

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

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26. REALISED AND UNREALISED PROFITS/LOSSES)

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

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

27. AUTHORISED FOR ISSUE

The interim financial statements were authorized for issue by the Board of Directors in accordance with a resolution of the directors on 28th August 2023.

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