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**12. ACCOUNTANTS' REPORT (Cont'd)**

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**5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)****5.3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(s) Employee Benefits (Cont'd)***(ii) Defined Contribution Plans*

The Group's contributions to defined contribution plans are charged to the income statement in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans.

**(t) Revenue Recognition**

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably.

*(i) Sale of Goods*

Revenue is recognised upon delivery of goods and customer's acceptance and where applicable, net of returns and trade discounts.

*(ii) Rental and Interest Income*

Rental and interest income are recognised on an accrual basis.

**6. FINANCIAL INFORMATION**

The current Group only existed upon the completion of the Acquisition (details of which are shown in Section 2.2), hence there were no consolidated financial statements of Sunzen Biotech for the FYE 2005 and FYE 2006. For FYE 2007, Sunzen Biotech Group comprises Sunzen LifeSciences as its only subsidiary. For FPE 31 March 2008, Sunzen Biotech Group comprises Sunzen LifeSciences and Sunzen Feedtech as its subsidiaries. For the purpose of this report, the audited financial statements of Sunzen Biotech and Sunzen Corporation were presented.

The financial information of the Sunzen Biotech Group, Sunzen Biotech and Sunzen Corporation as presented in Section 6.1 and 6.2 are based on the audited financial statements, modified as appropriate, for the purpose of this report.

The scope of work involved in the preparation of this report does not constitute an audit in accordance with approved standards on auditing in Malaysia.

All information are extracted from the audited financial statements except for those in italics which are prepared based on calculations, representations and/or explanations provided by the management and those as otherwise indicated.

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## 12. ACCOUNTANTS' REPORT (Cont'd)



## 6. AUDITED FINANCIAL STATEMENTS

## 6.1 SUNZEN BIOTECH

## 6.1.1 INCOME STATEMENTS

	← The Group →			← The Company →			
	NOTE	FYE2007 <sup>^</sup> RM'000	FPE 31 March 2008 <sup>^^</sup> RM'000	FPE2005 RM'000	FYE2006 RM'000	FYE2007 RM'000	FPE 31 March 2008 RM'000
Revenue	6.1.5	8,734	3,128	-	10,171	8,734	3,128
Cost of sales		(5,696)	(2,034)	-	(6,006)	(5,696)	(2,034)
Gross profit ("GP")		3,038	1,094	-	4,165	3,038	1,094
Marketing and distribution expenses		(633)	(186)	-	(620)	(633)	(186)
Administrative expenses		(86)	(50)	(16)	(53)	(54)	(27)
Other operating expenses		(147)	(30)	-	(101)	(147)	(30)
Profit/(Loss) from operations		2,172	828	(16)	3,391	2,204	851
Finance expenses		-	(4)	-	-	-	(4)
Profit/(Loss) before taxation ("PBT/LBT")	6.1.6	2,172	824	(16)	3,391	2,204	847
Depreciation		16	4	-	16	16	4
Earnings before tax and depreciation ("EBTD")		2,188	828	(16)	3,407	2,220	851
Depreciation		(16)	(4)	-	(16)	(16)	(4)
PBT/LBT		2,172	824	(16)	3,391	2,204	847
Taxation	6.1.7	(143)	(74)	-	(251)	(143)	(74)
Profit/(Loss) after taxation ("PAT/LAT")		2,029	750	(16)	3,140	2,061	773
Weighted average number of ordinary shares of RM0.10 each in issue		200	200	179	200	200	200
GP margin (%)		34.78	34.97	-	40.95	34.78	34.97
PBT margin (%)		24.87	26.34	-	33.34	25.23	27.08
PAT margin (%)		23.23	23.98	-	30.87	23.60	24.71
Effective tax rate (%)		6.58	8.98	-	7.40	6.49	8.74
Gross earnings per share ("EPS") (RM)		10,860	4,120	-	16,955	11,020	4,235
Net EPS (RM)		10,145	3,750	-	15,700	10,305	3,865
Gross dividend rate (%)		1,030,526	-	-	-	1,030,526	-

Notes:

<sup>^</sup> - Consist of Sunzen Biotech and its only subsidiary - Sunzen Lifesciences as at 31 December 2007.

<sup>^^</sup> - Consist of Sunzen Biotech and two subsidiaries - Sunzen Lifesciences and Sunzen Feedtech as at 31 March 2008.

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## 12. ACCOUNTANTS' REPORT (Cont'd)



## 6. AUDITED FINANCIAL STATEMENTS (CONT'D)

## 6.1 SUNZEN BIOTECH (CONT'D)

## 6.1.1 INCOME STATEMENTS (CONT'D)

*Commentary on the Income Statements:-*

- (a) *Sunzen Biotech had not commenced its business operation on FPE 2005. The LBT was mainly due to preliminary and pre-operating expense incurred.*

*Sunzen Biotech began its operations in FYE 2006 on a revenue of approximately RM10.17 million. Revenue in FYE 2006 relate to the sales of animal feed supplement products - mainly Orgacids and Zenacids to Sunzen Corporation.*

*Revenue in FYE 2007 declined by RM1.44 million from RM10.17 million in FYE 2006 to RM8.73 million in FYE 2007 attributed to the adverse market conditions which plagued the regional livestock industry. The drop is mainly driven by the depressed demand of feed additives for the livestock industry in FYE 2007. The PBT of FYE 2007 reduced by 35.00% as compared to FYE 2006 principally due to the decrease in GP contribution arising from the drop in revenue as elaborated above.*

*Revenue in FPE 31 March 2008 increased by RM0.85 million from RM2.28 million in \*FPE 31 March 2007 to RM3.13 million in FPE 31 March 2008 mainly due to the recovery of the livestock industry from both the bird flu and beta agonist epidemic that adversely affected the performance in FPE 31 March 2007. The PBT of FPE 31 March 2008 remained fairly constant as compared to FPE 31 March 2007 despite the incremental revenue achieved in FPE 31 March 2008 due to the corresponding increase in operating overheads.*

*\* - FPE 31 March 2007 relates to the unaudited management accounts for the period from 1 January 2007 to 31 March 2007.*

- (b) *There was no tax for FPE 2005 as Sunzen Biotech has not commenced operations.*

*The effective tax rate in FYE 2006 was significantly lower than the statutory tax rate of 28% primarily due to exemption of 70% of its statutory income from pioneer activities from income tax. The pioneer activities relate to the production of animal feed supplement products, and the pioneer status incentive was granted on 3 November 2006 under the Promotion of Investment Act, 1986. The pioneer status is for an initial period of 5 years.*

*The effective tax rate in FYE 2007 and FPE 31 March 2008 was relatively lower than the statutory tax rate due to the pioneer status incentive as explained above.*

- (c) *The gross EPS is calculated by dividing the PBT by the weighted average number of ordinary shares in issue for the respective financial years under review.*

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12. ACCOUNTANTS' REPORT (*Cont'd*)

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**6. AUDITED FINANCIAL STATEMENTS (CONT'D)**

**6.1 SUNZEN BIOTECH (CONT'D)**

**6.1.1 INCOME STATEMENTS (CONT'D)**

*Commentary on the Income Statements (Cont'd):-*

- (d) *The net EPS is calculated by dividing the PAT by the weighted average number of ordinary shares in issue for the respective financial years under review.*
  
- (e) *There was no exceptional or extraordinary item in the Relevant Financial Period under review.*

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## 12. ACCOUNTANTS' REPORT (Cont'd)



## 6. AUDITED FINANCIAL STATEMENTS (CONT'D)

## 6.1 SUNZEN BIOTECH (CONT'D)

## 6.1.2 BALANCE SHEETS

	← The Group →			← The Company →		
	FYE2007 <sup>^</sup>	FPE 31 March 2008 <sup>^^</sup>	FPE2005	FYE2006	FYE2007	FPE 31 March 2008
NOTE	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>ASSETS</b>						
<b>NON-CURRENT ASSETS</b>						
Investment in subsidiaries	6.1.8	-	-	-	*	**
Plant and equipment	6.1.9	84	-	100	84	80
Goodwill on consolidation	6.1.10	-	-	-	-	-
		84	-	100	84	80
<b>CURRENT ASSETS</b>						
Inventories	6.1.11	2,028	-	1,560	2,028	2,276
Trade receivables	6.1.12	18,695	-	10,171	18,695	22,057
Other receivables, deposits and prepayments		552	422	457	552	586
Tax refundable		392	-	-	392	472
Cash and bank balances		200	**	**	200	277
		21,867	422	12,188	21,867	25,668
<b>TOTAL ASSETS</b>		<b>21,951</b>	<b>422</b>	<b>12,288</b>	<b>21,951</b>	<b>25,748</b>
<b>EQUITY AND LIABILITIES</b>						
<b>EQUITY</b>						
Share capital	6.1.13	***	***	***	***	***
Retained profits/(Accumulated loss)	6.1.14	3,092	(16)	3,124	3,124	3,897
<b>TOTAL EQUITY/(DEFICIT)</b>		<b>3,092</b>	<b>(16)</b>	<b>3,124</b>	<b>3,124</b>	<b>3,897</b>
<b>NON-CURRENT LIABILITY</b>						
Deferred taxation	6.1.15	6	-	7	6	13
<b>CURRENT LIABILITIES</b>						
Trade payables	6.1.16	1,088	-	702	1,088	1,118
Other payables and accruals	6.1.17	15,704	438	8,211	15,672	18,659
Dividends payable		2,061	-	-	2,061	2,061
Provision for taxation		-	-	244	-	-
		18,853	438	9,157	18,821	21,838
<b>TOTAL LIABILITIES</b>		<b>18,859</b>	<b>438</b>	<b>9,164</b>	<b>18,827</b>	<b>21,851</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>21,951</b>	<b>422</b>	<b>12,288</b>	<b>21,951</b>	<b>25,748</b>

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## 12. ACCOUNTANTS' REPORT (Cont'd)



## 6. AUDITED FINANCIAL STATEMENTS (CONT'D)

## 6.1 SUNZEN BIOTECH (CONT'D)

## 6.1.2 BALANCE SHEETS (CONT'D)

	← The Group →		← The Company →			
	FYE2007 <sup>^</sup>	FPE 31 March 2008 <sup>^^</sup>	FPE2005	FYE2006	FYE2007	FPE 31 March 2008
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<i>Number of ordinary shares in issue of RM0.10 each</i>	****	****	****	****	****	****
<i>Net assets ("NA") (RM'000)</i>	3,092	3,842	(16)	3,124	3,124	3,897
<i>NA per ordinary share (RM)</i>	15,460	19,210	89	15,620	15,620	19,485
<i>Trade receivables turnover period (days)</i>	-	-	-	-	-	-
<i>Trade payables turnover period (days)</i>	70	-	-	43	70	50 <sup>*****</sup>

## Notes:

- \* - RM 2
- \*\* - RM 6
- \*\*\* - RM 20
- \*\*\*\* - 200 ordinary shares of RM0.10 each
- \*\*\*\*\* - Computed based on trade payables over annualised cost of sales

<sup>^</sup> - Consist of Sunzen Biotech and its only subsidiary - Sunzen Lifesciences as at 31 December 2007.

<sup>^^</sup> - Consist of Sunzen Biotech and two subsidiaries - Sunzen Lifesciences and Sunzen Feedtech as at 31 March 2008.

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## 12. ACCOUNTANTS' REPORT (Cont'd)



## 6. AUDITED FINANCIAL STATEMENTS (CONT'D)

## 6.1 SUNZEN BIOTECH (CONT'D)

## 6.1.3 CASH FLOW STATEMENTS

	← The Group →		← The Company →			
	FYE2007 <sup>^</sup>	FPE 31 March 2008 <sup>^^</sup>	FYE2005	FYE2006	FYE2007	FPE 31 March 2008
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>CASH FLOW FROM/(FOR) OPERATING ACTIVITIES</u>						
Profit/(Loss) before taxation	2,172	824	(16)	3,391	2,204	847
<u>Adjustments for:-</u>						
Depreciation of plant and equipment	16	4	-	16	16	4
Preliminary expenses written off	-	-	12	-	-	-
Operating profit/(loss) before working capital changes	2,188	828	(4)	3,407	2,220	851
Increase in inventories	(468)	(248)	-	(1,560)	(468)	(248)
Increase in trade and other receivables	(8,619)	(3,396)	(422)	(10,206)	(8,619)	(3,396)
Increase in trade and other payables	7,879	3,040	438	8,475	7,847	3,017
<b>CASH FROM OPERATIONS</b>	<b>980</b>	<b>224</b>	<b>12</b>	<b>116</b>	<b>980</b>	<b>224</b>
Tax paid	(780)	(147)	-	-	(780)	(147)
Preliminary expenses paid	-	-	(12)	-	-	-
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>200</b>	<b>77</b>	<b>-</b>	<b>116</b>	<b>200</b>	<b>77</b>
<u>CASH FLOW FOR INVESTING ACTIVITIES</u>						
Purchase of plant and equipment	-	-	-	(116)	-	-
Investment in subsidiaries	-	-	-	-	*	**
<b>NET CASH FOR INVESTING ACTIVITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(116)</b>	<b>*</b>	<b>**</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>-</b>	<b>77</b>	<b>-</b>	<b>-</b>	<b>200</b>	<b>77</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR/PERIOD</b>	<b>***</b>	<b>200</b>	<b>-</b>	<b>***</b>	<b>***</b>	<b>200</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR/PERIOD</b>	<b>200</b>	<b>277</b>	<b>-</b>	<b>***</b>	<b>200</b>	<b>277</b>

## Notes:

\* - RM2

\*\* - RM6

\*\*\* - RM20

<sup>^</sup> - Consist of Sunzen Biotech and its only subsidiary - Sunzen Lifesciences as at 31 December 2007.<sup>^^</sup> - Consist of Sunzen Biotech and two subsidiaries - Sunzen Lifesciences and Sunzen Feedtech as at 31 March 2008.

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## 12. ACCOUNTANTS' REPORT (Cont'd)



## 6. AUDITED FINANCIAL STATEMENTS (CONT'D)

## 6.1 SUNZEN BIOTECH (CONT'D)

## 6.1.4 STATEMENTS OF CHANGES IN EQUITY

	SHARE CAPITAL RM'000	RETAINED PROFITS RM'000	TOTAL EQUITY RM'000
<b>THE GROUP</b>			
At date of acquisition	*	3,124	3,124
Profit for the financial year	-	2,029	2,029
Dividends	-	(2,061)	(2,061)
Balance at 31.12.2007 <sup>^</sup> /1.1.2008	*	3,092	3,092
Profit for the financial period	-	750	750
Balance at 31.3.2008 <sup>^^</sup>	*	3,842	3,842
		(ACCUMULATED Loss)/	
	SHARE CAPITAL RM'000	RETAINED PROFITS RM'000	TOTAL EQUITY RM'000
<b>THE COMPANY</b>			
At date of incorporation	*	-	*
Loss for the financial period	-	(16)	(16)
Balance at 31.12.2005/1.1.2006	*	(16)	(16)
Profit for the financial year	-	3,140	3,140
Balance at 31.12.2006/1.1.2007	*	3,124	3,124
Profit for the financial year	-	2,061	2,061
Dividends	-	(2,061)	(2,061)
Balance at 31.12.2007/1.1.2008	*	3,124	3,124
Profit for the financial period	-	773	773
Balance at 31.3.2008	*	3,897	3,897

## Notes:

\* - RM20

<sup>^</sup> - Consist of Sunzen Biotech and its only subsidiary - Sunzen Lifesciences as at 31 December 2007.<sup>^^</sup> - Consist of Sunzen Biotech and two subsidiaries - Sunzen Lifesciences and Sunzen Feedtech as at 31 March 2008.

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## 6. AUDITED FINANCIAL STATEMENTS (CONT'D)

## 6.1 SUNZEN BIOTECH (CONT'D)

## 6.1.5 REVENUE

Revenue represents the invoiced value of goods sold less returns and discounts.

## 6.1.6 PROFIT/(LOSS) BEFORE TAXATION

	← The Group →		← The Company →			
	FYE2007 RM'000	FPE 31 March 2008 RM'000	FPE2005 RM'000	FYE2006 RM'000	FYE2007 RM'000	FPE 31 March 2008 RM'000
Audit fee	13	4	1	8	12	3
Bills payable interest	-	2	-	-	-	2
Depreciation of plant and equipment	16	4	-	16	16	4
Loss on foreign exchange - realised	117	16	-	87	117	16
Preliminary expenses written off	-	-	12	-	-	-
Rental of premises	46	11	-	46	46	11
Staff costs	346	108	-	297	346	108

## 6.1.7 TAXATION

	← The Group →		← The Company →			
	FYE2007 RM'000	FPE 31 March 2008 RM'000	FPE2005 RM'000	FYE2006 RM'000	FYE2007 RM'000	FPE 31 March 2008 RM'000
<u>Income tax expense</u>						
Current financial year/period	145	67	-	244	145	67
Overprovision in previous financial year	(1)	-	-	-	(1)	-
	144	67	-	244	144	67
<u>Deferred tax expense (paragraph 6.1.15)</u>						
Current financial year/period	-	2	-	7	-	2
(Over)/Underprovision in previous financial year/period	(1)	5	-	-	(1)	5
	(1)	7	-	7	(1)	7
Tax expense for the financial year/period	143	74	-	251	143	74

During FYE 2007, the statutory tax rate was reduced from 28% to 27%, as announced in the Malaysian Budget 2007.

During FPE 31 March 2008, the statutory tax rate was reduced from 27% to 26%, as announced in the Malaysian Budget 2008.

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## 6. AUDITED FINANCIAL STATEMENTS (CONT'D)

## 6.1 SUNZEN BIOTECH (CONT'D)

## 6.1.7 TAXATION (CONT'D)

The corporate tax rate on the first RM500,000 of chargeable income is 20%. The tax rate applicable to the balance of the chargeable income is 26% (2007 and 2006 - 27% and 28% respectively).

A reconciliation of the income tax expense applicable to the profit/(loss) before taxation at the statutory tax rate to the income tax expense at the effective tax rate of the Group and Company is as follows:-

	← The Group →		← The Company →			
	FYE2007	FPE 31 March 2008	FPE2005	FYE2006	FYE2007	FPE 31 March 2008
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
PBT/(LBT)	2,172	824	(16)	3,391	2,204	847
Tax at the statutory tax rate of 28% (2007 and 2008 - 27% and 26% respectively)	587	215	(4)	949	595	221
Non-deductible expenses	12	13	-	4	4	7
Tax exemption arising from pioneer status	(419)	(156)	-	(659)	(419)	(156)
(Over)/Underprovision in previous financial year/period:						
- income tax	(1)	-	-	-	(1)	-
- deferred taxation	(1)	2	-	-	(1)	2
Differential in tax rates	(35)	-	1	(40)	(35)	-
Utilisation of previously unrecognised deferred tax asset	-	-	3	(3)	-	-
Tax expense for the financial year/period	143	74	-	251	143	74

## 6.1.8 INVESTMENT IN SUBSIDIARIES

	← The Company →			
	FPE2005	FYE2006	FYE2007	FPE 31 March 2008
	RM	RM	RM	RM
Unquoted investment, at cost:-				
At 1 January	-	-	2	2
Acquired during the financial period	-	-	-	4
At 31 December/31 March	-	-	2	6

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## 6. AUDITED FINANCIAL STATEMENTS (CONT'D)

## 6.1 SUNZEN BIOTECH (CONT'D)

## 6.1.8 INVESTMENT IN SUBSIDIARIES (CONT'D)

Details of the subsidiaries, which is incorporated in Malaysia, are as follows:-

Name of Company	Effective Equity Interest		Principal Activities
	FYE2007	FPE 31 March 2008	
Sunzen Lifesciences	100%	100%	R&D and commercialization of in-feed anti bacterial products and supplements for animal health production.
Sunzen Feedtech	-	100%	Dormant.

## 6.1.9 PLANT AND EQUIPMENT

## The Group and Company

	Plant and machinery RM'000
Net carrying amount at incorporation date	-
Additions	-
Depreciation charge	-
Net carrying amount at 31.12.2005/1.1.2006	-
Additions	116
Depreciation charge	(16)
Net carrying amount at 31.12.2006/1.1.2007	100
Depreciation charge	(16)
Net carrying amount at 31.12.2007/1.1.2008	84
Depreciation charge	(4)
Net carrying amount at 31.3.2008	80
At 31.3.2008	
At cost	116
Accumulated depreciation	(36)
Net carrying amount	80
At 31.12.2007	
At cost	116
Accumulated depreciation	(32)
Net carrying amount	84
At 31.12.2006	
At cost	116
Accumulated depreciation	(16)
Net carrying amount	100
At 31.12.2005	
At cost	-
Accumulated depreciation	-
Net carrying amount	-

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## 6. AUDITED FINANCIAL STATEMENTS (CONT'D)

## 6.1 SUNZEN BIOTECH (CONT'D)

## 6.1.10 GOODWILL ON CONSOLIDATION

	← The Group →			
	FPE2005	FYE2006	FYE2007	FPE 31 March 2008
	RM'000	RM'000	RM'000	RM'000
Arising from acquisition of subsidiary	-	-	-	58

## 6.1.11 INVENTORIES

	← The Group →		← The Company →			
	FYE2007	FPE 31 March 2008	FPE2005	FYE2006	FYE2007	FPE 31 March 2008
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At cost:-						
Raw materials	1,542	1,771	-	1,008	1,542	1,771
Finished goods	391	345	-	464	391	345
Packaging materials	95	160	-	88	95	160
	<u>2,028</u>	<u>2,276</u>	<u>-</u>	<u>1,560</u>	<u>2,028</u>	<u>2,276</u>

## 6.1.12 TRADE RECEIVABLES

The Company's trade credit terms are assessed and approved on a case-by-case basis.

The Company's trade receivable relates to the amounts owing by Sunzen Corporation in which persons connected to the directors of the Company have substantial financial interest as disclosed in paragraph 6.1.19.

## 6.1.13 SHARE CAPITAL

	← The Company →							
	FPE2005	FYE2006	FYE2007	FPE 31 March 2008	FPE2005	FYE2006	FYE2007	FPE 31 March 2008
	Number of shares ('000)				RM'000	RM'000	RM'000	RM'000
<b>Authorised</b>								
Ordinary shares of RM0.10 each	25,000	25,000	25,000	25,000	2,500	2,500	2,500	2,500

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## 6. AUDITED FINANCIAL STATEMENTS (CONT'D)

## 6.1 SUNZEN BIOTECH (CONT'D)

## 6.1.13 SHARE CAPITAL (CONT'D)

	The Company							
	FPE2005	FYE2006	FYE2007	FPE 31 March 2008	FPE2005	FYE2006	FYE2007	FPE 31 March 2008
	Number of shares ('000)				RM'000			RM'000
<b>Issued and Fully Paid-Up</b>								
Ordinary shares of RM0.10 each	*	*	*	*	**	**	**	**

Notes:

\* - 200 ordinary shares

\*\* - RM20

## 6.1.14 RETAINED PROFITS

Based on estimated tax credit under Section 108 of the Income Tax Act, 1967 and tax-exempt income account available and subject to agreement with the tax authorities, the retained profits are wholly distributable by way of dividends without the Company incurring further tax liabilities.

## 6.1.15 DEFERRED TAXATION

	The Group		The Company				
	FYE2007	FPE 31 March 2008	FPE2005	FYE2006	FYE2007	FPE 31 March 2008	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 January		7	6	-	-	7	6
Transfer (to)/from income statements (paragraph 6.1.7)		(1)	7	-	7	(1)	7
At 31 December/31 March		6	13	-	7	6	13

The components of the deferred tax liability are as follows:-

	The Group		The Company				
	FYE2007	FPE 31 March 2008	FPE2005	FYE2006	FYE2007	FPE 31 March 2008	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Deferred tax liability:							
- accelerated capital allowances		6	13	-	7	6	13

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## 12. ACCOUNTANTS' REPORT (Cont'd)



## 6. AUDITED FINANCIAL STATEMENTS (CONT'D)

## 6.1 SUNZEN BIOTECH (CONT'D)

## 6.1.16 TRADE PAYABLES

The normal trade credit terms granted to the Company range from 30 days to 90 days.

## 6.1.17 OTHER PAYABLES AND ACCRUALS

Included in other payables of the Company is an amount of RM18,568,723 (2007 and 2006 - RM15,652,336 and RM8,192,158 respectively) owing to Sunzen Corporation in which persons connected to the directors of the Company have substantial financial interest as disclosed in paragraph 6.1.19. The amount owing is unsecured, interest-free and repayable upon demand.

## 6.1.18 DIVIDENDS

	← The Group →		← The Company →			
	FYE2007	FPE 31 March 2008	FPE2005	FYE2006	FYE2007	FPE 31 March 2008
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Interim tax-exempt dividend of 1,030,526.5% per ordinary share	2,061	-	-	-	2,061	-

## 6.1.19 SIGNIFICANT RELATED COMPANY TRANSACTIONS

	← The Group →		← The Company →			
	FYE2007	FPE 31 March 2008	FPE2005	FYE2006	FYE2007	FPE 31 March 2008
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Sales	8,734	3,059	-	10,171	8,734	3,059
Rental paid	46	11	-	46	46	11
Handling charges paid	349	317	-	-	349	317

The related party refers to Sunzen Corporation in which persons connected to the directors of the Company have substantial financial interest.

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## 12. ACCOUNTANTS' REPORT (Cont'd)



## 6. AUDITED FINANCIAL STATEMENTS (CONT'D)

## 6.2 SUNZEN CORPORATION

## 6.2.1 INCOME STATEMENTS

	NOTE	FYE2005 RM'000	FYE2006 RM'000	FYE2007 RM'000	FPE 31 March 2008 RM'000
Revenue	6.2.5	26,170	27,225	23,491	6,470
Cost of sales		(17,254)	(22,250)	(18,283)	(5,132)
Gross profit ("GP")		8,916	4,975	5,208	1,338
Other income		94	228	124	58
Marketing and distribution expenses		9,010	5,203	5,332	1,396
Administrative expenses		(2,648)	(2,069)	(2,129)	(607)
Other operating expenses		(1,279)	(1,126)	(1,257)	(335)
Profit from operations		(508)	(635)	(600)	(166)
Finance expenses		4,575	1,373	1,346	288
Profit before taxation ("PBT")	6.2.6	(185)	(251)	(306)	(80)
Amortisation		4,390	1,122	1,040	208
Depreciation		55	390	243	7
Interest expenses		201	200	235	49
Interest income		85	171	289	77
Earnings before interest, tax, depreciation and amortisation ("EBITDA")		(91)	(89)	(69)	(16)
Amortisation		4,640	1,794	1,738	325
Depreciation		(55)	(390)	(243)	(7)
Interest expenses		(201)	(200)	(235)	(49)
Interest income		(85)	(171)	(289)	(77)
PBT		91	89	69	16
Taxation	6.2.7	4,390	1,122	1,040	208
Profit after taxation ("PAT")		(1,192)	(149)	(306)	(49)
Weighted average number of ordinary shares of RM1.00 each in issue ('000)		3,198	973	734	159
GP margin (%)		2,000	2,000	2,000	2,000
PBT margin (%)		34.07	18.27	22.17	20.68
PAT margin (%)		16.77	4.12	4.43	3.21
Effective tax rate (%)		12.22	3.57	3.12	2.46
Interest coverage ratio (times)		27.15	13.28	29.42	23.56
Gross earnings per share ("EPS") (RM)		52.65	7.56	4.60	3.70
Net EPS (RM)		2.19	0.56	0.52	0.10
Gross dividend rate (%)		1.60	0.49	0.37	0.08
		-	100.00	49.62	-

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**12. ACCOUNTANTS' REPORT (Cont'd)**

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**6. AUDITED FINANCIAL STATEMENTS (CONT'D)****6.2 SUNZEN CORPORATION (CONT'D)****6.2.1 INCOME STATEMENTS (CONT'D)**

*Commentary on the Income Statements:-*

- (a) *Revenue in FYE 2005 registered a growth of approximately 24.72% or RM5.19 million as compared to FYE 2004, due to the sales growth in Orgacids as a result of favorable market conditions prevailing in FYE 2005. Increase in PBT in respect of FYE 2005 was mainly due to higher gross profit contribution and revenue coupled with a disproportionately lower increase in operating expenses.*

*Revenue in FYE 2006 increased marginally by 4.05% from RM26.17 million in FYE 2005 to RM27.23 million in FYE 2006, mainly due to better sales of other feed additive products and a newly launched injectable product. PBT of FYE 2006 decreased by 74% due to the transfer of the manufacturing of animal feed supplement product activities to Sunzen Biotech which resulted in a substantially lower GP margin.*

*Revenue in FYE 2007 declined by RM3.74 million from RM27.23 million in FYE 2006 to RM23.49 million in FYE 2007 attributed to the adverse market conditions which plagued the regional livestock industry. The drop is mainly driven by the depressed demand of feed additives for the livestock industry in FYE 2007. The PBT of FYE 2007 remained fairly constant as compared to FYE 2006 despite the reduction of revenue as elaborated above. This is because the GP contribution remained consistent with the preceding year despite the reduction of revenue resulting in the constant PBT throughout both the years.*

*Revenue in FPE 31 March 2008 increased by RM0.61 million from RM5.86 million in \*FPE 31 March 2007 to RM6.47 million in FPE 31 March 2008 mainly due to the recovery of the livestock industry from both the bird flu and beta agonist epidemic that adversely affected the performance in FPE 31 March 2007. The PBT of FPE 31 March 2008 remained fairly constant as compared to FPE 31 March 2007 despite the incremental revenue achieved in FPE 31 March 2008 due to the corresponding increase in operating overheads.*

- \* - *FPE 31 March 2007 relates to the unaudited management accounts for the period from 1 January 2007 to 31 March 2007.*

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12. ACCOUNTANTS' REPORT (Cont'd)

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**6. AUDITED FINANCIAL STATEMENTS (CONT'D)**

**6.2 SUNZEN CORPORATION (CONT'D)**

**6.2.1 INCOME STATEMENTS (CONT'D)**

*Commentary on the Income Statements (Cont'd):-*

(b) *The effective tax rate in FYE 2005 was marginally lower than the statutory tax rate of 28% because of the reduction in the tax rate to 20% for the first RM500,000 chargeable income.*

*The effective tax rate in FYE 2006 was lower than the statutory tax rate of 28% because of the reduction in the tax rate to 20% for the first RM500,000 chargeable income and the utilisation of reinvestment allowance claimed during FYE 2006.*

*The effective tax rate in FYE 2007 was relatively higher than the statutory tax rate of 27% due to certain expenses being disallowed for taxation purpose.*

*The effective tax rate in FPE 31 March 2008 was marginally lower than the statutory tax rate of 26% due to the reversal of deferred taxation overprovided in prior years.*

(c) *The gross EPS is calculated by dividing the PBT by the weighted average number of ordinary shares in issue for the respective financial years under review.*

(d) *The net EPS is calculated by dividing the PAT by the weighted average number of ordinary shares in issue for the respective financial years under review.*

(e) *There was no exceptional or extraordinary item in the Relevant Financial Period under review.*

## 12. ACCOUNTANTS' REPORT (Cont'd)



## 6. AUDITED FINANCIAL STATEMENTS (CONT'D)

## 6.2 SUNZEN CORPORATION (CONT'D)

## 6.2.2 BALANCE SHEETS

		FYE2005	FYE2006	FYE2007	FPE 31 March 2008
	NOTE	RM'000	RM'000	RM'000	RM'000
<b>ASSETS</b>					
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	6.2.8	3,455	8,606	8,864	8,843
Product development expenditure	6.2.9	630	622	797	866
Quoted investment, at cost	6.2.10	4	4	4	4
		<u>4,089</u>	<u>9,232</u>	<u>9,665</u>	<u>9,713</u>
<b>CURRENT ASSETS</b>					
Inventories	6.2.11	5,773	4,472	6,707	7,612
Trade receivables	6.2.12	6,543	6,873	5,950	6,644
Other receivables, deposits and prepayments	6.2.13	545	8,363	15,785	18,801
Tax refundable		-	731	867	306
Fixed deposits with licensed banks	6.2.14	3,186	2,035	2,094	2,110
Cash and bank balances	6.2.15	2,682	2,820	2,164	2,606
		<u>18,729</u>	<u>25,294</u>	<u>33,567</u>	<u>38,079</u>
<b>TOTAL ASSETS</b>		<u>22,818</u>	<u>34,526</u>	<u>43,232</u>	<u>47,792</u>
<b>EQUITY AND LIABILITIES</b>					
<b>EQUITY</b>					
Share capital	6.2.16	2,000	2,000	2,000	2,000
Retained profits	6.2.17	10,046	9,019	9,019	9,178
<b>TOTAL EQUITY</b>		<u>12,046</u>	<u>11,019</u>	<u>11,019</u>	<u>11,178</u>
<b>NON-CURRENT LIABILITIES</b>					
Hire purchase payables	6.2.18	-	69	46	40
Term loans	6.2.19	1,591	4,782	4,633	4,557
Deferred taxation	6.2.20	125	216	218	226
		<u>1,716</u>	<u>5,067</u>	<u>4,897</u>	<u>4,823</u>
<b>CURRENT LIABILITIES</b>					
Trade payables	6.2.21	3,658	12,896	22,281	25,469
Bills payable	6.2.22	2,184	2,218	1,388	2,551
Other payables and accruals		1,229	1,365	901	1,061
Amount owing to directors	6.2.23	1,679	1,663	1,701	1,662
Hire purchase payables	6.2.18	-	25	25	25
Term loans	6.2.19	151	273	286	289
Dividends payable		-	-	734	734
Provision for taxation		155	-	-	-
		<u>9,056</u>	<u>18,440</u>	<u>27,316</u>	<u>31,791</u>
<b>TOTAL LIABILITIES</b>		<u>10,772</u>	<u>23,507</u>	<u>32,213</u>	<u>36,614</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>22,818</u>	<u>34,526</u>	<u>43,232</u>	<u>47,792</u>

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## 12. ACCOUNTANTS' REPORT (Cont'd)



## 6. AUDITED FINANCIAL STATEMENTS (CONT'D)

## 6.2 SUNZEN CORPORATION (CONT'D)

## 6.2.2 BALANCE SHEETS (CONT'D)

	FYE2005	FYE2006	FYE2007	FPE 31 March 2008
<i>Number of ordinary shares in issue of RM1.00 ('000)</i>	2,000	2,000	2,000	2,000
<i>Net assets ("NA") (RM'000)</i>	12,046	11,019	11,019	11,178
<i>NA per ordinary share (RM)</i>	6.02	5.51	5.51	5.59
<i>Trade receivables turnover period (days)</i>	91	92	92	94*
<i>Trade payables turnover period (days)</i>	77	45	71	63*
<i>Gearing ratio (times)</i>	0.33	0.67	0.58	0.67

## Notes:

\* - Computed using annualized basis

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## 12. ACCOUNTANTS' REPORT (Cont'd)



## 6. AUDITED FINANCIAL STATEMENTS (CONT'D)

## 6.2 SUNZEN CORPORATION (CONT'D)

## 6.2.3 CASH FLOW STATEMENTS

	FYE2005	FYE2006	FYE2007	FPE 31 March 2008
	RM'000	RM'000	RM'000	RM'000
<u>CASH FLOW FROM/(FOR) OPERATING ACTIVITIES</u>				
Profit before taxation	4,390	1,122	1,040	208
<u>Adjustments for:-</u>				
Amortisation of product development expenditure	55	390	243	7
Bad debts written off	25	-	-	-
Depreciation of property, plant and equipment	201	200	235	49
Interest expenses	85	171	289	77
Inventories written down	69	29	-	-
Plant and equipment written off	-	32	-	-
Allowance for doubtful debts no longer required	(1)	-	-	-
Gain on disposal of plant and equipment	-	(68)	(6)	-
Interest income	(91)	(89)	(69)	(17)
Income from unit trust	(2)	(8)	(3)	(1)
Operating profit before working capital changes	4,731	1,779	1,729	323
(Increase)/Decrease in inventories	(1,379)	1,272	(2,235)	(905)
Increase in trade and other receivables	(1,090)	(8,148)	(6,499)	(3,710)
Increase in trade and other payables	1,197	9,408	8,091	4,511
<b>CASH FROM OPERATIONS</b>	<b>3,459</b>	<b>4,311</b>	<b>1,086</b>	<b>219</b>
Interest paid	(85)	(164)	(279)	(77)
Tax (paid)/refunded	(1,316)	(944)	(440)	520
<b>NET CASH FROM OPERATING ACTIVITIES AND BALANCE CARRIED FORWARD</b>	<b>2,058</b>	<b>3,203</b>	<b>367</b>	<b>662</b>

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## 12. ACCOUNTANTS' REPORT (Cont'd)



## 6. AUDITED FINANCIAL STATEMENTS (CONT'D)

## 6.2 SUNZEN CORPORATION (CONT'D)

## 6.2.3 CASH FLOW STATEMENTS (CONT'D)

	NOTE	FYE2005 RM'000	FYE2006 RM'000	FYE2007 RM'000	FPE 31 March 2008 RM'000
BALANCE BROUGHT FORWARD		2,058	3,203	367	662
<u>CASH FLOW (FOR)/FROM INVESTING ACTIVITIES</u>					
Fixed deposits interest received		91	89	69	17
Income received from unit trust		2	8	3	1
Proceeds from disposal of plant and equipment		-	201	10	-
Product development expenditure		(436)	(382)	(418)	(76)
Purchase of property, plant and equipment	6.2.24	(1,506)	(5,416)	(497)	(28)
NET CASH FOR INVESTING ACTIVITIES		(1,849)	(5,500)	(833)	(86)
<u>CASH FLOW FROM/(FOR) FINANCING ACTIVITIES</u>					
Drawdown of term loans		1,040	3,508	143	-
Dividends paid		-	(2,000)	-	-
Repayment of hire purchase obligations		(25)	(6)	(23)	(6)
Repayment of term loans		(89)	(202)	(289)	(73)
Advances from/(Repayment to) directors		3	(16)	38	(39)
NET CASH FROM/(FOR) FINANCING ACTIVITIES		929	1,284	(131)	(118)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENT		1,138	(1,013)	(597)	458
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR/PERIOD		4,730	5,868	4,855	4,258
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR/PERIOD	6.2.25	5,868	4,855	4,258	4,716

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## 12. ACCOUNTANTS' REPORT (Cont'd)



## 6. AUDITED FINANCIAL STATEMENTS (CONT'D)

## 6.2 SUNZEN CORPORATION (CONT'D)

## 6.2.4 STATEMENTS OF CHANGES IN EQUITY

	SHARE CAPITAL RM'000	RETAINED PROFITS RM'000	TOTAL EQUITY RM'000
Balance at 1.1.2005	2,000	6,848	8,848
Profit for the financial year	-	3,198	3,198
Balance at 31.12.2005/1.1.2006	2,000	10,046	12,046
Profit for the financial year	-	973	973
Dividends	-	(2,000)	(2,000)
Balance at 31.12.2006/1.1.2007	2,000	9,019	11,019
Profit for the financial year	-	734	734
Dividends	-	(734)	(734)
Balance at 31.12.2007/1.1.2008	2,000	9,019	11,019
Profit for the financial period	-	159	159
Balance at 31.3.2008	2,000	9,178	11,178

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## 12. ACCOUNTANTS' REPORT (Cont'd)



## 6. AUDITED FINANCIAL STATEMENTS (CONT'D)

## 6.2 SUNZEN CORPORATION (CONT'D)

## 6.2.5 REVENUE

Revenue represents the invoiced value of goods sold less returns and discounts.

## 6.2.6 PROFIT BEFORE TAXATION

	FYE2005	FYE2006	FYE2007	FPE 31 March 2008
	RM'000	RM'000	RM'000	RM'000
Amortisation of product development expenditure	55	390	243	7
Audit fee	10	12	14	4
Bad debts written off	25	-	-	-
Depreciation of property, plant and equipment	201	200	235	49
Directors' remuneration:				
- fee	3	3	3	1
- other emoluments	864	795	706	190
- overprovision in previous financial year	-	(150)	-	-
Interest expenses:				
- bank overdraft	1	-	-	-
- bills payable	82	85	93	27
- hire purchase	2	1	5	1
- term loans	-	85	191	49
Inventories written down	69	29	-	-
Loss on foreign exchange - realised	-	53	6	3
Plant and equipment written off	-	32	-	-
Rental of premises	300	250	-	-
Rental of office equipment	5	5	7	2
Royalty expenses	25	28	-	-
Staff costs	2,107	2,004	2,018	581
Allowance for doubtful debts no longer required	(1)	-	-	-
Fixed deposits interest received	(91)	(89)	(69)	(17)
Gain on disposal of plant and equipment	-	(68)	(6)	-
Gain on foreign exchange - realised	-	(164)	(289)	(99)
Income from unit trust	(2)	(8)	(3)	(1)
Rental income	-	(46)	(46)	(11)

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## 12. ACCOUNTANTS' REPORT (Cont'd)



## 6. AUDITED FINANCIAL STATEMENTS (CONT'D)

## 6.2 SUNZEN CORPORATION (CONT'D)

## 6.2.7 TAXATION

	FYE2005	FYE2006	FYE2007	FPE 31 March 2008
	RM'000	RM'000	RM'000	RM'000
<u>Income tax expense</u>				
Current financial year/period	1,065	120	264	41
Under/(Over)provision in previous financial year	67	(62)	40	-
	1,132	58	304	41
<u>Deferred tax expense (paragraph 6.2.20)</u>				
Current financial year/period	141	104	35	16
Overprovision in previous financial year/period	(81)	(13)	(33)	(8)
	60	91	2	8
Tax expense for the financial year/period	1,192	149	306	49

During FYE 2007, the statutory tax rate was reduced from 28% to 27%, as announced in the Malaysian Budget 2007.

During FPE 31 March 2008, the statutory tax rate was reduced from 27% to 26%, as announced in the Malaysian Budget 2008.

The corporate tax rate on the first RM500,000 of chargeable income is 20%. The tax rate applicable to the balance of the chargeable income is 26% (2007 and 2006 - 27% and 28% respectively).

A reconciliation of the income tax expense applicable to the profit before taxation at the statutory tax rate to the income tax expense at the effective tax rate of Sunzen Corporation is as follows:-

	FYE2005	FYE2006	FYE2007	FPE 31 March 2008
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	4,390	1,122	1,040	208
Tax at the statutory tax rate of 28% (2007 and 2008 - 27% and 26% respectively)	1,229	314	281	54
Non-deductible expenses	17	21	53	15
Reinvestment allowances	-	(71)	-	-
Under/(Over)provision in previous financial year/period:				
- income tax	67	(62)	40	-
- deferred tax	(81)	(13)	(33)	(8)
Differential in tax rates	(40)	(40)	(35)	(12)
Tax expense for the financial year/period	1,192	149	306	49

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## 12. ACCOUNTANTS' REPORT (Cont'd)



## 6. AUDITED FINANCIAL STATEMENTS (CONT'D)

## 6.2 SUNZEN CORPORATION (CONT'D)

## 6.2.8 PROPERTY, PLANT AND EQUIPMENT

	Freehold land RM'000	Factory building RM'000	Plant and machinery RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Capital work-in- progress RM'000	Total RM'000
Net carrying amount at 1.1.2005	1,387	-	327	236	59	141	2,150
Additions	935	422	1	50	-	98	1,506
Depreciation charge	-	(1)	(71)	(85)	(44)	-	(201)
Net carrying amount at 31.12.2005/1.1.2006	2,322	421	257	201	15	239	3,455
Additions	1,963	-	80	106	362	3,005	5,516
Written off/Disposal	-	-	(116)	(35)	(14)	-	(165)
Depreciation charge	-	(8)	(45)	(80)	(67)	-	(200)
Net carrying amount at 31.12.2006/1.1.2007	4,285	413	176	192	296	3,244	8,606
Additions	76	-	72	125	-	224	497
Written off/Disposal	-	-	-	(4)	-	-	(4)
Depreciation charge	-	(8)	(59)	(96)	(72)	-	(235)
Net carrying amount at 31.12.2007/1.1.2008	4,361	405	189	217	224	3,468	8,864
Additions	19	-	4	5	-	-	28
Depreciation charge	-	(2)	(15)	(14)	(18)	-	(49)
Net carrying amount at 31.3.2008	4,380	403	178	208	206	3,468	8,843
At 31.3.2008							
At cost	4,380	422	397	608	416	3,468	9,691
Accumulated depreciation	-	(19)	(219)	(400)	(210)	-	(848)
Net carrying amount	4,380	403	178	208	206	3,468	8,843
At 31.12.2007							
At cost	4,361	422	393	603	416	3,468	9,663
Accumulated depreciation	-	(17)	(204)	(386)	(192)	-	(799)
Net carrying amount	4,361	405	189	217	224	3,468	8,864
At 31.12.2006							
At cost	4,285	422	321	495	416	3,244	9,183
Accumulated depreciation	-	(9)	(145)	(303)	(120)	-	(577)
Net carrying amount	4,285	413	176	192	296	3,244	8,606
At 31.12.2005							
At cost	2,322	422	505	565	243	239	4,296
Accumulated depreciation	-	(1)	(248)	(364)	(228)	-	(841)
Net carrying amount	2,322	421	257	201	15	239	3,455

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## 12. ACCOUNTANTS' REPORT (Cont'd)



## 6. AUDITED FINANCIAL STATEMENTS (CONT'D)

## 6.2 SUNZEN CORPORATION (CONT'D)

## 6.2.8 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Property, plant and equipment of Sunzen Corporation pledged as security for banking facilities granted as disclosed in paragraph 6.2.22 to the report are as follows:-

	FYE2005	FYE2006	FYE2007	FPE 31 March 2008
	RM'000	RM'000	RM'000	RM'000
At Net Carrying Amount:				
- Freehold land	2,322	4,285	4,361	4,380
- Factory building	421	413	405	403
- Capital work-in-progress	-	3,244	3,468	3,468

Included in property, plant and equipment were the following assets acquired under hire purchase terms:-

	FYE2005	FYE2006	FYE2007	FPE 31 March 2008
	RM'000	RM'000	RM'000	RM'000
At Net Carrying Amount:				
- Motor vehicles	-	174	132	122

Borrowing costs capitalized during the relevant financial period:-

	FYE2005	FYE2006	FYE2007	FPE 31 March 2008
	RM'000	RM'000	RM'000	RM'000
Borrowing costs	53	89	76	19

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## 12. ACCOUNTANTS' REPORT (Cont'd)



## 6. AUDITED FINANCIAL STATEMENTS (CONT'D)

## 6.2 SUNZEN CORPORATION (CONT'D)

## 6.2.9 PRODUCT DEVELOPMENT EXPENDITURE

	FYE2005	FYE2006	FYE2007	FPE 31 March 2008
	RM'000	RM'000	RM'000	RM'000
<u>Cost</u>				
At 1 January	280	716	1,098	1,516
Incurred during the financial year/period	436	382	418	76
	716	1,098	1,516	1,592
<u>Accumulated amortisation</u>				
At 1 January	(31)	(86)	(476)	(719)
Amortised during the financial year/period	(55)	(390)	(243)	(7)
	(86)	(476)	(719)	(726)
At 31 December/31 March	630	622	797	866

## 6.2.10 QUOTED INVESTMENT, AT COST

	FYE2005	FYE2006	FYE2007	FPE 31 March 2008
	RM'000	RM'000	RM'000	RM'000
Investment in quoted shares, at cost	4	4	4	4
Market value as at 31 December/31 March	3	2	2	2

## 6.2.11 INVENTORIES

	FYE2005	FYE2006	FYE2007	FPE 31 March 2008
	RM'000	RM'000	RM'000	RM'000
At cost:-				
Raw materials	827	216	154	306
Finished goods	4,185	4,033	6,436	7,181
Packaging materials	200	154	117	125
At net realisable value:-				
Finished goods	561	69	-	-
	5,773	4,472	6,707	7,612

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## 12. ACCOUNTANTS' REPORT (Cont'd)



## 6. AUDITED FINANCIAL STATEMENTS (CONT'D)

## 6.2 SUNZEN CORPORATION (CONT'D)

## 6.2.12 TRADE RECEIVABLES

Sunzen Corporation's normal trade credit terms range from 30 days to 120 days. Other credit terms are assessed and approved on a case-by-case basis.

The foreign currency exposure profile of trade receivables as at end of the relevant financial period is as follows:-

	FYE2005	FYE2006	FYE2007	FPE 31 March 2008
	RM'000	RM'000	RM'000	RM'000
Singapore Dollar	-	-	440	856
United States Dollar	845	1,549	205	273

## 6.2.13 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Included in other receivables are:-

- (i) an amount of RM93,468 (2007 and 2006 - RM66,537 and RM6,094 respectively) owing by Sunzen LifeSciences and Sunzen Feedtech in which the directors of Sunzen Corporation are also directors in the said company; and
- (ii) an amount of RM18,568,723 (2007 and 2006 - RM15,652,336 and RM8,192,158 respectively) owing by Sunzen Biotech in which persons connected to the directors of Sunzen Corporation have substantial financial interest as disclosed in paragraph 6.2.27.

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## 12. ACCOUNTANTS' REPORT (Cont'd)



## 6. AUDITED FINANCIAL STATEMENTS (CONT'D)

## 6.2 SUNZEN CORPORATION (CONT'D)

## 6.2.13 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONT'D)

The foreign currency exposure profile of other receivables as at end of the relevant financial period is as follows:-

	FYE2005	FYE2006	FYE2007	FPE 31 March 2008
	RM'000	RM'000	RM'000	RM'000
Euro	-	51	-	-
United States Dollar	-	50	-	-

## 6.2.14 FIXED DEPOSITS WITH LICENSED BANKS

	FYE2005	FYE2005	FYE2007	FPE 31 March 2008
Weighted average interest rate (%)	2.8	2.8	2.9	3.0
Maturity period (months)	1 - 3	1 - 3	1 - 3	1 - 3

The fixed deposits are pledged as security for banking facilities granted to Sunzen Corporation.

## 6.2.15 CASH AND BANK BALANCES

The foreign currency exposure profile of bank balances as at end of the relevant financial period is as follows:-

	FYE2005	FYE2006	FYE2007	FPE 31 March 2008
	RM'000	RM'000	RM'000	RM'000
Singapore Dollar	-	-	7	253
United States Dollar	319	513	58	151

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## 12. ACCOUNTANTS' REPORT (Cont'd)



## 6. AUDITED FINANCIAL STATEMENTS (CONT'D)

## 6.2 SUNZEN CORPORATION (CONT'D)

## 6.2.16 SHARE CAPITAL

	FYE2005	FYE2006	FYE2007	FPE 31 March 2008	FYE2005	FYE2006	FYE2007	FPE 31 March 2008
	Number of shares ('000)				RM'000	RM'000	RM'000	RM'000
<b>Authorised</b>								
Ordinary shares of RM1 each	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
<b>Issued And Fully Paid-Up</b>								
Ordinary shares of RM1 each	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000

## 6.2.17 RETAINED PROFITS

Based on Section 108 of the Income Tax Act, 1967 and subject to agreement with the tax authorities, at the balance sheet date, Sunzen Corporation has sufficient tax credits to distribute the entire retained profits by way of dividends without incurring any additional tax liabilities.

## 6.2.18 HIRE PURCHASE PAYABLES

	FYE2005	FYE2006	FYE2007	FPE 31 March 2008
	RM'000	RM'000	RM'000	RM'000
Future minimum hire purchase payments:				
- Not later than one year	-	28	28	28
- Later than one year and not later than five years	-	76	48	41
	-	104	76	69
Less : Future finance charges	-	10	5	4
Present value of hire purchase payables	-	94	71	65
Current:				
- Not later than one year	-	25	25	25
Non-current:				
- Later than one year and not later than five years	-	69	46	40
	-	94	71	65
Weighted average effective interest rate (%)	-	4.94 - 5.1	4.94 - 5.1	4.94 - 5.1

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## 12. ACCOUNTANTS' REPORT (Cont'd)



## 6. AUDITED FINANCIAL STATEMENTS (CONT'D)

## 6.2 SUNZEN CORPORATION (CONT'D)

## 6.2.19 TERM LOANS

	FYE2005	FYE2006	FYE2007	FPE 31 March 2008
	RM'000	RM'000	RM'000	RM'000
Current portion - repayable within one year	151	273	286	289
Non-current portion:				
- repayable between one to two years	160	449	434	440
- repayable between two to five years	473	1,437	1,407	1,530
- repayable after five years	958	2,896	2,792	2,587
Total non-current portion	1,591	4,782	4,633	4,557
	1,742	5,055	4,919	4,846
Weighted average effective interest rate (%)	7.0	6.2	6.0	6.0

The term loans are secured in the same manner as the bills payable disclosed in Note 6.2.22 to this report.

## 6.2.20 DEFERRED TAXATION

	FYE2005	FYE2006	FYE2007	FPE 31 March 2008
	RM'000	RM'000	RM'000	RM'000
At 1 January	65	125	216	218
Transfer from income statements (paragraph 6.2.7)	60	91	2	8
At 31 December/31 March	125	216	218	226

The components of the deferred tax asset and liabilities are as follows:-

	FYE2005	FYE2006	FYE2007	FPE 31 March 2008
	RM'000	RM'000	RM'000	RM'000
Deferred tax liabilities:				
- product development expenditure	176	174	215	225
- accelerated capital allowances	39	67	3	1
Deferred tax asset:				
- other provision	(90)	(25)	-	-
	125	216	218	226

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## 12. ACCOUNTANTS' REPORT (Cont'd)



## 6. AUDITED FINANCIAL STATEMENTS (CONT'D)

## 6.2 SUNZEN CORPORATION (CONT'D)

## 6.2.21 TRADE PAYABLES

The normal trade credit terms granted to Sunzen Corporation range from 30 days to 120 days.

Included in trade payables is an amount of RM21,918,406 (2007 and 2006 - RM18,694,970 and RM10,171,329 respectively) owing to Sunzen Biotech in which persons connected to the directors of Sunzen Corporation have substantial financial interest as disclosed in paragraph 6.2.27.

The foreign currency exposure profile of trade payables as at end of the relevant financial period is as follows:-

	FYE2005	FYE2006	FYE2007	FPE 31 March 2008
	RM'000	RM'000	RM'000	RM'000
United States Dollar	2,014	2,304	3,070	2,967

## 6.2.22 BILLS PAYABLE

	FYE2005	FYE2006	FYE2007	FPE 31 March 2008
Weighted average effective interest rate (%)	3.00	3.75	3.65	3.65

The bills payable are secured as follows:-

- (i) a pledge of the fixed deposits belonging to Sunzen Corporation;
- (ii) a subordinate of loans from the directors and shareholders of Sunzen Corporation of not less than RM600,000;
- (iii) joint and several guarantees executed by all the directors of Sunzen Corporation;
- (iv) a legal charge over the properties belonging to Sunzen Corporation; and
- (v) a negative pledge.

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## 12. ACCOUNTANTS' REPORT (Cont'd)



## 6. AUDITED FINANCIAL STATEMENTS (CONT'D)

## 6.2 SUNZEN CORPORATION (CONT'D)

## 6.2.23 AMOUNT OWING TO DIRECTORS

The amount owing are non-trade in nature, unsecured, interest-free and not subject to fixed terms of repayment.

## 6.2.24 PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	FYE2005	FYE2006	FYE2007	FPE 31 March 2008
	RM'000	RM'000	RM'000	RM'000
Cost of property, plant and equipment acquired	1,506	5,516	497	28
Amount financed through hire purchase	-	(100)	-	-
Cash disbursed for purchase of property, plant and equipment	1,506	5,416	497	28

## 6.2.25 CASH AND CASH EQUIVALENTS

	FYE2006	FYE2006	FYE2007	FPE 31 March 2008
	RM'000	RM'000	RM'000	RM'000
Fixed deposits with licensed banks	3,186	2,035	2,094	2,110
Cash and balances with banks and other financial institution	2,682	2,820	2,164	2,606
	5,868	4,855	4,258	4,716

## 6.2.26 DIVIDENDS

	FYE2005	FYE2006	FYE2007	FPE 31 March 2008
	RM'000	RM'000	RM'000	RM'000
Interim tax-exempt dividend paid of approximately 72.19% per ordinary share	-	1,444	-	-
Interim tax-exempt dividend paid of approximately 12.13% per ordinary share	-	243	-	-
Interim dividend of approximately 21.77% per ordinary share less 28% income tax	-	313	-	-
Interim dividend of approximately 49.62% per ordinary share less 26% income tax	-	-	734	-
	-	2,000	734	-

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## 12. ACCOUNTANTS' REPORT (Cont'd)



## 6. AUDITED FINANCIAL STATEMENTS (CONT'D)

## 6.2 SUNZEN CORPORATION (CONT'D)

## 6.2.27 SIGNIFICANT RELATED COMPANY TRANSACTIONS

	FYE2005	FYE2006	FYE2007	FPE 31 March 2008
	RM'000	RM'000	RM'000	RM'000
Purchases	-	10,171	8,734	3,059
Rental received	-	46	46	11
Handling income received	-	-	350	317

The related party refers to Sunzen Biotech in which persons connected to the directors of Sunzen Corporation have substantial financial interest.

## 6.2.28 FOREIGN CURRENCY RATES

The applicable foreign exchange rate used (expressed on the basis of one unit of foreign currency to RM equivalent) for the translation of foreign currency balances at the end of relevant financial period was as follows:-

	FYE2005	FYE2006	FYE2007	FPE 31 March 2008
Euro	-	4.66	-	-
Singapore Dollar	-	-	2.32	2.32
United States Dollar	3.78	3.53	3.33	3.20

## 6.2.29 CAPITAL COMMITMENT

	FYE2005	FYE2006	FYE2007	FPE 31 March 2008
	RM'000	RM'000	RM'000	RM'000
Approved and contracted but not provided for: - property, plant and equipment	2,674	243	-	-

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12. ACCOUNTANTS' REPORT (*Cont'd*)

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**6. AUDITED FINANCIAL STATEMENTS (CONT'D)**

**6.3 THE GROUP AND SUNZEN CORPORATION**

**6.3.1 FAIR VALUE OF FINANCIAL INSTRUMENTS**

Fair value is defined as the amount at which the financial instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced sale or liquidation.

The following methods and assumptions are used to estimate the fair value of each class of financial assets and liabilities of the Group and of Sunzen Corporation:-

**(a) Quoted Investments**

The fair value of the quoted investment is estimated based on the quoted market price of the investment.

**(b) Amounts Owing To Directors**

It is not practicable to estimate the fair values of the amounts owing to directors due principally to the lack of fixed repayment terms. However, the Company does not anticipate the carrying amounts recorded at the balance sheet date to be significantly different from the values that would eventually be received or settled.

**(c) Cash and Bank Balances and Other Liquid Funds and Short-Term Receivables/Payables**

The carrying amounts approximated their fair values due to the relatively short-term maturity of these instruments.

**(d) Hire Purchase and Lease Obligations**

The carrying amounts approximated the fair values of these instruments. The fair values of hire purchase payables are determined by discounting the relevant cash flows using current interest rates for similar instruments at the balance sheet date.

**(e) Short-Term Borrowings**

The carrying amounts approximated their fair values because of the short period to maturity of these instruments.

**(f) Long-Term Bank Loans**

The carrying amounts approximated their fair values as these instruments bear interest at variable rates.

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12. ACCOUNTANTS' REPORT (*Cont'd*)

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7. SUBSEQUENT EVENTS

There were no significant subsequent event between the date of the last financial statements used in the preparation of this report and the date of this report which may affect materially the contents of this report.

8. AUDITED FINANCIAL STATEMENTS

As of the date of this report, no audited financial statements have been prepared in respect of any period subsequent to 31 March 2008 for Sunzen Biotech Group.

Yours faithfully

A handwritten signature in black ink, appearing to be "AF", written over a faint horizontal line.

**Horwath**  
Firm No : AF 1018  
Chartered Accountants  
Kuala Lumpur

A handwritten signature in black ink, appearing to be "Onn Kien Hoe", written over a faint horizontal line.

**Onn Kien Hoe**  
Approval No : 1772/11/08 (J/PH)  
Partner

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12. ACCOUNTANTS' REPORT (*Cont'd*)

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**Horwath** AF No 1018  
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Chartered Accountants

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**REPORT OF THE AUDITORS TO THE MEMBERS OF  
SUNZEN BIOTECH BERHAD**

Company No : 680889 - W

We have audited the financial statements set out on pages 9 to 18. The preparation of the financial statements is the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. Our audit included examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. Our audit also included an assessment of the accounting principles used and significant estimates made by the directors as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion,

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of:-
  - (i) the state of affairs of the Company at 31 December 2005 and of its results and cash flows for the financial period ended on that date; and
  - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Company; and

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12. ACCOUNTANTS' REPORT (*Cont'd*)

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**REPORT OF THE AUDITORS TO THE MEMBERS OF  
SUNZEN BIOTECH BERHAD (CONT'D)**

Company No : 680889 - W

- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company have been properly kept in accordance with the provisions of the said Act.

A handwritten signature in black ink, appearing to read "Horwath".

**Horwath**  
Firm No : AF 1018  
Chartered Accountants

14 JUN 2006

A handwritten signature in black ink, appearing to read "Mok Wai Ling".

**Mok Wai Ling**  
Approval No : 1090/04/08 (J)  
Partner



12. ACCOUNTANTS' REPORT (Cont'd)



**Horwath** AF No 1018  
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**REPORT OF THE AUDITORS TO THE MEMBERS OF  
SUNZEN BIOTECH BERHAD**

Company No : 680889 - W

We have audited the financial statements set out on pages 9 to 27. The preparation of the financial statements is the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. Our audit included examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. Our audit also included an assessment of the accounting principles used and significant estimates made by the directors as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion,

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB approved accounting standards in Malaysia for Entities Other Than Private Entities so as to give a true and fair view of:-
  - (i) the state of affairs of the Company at 31 December 2006 and of its results and cash flows for the financial year ended on that date; and
  - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Company; and

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12. ACCOUNTANTS' REPORT (Cont'd)

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**REPORT OF THE AUDITORS TO THE MEMBERS OF  
SUNZEN BIOTECH BERHAD (CONT'D)**

Company No : 680889 - W

- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company have been properly kept in accordance with the provisions of the said Act.

A handwritten signature in black ink, appearing to read "Horwath".

**Horwath**  
Firm No : AF 1018  
Chartered Accountants

28 MAY 2007

A handwritten signature in black ink, appearing to read "Mok Wai Ling".

**Mok Wai Ling**  
Approval No : 1090/04/08 (J)  
Partner



12. ACCOUNTANTS' REPORT (*Cont'd*)



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**REPORT OF THE AUDITORS TO THE MEMBERS OF  
SUNZEN BIOTECH BERHAD**

Company No : 680889 - W

We have audited the financial statements set out on pages 9 to 32. The preparation of the financial statements is the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. Our audit included examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. Our audit also included an assessment of the accounting principles used and significant estimates made by the directors as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion,

- (a) the financial statements are properly drawn up in accordance with applicable approved Financial Reporting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of:-
  - (i) the state of affairs of the Group and of the Company at 31 December 2007 and of their results and cash flows for the financial year ended on that date; and
  - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and
- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and by the subsidiary audited by us have been properly kept in accordance with the provisions of the said Act.

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12. ACCOUNTANTS' REPORT (*Cont'd*)

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**REPORT OF THE AUDITORS TO THE MEMBERS OF  
SUNZEN BIOTECH BERHAD (CONT'D)**

Company No : 680889 - W

We are satisfied that the financial statements of the subsidiary that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations as required by us for those purposes.

Our audit report on the financial statements of the subsidiary was not subject to any qualification and did not include any comment made under Section 174(3) of the Companies Act, 1965.

A handwritten signature in black ink, appearing to be "J. N.", written over a horizontal line.

**Horwath**  
Firm No : AF 1018  
Chartered Accountants  
16 APR 2008

A handwritten signature in black ink, appearing to be "KW", written over a horizontal line.

**Lee Kok Wai**  
Approval No : 2760/06/08 (J)  
Partner

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12. ACCOUNTANTS' REPORT (*Cont'd*)

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**Horwath** *AF No 1018*  
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Chartered Accountants

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**REPORT OF THE AUDITORS TO THE MEMBERS OF  
SUNZEN BIOTECH BERHAD**

Company No : 680889 - W

We have audited the financial statements set out on pages 3 to 28. The preparation of the financial statements is the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. Our audit included examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. Our audit also included an assessment of the accounting principles used and significant estimates made by the directors as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements are properly drawn up in accordance with applicable approved Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company at 31 March 2008 and its results and cash flows for the financial period ended on that date.

The comparative figures for the corresponding three-month period ended 31 March 2007 in respect of the income statement, statement of changes in equity and the cash flow statement were extracted from the unaudited management financial information and we have not carried out a review of these financial statements. The unaudited financial information is the responsibility of the directors of the Company.

We have considered the financial statements and the auditors' reports of the subsidiaries as indicated in Note 6 to the financial statements.

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12. ACCOUNTANTS' REPORT (*Cont'd*)

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**REPORT OF THE AUDITORS TO THE MEMBERS OF  
SUNZEN BIOTECH BERHAD (CONT'D)**

Company No : 680889 - W

We are satisfied the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purpose of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The audit reports on the financial statements of the subsidiaries were not subject to any qualification.

A handwritten signature in black ink, appearing to be "JH".

**Horwath**

Firm No : AF 1018

Chartered Accountants

16 JUN 2008

A handwritten signature in black ink, appearing to be "KW".

**Lee Kok Wai**

Approval No : 2760/06/10 (J)

Partner

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12. ACCOUNTANTS' REPORT (Cont'd)



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603.3343.0730/3343.1846  
603.3344.3036 Fax

www.horwath.com.my  
horwath@tm.net.my

**REPORT OF THE AUDITORS TO THE MEMBERS OF  
SUNZEN CORPORATION SDN. BHD.**

Company No : 470468 - W

We have audited the financial statements set out on pages 9 to 35. The preparation of the financial statements is the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. Our audit included examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. Our audit also included an assessment of the accounting principles used and significant estimates made by the directors as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion,

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of:-
  - (i) the state of affairs of the Company at 31 December 2005 and of its results and cash flows for the financial year ended on that date; and
  - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Company; and

**Horwath Offices in Malaysia:**

Johor Bahru • Klang • Kota Kinabalu • Kuala Lumpur • Kuching • Labuan • Melaka • Penang • Prai

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12. ACCOUNTANTS' REPORT (*Cont'd*)

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**REPORT OF THE AUDITORS TO THE MEMBERS OF  
SUNZEN CORPORATION SDN. BHD. (CONT'D)**

Company No : 470468 - W

- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company have been properly kept in accordance with the provisions of the said Act.

A handwritten signature in black ink, appearing to read "Horwath", written over a horizontal line.

**Horwath**  
Firm No : AF 1018  
Chartered Accountants

14 JUN 2006

A handwritten signature in black ink, appearing to read "Mok Wai Ling", written over a horizontal line.

**Mok Wai Ling**  
Approval No : 1090/04/08 (J)  
Partner



12. ACCOUNTANTS' REPORT (*Cont'd*)



**Horwath** AF No 1018  
Klang Office  
Chartered Accountants

52A-1 Lebuhr Enggang  
41150 Klang Selangor  
Malaysia

+6 03 3343 0730/3343 1846  
+6 03 3344 3036 Fax

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horwath@tm.net.my

**REPORT OF THE AUDITORS TO THE MEMBERS OF  
SUNZEN CORPORATION SDN. BHD.**

Company No : 470468 - W

We have audited the financial statements set out on pages 9 to 42. The preparation of the financial statements is the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. Our audit included examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. Our audit also included an assessment of the accounting principles used and significant estimates made by the directors as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion,

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB approved accounting standards in Malaysia for Entities Other Than Private Entities so as to give a true and fair view of:-
  - (i) the state of affairs of the Company at 31 December 2006 and of its results and cash flows for the financial year ended on that date; and
  - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Company; and

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12. ACCOUNTANTS' REPORT (*Cont'd*)

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**REPORT OF THE AUDITORS TO THE MEMBERS OF  
SUNZEN CORPORATION SDN. BHD. (CONT'D)**

Company No : 470468 - W

- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company have been properly kept in accordance with the provisions of the said Act.

A handwritten signature in black ink, appearing to read "Horwath".

**Horwath**  
Firm No : AF 1018  
Chartered Accountants

28 MAY 2007

A handwritten signature in black ink, appearing to read "Mok Wai Ling".

**Mok Wai Ling**  
Approval No : 1090/04/08 (J)  
Partner

Horwath Offices in Malaysia:

Johor Bahru • Klang • Kota Kinabalu • Kuala Lumpur • Kuching • Labuan • Melaka • Penang



12. ACCOUNTANTS' REPORT (*Cont'd*)



**Horwath** AF No 1018  
**Kuala Lumpur Office**  
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12 Jalan Yap Kwan Seng  
50450 Kuala Lumpur  
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info@horwathki.com

**REPORT OF THE AUDITORS TO THE MEMBERS OF  
SUNZEN CORPORATION SDN. BHD.**

Company No : 470468 - W

We have audited the financial statements set out on pages 9 to 42. The preparation of the financial statements is the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. Our audit included examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. Our audit also included an assessment of the accounting principles used and significant estimates made by the directors as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion,

- (a) the financial statements are properly drawn up in accordance with applicable approved Financial Reporting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of:-
  - (i) the state of affairs of the Company at 31 December 2007 and of its results and cash flows for the financial year ended on that date; and
  - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Company; and

Horwath Offices in Malaysia:

Johor Bahru • Klang • Kota Kinabalu • Kuala Lumpur • Kuching • Labuan • Melaka • Penang

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12. ACCOUNTANTS' REPORT (*Cont'd*)

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**REPORT OF THE AUDITORS TO THE MEMBERS OF  
SUNZEN CORPORATION SDN. BHD. (CONT'D)**

Company No : 470468 - W

- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company have been properly kept in accordance with the provisions of the said Act.

A handwritten signature in black ink, appearing to be "J.N.", written over a horizontal line.

**Horwath**

Firm No : AF 1018

Chartered Accountants

16 APR 2008

A handwritten signature in black ink, appearing to be "KW", written over a horizontal line.

**Lee Kok Wai**

Approval No : 2760/06/08 (J)

Partner

Horwath Offices in Malaysia:

Johor Bahru • Klang • Kota Kinabalu • Kuala Lumpur • Kuching • Labuan • Melaka • Penang

12. ACCOUNTANTS' REPORT (Cont'd)



Horwath AF No 1018  
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Chartered Accountants

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50450 Kuala Lumpur  
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info@horwathkl.com

**REPORT OF THE AUDITORS TO THE MEMBERS OF  
SUNZEN CORPORATION SDN. BHD.**

Company No : 470468 - W

We have audited the financial statements set out on pages 3 to 36. The preparation of the financial statements is the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. Our audit included examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. Our audit also included an assessment of the accounting principles used and significant estimates made by the directors as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements are properly drawn up in accordance with applicable approved Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company at 31 March 2008 and its results and cash flows for the financial period ended on that date.

The comparative figures for the corresponding three-month period ended 31 March 2007 in respect of the income statement, statement of changes in equity and the cash flow statement were extracted from the unaudited management financial information and we have not carried out a review of these financial statements. The unaudited financial information is the responsibility of the directors of the Company.

**Horwath**  
Firm No : AF 1018  
Chartered Accountants  
16 JUN 2008

**Lee Kok Wai**  
Approval No : 2760/06/10 (J)  
Partner

Horwath Offices in Malaysia:

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12. ACCOUNTANTS' REPORT (*Cont'd*)



**Horwath** AF No 1018  
**Kuala Lumpur Office**  
Chartered Accountants

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info@horwathkl.com

**REPORT OF THE AUDITORS TO THE MEMBERS OF  
SUNZEN LIFESCIENCES SDN. BHD.**

Company No : 758075 - D

We have audited the financial statements set out on pages 9 to 20. The preparation of the financial statements is the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. Our audit included examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. Our audit also included an assessment of the accounting principles used and significant estimates made by the directors as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion,

- (a) the financial statements are properly drawn up in accordance with applicable approved Financial Reporting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of:-
  - (i) the state of affairs of the Company at 31 December 2007 and of its results and cash flows for the financial period ended on that date; and
  - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Company; and

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12. ACCOUNTANTS' REPORT (*Cont'd*)

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**REPORT OF THE AUDITORS TO THE MEMBERS OF  
SUNZEN LIFESCIENCES SDN. BHD. (CONT'D)**

Company No : 758075 - D

- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company have been properly kept in accordance with the provisions of the said Act.

A handwritten signature in black ink, appearing to be "H. N.", written over the Horwath logo.

**Horwath**  
Firm No : AF 1018  
Chartered Accountants  
16 APR 2008

A handwritten signature in black ink, appearing to be "KW", written over the name "Lee Kok Wai".

**Lee Kok Wai**  
Approval No : 2760/06/08 (J)  
Partner



12. ACCOUNTANTS' REPORT (Cont'd)



**Horwath** AF No 1018  
Kuala Lumpur Office  
Chartered Accountants

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info@horwathkl.com

**REPORT OF THE AUDITORS TO THE MEMBERS OF  
SUNZEN LIFESCIENCES SDN. BHD.**

Company No : 758075 - D

We have audited the financial statements set out on pages 3 to 14. The preparation of the financial statements is the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. Our audit included examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. Our audit also included an assessment of the accounting principles used and significant estimates made by the directors as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements are properly drawn up in accordance with applicable approved Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company at 31 March 2008 and its results and cash flows for the financial period ended on that date.

The comparative figures for the corresponding three-month period ended 31 March 2007 in respect of the income statement, statement of changes in equity and the cash flow statement were extracted from the unaudited management financial information and we have not carried out a review of these financial statements. The unaudited financial information is the responsibility of the directors of the Company.

**Horwath**  
Firm No : AF 1018  
Chartered Accountants  
16 JUN 2008

**Lee Kok Wai**  
Approval No : 2760/06/10 (J)  
Partner

Horwath Offices in Malaysia:

Johor Bahru • Klang • Kota Kinabalu • Kuala Lumpur • Kuching • Labuan • Melaka • Penang

12. ACCOUNTANTS' REPORT (*Cont'd*)



**Horwath** AF No 1018  
**Kuala Lumpur Office**  
Chartered Accountants

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info@horwathkl.com

**REPORT OF THE AUDITORS TO THE MEMBERS OF  
SUNZEN FEEDTECH SDN. BHD.**

Company No : 782887 - K

We have audited the financial statements set out on pages 9 to 19. The preparation of the financial statements is the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. Our audit included examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. Our audit also included an assessment of the accounting principles used and significant estimates made by the directors as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion,

- (a) the financial statements are properly drawn up in accordance with applicable approved Financial Reporting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of:-
  - (i) the state of affairs of the Company at 31 December 2007 and of its results and cash flows for the financial period ended on that date; and
  - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Company; and

Horwath Offices in Malaysia:

Johor Bahru • Klang • Kota Kinabalu • Kuala Lumpur • Kuching • Labuan • Melaka • Penang

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12. ACCOUNTANTS' REPORT (*Cont'd*)

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**REPORT OF THE AUDITORS TO THE MEMBERS OF  
SUNZEN FEEDTECH SDN. BHD. (CONT'D)**

Company No : 782887 - K

- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company have been properly kept in accordance with the provisions of the said Act.

A handwritten signature in black ink, appearing to be "J. N.", written over a horizontal line.

**Horwath**  
Firm No : AF 1018  
Chartered Accountants

16 APR 2008

A handwritten signature in black ink, appearing to be "KW", written over a horizontal line.

**Lee Kok Wai**  
Approval No : 2760/06/08 (J)  
Partner

Horwath Offices in Malaysia:

Johor Bahru • Klang • Kota Kinabalu • Kuala Lumpur • Kuching • Labuan • Melaka • Penang



12. ACCOUNTANTS' REPORT (Cont'd)



Horwath AF No 1018  
Kuala Lumpur Office  
Chartered Accountants

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Megan Avenue II  
12 Jalan Yap Kwan Seng  
50450 Kuala Lumpur  
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+6 03 2166 1000 Fax

www.horwath.com.my  
info@horwathkl.com

**REPORT OF THE AUDITORS TO THE MEMBERS OF  
SUNZEN FEEDTECH SDN. BHD.**

Company No : 782887 - K

We have audited the financial statements set out on pages 3 to 13. The preparation of the financial statements is the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. Our audit included examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. Our audit also included an assessment of the accounting principles used and significant estimates made by the directors as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements of the Company as set out on pages 3 to 13, are properly drawn up so as to give a true and fair view of the state of affairs of the Company at 31 March 2008, and of its results and cash flows for the three month period ended on that date.

**Horwath**  
Firm No : AF 1018  
Chartered Accountants  
16 JUN 2008

**Lee Kok Wai**  
Approval No : 2760/06/10 (J)  
Partner

Horwath Offices in Malaysia:

Johor Bahru • Klang • Kota Kinabalu • Kuala Lumpur • Kuching • Labuan • Melaka • Penang

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13. EXECUTIVE SUMMARY OF INDEPENDENT MARKET RESEARCH REPORT

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(Prepared for inclusion in Prospectus).

F R O S T & S U L L I V A N

20 August 2008

The Board of Directors  
Sunzen Biotech Berhad  
10th Floor, Menara Hap Seng  
No. 1 & 3 Jalan P. Ramlee  
50250 Kuala Lumpur

Dear Sirs,

**Executive Summary of Animal Feed Additive Markets in Selected Asia Pacific Countries**

This Executive Summary of the Independent Market Report on the Animal Feed Additive Markets in Selected Asia Pacific Countries is prepared by Frost & Sullivan (M) Sdn Bhd ("Frost & Sullivan") for inclusion in the Prospectus of Sunzen Biotech Berhad (herein together with all its subsidiaries will be referred to as Sunzen Biotech Group) in relation to its listing on the MESDAQ Market of Bursa Malaysia.

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**13. EXECUTIVE SUMMARY OF INDEPENDENT MARKET RESEARCH REPORT (Cont'd)**

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F R O S T &amp; S U L L I V A N

**Overview of the Animal Feed Additive Industry****Introduction**

Livestock production is a key segment of the agriculture industry and an increasingly important protein and food resource to Asia Pacific's burgeoning economies. The consumption and demand for livestock products is intrinsically related to per capita income. Increased per capita incomes are generally accompanied with a concurrent increase in the consumption of meat, poultry, milk and eggs that are the key segments of the livestock industry. In Asia Pacific, the growing demand for livestock products has been met through the intensification of farming practices and a shift in the mode of livestock production has produced a concurrent demand for animal feed and related products to support intensive livestock production.

Chart 1-1 outlines the livestock production value chain and its dependence on feed production and associated industries.

**Chart 1-1****Feed Additive Market: Livestock Production Value Chain**

Source: Frost &amp; Sullivan

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**13. EXECUTIVE SUMMARY OF INDEPENDENT MARKET RESEARCH REPORT (Cont'd)**

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F R O S T  S U L L I V A N

Intensive livestock production generally involves a decreased dependence on locally available food resources and an increased demand for animal feed concentrates produced locally or traded internationally. Over a third of the world's cereal production is channelled to animal feed production. Concurrently, intensive livestock production has produced a concurrent industry focusing on the maintenance of animal health from both a therapeutic and commercial production standpoint. The maintenance of optimum nutrition for effective feed resource utilization and growth performance is a major industry segment servicing the livestock production industry.

Increased global demand for meat and poultry products are drivers of intensive livestock production and subsequently drive the demand for animal feed and feed additives. Poultry and swine remain the key livestock industries in terms of production volume and revenues and are key consumers of feed additives. Additionally, these two species make the most profitable use of animal feed and achieve lower cost per unit output through effective feed conversion which is further enhanced through the use of feed additives.

Feed additives are utilized within the animal nutrition industry for the purpose of enhancing the quality of animal feed or to improve animal performance and health. They are an important component of the animal health market particularly within the livestock industry where feed additives are incorporated to complement the basic macro ingredients within animal feed. Feed additives function to improve nutrient availability, increase digestibility and improve animal productivity and growth rates. In addition to these factors, feed additives also play a role in reducing environmental pollution associated with livestock production through ensuring more effective utilization of animal feed. The growth and development of the feed additive market is highly dependent on the livestock industry. The demand for feed additives is dependent on the current demand of the livestock production industry which is in turn governed by the market demand for poultry, meat, eggs and milk products.