

**THIS ABRIDGED PROSPECTUS (“AP”) IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.** If you have sold or transferred all your shares in Sunzen Biotech Berhad (“Sunzen” or the “Company”), you should immediately hand this AP together with the Notice of Provisional Allotment (“NPA”) and Rights Subscription Form (“RSF”) (collectively referred to as “Documents”) to the purchaser or transferee or agent/broker through whom you have effected the sale or transfer for onward transmission to the purchaser or transferee. You should address all enquiries concerning the Rights Issue of Shares with Warrants (as defined herein) to our share registrar, Symphony Share Registrars Sdn Bhd (“Share Registrar”) at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan.

The Documents are only despatched to our shareholders (“Entitled Shareholders”) (other than an authorised nominee who has subscribed for Nominee Rights Subscription service (“NRS”)) whose names appear in our Record of Depositors as at 5.00 p.m. on 3 February 2016 (“Entitlement Date”) at their registered addresses in Malaysia. If you are an authorised nominee who has subscribed for NRS with Bursa Malaysia Depository Sdn Bhd (“Bursa Depository”), an electronic copy of this AP and the Rights Issue Entitlement File will be transmitted to you electronically by Bursa Depository through its existing network facility with the Authorised Nominee (as defined herein). The Documents are not intended to be (and will not be) issued, circulated or distributed in any countries or jurisdictions other than Malaysia. No action has been or will be taken to ensure that the Rights Issue of Shares with Warrants or the Documents comply with the laws of any countries or jurisdictions other than the laws of Malaysia. The Documents do not constitute an offer, solicitation or invitation to subscribe for the Rights Issue of Shares with Warrants in any jurisdiction other than Malaysia or to any person to whom it may be unlawful to make such an offer, solicitation or invitation. It shall be the sole responsibility of the Entitled Shareholders and/or their renounees/transferees (if applicable) who are residents in countries or jurisdictions other than Malaysia to consult their legal and/or other professional advisers as to whether their acceptance or renunciation (as the case may be) of his/her entitlement to the Rights Issue of Shares with Warrants would result in the contravention of any laws of such countries or jurisdictions. Such Entitled Shareholders and/or their renounees/transferees (if applicable) should note the additional terms and restrictions as set out in Section 3 of this AP. Neither our Company nor TA Securities Holdings Berhad (“TA Securities”) shall accept any responsibility or liability whatsoever to any party in the event that any acceptance or sale/renunciation made by the Entitled Shareholders, and/or their renounees/transferees (if applicable) is or shall become illegal, unenforceable, voidable or void in any countries or jurisdictions in which the Entitled Shareholder and/or his renounee/transferee (if applicable) is a resident.

A copy of this AP has been registered with the Securities Commission Malaysia (“SC”). The registration of this AP should not be taken to indicate that the SC recommends the Rights Issue of Shares with Warrants or assumes responsibility for the correctness of any statement made or opinion or report expressed in this AP. The SC has not, in any way, considered the merits of the securities being offered for investment. A copy of this AP, together with the NPA and RSF, has also been lodged with the Registrar of Companies who takes no responsibility for the contents of these documents.

Our shareholders have approved the Rights Issue of Shares with Warrants at the Extraordinary General Meeting held on 24 November 2015. Bursa Malaysia Securities Berhad (“Bursa Securities”) had vide its letter dated 20 October 2015 approved the admission of the Warrants (as defined herein) to the Official List of the ACE Market of Bursa Securities and the listing of and quotation for the Rights Shares (as defined herein), additional new Warrants 2014/2019 to be issued pursuant to the adjustments in accordance with the provisions of the deed poll dated 28 March 2014 as a result of the Rights Issue of Shares with Warrants (“Adjustment Warrants”) and the new Sunzen Shares (as defined herein) to be issued upon the exercise of the Warrants and Adjustment Warrants on the ACE Market of Bursa Securities. However, this is not an indication that Bursa Securities recommends the Rights Issue of Shares with Warrants. Admission of the Warrants to the Official List of the ACE Market of Bursa Securities and the listing of and quotation for the Rights Shares, Warrants, Adjustment Warrants and new Sunzen Shares to be issued upon exercise of the Warrants and Adjustment Warrants on the ACE Market of Bursa Securities are in no way reflective of the merits of the Rights Issue of Shares with Warrants. Neither Bursa Securities nor the SC takes any responsibility for the correctness of any statement made or opinions expressed in the Documents. The listing of and quotation for the Rights Shares and Warrants will commence after, amongst others, receipt of confirmation from Bursa Depository that all the Central Depository System accounts of the Entitled Shareholders and/or their renounees/transferees (if applicable) have been duly credited and notices of allotment have been despatched to the Entitled Shareholders and/or their renounees/transferees (if applicable).

Our Board of Directors (“Board”) has seen and approved all the documentation relating to this Rights Issue of Shares with Warrants. Our Board collectively and individually accepts full responsibility for the accuracy of the information given and confirms that, after having made all reasonable inquiries, and to the best of our Board’s knowledge and belief, there are no false or misleading statements or other facts which, if omitted, would make any statement in these Documents false or misleading.

TA Securities, being the Adviser for the Rights Issue of Shares with Warrants, acknowledges that, based on all available information and to the best of its knowledge and belief, this AP constitutes a full and true disclosure of all material facts concerning the Rights Issue of Shares with Warrants.

**FOR INFORMATION CONCERNING RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, PLEASE REFER TO “RISK FACTORS” AS SET OUT IN SECTION 6 HEREIN.**



**SUNZEN BIOTECH BERHAD**

(Company No. 680889-W)

(Incorporated in Malaysia under the Companies Act, 1965)

**RENOUNCEABLE RIGHTS ISSUE OF UP TO 192,579,515 NEW ORDINARY SHARES OF RM0.10 EACH IN SUNZEN (“SUNZEN SHARES”) (“RIGHTS SHARES”) ON THE BASIS OF THREE (3) RIGHTS SHARES FOR EVERY FIVE (5) EXISTING SUNZEN SHARES HELD AS AT 5.00 P.M. ON 3 FEBRUARY 2016 AT AN ISSUE PRICE OF RM0.25 PER RIGHTS SHARE, TOGETHER WITH UP TO 192,579,515 FREE DETACHABLE WARRANTS (“WARRANTS”) ON THE BASIS OF ONE (1) WARRANT FOR EVERY ONE (1) RIGHTS SHARE SUBSCRIBED FOR**

*Adviser and Joint Underwriter*



*Joint Underwriter*



**IMPORTANT RELEVANT DATES AND TIME**

Entitlement date : Wednesday, 3 February 2016 at 5.00 p.m.

**Last date and time for:**

Sale of provisional allotment of rights : Friday, 12 February 2016 at 5.00 p.m.

Transfer of provisional allotment of rights : Wednesday, 17 February 2016 at 4.00 p.m.

Acceptance and payment : Monday, 22 February 2016 at 5.00 p.m.\*

Excess application and payment : Monday, 22 February 2016 at 5.00 p.m.\*

\* or such later date and time as our Board may decide at its absolute discretion and announce not less than two (2) market days before the stipulated date and time

**This Abridged Prospectus is dated 3 February 2016**

*All terms and abbreviations used herein shall have the same meanings as those defined in the "Definitions" section of this AP unless stated otherwise.*

**BURSA SECURITIES HAS APPROVED THE ADMISSION OF THE WARRANTS TO THE OFFICIAL LIST OF THE ACE MARKET OF BURSA SECURITIES AND THE LISTING OF AND QUOTATION FOR THE RIGHTS SHARES, ADJUSTMENT WARRANTS AND THE NEW SHARES TO BE ISSUED PURSUANT TO THE EXERCISE OF THE WARRANTS AND ADJUSTMENT WARRANTS ON THE ACE MARKET OF BURSA SECURITIES AND THE APPROVAL SHALL NOT BE TAKEN TO INDICATE THAT BURSA SECURITIES RECOMMENDS THE RIGHTS ISSUE OF SHARES WITH WARRANTS.**

**THE SC AND BURSA SECURITIES ARE NOT LIABLE FOR ANY NON-DISCLOSURE ON OUR PART AND TAKE NO RESPONSIBILITY FOR THE CONTENTS OF THIS AP, MAKE NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIM ANY LIABILITY WHATSOEVER FOR ANY LOSS YOU MAY SUFFER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS AP.**

**YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT. IN CONSIDERING THE INVESTMENT, IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.**

**YOU ARE ADVISED TO NOTE THAT RECOURSE FOR FALSE OR MISLEADING STATEMENTS OR ACTS MADE IN CONNECTION WITH THIS AP ARE DIRECTLY AVAILABLE THROUGH SECTIONS 248, 249 AND 357 OF THE CAPITAL MARKETS AND SERVICES ACT 2007 ("CMSA").**

**SECURITIES LISTED ON BURSA SECURITIES ARE OFFERED TO THE PUBLIC PREMISED ON FULL AND ACCURATE DISCLOSURE OF ALL MATERIAL INFORMATION CONCERNING THE ISSUE FOR WHICH ANY OF THE PERSONS SET OUT IN SECTION 236 OF THE CMSA, E.G. DIRECTORS AND ADVISERS, ARE RESPONSIBLE.**

**WE AND OUR ADVISER HAVE NOT AUTHORISED ANYONE TO PROVIDE YOU WITH INFORMATION WHICH IS NOT CONTAINED IN THIS AP.**

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## DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this AP and the accompanying appendices:

“5D-VWAP”	:	Five (5)-day volume weighted average market price
“Act”	:	Companies Act, 1965
“Adjustment”	:	Adjustment to the number of the outstanding Warrants 2014/2019 from 22,179,114 to up to 25,912,864 following the issuance of up to 3,733,750 Adjustment Warrants as a result of the Rights Issue of Shares with Warrants pursuant to the Existing Deed Poll and subject to certification by our auditors
“Adjustment Based on Minimum Scenario”	:	Based on the Minimum Scenario, there would be 2,561,564 additional Warrants 2014/2019 to be issued as a result of the Rights Issue of Shares with Warrants pursuant to the Existing Deed Poll and subject to certification by our auditors
“Adjustment Warrants”	:	Up to 3,733,750 additional Warrants 2014/2019 to be issued pursuant to the Adjustment in accordance with the provisions of the Existing Deed Poll as a result of the Rights Issue of Shares with Warrants
“Amendment”	:	Amendment to the Memorandum of Association of our Company which took effect on 24 November 2015
“Announcement”	:	The announcement of, amongst others, the Rights Issue of Shares with Warrants and SIS dated 26 August 2015
“AP”	:	This Abridged Prospectus issued by our Company dated 3 February 2016
“ATM”	:	Automated teller machine within Malaysia
“Authorised Nominee”	:	A person who is authorised to act as a nominee as defined under the Rules of Bursa Depository
“Board”	:	Our Board of Directors
“Bonus Issue of Shares”	:	Bonus issue of 95,209,113 new Sunzen Shares which was completed on 6 May 2015
“Building”	:	Our existing factory cum office building located at No. 11 and No. 13, Jalan Anggerik Mokara 31/47, Kota Kemuning, 40460 Shah Alam, Selangor Darul Ehsan
“Bursa Depository”	:	Bursa Malaysia Depository Sdn Bhd
“Bursa Securities”	:	Bursa Malaysia Securities Berhad
“CAGR”	:	Compound annual growth rate
“CDS”	:	Central Depository System
“Code”	:	Malaysian Code on Take-Overs and Mergers 2010
“Corporate Exercises”	:	Rights Issue of Shares with Warrants, SIS, Increase in Authorised Share Capital and Amendment, collectively
“Deed Poll”	:	The document constituting the Warrants dated 18 January 2016

**DEFINITIONS (CONT'D)**

“Director”	:	A natural person who holds a directorship in our Company, whether in an executive or non-executive capacity, and shall have the meaning given in Section 4 of the Act and Section 2(1) of the Capital Markets and Services Act 2007
“EBITDA”	:	Earnings before interest, taxation, depreciation and amortisation
“EGM”	:	Extraordinary general meeting of our Company held on 24 November 2015
“Electronic Application”	:	Application for the Rights Shares with Warrants through the ATMs of Participating Financial Institution
“Eligible Person”	:	An employee or a Director who meets the criteria of eligibility for participation in the SIS
“Entitled Shareholders”	:	Our shareholders whose names appear in our Company’s Record of Depositors on the Entitlement Date
“Entitlement Date”	:	3 February 2016 at 5.00 p.m. being the date and time on which our shareholders must be registered on the Record of Depositors in order to be entitled to the Rights Issue of Shares with Warrants
“EPS”	:	Earnings per Sunzen Share
“ETP”	:	Economic Transformation Programme
“Existing Deed Poll”	:	Deed poll dated 28 March 2014 constituting the Warrants 2014/2019 and including any Adjustment Warrants
“Expansion Plan”	:	Our Group’s plans to expand our business organically via, amongst others, the following: <ul style="list-style-type: none"> <li>(i) increasing our Group’s product offerings by introducing new products such as Orgacids Revolution (an improved organic acid compound which is able to enhance animal growth and health status as well as improve feed efficiency in a more cost effective manner compared to our existing Orgacids range of products) and palm stearin (being raw materials of Powder Fat, our existing product which is widely used as a source of energy for ruminant species and monogastric animals) to meet the anticipated demand for animal feed following the growth of the livestock industry in Malaysia as well as enhancing the quality of our existing products via continuous R&amp;D activities; and</li> <li>(ii) intensifying our marketing and promotional activities both locally (in Malaysia) and overseas (i.e., in China, Vietnam, and Iran) such as holding promotional campaigns and road shows to improve market awareness and enhance the presence of our Group’s products</li> </ul>
“FIFO”	:	First-in-first-out
“FMD”	:	Food and mouth disease
“FYE”	:	Financial year ended / financial year ending, as the case may be
“GDP”	:	Gross domestic product
“GP”	:	Gross profit

**DEFINITIONS (CONT'D)**

“GST”	:	Goods and services tax
“HKD”	:	Hong Kong dollar
“HPAI”	:	Highly Pathogenic Avian Influenza
“Increase in Authorised Share Capital”	:	Increase in authorised share capital of our Company from RM50,000,000 comprising 500,000,000 Sunzen Shares to RM100,000,000 comprising 1,000,000,000 Sunzen Shares which took effect on 24 November 2015
“Independent Market Research Report”	:	Independent Market Research Report on the Animal Feed Industry and Livestock Industry in Malaysia dated January 2016
“Internet Application”	:	Application for the Rights Shares with Warrants within Malaysia through an Internet Participating Financial Institution
“Internet Participating Financial Institution”	:	Participating financial institution for the Internet Applications as referred to in Section 3.5.3 of this AP
“IP”	:	Intellectual property
“Issue Price”	:	The issue price pursuant to the Rights Issue of Shares with Warrants of RM0.25 per Rights Share
“Joint Underwriters”	:	Collectively, TA Securities and Mercury Securities
“Listing Requirements”	:	ACE Market Listing Requirements of Bursa Securities, including any amendments, modifications and additions thereto
“LPD”	:	12 January 2016, being the latest practicable date prior to the registration of this AP
“Market Day”	:	A day on which Bursa Securities is open for the trading of securities
“Maximum Scenario”	:	Assuming all the outstanding Treasury Shares are resold in the open market and full exercise of the Warrants 2014/2019 prior to the Entitlement Date and all Entitled Shareholders fully subscribe for their entitlements of the Rights Shares with Warrants
“Mercury Securities”	:	Mercury Securities Sdn Bhd
“MFRS-2”	:	Malaysian Financial Reporting Standard 2 – Share-based Payment
“Minimum Scenario”	:	Assuming only the Undertaking Shareholders fully subscribe for their aggregate entitlements of 55,024,200 Rights Shares with Warrants in accordance with their Undertakings while the Joint Underwriters subscribe for 55,000,000 Rights Shares with Warrants
“Minimum Subscription Level”	:	Minimum level of subscription of 110,024,200 Rights Shares together with 110,024,200 Warrants pursuant to the Undertakings and the Underwriting
“NA”	:	Net assets attributable to ordinary equity holders of our Company
“NPA”	:	Notice of Provisional Allotment in relation to the Rights Issue of Shares with Warrants
“NRS”	:	Nominee Rights Subscription service offered by Bursa Depository, at the request of our Company, to Authorised Nominees for electronic subscription of Rights Shares with Warrants through Bursa Depository’s existing network facility with the Authorised Nominees
“NTA”	:	Net tangible assets

**DEFINITIONS (CONT'D)**

“Official List”	:	A list specifying all securities listed which have been admitted for listing on the ACE Market of Bursa Securities and not removed
“Orgacids”	:	A non-antibiotic feed additive and is an organic acid compound which promotes the growth of animal and improves feed efficiency
“Participating Financial Institution”	:	Participating financial institution for Electronic Applications as referred to in Section 3.5.2 of this AP
“PAT”	:	Profit after taxation
“PBT”	:	Profit before taxation
“Powder Fat”	:	A granular form of stearin which is widely used as a source of energy for ruminant species such as dairy and beef cattle as well as monogastric animals such as swine and poultry
“R&D”	:	Research and development
“Record of Depositors”	:	A record of securities holders provided by Bursa Depository under the Rules of Bursa Depository
“Rights Issue Entitlement File”	:	An electronic file forwarded by Bursa Depository to an Authorised Nominee who has subscribed for NRS, containing information of such Authorised Nominee’s entitlements under the Rights Issue of Shares with Warrants as at the Entitlement Date
“Rights Issue of Shares with Warrants”	:	Renounceable rights issue of up to 192,579,515 new Sunzen Shares on the basis of three (3) Rights Shares for every five (5) existing Sunzen Shares held, together with up to 192,579,515 Warrants on the basis of one (1) Warrant for every one (1) Rights Share subscribed at the Entitlement Date
“Rights Shares”	:	Up to 192,579,515 new Sunzen Shares to be issued pursuant to the Rights Issue of Shares with Warrants
“Rights Shares Subscription File”	:	An electronic file submitted by an Authorised Nominee who has subscribed for NRS, to Bursa Depository containing information pertaining to such Authorised Nominee’s subscription of the Rights Shares with Warrants
“RM” and “sen”	:	Ringgit Malaysia and sen, respectively
“RSF”	:	Rights Subscription Form in relation to the Rights Issue of Shares with Warrants
“Rules of Bursa Depository”	:	Rules of Bursa Depository including the rules in relation to a central depository as described in Section 2 of the SICDA
“SC”	:	Securities Commission Malaysia
“SFSB”	:	Sunzen Feedtech Sdn Bhd
“Share Registrar”	:	Symphony Share Registrars Sdn Bhd
“SICDA”	:	Securities Industry (Central Depositories) Act, 1991
“SIS”	:	Share issuance scheme of up to thirty percent (30%) of the issued and paid-up share capital of our Company (excluding treasury shares, if any) at any one (1) time during the duration of the scheme for the Eligible Persons to be established after the completion of the Rights Issue of Shares with Warrants

**DEFINITIONS (CONT'D)**

“SIS Options”	:	The right of a grantee to subscribe for new Sunzen Shares, as granted under the SIS
“SIS Shares”	:	New Sunzen Shares to be offered and issued under the SIS
“SMITH ZANDER”	:	Smith Zander International Sdn Bhd
“Subscription Price”	:	The price at which the grantee is entitled to subscribe for the SIS Shares
“Subsequent Events”	:	Subsequent events after the FYE 31 December 2014 up to the LPD (comprising the Bonus Issue of Shares, expenses incurred for the Bonus Issue of Shares of RM196,527, subsequent exercise of 37,810,966 Warrants 2014/2019 into new Sunzen Shares at an issue price of RM0.10 each and 100,000 and 250,000 Sunzen Shares bought back from the open market on 18 June 2015 and 30 November 2015 for a consideration of RM48,872.88 and RM113,458.10, respectively by our Company)
“Sunzen” or “Company”	:	Sunzen Biotech Berhad
“Sunzen Corporation”	:	Sunzen Corporation Sdn Bhd
“Sunzen Group” or “Group”	:	Sunzen and our subsidiaries, collectively
“Sunzen LifeSciences”	:	Sunzen LifeSciences Sdn Bhd
“Sunzen Shares” or “Shares”	:	Ordinary shares of RM0.10 each in our Company
“TA Securities” or the “Adviser”	:	TA Securities Holdings Berhad
“TEAP”	:	Theoretical ex-all price of Sunzen Shares
“TERP”	:	Theoretical ex-rights price of Sunzen Shares
“Treasury Shares”	:	498,000 Sunzen Shares held as treasury shares by our Company as at the LPD
“Undertakings”	:	Unconditional and irrevocable written undertakings dated 26 August 2015 from the Undertaking Shareholders that they will not dispose any of their Sunzen Shares following the Announcement up to the completion of the Rights Issue of Shares with Warrants and that they will subscribe in full for their aggregate entitlements of 55,024,200 Rights Shares together with 55,024,200 Warrants
“Undertaking Shareholders”	:	Hong Choon Hau, Tracy Lim Hwee Teng and Lim Eng Chai, collectively
“Underwriting”	:	Underwriting arrangement for 55,000,000 Rights Shares together with 55,000,000 Warrants, for which no unconditional and irrevocable written undertaking to subscribe has been obtained from other shareholders of our Company
“Underwriting Agreement”	:	Underwriting agreement dated 18 January 2016 entered into between our Company and the Joint Underwriters
“USD”	:	United States dollar
“Warrants”	:	Up to 192,579,515 free detachable warrants to be issued pursuant to the Rights Issue of Shares with Warrants
“Warrants 2014/2019”	:	22,179,114 warrants 2014/2019 issued but remain un-exercised as at the LPD as constituted by the Existing Deed Poll and including any Adjustment Warrants

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**DEFINITIONS (*CONT'D*)**

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“Zoetis” : Zoetis Malaysia Sdn Bhd

All references to “**our Company**” and/or “**Sunzen**” in this AP are to Sunzen Biotech Berhad. References to “**our Group**” and/or “**Sunzen Group**” are to Sunzen and our subsidiaries and references to “**we**”, “**us**” “**our**” and “**ourselves**” are to Sunzen and where the context does require, shall include our subsidiaries.

Words incorporating the singular shall, where applicable, include the plural and vice versa. Words incorporating the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Any reference to persons shall include a corporation, unless otherwise specified.

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

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**CORPORATE DIRECTORY****BOARD OF DIRECTORS**

<b>Name</b>	<b>Address</b>	<b>Age</b>	<b>Nationality</b>	<b>Profession</b>
Tan Sri Haji Musa Bin Tan Sri Haji Hassan <i>(Senior Independent Non-Executive Chairman)</i>	No. 9, Seksyen 6/15 Jalan Cawan 64000 Petaling Jaya Selangor Darul Ehsan	64	Malaysian	Chairman / Director
Hong Choon Hau <i>(Executive Director / Chief Executive Officer)</i>	No. 10, Jalan Margosa SD10/4C Bandar Sri Damansara 52200 Kuala Lumpur Wilayah Persekutuan	39	Malaysian	Chief Executive Officer
Lim Eng Chai <i>(Executive Director / Chief Operating Officer)</i>	No. 11, Jalan Gemilang 10 Bukit Banang Golf Club 83000 Batu Pahat Johor Darul Ta'zim	45	Malaysian	Chief Operating Officer
Dato' Dr. Mhd Nordin Bin Mohd Nor <i>(Independent Non-Executive Director)</i>	No. 24, Jalan SS5D/4 Kelana Jaya 47301 Petaling Jaya Selangor Darul Ehsan	69	Malaysian	Veterinarian
Khoo Kien Hoe <i>(Independent Non-Executive Director)</i>	No. 21, Jalan Bendahara 8/7 Seksyen 7 Bandar Mahkota Cheras 43200 Cheras Selangor Darul Ehsan	45	Malaysian	Director

**AUDIT COMMITTEE**

<b>Name</b>	<b>Designation</b>	<b>Directorship</b>
Khoo Kien Hoe	Chairman	Independent Non-Executive Director
Tan Sri Haji Musa Bin Tan Sri Haji Hassan	Member	Senior Independent Non-Executive Chairman
Dato' Dr. Mhd Nordin Bin Mohd Nor	Member	Independent Non-Executive Director

**COMPANY SECRETARIES**

: Lim Lee Kuan (MAICSA 7017753)  
Teo Mee Hui (MAICSA 7050642)  
10<sup>th</sup> Floor, Menara Hap Seng  
No. 1 & 3, Jalan P. Ramlee  
50250 Kuala Lumpur  
Tel. no. : 03-2382 4288  
Fax. no. : 03-2382 4170

**REGISTERED OFFICE**

: 10<sup>th</sup> Floor, Menara Hap Seng  
No. 1 & 3, Jalan P. Ramlee  
50250 Kuala Lumpur  
Tel. no. : 03-2382 4288  
Fax. no. : 03-2382 4170

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**CORPORATE DIRECTORY (CONT'D)**

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**HEAD/MANAGEMENT OFFICE/  
PRINCIPAL PLACE OF BUSINESS** : No. 11, Jalan Anggerik Mokara 31/47  
Kota Kemuning  
40460 Shah Alam  
Selangor Darul Ehsan  
Tel. no. : 03-5121 8998  
Fax. no. : 03-5121 9922  
Website : www.sunzen.com.my  
E-mail address : info@sunzen.com.my

**SHARE REGISTRAR** : Symphony Share Registrars Sdn Bhd  
Level 6, Symphony House  
Pusat Dagangan Dana 1  
Jalan PJU 1A/46  
47301 Petaling Jaya  
Selangor Darul Ehsan  
Tel. no. : 03-7849 0777  
Fax. no. : 03-7841 8151 / 7841 8152

**AUDITORS AND REPORTING  
ACCOUNTANTS** : Messrs. Ecovis AHL PLT  
Chartered Accountants  
No. 9-3, Jalan 109F  
Plaza Danau 2  
Taman Danau Desa  
58100 Kuala Lumpur  
Tel. no. : 03-7981 1799  
Fax. no. : 03-7980 4796

**SOLICITORS FOR THE RIGHTS  
ISSUE OF SHARES WITH  
WARRANTS** : Azman Davidson & Co  
Suite 13.03, 13<sup>th</sup> Floor  
Menara Tan & Tan  
207 Jalan Tun Razak  
50400 Kuala Lumpur  
Tel. no. : 03-2164 0200  
Fax. no. : 03-2164 0280

**INDEPENDENT MARKET  
RESEARCHER** : Smith Zander International Sdn Bhd  
Suite 23-3, Level 23, Office Suite  
Menara 1MK  
1, Jalan Kiara  
Mont Kiara  
50480 Kuala Lumpur  
Tel. no. : 03-6211 2121

**PRINCIPAL BANKER** : Maybank Islamic Berhad  
Petaling Jaya Business Centre  
T2-L6, Level 6, Tower 2, Jaya 33  
No. 3, Jalan Semangat, Seksyen 13  
46200 Petaling Jaya  
Selangor Darul Ehsan  
Tel. no. : 03-7954 8833 / 03-7954 0108  
Fax. no. : 03-7954 4108

**ADVISER FOR THE RIGHTS ISSUE  
OF SHARES WITH WARRANTS** : TA Securities Holdings Berhad  
32<sup>nd</sup> Floor, Menara TA One  
22, Jalan P. Ramlee  
50250 Kuala Lumpur  
Tel. no. : 03-2072 1277  
Fax. no. : 03-2026 0127

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**CORPORATE DIRECTORY (CONT'D)**

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**JOINT UNDERWRITERS** : TA Securities Holdings Berhad  
32<sup>nd</sup> Floor, Menara TA One  
22, Jalan P. Ramlee  
50250 Kuala Lumpur  
Tel. no. : 03-2072 1277  
Fax. no. : 03-2026 0127

Mercury Securities Sdn Bhd  
L-7-2, No. 2, Jalan Solaris  
Solaris Mont' Kiara  
50480 Kuala Lumpur  
Tel. no. : 03-6203 7227  
Fax. no. : 03-6203 7117

**STOCK EXCHANGE LISTING** : ACE Market of Bursa Securities

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**SUNZEN BIOTECH BERHAD**  
(Company No. 680889-W)  
(Incorporated in Malaysia under the Companies Act, 1965)

**Registered Office:**

10<sup>th</sup> Floor, Menara Hap Seng  
No. 1 & 3, Jalan P. Ramlee  
50250 Kuala Lumpur

3 February 2016

**Our Board of Directors:**

Tan Sri Haji Musa Bin Tan Sri Haji Hassan (*Senior Independent Non-Executive Chairman*)  
Hong Choon Hau (*Executive Director / Chief Executive Officer*)  
Lim Eng Chai (*Executive Director / Chief Operating Officer*)  
Dato' Dr. Mhd Nordin Bin Mohd Nor (*Independent Non-Executive Director*)  
Khoo Kien Hoe (*Independent Non-Executive Director*)

**To: Our Entitled Shareholders**

Dear Sir/Madam,

**RIGHTS ISSUE OF SHARES WITH WARRANTS**

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**1. INTRODUCTION**

Our shareholders had, at the EGM held on 24 November 2015 approved the Rights Issue of Shares with Warrants.

A certified true extract of the ordinary resolution in relation to the Rights Issue of Shares with Warrants passed at the EGM is set out in Appendix I of this AP.

Bursa Securities has vide its letter dated 20 October 2015 approved the following:

- (i) listing of and quotation for the Rights Shares;
- (ii) listing of and quotation for the Adjustment Warrants;
- (iii) admission to the Official List for the Warrants;
- (iv) listing of and quotation for the new Sunzen Shares to be issued pursuant to the exercise of the Warrants and the Adjustment Warrants; and
- (v) listing of and quotation for the SIS Shares.

on the ACE Market of Bursa Securities.

The approval of Bursa Securities is subject to the following conditions:

	Conditions imposed	Status of compliance
(i)	Our Company and TA Securities must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Rights Issue of Shares with Warrants and SIS;	To be complied
(ii)	Our Company and TA Securities to inform Bursa Securities upon the completion of the Rights Issue of Shares with Warrants;	To be complied
(iii)	Our Company to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Rights Issue of Shares with Warrants is completed;	To be complied
(iv)	TA Securities is required to submit a confirmation to Bursa Securities of full compliance of the SIS pursuant to Rule 6.44(1) of the Listing Requirements and stating the effective date of implementation together with a certified true copy of the resolution passed by our shareholders in general meeting; and	To be complied
(v)	Our Company is required to furnish Bursa Securities on a quarterly basis a summary of the total number of shares listed pursuant to the exercise of the Warrants and the exercise of SIS Options under the SIS, as at the end of each quarter together with a detailed computation of listing fees payable.	To be complied

On 18 January 2016, TA Securities had on our behalf announced that the Entitlement Date has been fixed on 3 February 2016 at 5.00 p.m. and the other relevant dates pertaining to the Rights Issue of Shares with Warrants.

No person is authorised to give any information or to make any representation not contained in this AP in connection with the Rights Issue of Shares with Warrants and if given or made, such information or representation must not be relied upon as having been authorised by us or by TA Securities in connection with the Rights Issue of Shares with Warrants.

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

## 2. DETAILS OF THE RIGHTS ISSUE OF SHARES WITH WARRANTS

The Rights Issue of Shares with Warrants entails the issuance of up to 192,579,515 Rights Shares on the basis of three (3) Rights Shares for every five (5) existing Sunzen Shares held, together with up to 192,579,515 Warrants on the basis of one (1) Warrant for every one (1) Rights Share subscribed by the Entitled Shareholders at an issue price of RM0.25 per Rights Share.

The Rights Shares with Warrants which are not taken up or validly taken up shall be made available for excess applications by the Entitled Shareholders and/or their renounees/transferees (if applicable). It is the intention of our Board to allocate the excess Rights Shares in a fair and equitable basis specified under Section 3.8 herein. The entitlements for the Rights Shares with Warrants are renounceable in full or in part. The Warrants will be immediately detached from the Rights Shares upon issuance and will be separately traded. The renunciation of Rights Shares by the Entitled Shareholders will accordingly entail the renunciation of the Warrants to be issued together with the Rights Shares pursuant to the Rights Issue of Shares with Warrants. However, if the Entitled Shareholders decide to accept only part of their Rights Shares entitlements, they shall be entitled to the Warrants in the proportion of their Rights Shares entitlements. Any unsubscribed Rights Shares with the attached Warrants shall be offered to other Entitled Shareholders and/or their renounees/transferees (if applicable) under the excess Rights Shares with Warrants application.

In determining our shareholders' entitlements to the Rights Shares with Warrants under the Rights Issue of Shares with Warrants, fractional entitlements, if any, will be disregarded and dealt with by our Board in such manner at its absolute discretion as it may deem fit or expedient and in the best interest of our Company.

As you are an Entitled Shareholder, your CDS Account will be duly credited with the number of provisional allotted Rights Shares with Warrants, which you are entitled to subscribe for in full or in part under the terms of the Rights Issue of Shares with Warrants. You (other than an Authorised Nominee who has subscribed for NRS) will find enclosed with this AP, the NPA notifying you of the crediting of such provisional Rights Shares with Warrants into your CDS Account and the RSF to enable you to subscribe for the provisional Rights Shares with Warrants, as well as to apply for the excess Rights Shares with Warrants if you choose to.

If you are an Authorised Nominee who has subscribed for NRS with Bursa Depository, an electronic copy of this AP and the Rights Issue Entitlement File will be transmitted to you electronically by Bursa Depository through its existing network facility with the Authorised Nominees. Please refer to Sections 3.5.4 and 3.8.4 of this AP for the procedures for acceptance as well as to apply for excess Rights Shares with Warrants, if you choose to do so.

Any dealing in our securities will be subject to the SICDA and the Rules of Bursa Depository. Accordingly, the Rights Shares with Warrants and new Shares to be issued arising from the exercise of the Warrants will be credited directly to the respective CDS Accounts of the successful applicants and exercising Warrant holders (as the case may be). No physical share certificates and warrant certificates will be issued to the Entitled Shareholders and/or their renounees/transferees, if applicable. A notice of allotment will be despatched to the successful applicants within eight (8) Market Days from the last date of acceptance and payment for the Rights Issue of Shares with Warrants and a notice of allotment will be despatched to the exercising Warrant holders within eight (8) Market Days after the date of receipt of the subscription form together with the requisite payment (for exercise of Warrants) from the date of exercise of the Warrants.

## **2.1 Basis of determining the Issue Price of the Rights Shares and exercise price of the Warrants**

### **(i) Rights Shares**

Our Board has fixed the issue price for the Rights Shares at RM0.25 per Rights Share after taking into consideration the following:

- (a) the TEAP of Sunzen Shares of RM0.3209 based on 5D-VWAP of Sunzen Shares up to and including 25 August 2015, being the latest practicable date prior to the Announcement of RM0.4060 and the exercise price of the Warrants RM0.25 as set out in item (ii) below;
- (b) the par value of Sunzen Shares of RM0.10 each; and
- (c) the funding requirements of our Group, details of which are set out in Section 5 of this AP.

The issue price of RM0.25 per Rights Share represents a discount of RM0.0709 or 22.09% to the above TEAP of Sunzen Shares of RM0.3209.

In determining the above-mentioned discount of the issue price of the Rights Shares, our Board has taken into consideration, among others, the funding requirements of our Group as set out in Section 5 of this AP. In addition, our Board is of the opinion that the said discount will be attractive to the Entitled Shareholders and likely to encourage a broad participation by them in the said issuance.

### **(ii) Warrants**

The Warrants will be issued at no cost to the Entitled Shareholders who successfully subscribe for the Rights Shares.



Our Board has fixed the exercise price of the Warrants at RM0.25 each after taking into consideration, amongst others, the following:

- (a) the TERP of Sunzen Shares of RM0.3475 based on the 5D-VWAP of Sunzen Shares up to and including 25 August 2015, being the latest practicable date prior to the Announcement of RM0.4060; and
- (b) the par value of Sunzen Shares of RM0.10 each.

The exercise price of RM0.25 per Warrant represents a discount of RM0.0975 or 28.06% to the above TERP of Sunzen Shares of RM0.3475.

## 2.2 Ranking of the Rights Shares and the new Sunzen Shares arising from the exercise of the Warrants and/or Adjustment Warrants

The holders of the Warrants and/or Adjustment Warrants will not be entitled to any voting right and/or participation in any form of distribution and/or offer of further securities in our Company until and unless such holders of the Warrants and/or Adjustment Warrants exercise their Warrants and/or Adjustment Warrants into new Sunzen Shares.

The Rights Shares and/or the new Sunzen Shares to be issued arising from the exercise of the Warrants and/or Adjustment Warrants shall, upon issuance and allotment, rank *pari passu* in all respects with the then existing Sunzen Shares, save and except that the Rights Shares and/or the new Sunzen Shares shall not be entitled to any dividends, rights, allotments and/or other forms of distribution, the entitlement date of which is prior to the date of allotment and issuance of the Rights Shares and/or the new Sunzen Shares to be issued arising from the exercise of the Warrants and/or Adjustment Warrants.

## 2.3 Salient terms of the Warrants

The salient terms of the Warrants are as follows:

<b>Terms</b>	<b>Details</b>
Issue size	: Up to 192,579,515 Warrants.
Form and denomination	: The Warrants which are free will be issued in registered form and will be constituted by the Deed Poll.
Exercise period	: The Warrants may be exercised at any time during the tenure of the Warrants of five (5) years commencing on and including the date of issuance of the Warrants until 5.00 p.m. on the expiry date. Warrants not exercised during the exercise period will thereafter lapse and cease to be valid.
Exercise price	: The exercise price of the Warrants is RM0.25 each.
Expiry date	: The day immediately preceding the fifth (5 <sup>th</sup> ) anniversary date of the issuance of the Warrants, provided that if such day falls on a day which is not a market day, then on the preceding market day.
Exercise rights	: Each Warrant shall entitle the registered holder of the Warrants to subscribe for one (1) new Sunzen Share at any time during the exercise period at the exercise price (subject to the adjustments in accordance with the provisions of the Deed Poll).

- Mode of exercise : The registered holder of the Warrants is required to lodge an exercise form, as set out in the Deed Poll, with our Company's registrar, duly completed, signed and duly stamped in accordance with any law for the time being in force relating to stamp duty together with payment of the exercise price for the new Sunzen Shares subscribed for by banker's draft or cashier's order or money order or postal order in Ringgit Malaysia drawn on a bank or post office operating in Malaysia.
- Board lot : For the purpose of trading on Bursa Securities, one (1) board lot of Warrant shall comprise of one hundred (100) Warrants carrying the right to subscribe for one hundred (100) new Sunzen Shares at any time during the exercise period, or such other denomination as determined by Bursa Securities from time to time.
- Adjustments in the exercise price and/or number of the Warrants : Subject to the provisions in the Deed Poll, the exercise price and/or the number of Warrants held by each Warrant holder shall be adjusted by our Board in consultation with the approved adviser and certification by the external auditors.
- Rights of the Warrants : The Warrant holders are not entitled to any voting rights or participation in any form of distribution and/or offer of securities in our Company until and unless such Warrant holders exercise their Warrants into new Sunzen Shares.
- Modification to the terms of the Warrants : Subject to the terms on modification of rights, save for manifest error, any modification, amendment, deletion or addition to the Deed Poll, shall require the approval of the Warrant holders sanctioned by special resolution and may be effected only by deed poll, executed by our Company and expressed to be supplemental thereto and subject to the approval of the relevant authorities, if necessary.
- A memorandum of every such supplemental deed shall be endorsed on the Deed Poll.
- Rights in the event of winding-up, liquidation, compromise and/or arrangement : If a resolution is passed for a members' voluntary winding-up of our Company or there is a compromise or arrangement, whether or not for the purpose of or in connection with a scheme for the reconstruction of our Company or the amalgamation of our Company with one or more companies, then:
- (i) for the purposes of such winding-up, compromise or arrangement (other than a consolidation, amalgamation or merger in which our Company is the continuing corporation) to which the Warrant holder (or some person designated by them for such purpose by special resolution) will be a party, the terms of such winding up, compromise and arrangement shall be binding on all the Warrant holders; and

- (ii) in any other case, every Warrant holder shall be entitled upon and subject to the conditions at any time within six (6) weeks after the passing of such resolution for a members' voluntary winding-up of our Company or within six (6) weeks after the granting of the court order approving the compromise or arrangement (as the case may be), to exercise their Warrants by submitting the exercise form duly completed together with payment of the relevant exercise price to elect to be treated as if he had immediately prior to the commencement of such winding-up exercised the exercise rights to the extent specified in the exercise form(s) and had on such date been the holder of the new Shares to which he would have become entitled pursuant to such exercise and the liquidator of our Company shall give effect to such election accordingly.

Listing status : The Warrants will be listed and traded on the ACE Market of Bursa Securities. Approval has been obtained for the admission of the Warrants to the Official List of the ACE Market of Bursa Securities and the listing of and quotation for the new Sunzen Shares to be issued pursuant to the exercise of the Warrants on the ACE Market of Bursa Securities.

Governing law : The laws of Malaysia.

#### **2.4 Shareholders' undertakings and underwriting arrangement**

The Rights Issue of Shares with Warrants will be implemented on the Minimum Subscription Level. Based on the Issue Price, we will raise minimum gross proceeds of approximately RM27.51 million from the Rights Issue of Shares with Warrants.

The minimum gross proceeds of RM27.51 million to be raised were determined by our Board after taking into consideration, *inter-alia*, the funding requirements of our Group as set out in Section 5 of this AP.

To meet the Minimum Subscription Level, we have obtained written unconditional and irrevocable undertakings from the Undertaking Shareholders that they will not dispose any of their Sunzen Shares following the Announcement up to the completion of the Rights Issue of Shares with Warrants and that they will subscribe in full for their entitlements of the Rights Shares.

For the remaining portion of the Rights Shares under the Minimum Subscription Level, we have entered into the Underwriting Agreement to underwrite 55,000,000 Rights Shares (representing approximately 49.99% of the total issue size of the Rights Issue of Shares with Warrants based on the Minimum Subscription Level) for which no unconditional and irrevocable written undertaking to subscribe has been obtained from other shareholders. The underwriting commission is two (2) percent (2.00%) of the value of Underwritten Shares, amounting to RM291,500 (inclusive of GST of RM16,500). The underwriting commission payable to the Joint Underwriters and all other costs in relation to the Underwriting shall be fully borne by our Company.

Details of the Undertakings and Underwriting based on the Minimum Subscription Level are as follows:

	As at the LPD		Rights Shares entitled and undertaken / to be underwritten	
	No. of Sunzen Shares	%*	No. of Rights Shares	% <sup>(1)</sup>
<b>Undertaking Shareholders</b>				
Hong Choon Hau	79,569,000	26.68	47,741,400	43.39
Tracy Lim Hwee Teng	138,000	0.05	82,800	0.08
Lim Eng Chai	12,000,000	4.02	7,200,000	6.54
<b>Sub total</b>	<b>91,707,000</b>	<b>30.75</b>	<b>55,024,200</b>	<b>50.01</b>
<b>Joint Underwriters</b>				
TA Securities	-	-	24,000,000	21.81
Mercury Securities	-	-	31,000,000	28.18
<b>Sub total</b>	<b>-</b>	<b>-</b>	<b>55,000,000</b>	<b>49.99</b>
<b>Total</b>	<b>91,707,000</b>	<b>30.75</b>	<b>110,024,200</b>	<b>100.00</b>

Notes:

\* Excluding the Treasury Shares.

(1) Percentages are calculated based on 110,024,200 Rights Shares available for subscription under the Minimum Subscription Level.

The Undertaking Shareholders have confirmed that they have sufficient financial resources to subscribe for their entitlements of the 55,024,200 Rights Shares pursuant to the Undertakings. As the Adviser for the Rights Issue of Shares with Warrants, TA Securities has verified that the Undertaking Shareholders have sufficient financial resources to fulfil their commitments pursuant to the Undertakings.

After taking into consideration of the Undertakings and the Underwriting under the Minimum Subscription Level, the subscription of the Rights Shares by the Undertaking Shareholders will not give rise to any mandatory general offer obligations pursuant to the Code. In addition, the Undertaking Shareholders have in their Undertakings confirmed that they will observe and comply at all times with the provisions of the Code.

## 2.5 Details of other corporate exercises

As at the LPD, save as disclosed below and for the Rights Issue of Shares with Warrants, there is no outstanding corporate proposal which has been announced but pending completion:

### 2.5.1 SIS

The SIS, which was approved by our shareholders at our Company's EGM held on 24 November 2015, involves the establishment of a share issuance scheme of up to thirty percent (30%) of the issued and paid-up share capital of our Company (excluding treasury shares) at any one time during the duration of the scheme for the Eligible Persons after the completion of the Rights Issue of Shares with Warrants.

Subject to any adjustments in accordance with the by-laws, the Subscription Price shall be the higher of the following:

- (i) the 5D-VWAP of Sunzen Shares immediately preceding the date of offer of the SIS Option, as quoted on Bursa Securities, with a discount of not more than ten percent (10%); or
- (ii) the par value of Sunzen Shares.

Nevertheless, the SIS will only be implemented after the completion of the Rights Issue of Shares with Warrants.

### 3. INSTRUCTIONS FOR ACCEPTANCE, PAYMENT, SALE/TRANSFER AND EXCESS APPLICATION FOR THE RIGHTS ISSUE OF SHARES WITH WARRANTS

#### 3.1 General

As you are an Entitled Shareholder, your CDS Account will be duly credited with the number of provisional Rights Shares with Warrants which you are entitled to subscribe for in full or in part, under the terms of the Rights Issue of Shares with Warrants. You (other than an Authorised Nominee who has subscribed for NRS) will find enclosed with this AP, the NPA notifying you of the crediting of such provisional Rights Shares with Warrants into your CDS Account and the RSF to enable you to subscribe for the provisional Rights Shares with Warrants, as well as to apply for excess Rights Shares with Warrants if you choose to do so.

If you are an Authorised Nominee who has subscribed for NRS with Bursa Depository, an electronic copy of this AP and the Rights Issue Entitlement File will be transmitted to you electronically by Bursa Depository through its existing network facility with the Authorised Nominees. Please refer to Sections 3.5.4 and 3.8.4 of this AP for the procedures for acceptance as well as to apply for excess Rights Shares with Warrants, if you choose to do so.

#### 3.2 NPA

The provisionally allotted Rights Shares with Warrants are prescribed securities pursuant to Section 14(5) of the SICDA and therefore, all dealings in the provisional Rights Shares with Warrants will be by book entries through the CDS Accounts and will be governed by the SICDA and the Rules of Bursa Depository. You and/or your renounees/transferees (if applicable) are required to have valid and subsisting CDS Accounts when making your applications.

#### 3.3 Last date and time for acceptance and payment

The last date and time for acceptance and payment for the provisional Rights Shares with Warrants is at **5.00 p.m. on 22 February 2016**, or such extended date and time as our Board may decide at its absolute discretion. Where the closing date of the acceptance is extended from the original closing date, the announcement of such extension will be made not less than two (2) Market Days before the original closing date.

#### 3.4 Methods of application

You may subscribe for such number of Rights Shares with Warrants that you have been provisionally allotted as well as to apply for excess Rights Shares with Warrants, if you so choose, using either of the following methods:

<u>Method of application</u>	<u>Category of Entitled Shareholders</u>
RSF <sup>(1)</sup>	All Entitled Shareholders
Electronic Application <sup>(2)</sup> or Internet Application <sup>(3)</sup>	All Entitled Shareholders
NRS	Authorised Nominee who has subscribed for NRS

*Notes:*

(1) A copy of the RSF is enclosed together with this AP. The RSF is also available on the website of Bursa Securities (<http://www.bursamalaysia.com>).

- (2) *The following surcharge per Electronic Application will be charged by the Participating Financial Institution:*
- *Public Bank Berhad – RM4.24 (inclusive of 6% GST); and*
  - *Affin Bank Berhad – RM4.24 (inclusive of 6% GST);*
- (3) *The following processing fee per Internet Application will be charged by the respective Internet Participating Financial Institution:*
- *Public Bank Berhad (<http://www.pbepbank.com>) – RM4.24 (inclusive of 6% GST); and*
  - *Affin Bank Berhad (<https://www.affinbank.com.my>) – RM4.24 (inclusive of 6% GST).*

### **3.5 Procedure for full acceptance and payment by Entitled Shareholders and acceptance by renounees/transferees**

#### **3.5.1 By way of RSF**

If you wish to accept your entitlement to the provisional Rights Shares with Warrants, the acceptance of and payment for the provisional Rights Shares with Warrants must be made on the respective RSF enclosed with this AP and must be completed in accordance with the notes and instructions contained in the RSF. Acceptances which do not conform to the terms of this AP, the NPA or the RSF or the notes and instructions contained in these documents or which are illegible may not be accepted at the absolute discretion of our Board.

Renounees/transferees who wish to accept the provisional Rights Shares with Warrants must obtain a copy of the RSF from their stockbrokers or our Share Registrar or at our Registered Office or from the Bursa Securities' website at <http://www.bursamalaysia.com> and complete the RSF and submit the same together with the remittance to our Share Registrar in accordance with the notes and instructions printed therein.

The procedure for acceptance and payment applicable to the Entitled Shareholders also applies to renounees/transferees who wish to accept the provisional Rights Shares with Warrants.

**FULL INSTRUCTIONS FOR THE ACCEPTANCE OF AND PAYMENT FOR THE PROVISIONAL RIGHTS SHARES WITH WARRANTS, EXCESS APPLICATION FOR THE RIGHTS SHARES WITH WARRANTS AND THE PROCEDURES TO BE FOLLOWED SHOULD YOU WISH TO SELL/TRANSFER ALL OR ANY PART OF YOUR ENTITLEMENT ARE SET OUT IN THIS AP AND THE ACCOMPANYING RSF.**

**YOU AND/OR YOUR RENOUNCEES/TRANSFEREES (IF APPLICABLE) ARE ADVISED TO READ THIS AP, THE ACCOMPANYING RSF AND THE NOTES AND INSTRUCTIONS THEREIN CAREFULLY.**

**[The rest of this page is intentionally left blank]**

If you wish to accept your entitlement/acceptance, please complete Parts I(A) and II of the RSF in accordance with the notes and instructions provided in the RSF. Thereafter, please send each completed and signed RSF together with the relevant payment by using the envelope provided (at your own risk) to our Share Registrar by **ORDINARY POST** or **DELIVERED BY HAND AND/OR COURIER** at the following address:

**FOR DELIVERY BY HAND  
AND/OR COURIER:**

**Symphony Share Registrars Sdn Bhd**  
Level 6, Symphony House  
Pusat Dagangan Dana 1  
Jalan PJU 1A/46  
47301 Petaling Jaya  
Selangor Darul Ehsan  
Malaysia

**FOR ORDINARY POST:**

**Symphony Share Registrars Sdn Bhd**  
Peti Surat 9150  
Pejabat Pos Kelana Jaya  
46785 Petaling Jaya  
Selangor Darul Ehsan  
Malaysia

Tel. no.: 03-7849 0777

Fax no.: 03-7841 8151/8152

so as to arrive **not later than 5.00 p.m. on 22 February 2016**, being the last time and date for acceptance and payment, or such extended time and date as may be determined and announced by our Board.

One (1) RSF can only be used for acceptance of provisional Rights Shares with Warrants standing to the credit of one (1) CDS Account. Separate RSF(s) must be used for separate CDS Account(s). If successful, the Rights Shares with Warrants subscribed for will be credited into your CDS Account(s) as stated in the completed RSF(s).

A reply envelope is enclosed in this AP. In order to facilitate the processing of the RSF by our Share Registrar for the Rights Shares with Warrants, you are advised to use one (1) reply envelope for each completed RSF.

You and/or your renounees/transferees (if applicable) should take note that a trading board lot for the Rights Shares and Warrants comprises one hundred (100) Rights Shares and one hundred (100) Warrants, respectively. Successful applicants of the Rights Shares will be given the Warrants on the basis of one (1) Warrant for every one (1) Rights Share successfully subscribed for. The minimum number of security that can be subscribed for or accepted is three (3) Rights Shares for every five (5) existing Sunzen Shares held. The minimum number of Warrant that can be issued and allotted with the accepted Rights Shares is one (1) Warrant.

If acceptance of and payment for the provisional Rights Shares with Warrants is not received by our Share Registrar by **5.00 p.m. on 22 February 2016**, being the last time and date for acceptance of and payment for the provisional Rights Shares with Warrants, or any other extended date and time as may be determined and announced by our Board, you will be deemed to have declined the provisional entitlement made to you and it will be cancelled. In the event that the Rights Shares with Warrants are not fully taken up by such applicants, our Board will then have the right to allot such Rights Shares with Warrants to the applicants who have applied for the excess Rights Shares with Warrants in the manner as set out in Section 3.8 of this AP. Proof of time of postage shall not constitute proof of time of receipt by our Share Registrar. Our Board reserves the right not to accept any application or to accept any application in part only without providing any reason.

If you lose, misplace or for any other reasons require another copy of the RSF, you may obtain additional copies from your stockbrokers, Bursa Securities' website at <http://www.bursamalaysia.com>, our Share Registrar at the address stated above or our Registered Office.

**EACH COMPLETED RSF MUST BE ACCOMPANIED BY REMITTANCE IN RM FOR THE FULL AMOUNT IN THE FORM OF BANKER'S DRAFT(S)/ CASHIER'S ORDER(S)/ MONEY ORDER(S) OR POSTAL ORDER(S) DRAWN ON A BANK OR POST OFFICE IN MALAYSIA CROSSED "A/C PAYEE ONLY" AND MADE PAYABLE TO "SUNZEN RIGHTS ISSUE ACCOUNT" AND ENDORSED ON THE REVERSE SIDE WITH YOUR NAME, CONTACT NUMBER AND CDS ACCOUNT NUMBER IN BLOCK LETTERS SO AS TO BE RECEIVED BY OUR SHARE REGISTRAR.**

**APPLICATIONS ACCOMPANIED BY PAYMENTS OTHER THAN IN THE MANNER STATED ABOVE OR WITH EXCESS OR INSUFFICIENT REMITTANCES MAY NOT BE ACCEPTED AT THE ABSOLUTE DISCRETION OF OUR BOARD. DETAILS OF THE REMITTANCES MUST BE FILLED IN THE APPROPRIATE BOXES PROVIDED IN THE RSF.**

**NO ACKNOWLEDGEMENT OF RECEIPT OF THE RSF OR APPLICATION MONIES WILL BE ISSUED BY OUR COMPANY OR OUR SHARE REGISTRAR IN RESPECT OF THE RIGHTS ISSUE OF SHARES WITH WARRANTS. HOWEVER, SUCCESSFUL APPLICANTS WILL BE ALLOTTED THEIR RIGHTS SHARES WITH WARRANTS, AND NOTICES OF ALLOTMENT WILL BE ISSUED AND DESPATCHED BY ORDINARY POST TO THEM OR THEIR RENOUNCEES/TRANSFEREES (IF APPLICABLE) AT THEIR OWN RISK TO THE ADDRESS SHOWN IN THE RECORD OF DEPOSITORS PROVIDED BY BURSA DEPOSITORY WITHIN EIGHT (8) MARKET DAYS FROM THE LAST DATE AND TIME FOR ACCEPTANCE AND PAYMENT FOR THE RIGHTS ISSUE OF SHARES WITH WARRANTS.**

**APPLICANTS SHOULD NOTE THAT THE RSF AND REMITTANCES SO LODGED WITH OUR SHARE REGISTRAR SHALL BE IRREVOCABLE AND CANNOT BE SUBSEQUENTLY WITHDRAWN.**

**WHERE AN APPLICATION IS NOT ACCEPTED OR IS ACCEPTED IN PART ONLY, THE FULL AMOUNT OR THE BALANCE OF THE APPLICATION MONIES, AS THE CASE MAY BE, SHALL BE REFUNDED WITHOUT INTEREST AND SHALL BE DESPATCHED TO THE APPLICANT WITHIN FIFTEEN (15) MARKET DAYS FROM THE LAST DATE FOR ACCEPTANCE AND PAYMENT FOR THE RIGHTS ISSUE OF SHARES WITH WARRANTS BY ORDINARY POST TO THE ADDRESS SHOWN ON BURSA DEPOSITORY'S RECORD OF DEPOSITORS AT THE APPLICANTS' OWN RISK.**

**APPLICATIONS SHALL NOT BE DEEMED TO HAVE BEEN ACCEPTED BY REASON OF THE REMITTANCE BEING PRESENTED FOR PAYMENT.**

### **3.5.2 By way of Electronic Application**

Please read carefully and follow the terms of this AP, the procedures, terms and conditions for Electronic Application and the procedures set out at the ATMs of the Participating Financial Institution before making an Electronic Application.

#### **(i) Steps for Electronic Applications through a Participating Financial Institution's ATM within Malaysia**

The procedures for Electronic Applications at the ATMs of the Participating Financial Institutions are set out on the ATM screens of the relevant Participating Financial Institutions ("**Steps**"). For illustration purposes, the procedures for Electronic Applications at ATMs are set out below. The Steps set out the actions that you must take at the ATM to complete an Electronic Application. Please read



carefully the terms of this AP, the Steps and the Terms and Conditions for Electronic Applications set out below before making an Electronic Application.

- (a) You must have an account with a Participating Financial Institution and an ATM card issued by that Participating Financial Institution to access the account. An ATM card issued by one of the Participating Financial Institution cannot be used to apply for the Rights Share at an ATM belonging to other Participating Financial Institutions;
- (b) You are advised to read and understand this AP **BEFORE** making the application; and
- (c) You shall apply for the Rights Shares with Warrants via the ATM of the Participating Financial Institution by choosing the Electronic Application option. Mandatory statements required in the application are as set out in “**Terms and conditions for Electronic Applications**” (please refer to Section 3.5.2(iii) below). You shall enter at least the following information through the ATM when the instructions on the ATM screen requires you to do so:
  - Personal Identification Number (“PIN”);
  - Select Sunzen Rights Issue;
  - CDS Account number;
  - Number of Rights Shares with Warrants applied for and/or the RM amount to be debited from the account;
  - Current contact number (for e.g. your mobile phone number); and
  - Confirmation of several mandatory statements.

Upon the completion of your Electronic Application transaction, you will receive a computer-generated transaction slip (“**Transaction Record**”), confirming the details of your Electronic Application. The Transaction Record is only a record of the completed transaction at the ATM and not a record of the receipt of the Electronic Application or any data relating to such an Electronic Application by our Company or the Share Registrar. The Transaction Record is for your record and is not required to be submitted with your application.

**YOU MUST ENSURE THAT YOU USE THE NUMBER OF THE CDS ACCOUNT HELD IN YOUR NAME WHEN MAKING AN ELECTRONIC APPLICATION. IF YOU OPERATE A JOINT BANK ACCOUNT WITH ANY OF THE PARTICIPATING FINANCIAL INSTITUTION, YOU MUST ENSURE THAT YOU ENTER THE NUMBER OF THE CDS ACCOUNT HELD IN YOUR NAME WHEN USING AN ATM CARD ISSUED TO YOU IN YOUR NAME. YOUR APPLICATION WILL BE REJECTED IF YOU FAIL TO COMPLY WITH THE FOREGOING.**

(ii) **Participating Financial Institution**

Electronic Applications may be made through an ATM of the following Participating Financial Institutions and their branches within Malaysia:

- Public Bank Berhad
- Affin Bank Berhad

(iii) **Terms and conditions of Electronic Applications**

The Electronic Application shall be made on, and subject to, the terms of this AP, as well as the terms and conditions of the Participating Financial Institutions and those appearing herein:

- (a) You are required to confirm the following statements (by pressing pre-designated keys or buttons on the ATM keyboard) and undertake that the following information given are true and correct:
- (i) You have attained 18 years of age as at the last day for application and payment;
  - (ii) You have read the relevant AP and understood and agreed with the terms and conditions of the application; and
  - (iii) You hereby give consent to our Company, Bursa Depository, our Share Registrar, the relevant Participating Financial Institutions, their respective agents and any third party involved in facilitating the application/refund, to disclose information pertaining to yourself and your account with the Participating Financial Institutions and Bursa Depository to the relevant authorities and any person as may be necessary or expedient to facilitate the making of the application/refund.

Your application will not be successfully completed and cannot be recorded as a completed transaction at the ATM unless you complete all the steps required by the Participating Financial Institutions. By doing so, you shall have confirmed each of the above statements as well as giving consent in accordance with the relevant laws of Malaysia including Section 134 of the Financial Services Act, 2013 and Section 45(1)(a) of the SICDA, to the disclosures as described above.

- (b) You confirm that you are not applying for the Rights Shares with Warrants as a nominee of any other person and that any Electronic Application that you make is made by you as the beneficial owner.
- (c) You must have sufficient funds in your account with the relevant Participating Financial Institutions at the time you make your Electronic Application, failing which your Electronic Application will not be completed. Any Electronic Application, which does not strictly conform to the instructions set out on the screen of the ATM through which the Electronic Application is being made, will be rejected.
- (d) You agree and undertake to subscribe for or purchase and to accept the number of Rights Shares applied for as stated on the Transaction Record in respect of your Electronic Application. Your confirmation (by your action of pressing the pre-designated keys (or buttons) on the ATM) of the number of Rights Shares with Warrants applied for shall signify, and shall be treated as, your acceptance of the number of Rights Shares with Warrants that may be allotted to you.

Should you encounter any problems in your Electronic Application, please refer to the Participating Financial Institutions.

- (e) By making and completing your Electronic Application, you, if successful, requests and authorises our Company to credit the Rights Shares with Warrants allotted to you into your CDS Account.
- (f) You acknowledge that your Electronic Application is subject to the risks of electrical, electronic, technical, transmission, communication and computer-related faults and breakdowns, fires and other events beyond the control of our Company, our Share Registrar, the Participating Financial Institutions or Bursa Depository and irrevocably agrees that if:

- (i) Our Company, our Share Registrar or Bursa Depository does not receive your Electronic Application; or
- (ii) Data relating to your Electronic Application is wholly or partially lost, corrupted or inaccessible, or not transmitted or communicated to our Company, our Share Registrar or Bursa Depository,

you shall be deemed not to have made an Electronic Application and you shall not make any claim whatsoever against our Company, our Share Registrar, the Participating Financial Institutions or Bursa Depository for the Rights Shares with Warrants applied for or for any compensation, loss or damage relating to the application for the Rights Shares with Warrants.

- (g) All of your particulars, including your nationality and place of residence, in the records of the relevant Participating Financial Institution at the time you make your Electronic Application shall be true and correct, and our Company, our Share Registrar, the relevant Participating Financial Institution and Bursa Depository shall be entitled to rely on the accuracy thereof.
- (h) You shall ensure that your personal particulars as recorded by both Bursa Depository and the relevant Participating Financial Institution are correct and identical. Otherwise, your Electronic Application will be rejected. You must inform Bursa Depository promptly of any change in address failing which the notification letter of successful allocation will be sent to your correspondence address last maintained with Bursa Depository.
- (i) By making and completing an Electronic Application, you agree that:
  - (i) In consideration of our Company agreeing to allow and accept your application for the Rights Shares with Warrants via the Electronic Application facility established by the Participating Financial Institution at their respective ATMs, your Electronic Application is irrevocable and cannot be subsequently withdrawn;
  - (ii) Our Company, the Participating Financial Institutions, Bursa Depository and our Share Registrar shall not be liable for any delays, failures or inaccuracies in the processing of data relating to your Electronic Application due to a breakdown or failure of transmission or communication facilities or to any cause beyond our control;
  - (iii) Notwithstanding the receipt of any payment by or on behalf of our Company, the notice of successful allocation for prescribed securities issued in respect of the Rights Shares with Warrants for which your Electronic Application has been successfully completed is the only confirmation for the acceptance of this offer to subscribe for and purchase the said Rights Shares with Warrants; and
  - (iv) You agree that in relation to any legal action, proceedings or dispute arising out of or in relation with the contract between the parties and/or the Electronic Application and/or any terms herein, all rights, obligations and liabilities shall be construed and determined in accordance with the laws of Malaysia and with all directives, rules, regulations and notices from regulatory bodies and that you irrevocably submits to the jurisdiction of the Courts of Malaysia.
- (j) Our Share Registrar, on the authority of our Company, reserves the right to reject applications which do not conform to these instructions.

(k) Notification on the outcome of your application for the Rights Shares with Warrants will be despatched to you by ordinary post to the correspondence address as shown on Bursa Depository's record at your own risk within the timelines as follows:

- (i) successful application – a notice of allotment will be despatched within eight (8) Market Days from the last day for application and payment for the Rights Shares with Warrants; or
- (ii) unsuccessful/partially successful application – the full amount or the surplus application monies, as the case may be, will be refunded without interest within fifteen (15) Market Days from the last day for application and payment for the Rights Shares with Warrants.

The refund will be credited directly into your bank account from which your Electronic Application was made. Kindly take note of the terms and conditions as stated in Section 3.5.2(iii) of this AP and the required consent in making your Electronic Application.

If the crediting of the refund into your bank account from which your Electronic Application was made is unsuccessful, the refund will then be made via cheque which will be despatched to you by ordinary post to the correspondence address as shown on Bursa Depository's record at your own risk.

### 3.5.3 By way of Internet Application

Please read carefully and follow the terms of this AP, the procedures, terms and conditions for Internet Application and the procedures set out on the internet financial services website of the Internet Participating Financial Institution before making an Internet Application.

#### (i) Step 1: Set up of account

Before making an application by way of Internet Application, you **must have all** of the following:

- (a) an existing account with access to internet financial services with **Public Bank Berhad** at <http://www.pbebank.com> or **Affin Bank Berhad** at <http://www.affinbank.com.my>. Accordingly, you will need to have your user identification and PIN/password for the internet financial services facility; and
- (b) a CDS Account held in your name.

#### (ii) Step 2: Read the AP

You are advised to read and understand this AP **BEFORE** making your application.

#### (iii) Step 3: Apply through Internet

While we will attempt to provide you with assistance in your application for the Rights Shares with Warrants through Internet Applications, please note that the actual steps for Internet Applications through the internet financial services website of a particular Internet Participating Financial Institution may differ from the steps outlined below. The possible steps set out below are purely for illustration purposes only.

- (a) Connect to the internet financial services website of the Internet Participating Financial Institution with which you have an bank account;
- (b) Log in to the internet financial services facility by entering your user identification and PIN/password;
- (c) Navigate to the section of the website on applications in respect of the Rights Shares with Warrants;
- (d) Select the counter in respect of the Rights Shares with Warrants to launch the terms and conditions of the Internet Application;
- (e) Select the designated hyperlink on the screen to accept the abovementioned terms and conditions, having read and understood such terms and conditions;
- (f) At the next screen, complete the online application form;
- (g) Check that the information contained in your online application form, such as the share counter (in this case, Sunzen Rights Issue Account), your current contact number (for e.g. your mobile phone number), your CDS Account number, number of Rights Shares with Warrants applied for, the amount of payment of subscription monies, the payment of bank charges and the account number to debit are correct. Then select confirm and submit the online application form;
- (h) As soon as the transaction is completed, a message from the Authorised Financial Institution (as defined below) with details of your application appear on the screen of the website; and
- (i) You are advised to print out the confirmation screen for your reference and record.

**(iv) Terms and conditions of Internet Applications**

The Internet Application shall be made on, and subject to, the terms of this AP, as well as the terms and conditions of the Internet Participating Financial Institution and those appearing herein:

- (a) After selecting the designated hyperlink on the screen, you are required to confirm and undertake that the following information given are true and correct:
  - (i) You have attained 18 years of age as at the last day for application and payment;
  - (ii) You have, prior to making the Internet Application, received and/or have had access to a printed/electronic copy of this AP, the contents of which you have read and understood;
  - (iii) You agree to all the terms and conditions of the Internet Application as set out in this AP and have carefully considered the risk factors set out in this AP, in addition to all other information contained in this AP, before making the Internet Application;
  - (iv) You authorise the financial institution with which you have a bank account to deduct the full amount payable for the Rights Shares with Warrants (including the processing fee as mentioned in Section 3.4 (Note 3) of this AP) from your bank account with the said financial institution (“**Authorised Financial Institution**”); and

- (v) You hereby give consent in accordance with the relevant laws of Malaysia (including Section 134 of the Financial Services Act, 2013 and Section 45(1)(a) of the SICDA) for the disclosure by our Company, Bursa Depository, our Share Registrar, the relevant Internet Participating Financial Institution, their respective agents and any third party involved in facilitating the application/refund, of information pertaining to yourself, the Internet Application made by you, your account with the Internet Participating Financial Institutions and/or the Authorised Financial Institution and Bursa Depository, to the relevant authorities and any person as may be necessary or expedient to facilitate the application/refund.
- (b) You confirm that you are not applying for the Rights Shares with Warrants as a nominee of any other person and that the Internet Application is made in your own name, as beneficial owner and subject to the risks referred to in this AP.
- (c) You agree and undertake to subscribe for or purchase and to accept the number of Rights Shares with Warrants applied for as stated on the Confirmation Screen in respect of your Internet Application. Your confirmation of the number of Rights Shares with Warrants applied for shall signify, and shall be treated as, your acceptance of the number of Rights Shares with Warrants that may be allotted to you.

Should you encounter any problems in your Internet Application, please refer to the Internet Participating Financial Institution.

- (d) By making and completing your Internet Application, you, if successful, requests and authorises our Company to credit the Rights Shares with Warrants allotted to you into your CDS Account.
- (e) You acknowledge that your Internet Application is subject to the risks of electrical, electronic, technical, transmission, communication and computer-related faults and breakdowns, fires and other events beyond the control of our Company, our Share Registrar, the Internet Participating Financial Institutions or Bursa Depository and irrevocably agrees that if:
  - (i) Our Company, our Share Registrar or Bursa Depository does not receive your Internet Application; or
  - (ii) Data relating to your Internet Application is wholly or partially lost, corrupted or inaccessible, or not transmitted or communicated to our Company, our Share Registrar or Bursa Depository,

you shall be deemed not to have made an Internet Application and you shall not make any claim whatsoever against our Company, our Share Registrar, the Internet Participating Financial Institutions or Bursa Depository for the Rights Shares with Warrants applied for or for any compensation, loss or damage relating to the application for the Rights Shares with Warrants.

- (f) All of your particulars, including your nationality and place of residence, in the records of the relevant Internet Participating Financial Institution at the time you make your Internet Application shall be true and correct, and our Company, our Share Registrar, the relevant Internet Participating Financial Institution and Bursa Depository shall be entitled to rely on the accuracy thereof.
- (g) You shall ensure that your personal particulars as recorded by both Bursa Depository and the relevant Internet Participating Financial Institution are correct and identical. Otherwise, your Internet Application will be rejected.

You must inform Bursa Depository promptly of any change in address failing which the notification letter of successful allocation will be sent to your correspondence address last maintained with Bursa Depository.

- (h) By making and completing an Internet Application, you agree that:
- (i) In consideration of our Company agreeing to allow and accept your application for the Rights Shares with Warrants via the Internet Application facility established by the Internet Participating Financial Institutions at their respective internet financial services website, your Internet Application is irrevocable and cannot be subsequently withdrawn;
  - (ii) Our Company, the Internet Participating Financial Institutions, Bursa Depository and our Share Registrar shall not be liable for any delays, failures or inaccuracies in the processing of data relating to your Internet Application due to a breakdown or failure of transmission or communication facilities or to any cause beyond our control;
  - (iii) Notwithstanding the receipt of any payment by or on behalf of our Company, the notice of successful allocation for prescribed securities issued in respect of the Rights Shares with Warrants for which your Internet Application has been successfully completed is the only confirmation for the acceptance of this offer to subscribe for and purchase the said Rights Shares with Warrants; and
  - (iv) You agree that in relation to any legal action, proceedings or dispute arising out of or in relation with the contract between the parties and/or the Internet Application and/or any terms herein, all rights, obligations and liabilities shall be construed and determined in accordance with the laws of Malaysia and with all directives, rules, regulations and notices from regulatory bodies and that you irrevocably submits to the jurisdiction of the Courts of Malaysia.
- (i) Our Share Registrar, on the authority of our Company, reserves the right to reject applications which do not conform to these instructions.
- (j) Notification on the outcome of your application for the Rights Shares with Warrants will be despatched to you by ordinary post to the correspondence address as shown on Bursa Depository's record at your own risk within the timelines as follows:
- (i) successful application – a notice of allotment will be despatched within eight (8) Market Days from the last day for application and payment for the Rights Shares with Warrants; or
  - (ii) unsuccessful/partially successful application – the full amount or the surplus application monies, as the case may be, will be refunded without interest within fifteen (15) Market Days from the last day for application and payment for the Rights Shares with Warrants.

The refund will be credited directly into your bank account with the Authorised Financial Institution from which payment of your subscription monies was made. Kindly take note of the terms and conditions as stated in Section 3.5.3(iv) of this AP and the required consent in making your Internet Application.

If the crediting of the refund into your bank account with the Authorised Financial Institution from which payment of your subscription monies was made is unsuccessful, the refund will then be made via cheque which will be despatched to you by ordinary post to

the correspondence address as shown on Bursa Depository's record at your own risk.

- (k) A surcharge is imposed on each Internet Application which will be charged by the Internet Participating Financial Institution as mentioned in Section 3.4 (Note 3) of this AP.
- (l) You authorise the Internet Participating Financial Institutions to disclose and transfer to any person, including any government or regulatory authority in any jurisdiction, Bursa Securities or other relevant parties in connection with the Rights Issue of Shares with Warrants, all information relating to you if required by any law, regulation, court order or any government or regulatory authority in any jurisdiction or if such disclosure and transfer is, in the reasonable opinion of the Internet Participating Financial Institutions, necessary for the provision of the Internet Application services or if such disclosure is requested or required in connection with the Rights Issue of Shares with Warrants. Further, the Internet Participating Financial Institution will take reasonable precautions to preserve the confidentiality of information furnished by you to the Internet Participating Financial Institutions in connection with the use of the Internet Application services.

#### **3.5.4 By way of NRS**

Our Company has appointed Bursa Depository to provide NRS to our shareholders who are Authorised Nominees. Only our Entitled Shareholders who are Authorised Nominees and who have subscribed for NRS with Bursa Depository may apply via NRS.

Please read carefully and follow the terms of this AP, the procedures, terms and conditions for application via NRS and Bursa Depository's terms and conditions for NRS and User Guide for NRS (which are made available to all Authorised Nominees who have subscribed for NRS with Bursa Depository) before making the application.

##### **(i) Steps for applications via NRS**

- (a) If you are an Entitled Shareholder, and who is an Authorised Nominee who has subscribed for NRS with Bursa Depository, you will not be receiving this AP, the RSF nor the NPA by post.
- (b) Instead, this AP and a Rights Issue Entitlement File will be transmitted electronically to you by Bursa Depository through Bursa Depository's existing network facility with the Authorised Nominees in the manner as set out in Bursa Depository's User Guide for NRS, on the next business day after the Entitlement Date.
- (c) A notification of the delivery of the AP and the Rights Issue Entitlement File will also be sent to you via email using the details you have provided to Bursa Depository when you subscribed for NRS with Bursa Depository.
- (d) You are advised to read carefully, understand and follow the terms of this AP, **BEFORE** making the application.
- (e) You may accept, on behalf of your client, partially or fully, their respective allocation under the Rights Issue of Shares with Warrants.
- (f) To apply for the Rights Shares with Warrants, you will be required to submit your subscription information via a Rights Shares Subscription File which is to be prepared based on the format as set out in Bursa Depository's User Guide for NRS.



- (g) Once completed, you will need to submit the Rights Share Subscription File to Bursa Depository at any time daily before 5.00 p.m., but in any event no later than the last day and time for acceptance and payment.
- (h) Together with the Rights Shares Subscription File, you will also need to submit a confirmation to Bursa Depository of the following information:
  - (i) Confirmation that you have, prior to making the application via NRS, received and/or had access to the electronic copy of this AP, the contents of which you have read, understood and agreed; and
  - (ii) Consent to the disclosure of your information to facilitate electronic refunds where applicable.
- (i) With regards to payment for the Rights Shares with Warrants which you have applied for, you must transfer the amount payable directly to our bank account, the details of which are as follows:

Bank: **Malayan Banking Berhad**  
Account Name: **SUNZEN RIGHTS ISSUE ACCOUNT**  
Bank Account No.: **514012068154**

prior to submitting the Rights Shares Subscription File to Bursa Depository.

- (j) Upon completion of the transfer/payment, you may receive a transaction slip (“**Transaction Record**”) from the transacting financial institution confirming the details of your transfer/payment. The Transaction Record is only a record of the completed transaction and not a record of the receipt of the application via NRS or any data relating to such an application by our Company or Bursa Depository. The Transaction Record is for your record and is not required to be submitted with your application via NRS.
- (k) You will be notified on the outcome of your application for the Rights Shares with Warrants electronically within the timelines as stated below. No physical notice of allotment will be mailed to you.
  - (i) successful application – an electronic notification will be sent to you within eight (8) Market Days from the last day for application and payment for the Rights Shares with Warrants; or
  - (ii) unsuccessful/partially successful application – the full amount or the surplus application monies, as the case may be, will be refunded without interest within fifteen (15) Market Days from the last day for application and payment for the Rights Shares with Warrants.

The refund will be credited directly into your bank account(s) from which payment of your subscription monies were made. Kindly take note of the terms and conditions as stated in Section 3.5.4(ii)(a) of this AP and the required consent in making the application via NRS.

If the crediting of the refund into your bank account(s) (as provided by you in the Rights Shares Subscription File) from which payment of your subscription monies were made is unsuccessful, the refund will then be made via cheque(s) which will be despatched to you by ordinary post to the correspondence address as shown on Bursa Depository’s record at your own risk.

- (l) Upon crediting of the Rights Shares with Warrants allotted to you into your CDS account(s), you will also receive an electronic confirmation of the crediting from Bursa Depository.

- (m) You should note that all applications made for the Rights Shares with Warrants submitted under NRS will be irrevocable upon submission of the Rights Shares Subscription File to Bursa Depository and cannot be subsequently withdrawn.

**(ii) Terms and conditions for applications via NRS**

The application via NRS shall be made on, and subject to, the terms of this AP, Bursa Depository's terms and conditions for NRS and Bursa Depository's User Guide for NRS as well as the terms and conditions appearing herein:

- (a) For purposes of making the electronic refund, you hereby give consent in accordance with the relevant laws of Malaysia, including Section 134 of the Financial Services Act, 2013 and Section 45(1)(a) of the SICDA, to the disclosure by our Company, Bursa Depository, our Share Registrar, the relevant financial institution, their respective agents and any third party involved in facilitating the payment of refunds to you as the case may be, of information pertaining to yourself and your account with the relevant financial institution and Bursa Depository, to the relevant authorities and any person as may be necessary or expedient to facilitate the making of refunds or for any other purpose in connection with such payments. You will be required to provide confirmation of your consent in the manner prescribed in Bursa Depository's terms and conditions for NRS.
- (b) You agree and undertake to subscribe for or purchase and to accept the number of Rights Shares with Warrants applied for as stated on your Rights Shares Subscription File in respect of your application via NRS. Your application shall signify, and shall be treated as, your acceptance of the number of Rights Shares with Warrants that may be allotted to you.
- (c) You acknowledge that by completing and submitting the Rights Shares Subscription File to Bursa Depository, you, if successful, requests and authorises our Company to credit the Rights Shares with Warrants allotted to you into the respective CDS Account(s) as indicated in the Rights Shares Subscription File.
- (d) You acknowledge that your application via NRS is subject to the risks of electrical, electronic, technical, transmission, communication and computer-related faults and breakdowns, fires and other events beyond the control of our Company, our Share Registrar, the relevant financial institution or Bursa Depository, and irrevocably agree that if:
  - (i) our Company, our Share Registrar or Bursa Depository does not receive your application via NRS; or
  - (ii) the data relating to your application via NRS is wholly or partially lost, corrupted or inaccessible, or not transmitted or communicated to our Company, our Share Registrar or Bursa Depository,

you shall be deemed not to have made your application and you shall not make any claim whatsoever against our Company, Bursa Depository, our Share Registrar or the relevant financial institution for the Rights Shares with Warrants applied for or for any compensation, loss or damage relating to the application for the Rights Shares with Warrants.

- (e) By completing and submitting the Rights Shares Subscription File to Bursa Depository, you agree that:

- (i) In consideration of our Company agreeing to allow and accept your application for the Rights Shares with Warrants via the NRS facility established by Bursa Depository, your application via NRS is irrevocable and cannot be subsequently withdrawn;
- (ii) Our Company, the relevant financial institutions, Bursa Depository and our Share Registrar shall not be liable for any delays, failures or inaccuracies in the processing of data relating to your application via NRS due to a breakdown or failure of transmission or communication facilities or to any cause beyond our control;
- (iii) Notwithstanding the receipt of any payment by or on behalf of our Company, the electronic notification of allotment in respect of the Rights Shares with Warrants issued is the only confirmation for the acceptance of this offer to subscribe for and purchase the said Rights Shares with Warrants; and
- (iv) You agree that in relation to any legal action, proceedings or dispute arising out of or in relation to with the contract between the parties and/or the application via NRS and/or any terms herein, all rights, obligations and liabilities shall be construed and determined in accordance with the laws of Malaysia and with all directives, rules, regulations and notices from regulatory bodies and that you irrevocably submit to the jurisdiction of the Courts of Malaysia.
- (f) Our Share Registrar and Bursa Depository, on the authority of our Company, reserves the right to reject applications which do not conform to these instructions.

### **3.6 Procedure for part acceptance by Entitled Shareholders**

#### **3.6.1 By way of RSF**

You must complete both Part I(A) of the RSF by specifying the number of the Rights Shares with Warrants which you are accepting and Part II of the RSF and deliver the completed and signed RSF together with the relevant payment to our Share Registrar in the manner set out in Section 3.5.1 of this AP.

#### **3.6.2 By way of Electronic Application and Internet Application**

If you are an individual who is an Entitled Shareholder and wish to accept part of your provisional Rights Shares with Warrants via Electronic Application or Internet Application, you may do so by following the same steps as set out in Sections 3.5.2 and 3.5.3, respectively of this AP.

#### **3.6.3 By way of NRS**

If you are an Authorised Nominee who has subscribed for NRS with Bursa Depository who is an Entitled Shareholder and wish to accept part of your provisional Rights Shares with Warrants, you may do so by following the same steps as set out in Section 3.5.4 of this AP.

The portion of the provisional Rights Shares with Warrants that have not been accepted shall be allotted to any other persons allowed under the law, regulations or rules to accept the transfer of the provisional Rights Shares with Warrants.

### 3.7 Procedure for sale/transfer of provisional Rights Shares with Warrants

As the provisional Rights Shares with Warrants are prescribed securities, you may dispose of or transfer all or part of your entitlement to the Rights Shares with Warrants to one (1) or more person(s) through your stockbrokers without first having to request for a split of the provisional Rights Shares with Warrants standing to the credit of your CDS Accounts. To dispose or transfer all or part of your entitlement to the provisional Rights Shares with Warrants, you may sell such entitlement in the open market or transfer such entitlement to such persons as may be allowed pursuant to the Rules of Bursa Depository. If you have sold or transferred only part of the provisional Rights Shares with Warrants, you may still accept the balance of the provisional Rights Shares with Warrants by completing Parts I(A) and II of the RSF. Please refer to Section 3.5 of this AP for the procedure, acceptance and payment.

In disposing/transferring all or part of your provisionally Rights Shares with Warrants, you need not deliver any document including the RSF, to any stockbroker. However, you must ensure that there is sufficient provisional Rights Shares with Warrants standing to the credit of your CDS Accounts that are available for settlement of the sale or transfer.

### 3.8 Procedure for application of excess Rights Shares with Warrants

#### 3.8.1 By way of RSF

You and/or your renounees/transferees (if applicable) who accepted the provisional Rights Shares with Warrants may apply for excess Rights Shares with Warrants by completing Part I(B) of the RSF (in addition to Parts I(A) and II) and forward it (together with a separate remittance for the full amount payable in respect of the excess Rights Shares with Warrants applied for) to our Share Registrar **not later than 5.00 p.m. on 22 February 2016**, being the last time and date for acceptance and payment, or such extended time and date as may be determined and announced by our Board.

**PAYMENT FOR THE EXCESS RIGHTS SHARES WITH WARRANTS APPLIED FOR SHOULD BE MADE IN THE SAME MANNER AS DESCRIBED IN SECTION 3.5.1 OF THIS AP, WHERE THE BANKER'S DRAFT(S)/CASHIER'S ORDER(S)/MONEY ORDER(S) OR POSTAL ORDER(S) DRAWN ON A BANK OR POST OFFICE IN MALAYSIA CROSSED "A/C PAYEE ONLY" AND MADE PAYABLE TO "SUNZEN EXCESS RIGHTS ISSUE ACCOUNT" AND ENDORSED ON THE REVERSE SIDE WITH YOUR NAME, CONTACT NUMBER AND CDS ACCOUNT NUMBER IN BLOCK LETTERS SO AS TO BE RECEIVED BY OUR SHARE REGISTRAR.**

It is the intention of our Board to allot the excess Rights Shares with Warrants, if any, on a fair and equitable basis and in the following priority:

- (i) firstly, to minimise the incidence of odd lots;
- (ii) secondly, on a pro-rata basis and in board lots, to our Entitled Shareholders who have applied for the excess Rights Shares with Warrants, based on their respective shareholdings in our Company as at the Entitlement Date;
- (iii) thirdly, on a pro-rata basis and in board lots, to our Entitled Shareholders who have applied for excess Rights Shares with Warrants, based on the quantum of their respective excess application; and
- (iv) lastly, on a pro-rata basis and in board lots, to our transferees and/or renounees who have applied for excess Rights Shares with Warrants, based on the quantum of their respective excess application.

In the event of any excess Rights Shares with Warrants after the above allocations, the balance will be allotted in the process set out in (ii) to (iv) above.

Nevertheless, our Board reserves the right to allot any excess Rights Shares with Warrants applied for under Part I(B) of the RSF in such manner as it deems fit and expedient and in the best interest of our Company subject always to such allocation being made on a fair and equitable basis and that the intention of our Board as set out in Section 3.8.1 (i) to (iv) above are achieved. Our Board also reserves the right to accept any excess Rights Shares with Warrants application, in full or in part, without assigning any reason.

**APPLICATIONS ACCOMPANIED BY PAYMENTS OTHER THAN IN THE MANNER STATED ABOVE OR WITH EXCESS OR INSUFFICIENT REMITTANCES MAY OR MAY NOT BE ACCEPTED AT THE ABSOLUTE DISCRETION OF OUR BOARD.**

### **3.8.2 By way of Electronic Application**

If you are an individual who is an Entitled Shareholder and/or a renounee and/or a transferee and/or if you have purchased any provisional Rights Shares with Warrants, and wish to apply for additional Rights Shares with Warrants via Electronic Application in excess of your entitlement, you may do so by following the same steps as set out in Section 3.5.2 of this AP save and except that you shall proceed with the option for Excess Rights Shares Application and the amount payable to be directed to "**SUNZEN EXCESS RIGHTS ISSUE ACCOUNT**" for the excess Rights Shares with Warrants applied.

It is the intention of our Board to allot the excess Rights Shares with Warrants, if any, on a fair and equitable basis as set out in Section 3.8.1 of this AP.

The Electronic Application for excess Rights Shares with Warrants shall be made on, and subject to, the same terms and conditions appearing in Section 3.5.2 of this AP.

### **3.8.3 By way of Internet Application**

If you are an Entitled Shareholder and/or a renounee and/or a transferee and/or if you have purchased any provisional Rights Shares with Warrants, and wish to apply for additional Rights Shares with Warrants via Internet Application in excess of your entitlement, you may do so by following the same steps as set out in Section 3.5.3 of this AP save and except that you shall proceed with the option for Excess Rights Shares Application and the amount payable to be directed to "**SUNZEN EXCESS RIGHTS ISSUE ACCOUNT**" for the excess Rights Shares with Warrants applied.

It is the intention of our Board to allot the excess Rights Shares with Warrants, if any, on a fair and equitable basis as set out in Section 3.8.1 of this AP.

The Internet Application for excess Rights Shares with Warrants shall be made on, and subject to, the same terms and conditions appearing in Section 3.5.3 of this AP.

### **3.8.4 By way of NRS**

If you are an Authorised Nominee who has subscribed for NRS with Bursa Depository who is an Entitled Shareholder and/or a renounee and/or a transferee and/or if you have purchased any provisional Rights Shares with Warrants, and wish to apply for additional Rights Shares with Warrants via NRS in excess of your entitlement, you may do so by following the same steps as set out in Section 3.5.4 of this AP save and except for the amount payable to be directed to "**SUNZEN EXCESS RIGHTS ISSUE ACCOUNT**" (Bank Account No. 514012068161 with Malayan Banking Berhad) for the excess Rights Shares with Warrants applied and also that you should complete

the details for excess rights application at the designated fields for excess applications in the Rights Shares Subscription File.

It is the intention of our Board to allot the excess Rights Shares with Warrants, if any, on a fair and equitable basis as set out in Section 3.8.1 of this AP.

The Application for excess Rights Shares with Warrants via NRS shall be made on, and subject to, the same terms and conditions appearing in Section 3.5.4 of this AP, Bursa Depository's terms and conditions for NRS and User Guide for NRS (which are made available to all Authorised Nominees who wish to register for NRS).

### **3.9 Notice of allotment**

Upon allotment of the Rights Shares with Warrants in respect of your acceptance and/or your renouncee's/transferee's acceptance (if applicable) and excess Rights Shares with Warrants application (if any), the Rights Shares with Warrants shall be credited directly into the respective CDS Account. No physical share certificates and warrant certificates will be issued in respect of the Rights Shares with Warrants. However, a notice of allotment will be despatched to you and/or your renounees/transferees (who are not an Authorised Nominee who has subscribed for NRS) (if applicable), by ordinary post within eight (8) Market Days from the last date of acceptance and payment for the Rights Shares with Warrants and excess Rights Shares with Warrants application, or such other period as may be prescribed or allowed by Bursa Securities, at the address shown on the Record of Depositors at your own risk.

If you are an Authorised Nominee who has subscribed for NRS with Bursa Depository, an electronic notification will be sent to you within eight (8) Market Days from the last day for application and payment for the Rights Shares with Warrants and excess Rights Shares with Warrants application, or such other period as may be prescribed or allowed by Bursa Securities through Bursa Depository's existing network facility with the Authorised Nominees in the manner as set out in Bursa Depository's User Guide for NRS.

Where any application for the Rights Shares with Warrants is not accepted due to non-compliance with the terms of the Rights Issue of Shares with Warrants or accepted in part only, the full amount or the balance of the application monies, as the case may be, will be refunded without interest to you within fifteen (15) Market Days from the last date and time for acceptance and payment of the Rights Shares with Warrants by ordinary post to the address shown on the Record of Depositors at your own risk.

Please note that a completed RSF and the payment thereof once lodged with our Share Registrar for the Rights Issue of Shares with Warrants cannot be withdrawn subsequently.

### **3.10 Form of issuance**

Bursa Securities has prescribed that our Shares listed on the ACE Market of Bursa Securities to be deposited with Bursa Depository. Accordingly, the Rights Shares with Warrants and the new Shares to be issued arising from the exercise of Warrants are prescribed securities and as such the SICDA and the Rules of Bursa Depository shall apply in respect of the dealings in the Rights Shares with Warrants.

Failure to comply with the specific instructions for applications or inaccuracy in the CDS Account number may result in the application being rejected. Your subscription for the Rights Shares with Warrants shall mean your consent to receiving such Rights Shares with Warrants as deposited securities which will be credited directly into your CDS Account. No physical share certificate or warrant certificate will be issued to you under the Rights Issue of Shares with Warrants. Instead, the Rights Shares with Warrants will be credited directly into your CDS Accounts, and notices of allotment will be sent to you in the manner as stated in Section 3.9.

Any person who has purchased the provisional Rights Shares with Warrants or to whom provisional Rights Shares with Warrants has been transferred and intends to subscribe for the Rights Shares with Warrants must state his/her CDS Account number in the space provided in the RSF. The Rights Shares with Warrants will be credited directly as prescribed or deposited securities into his/her CDS Account upon allotment and issue.

The excess Rights Shares with Warrants, if allotted to the successful applicant who applies for excess Rights Shares with Warrants, will be credited directly as prescribed securities into the CDS Account of the successful applicant. The allocation of the excess Rights Shares with Warrants will be made on a fair and equitable basis as disclosed in Section 3.8 of this AP.

### **3.11 Laws of foreign jurisdictions**

This AP and the accompanying NPA and RSF have not been (and will not be) made to comply with the laws of any foreign jurisdiction and have not been (and will not be) lodged, registered or approved pursuant to or under any legislation (or with or by any regulatory authorities or other relevant bodies) of any foreign jurisdiction. The Rights Issue of Shares with Warrants will not be made or offered for subscription in any foreign jurisdiction.

Accordingly, this AP together with the accompanying documents will not be sent to the foreign Entitled Shareholders and/or their renounees/transferees (if applicable) who do not have a registered address in Malaysia. However, such foreign Entitled Shareholders and/or their renounees/transferees (if applicable) may collect this AP including the accompanying documents from our Share Registrar, in which event our Share Registrar shall be entitled to request for such evidence as it deems necessary to satisfy itself as to the identity and authority of the person collecting the documents relating to the Rights Issue of Shares with Warrants.

Foreign Entitled Shareholders and/or their renounees/transferees (if applicable) may only accept or renounce (as the case may be) all or any part of their entitlements and exercise any other rights in respect of the Rights Issue of Shares with Warrants only to the extent that it would be lawful to do so.

TA Securities, our Company and our Directors and officers would not, in connection with the Rights Issue of Shares with Warrants, be in breach of, responsible or liable under the laws of any jurisdiction to which that foreign Entitled Shareholders and/or their renounees/transferees (if applicable) are or may be subject to. He shall solely be responsible to seek advice as to the laws of the jurisdictions to which they are or may be subject to. TA Securities, our Company and our Directors and officers and other professional advisers shall not accept any responsibility or liability in the event that any acceptance or renunciation made by any foreign Entitled Shareholders and/or their renounees/transferees (if applicable), is or shall become unlawful, unenforceable, voidable or void in any such jurisdiction.

The foreign Entitled Shareholders and/or their renounees/transferees (if applicable) will be responsible for payment of any issue, transfer or any other taxes or other requisite payments due in such jurisdiction and our Company shall be entitled to be fully indemnified and held harmless by such foreign Entitled Shareholders and/or their renounees/transferees (if applicable) for any issue, transfer or other taxes or duties as such person may be required to pay. They will have no claims whatsoever against our Company and/or TA Securities in respect of their rights and entitlements under the Rights Issue of Shares with Warrants. Such foreign Entitled Shareholders and/or their renounees/transferees (if applicable) should consult their professional advisers as to whether they require any governmental, exchange control or other consents or need to comply with any other applicable legal requirements to enable them to accept the Rights Issue of Shares with Warrants.

By signing the RSF, the foreign Entitled Shareholders and/or their renounees/transferees (if applicable) are deemed to have represented, acknowledged and declared in favour of (and which representations, acknowledgements and declarations will be relied upon by) TA Securities, our Company and our Directors and officers that:

- (i) our Company would not, by acting on the acceptance or renunciation in connection with the Rights Issue of Shares with Warrants, be in breach of the laws of any jurisdiction to which that foreign Entitled Shareholders or renounees/transferees (if applicable) is or may be subject to;
- (ii) the foreign Entitled Shareholders and/or their renounees/transferees (if applicable) have complied with the laws to which they are or may be subject to in connection with the acceptance or renunciation of the provisional Rights Shares with Warrants;
- (iii) the foreign Entitled Shareholders and/or their renounees/transferees (if applicable) are not a nominee or agent of a person in respect of whom we would, by acting on the acceptance or renunciation of the provisional Rights Shares with Warrants, be in breach of the laws of any jurisdiction to which that person is or may be subject to;
- (iv) the foreign Entitled Shareholders and/or their renounees/transferees (if applicable) are aware that the Rights Shares with Warrants can only be transferred, sold or otherwise disposed of, or charged, hypothecated or pledged in accordance with all applicable laws in Malaysia;
- (v) the foreign Entitled Shareholders and/or their renounees/transferees (if applicable) have received a copy of this AP and have been provided the opportunity to post such questions to the representatives and receive answers thereto as the foreign Entitled Shareholders and/or their renounees/transferees (if applicable) deem necessary in connection with the foreign Entitled Shareholders and/or their renounees/transferees (if applicable) decision to subscribe for or purchase the Rights Shares with Warrants. However, any information relevant to an investment shall be contained in this AP; and
- (vi) the foreign Entitled Shareholders and/or their renounees/transferees (if applicable) have sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of subscribing or purchasing the Rights Shares with Warrants, and are and will be able, and are prepared to bear the economic and financial risks of investing in and holding the Rights Shares with Warrants.

Persons receiving this AP, the NPA and the RSF (including without limitation custodians, nominees and trustees) must not, in connection with the offer, distribute or send it into any jurisdiction where to do so would or might contravene local securities, exchange control or relevant laws or regulations. If this AP, the NPA and the RSF are received by any persons in such jurisdiction, or by the agent or nominee of such a person, he must not seek to accept the offer unless he has complied with and observed the laws of the relevant jurisdiction in connection herewith.

Any person who does forward this AP, the NPA and the RSF to any such jurisdiction, whether pursuant to a contractual or legal obligation or otherwise, should draw the attention of the recipient to the contents of this section and we reserve the right to reject a purported acceptance of the Rights Shares with Warrants from any such application by foreign Entitled Shareholders and/or their renounees/transferees (if applicable) in any jurisdiction other than Malaysia.

Our Company reserves the right, in our absolute discretion, to treat any acceptance of the Rights Shares with Warrants as invalid if it believes that such acceptance may violate any applicable legal or regulatory requirements in Malaysia.

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#### 4. RATIONALE FOR THE RIGHTS ISSUE OF SHARES WITH WARRANTS

After due consideration of the various methods of fund raising available for the purposes as stated in Section 5 below, our Board is of the opinion that the Rights Issue of Shares with Warrants is currently an appropriate avenue after taking into consideration the following:

- (i) it allows our Company to raise capital without incurring interest costs as compared to other means of financing, such as bank borrowings or the issuance of debt instruments;
- (ii) it enhances the cash flow of our Group and enables our Group to fund the purposes set out in Section 5 below which are expected to contribute positively to the future earnings of our Group and improve our financial performance;
- (iii) it involves the issuance of new Sunzen Shares without diluting the existing shareholders' equity interest, assuming all Entitled Shareholders fully subscribe for their respective entitlements and exercise their Warrants subsequently;
- (iv) it provides an opportunity for the existing shareholders to increase their equity participation in our Company from the subscription of the Rights Shares with Warrants; and
- (v) the Warrants will provide the shareholders with an attractive option to increase their equity participation in our Company at a pre-determined price during the tenure of the Warrants. In addition, proceeds from the exercise of the Warrants in the future will provide an additional source of funds to be used for our Group's business.

#### 5. UTILISATION OF PROCEEDS

Based on the issue price of RM0.25 per Rights Share, the gross proceeds of up to RM48.15 million from the Rights Issue of Shares with Warrants will be utilised in the following manner:

Description	Notes	Minimum Scenario (RM'000)	Maximum Scenario (RM'000)	Expected time frame for utilisation of proceeds under both Minimum Scenario and Maximum Scenario (from the date of listing of the Rights Shares)
Purchase of machineries	(1)	11,000	17,000	Within 6 months
Upgrade of the Building	(2)	1,300	2,800	Within 6 months
Working capital	(3)	14,556	27,695	Within 12 months
Estimated expenses in relation to the Corporate Exercises	(4)	650	650	Within 2 weeks
<b>Total estimated proceeds</b>		<b>27,506</b>	<b>48,145</b>	

Notes:

- (1) Our Group is principally involved in the business of biotechnology R&D, manufacturing and marketing of animal feed supplement products, manufacturing, marketing and trading of veterinary and animal health products, R&D and commercialisation of in-feed anti-bacterial products and supplements for animal health products as well as wholesaling and trading in animal health products.

In line with the Expansion Plan, our Group intends to utilise up to RM17.00 million of the proceeds to purchase the following machineries:

Name	Notes	Minimum Scenario		Maximum Scenario	
		Units	RM'000	Units	RM'000
Acidifier and lecithin spray mixers	(a)	1	2,000	2	4,000
Premix medicated powder mixer	(b)	1	3,000	1	3,000
Double fat machines	(c)	2	6,000	3	7,500
Powder Fat machine	(d)	-	-	1	2,500
<b>Total</b>			<b>11,000</b>		<b>17,000</b>

- (a) Our Group intends to purchase up to two (2) units of acidifier and lecithin spray mixers for the production of our Orgacids range of products. Our Group's production capacity of Orgacids range of products is expected to increase from one (1) metric tonne per hour to three (3) metric tonnes per hour with each new mixer.
- (b) Our Group intends to purchase one (1) unit of premix medicated powder mixer for the production of our premix products for in-feed antibiotic additives and nutritional animal feed supplements. Our Group's production capacity of premix products is expected to increase from two (2) metric tonnes per hour to six (6) metric tonnes per hour with the new mixer.
- (c) Our Group intends to purchase up to three (3) units double fat machines for the production of our new product, namely palm stearin being raw materials of Powder Fat (a granular form of stearin which is widely used as a source of energy for ruminant species such as dairy and beef cattle as well as monogastric animals such as swine and poultry). The three (3) units of new double fat machines will enable our Group to produce between 30 and 50 metric tonnes of palm stearin per day. Currently, our Group purchases palm stearin from third party suppliers.

As at the LPD, our Group has paid a deposit of approximately RM1.57 million for the purchase of one (1) unit of double fat machine for approximately RM3.92 million via internally-generated funds. The said deposit paid will subsequently be reimbursed to our Group using the proceeds from the Rights Issue of Shares with Warrants.

- (d) Our Group intends to purchase one (1) unit of Powder Fat machine under the Maximum Scenario for the production of Powder Fat. Our Group's production capacity of Powder Fat is expected to increase from approximately 20 metric tonnes per day to approximately 32 metric tonnes per day with the new Powder Fat machine.

Any surplus or shortfall for the purchase of machineries will be adjusted accordingly to/from the working capital of our Group.

Our Company will make the relevant announcement(s) on the above-mentioned acquisitions in due course if required, pursuant to the Listing Requirements.

- (2) Our Group intends to utilise up to RM2.80 million as follows:

Description	Notes	Minimum Scenario (RM'000)	Maximum Scenario (RM'000)
Setting up of showrooms cum presentation halls and R&D lab as well as renovating the existing management office	(a)	700	1,000
Upgrade of warehouse and storage system	(b)	600	1,800
<b>Total</b>		<b>1,300</b>	<b>2,800</b>

- (a) Our Group intends to set up two (2) showrooms cum presentation halls with an aggregate floor area of approximately 2,184 square feet in the Building which will enable our Group to display and present our products to existing and potential customers as well as facilitate our marketing activities. Our Group also intends to set up a R&D lab with a floor area of approximately 1,641 square feet in the Building to facilitate our R&D activities.

In addition, our Group intends to renovate and enlarge our existing management office from its existing floor area of approximately 7,390 square feet to approximately 8,750 square feet within the Building to accommodate the expected increase in headcounts of our Group by up to ten (10) new employees under the Minimum Scenario or 21 new employees under the Maximum Scenario in various positions ranging from clerks to an assistant manager following the Expansion Plan. Barring any unforeseen circumstances, our Group expects to hire the said new employees in the first (1<sup>st</sup>) quarter of 2016.

The setting up of showrooms cum presentation halls and R&D lab as well as renovation of the existing management office will not result in any extension to be made to the Building thus the total built-up area of the Building will remain at approximately 63,124 square feet thereafter.

In the event the Rights Issue of Shares with Warrants is implemented under the Minimum Scenario, the estimated total cost for the setting up of showrooms cum presentation halls and R&D lab as well as renovation of the existing management office is approximately RM0.70 million as only minor renovation works will be carried out on the existing management office. Whereas, under the Maximum Scenario, the estimated total cost for such set up and renovation is up to approximately RM1.00 million as it will involve more extensive renovation works on the existing management office to cater for, among others, a higher expected increase in the number of headcounts. In any event, the total cost will be funded entirely by the proceeds from the Rights Issue of Shares with Warrants.

- (b) Currently, our Group applies a FIFO inventory system to our existing warehouse within the Building to ensure that the oldest inventories are used/distributed before the newer ones. In view of the anticipated increase in production capacity following the Expansion Plan, our Group intends to expand our storage and inventory handling capacity by, among others, upgrading and installing one (1) additional rack system (based on the Minimum Scenario) or three (3) additional rack systems (based on the Maximum Scenario) in our warehouse which are expected to increase our storage capacity from 340 metric tonnes to approximately 560 metric tonnes (under the Minimum Scenario) or approximately 1,000 metric tonnes (under the Maximum Scenario). In addition, our Group intends to implement a coding and scanning system to our inventories in order to have better control of our inventories, thus improving our efficiency in managing inventories. The said coding and scanning system includes the necessary software and up to approximately five (5) units of barcode scanning devices (under the Maximum Scenario).

The estimated total cost for the upgrading of warehouse and storage system of up to approximately RM1.80 million will be funded entirely by the proceeds from the Rights Issue of Shares with Warrants under the Maximum Scenario. In the event the Rights Issue of Shares with Warrants is implemented under the Minimum Scenario, our Group will reduce the rack systems to be installed in our warehouse from three (3) units of rack systems (as mentioned under the Maximum Scenario) to one (1) unit of rack system and fewer units of barcode scanning devices for the coding and scanning system (with the necessary software).

Any surplus or shortfall for the above will be adjusted accordingly to/from the working capital of our Group.

- (3) Our Group intends to utilise up to RM27.70 million of the proceeds for our Group's day-to-day operations as follows:

Description	Notes	Minimum Scenario (RM'000)	Maximum Scenario (RM'000)
Purchase of raw materials	(a)	5,500	14,000
Purchase of inventories	(b)	5,500	8,500
Wages and staff benefits	(c)	600	940
Marketing expenses	(d)	2,956	3,220
Other administrative and operating expenses	(e)	-	1,035
<b>Total</b>		<b>14,556</b>	<b>27,695</b>

- (a) Comprise chemical materials such as minerals, vitamins and carrier (being special chemical used to enable raw materials to combine homogeneously) and stearin (a co-product of palm oil fractionation).
- (b) Comprise products from Zoetis, a global animal health company and our major supplier, for distribution by our Group.
- (c) Comprise payment of wages, Employees' Provident Fund and social security organisation contributions to the new and existing staff of our Group.
- (d) Comprise payment for advertising and promotional activities such as organising roadshows, participating in trade exhibitions, conducting seminars and workshops, media engagement and creating advertising and promotion programmes to be undertaken by our Group.
- (e) Our Group intends to utilise up to RM1.04 million under the Maximum Scenario as follows:

Description	(RM'000)
Upgrading of software facilities for product formulation and nutrition calculation	100
Machinery maintenance	60
Transportation expenses	420
Utilities expenses and other sundry expenses	455
<b>Total</b>	<b>1,035</b>

- (4) The estimated expenses consist of professional fees, fees payable to the relevant authorities, expenses to convene the EGM and other ancillary expenses. Any surplus or shortfall of estimated expenses in relation to the Corporate Exercises will be adjusted accordingly to/from the working capital of our Group.

The actual proceeds to be raised from the Rights Issue of Shares with Warrants are dependent on the actual number of Rights Shares to be issued. Any variation in the actual proceeds raised will be adjusted to/from the proceeds allocated for the working capital of our Group.

Pending utilisation of the proceeds from the Rights Issue of Shares with Warrants for the abovementioned purposes, the proceeds will be placed in deposits with financial institution or short-term money market instruments as our Board may deem fit. The interest derived from the deposits with the financial institution or any gain arising from the short-term money market instruments will be used as working capital of our Group.

The exact quantum of proceeds that may be raised by our Company pursuant to the exercise of the Warrants and/or Adjustment Warrants will depend upon the actual number of Warrants and/or Adjustment Warrants exercised during their respective tenures. The proceeds to be raised from the exercise of the Warrants and/or Adjustment Warrants shall be utilised for the working capital of our Group of which the exact timeframe and the breakdown for the utilisation cannot be determined at this juncture.

## 6. RISK FACTORS

You and/or your renounees/transferees (if applicable) should consider carefully the following risk factors (which may not be exhaustive) which may have an impact on the future performance of our Group, in addition to other information contained elsewhere in this AP, before subscribing for or investing in the Rights Issue of Shares with Warrants.

### 6.1 Risks relating to our business and industry

#### (i) Business risks

Our Group is principally involved in R&D, manufacturing and marketing of animal health products in the animal feed market. While our Group maintains a wide range of quality animal health products and undertakes continuous R&D efforts, we are nevertheless subject to risks inherent to the animal feed market in which we operate. The growth and development of the animal feed market is dependent on the livestock industry such as poultry meat, eggs, pork, milk, beef and mutton. As such, risks inherent to the livestock industry such as limitation of the usage of feed additives due to high livestock production costs and high cost of inputs such as building material and farm equipment and small export market for livestock products will also have an impact to the animal feed market.

Other business risks include, but are not limited to, the lack of regulatory framework for product registration in Malaysia, resulting in influx of imported feed additives as the barriers to entry are low for small to medium start-up companies and subsidiaries of foreign manufacturers that are mainly involved in the process of distribution and sale of imported feed additives.

#### (ii) Epidemics

The animal feed market is dependent on the livestock industry with poultry and swine being the key livestock components in terms of production volume (i.e., output of livestock products) and revenues (i.e., ex-farm values) in the region and are the key consumers of animal feed and animal feed additives. Please also refer to Section 7.3 of this AP for further details on the overview and outlook of the livestock industry in Malaysia.

The threat of diseases such as HPAI and FMD scare is one of the industry challenges which will adversely affect the supply and demand for livestock products, both domestically and internationally. The recurrence of any of the diseases will affect consumer confidence and in a worst case scenario may severely harm our Group's financial performance and prospects.

#### (iii) Competition

Our Group competes under the manufacturers cum distributors' category in which competition is quite intense due to a combination of many participants in the market and all the market participants hold a small share of the market. Product quality, brand name and price are the key competitive factors utilised to gain market share.

Notwithstanding our Group's efforts to capture more market share via its wide range of innovative and quality animal health products and its Expansion Plan, any changes to the competitive environment may have a material adverse effect on our Group's business.

**(iv) Biotechnology risks**

Over the years, our Group has been successful in developing our own proprietary animal health products on the strength of our own in-house R&D team's capabilities. Our Group continuously engages in biotechnology R&D activities that focus on the development of efficacious, safe and cost competitive animal health products with universities, government agencies and technical advisers to carry out certain portion of our biotechnology R&D.

Nevertheless, our Group is subject to inherent risks involved in biotechnology R&D such as the ability to produce new animal health products that are safe and efficacious, the ability to obtain the necessary regulatory approvals for the registration of new animal health products and the complexity of the R&D process involved in the development of new animal health products. In addition, the nature of biotechnology R&D also means that there are high costs involved in the development of biotechnology-based products which may have lead times of several years to reach its commercial status. As our Group is involved in the field of biotechnology R&D activities, the uncertainty involved in the development and commercialisation process of biotechnology products may affect the ability of our Group to introduce new animal health products.

**(v) Supply of raw materials and products**

A continuous supply of raw materials and products is essential to ensure the smooth running of the manufacturing process and business of our Group.

Our Group sources its raw materials and products from local and overseas suppliers and is able to identify additional suppliers should the need arises. Our Group has also established a long-standing relationship with our suppliers. In addition, our Group plans to invest in the production of palm stearin, being raw materials of Powder Fat (via the utilisation of proceeds, as set out in Notes (1)(c) and (d) of Section 5 of this AP) which enables cost savings on raw materials and reduces dependency on raw materials suppliers.

Notwithstanding the above, any shortages of raw materials and products may adversely affect our Group's business activities.

**(vi) Fluctuation in prices of raw materials and products**

Raw materials used in the production of our animal health products consist of natural ingredients such as phosphoric acid, silica, vitamins and minerals. Raw materials and distribution costs constitute a significant portion of the cost of sales and therefore it is vital that we ensure that raw materials and distribution costs are sourced at the lowest cost possible. Notwithstanding a good sourcing network, these raw materials and costs are subject to fluctuations in prices as determined by market forces.

In addition, the demand of our Group's animal health products is linked to movements in the price of raw materials of the end-users (namely poultry and swine farms). The escalating cost of corn and soybean, that are raw materials used by the end-users, may indirectly affect the demand of our Group's products due to the reaction of the end-users to reduce the usage of animal health products, especially animal feed additives in their farms.

As such, any increase in the raw materials and distribution costs would affect our Group's profit margin, which may in turn affect our Group's financial performance.

**(vii) Threat of substitutes**

Within the animal feed market, the products that are most vulnerable to substitutes are the antibiotic related feed additives due to market forces and impending legislation. They will be replaced by non-antibiotic feed additives such as organic acid compounds, direct fed microbials, immune modulators and plant extracts.

The threat of other products replacing organic acid compounds, in turn, as non-antibiotic feed additives is low as it is a specialised product and it is at present, the best alternative based on currently available technology. The other animal feed additives mentioned may be considered more efficacious when used in combination with organic acids rather than in isolation. The threat of single acids replacing organic acid compounds is also low as the price-performance trade off is poor in comparison.

Our success is dependent upon, among others, our continuing efforts to develop and improve our products through R&D efforts as well as our Expansion Plan. Should our Group fail to overcome the threats of substitutes, this will result in loss of revenue and, in turn, affect the financial position of our Group.

**(viii) Protection of IP rights**

Our Group's success is dependent upon our ability to protect our IP rights. We have registered patents in Malaysia, Taiwan and the Philippines. We also have trademarks for our various products registered in Malaysia and in other jurisdictions such as Indonesia, Thailand, China and the Philippines.

Third parties may exploit these IP rights in those countries in which they have not been registered or otherwise protected, In addition, the filing for and granting of patents will result in public disclosure of the product formulations of our Group which may lead to exploitation of the product formulations in countries where there is no or limited patent protection.

Any failure in continuing to protect our proprietary and IP rights against infringement, unauthorised third-party copying and exploitation could have a material and adverse impact on our Group's business, operating results and financial conditions.

**(ix) Dependence on key personnel**

Our Group's future performance depends to a significant extent, the continued efforts and abilities as well as the networking of our Directors, senior management, key technical as well as sales and marketing personnel. Accordingly, the loss of any of these individuals could have a direct adverse impact on our future performance.

Our Group's continuing success depends on, amongst others, our ability to retain our existing Directors, senior management and key technical personnel and at the same time attract new skilled personnel to strengthen our work force. Our Group's inability to attract new skilled personnel, or the delay in hiring key personnel, could adversely affect our ability to compete effectively. This in turn could affect our Group's business, financial condition and results of operations.

**(x) Political, economic, regulatory and social conditions**

Like all other business entities, adverse developments in political, economic, regulatory and social conditions where our Group is currently operating in could materially affect our financial and business prospects. Such uncertainties that could unfavourably affect us include changes in political leadership, war, economic downturn, financial crisis, expropriation, nationalisation, re-negotiation or nullification of existing contracts, changes in interest rates and methods of taxation.

**(xi) Foreign exchange risk**

Our Group is exposed to foreign exchange risk through the import and export of raw materials and finished goods. Our Group supplies and distributes our products domestically as well as to overseas markets such as China, Vietnam and Iran. As such, any fluctuation in foreign exchange rate would have an impact on our Group's profitability.

**(xii) Adequate insurance coverage**

Our Group conducts regular reviews on our insurance coverage to assess the adequacy of our insurance coverage. We believe that our production facilities, offices, plant, machinery and inventories are adequately insured against any unforeseen events which include but not limited to fire, personal accident and professional indemnity. Nevertheless, the consequences arising from inadequate insurance coverage could have an adverse material impact on our business and operations.

**6.2 Risks relating to the Rights Issue of Shares with Warrants****(i) Investment and capital market risk**

The market price of the Rights Shares is influenced by, amongst others, the prevailing market sentiments, the volatility of equity markets, the liquidity of Sunzen Shares, the outlook for the animal feed and livestock industry, changes in regulatory requirements or market conditions, the financial performance and fluctuations in our Group's operating results. In addition, the performance of the local stock market (where our Shares are listed) is dependent on the economic and political condition in Malaysia as well as external factors such as, amongst others, the performance of the world bourses, flows of foreign funds and prices of commodities. In view of this, there can be no assurance that the Rights Shares will trade above the Issue Price for the Rights Shares or TEAP upon or subsequent to the listing of and quotation for the Rights Shares on the ACE Market of Bursa Securities.

The market price of the Warrants may be influenced by, amongst others, the market price of Sunzen Shares, and the remaining exercise period of the Warrants and the volatility of Sunzen Shares. There can be no assurance that the Warrants will be "in-the-money" during the exercise period of the Warrants. In the event the Warrants are not exercised during the exercise period, the unexercised Warrants will lapse and cease thereafter to be valid for any purpose.

**(ii) Delay in or failure of the Rights Issue of Shares with Warrants**

The Rights Issue of Shares with Warrants is exposed to the risk that it may be aborted or delayed on the occurrence of any one or more of the following events:

- (a) Force majeure events or circumstances which are beyond the control of our Company arising prior to the implementation of the Rights Issue of Shares with Warrants. Such events or circumstances include, *inter alia*, natural disasters, adverse developments in political, economic and government policies in Malaysia, including changes in inflation and interest rates, global economic downturn, acts of war, acts of terrorism, riots, expropriations and changes in political leadership; or
- (b) The Joint Underwriters as set out in Section 2.4 of this AP who have entered into the Underwriting Agreement are not able to fulfill their obligations for whatsoever reasons.



In this respect, all proceeds arising from the Rights Issue of Shares with Warrants will be refunded without interest to the Entitled Shareholders and/or their renounees/transferees (if applicable) in the event the Rights Issue of Shares with Warrants is aborted and if such monies are not repaid within fourteen (14) days after Sunzen becomes liable, we will repay such monies with interest at the rate of ten percent (10%) per annum or such other rate as may be prescribed by the SC in accordance with Section 243(2) of the Capital Markets and Services Act 2007. Notwithstanding the above, our Company will exercise our best endeavor to ensure the successful implementation of the Rights issue of Shares with Warrants. However, there can be no assurance that the abovementioned factors/events will not cause a delay in or abortion of the Rights Issue of Shares with Warrants.

In the event that the Rights Shares have been allotted to the successful Entitled Shareholders and/or their renounees/transferees (if applicable) and the Rights Issue of Shares with Warrants is subsequently cancelled or terminated, a return of monies to the shareholders can only be achieved by way of cancellation of our share capital as provided under the Act. Such cancellation requires the approval of our shareholders by way of special resolution in a general meeting, consent of our creditors (unless dispensation with such consent has been granted by the High Court of Malaya) and the confirmation of the High Court of Malaya. There can be no assurance that such monies can be returned within a short period of time or at all under such circumstances.

**(iii) Forward-looking statements**

Certain statements in this AP are based on historical information, which may not be reflective of the future results, and others are forward-looking in nature, which are subject to uncertainties and contingencies.

All forward-looking statements contained in this AP are based on forecasts and assumptions made by our Company, unless stated otherwise. Although our Board believes that these forward-looking statements are reasonable, the statements are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the future results, performance or achievements expressed or implied in such forward-looking statements. Such factors include, amongst others, the risk factors as set out in this section. In view of the above, the inclusion of any forward-looking statements in this AP should not be regarded as a representation or warranty by our Company that the plans and objectives of our Group will be achieved.

## **7. INDUSTRY OUTLOOK AND FUTURE PROSPECTS OF OUR GROUP**

### **7.1 Overview and outlook of the Malaysian economy**

The Malaysian economy remains resilient despite a more challenging external environment, including moderate global growth, declining commodity prices and volatility in financial markets. Real GDP grew by 5.3% during the first (1<sup>st</sup>) half of 2015 supported by steady domestic demand, particularly private sector expenditure. Exports and imports contracted by 1.4% and 2%, respectively, during the first eight (8) months of the year. However, exports of manufactured goods registered modest growth led by demand mainly for electrical and electronic products.

As a small and highly open economy, Malaysia is vulnerable to developments in the external environment. However, the structural reforms undertaken over the years to diversify the economy and strengthen the financial system, have placed the economy on a stronger footing as well as enhanced its resilience to weather the external challenges. Real GDP is expected to register a growth of 4.5% - 5.5% in 2015 (2014: 6%) supported by resilient domestic economic activity. The national income, as measured by the gross national income, is estimated to increase by 5.5% to RM1.13 trillion with income per capita growing by 4.2% to RM36,397 (2014: 8.6%; RM1.07 trillion; 7.2%; RM34,945).

The projection for growth in 2016 takes into account concerns over the severity of growth slowdown in emerging markets, particularly China. Other downside risks include declining commodity prices, rising volatility in financial markets and depreciating currencies of emerging economies.

Against the backdrop of increased uncertainty in the global economy, growth in the Malaysian economy will be driven by domestic demand, with private expenditures as the main anchor, while public expenditure will increase moderately.

Strong economic fundamentals such as benign inflation and stable employment supported by an accommodative monetary policy are expected to support growth. Thus, the Malaysian economy is expected to remain on a steady growth path, expanding between 4% - 5% in 2016. On the supply side, growth though moderating, is expected to be broad-based supported by expansion in all sectors of the economy, led by the services and manufacturing sector. Thus, the nominal gross national income per capita is expected to increase by 5.6% to RM38,438 in 2016 (2015: 4.2%; RM36,397).

*(Source: Economic Report 2015/2016, Ministry of Finance Malaysia)*

## **7.2 Overview and outlook of the animal feed industry in Malaysia**

The animal feed industry in Malaysia, measured by the apparent consumption of animal feed, increased from RM6.5 billion in 2010 to RM7.8 billion in 2014 at a CAGR of 4.9%. The apparent consumption of animal feed comprises the value of domestic production output and imports of animal feed. SMITH ZANDER estimates the consumption of animal feed to reach RM8.1 billion in 2015, registering a CAGR of 4.5% between 2010 and 2015.

Domestic production of animal feed increased from RM3.7 billion in 2010 to RM4.3 billion in 2013 before dipping to RM3.5 billion in 2014. However, imports of animal feed increased from RM2.7 billion in 2010 to RM4.3 billion in 2014 at a CAGR of 11.8%. While this indicates a certain level of dependency on imports of animal feed for livestock in Malaysia, it also represents potential for local producers to ramp up operations to substitute imports. During the period of 2010 and 2014, Malaysia did not register any exports of animal feed. SMITH ZANDER anticipates that the apparent consumption of animal feed in Malaysia will increase from RM7.8 billion in 2014 to RM8.7 billion in 2017 at a CAGR of 3.7%.

Feed supplements are added to animal feed to add nutritional value, promote livestock growth and productivity, as well as improve palatability of animal feed. As animal feed supplements are key raw ingredients for the preparation of animal feed, the domestic consumption of animal feed supplements in Malaysia is dependent on the apparent consumption of animal feed. Between 2010 and 2014, Malaysia's net trade of animal feed supplement declined marginally from RM31.9 billion to RM27.3 billion at a CAGR of 3.8%, where net trade is recognised through the offsetting of animal feed supplement imports against the exports of animal feed supplement. The growth trend in Malaysia's net trade is a reflection of trade movement, whereby exports of animal feed supplements declined marginally from RM32.7 billion in 2010 to RM28.4 billion in 2014 at a CAGR of 3.4%. During this period, Malaysia's imports of animal feed supplements increased from RM829.7 million to RM1.2 billion at a CAGR of 8.7%. SMITH ZANDER notes that Malaysia is a net exporter of animal feed supplements globally, where the nation's income derived from the exports of animal feed supplements exceeds expenditure on the imports of animal feed supplements.

Animal feed is a vital component of the food chain for livestock and impacts the composition and quality of livestock products such as meat, eggs and milk which are consumed by humans. Animal feed is a significant cost component for the livestock industry, and the outlook and prospects of the animal feed industry is driven by growth in the livestock industry.

*(Source: Independent Market Research Report, SMITH ZANDER)*

### 7.3 Overview and outlook of the livestock industry in Malaysia

The livestock sector is a vital component of Malaysia's agricultural sector, where it provides gainful employment and animal-based proteins for the population. In 2014, the GDP of the livestock industry was RM12.1 billion, or 12.0% of the GDP of the agriculture sector. This is in comparison to 2010 where the GDP of the livestock industry was RM7.0 billion, or 8.0% of the GDP of the agriculture sector. The GDP of the livestock industry witnessed a CAGR of 14.7% between 2010 and 2014. The agriculture sector as a whole registered a GDP of RM98.2 billion from Malaysia's GDP of RM1.1 trillion. Livestock farming in Malaysia comprises the production of poultry meat, eggs, pork, beef, mutton and milk as food items. Further, some animals also provide draught power for ploughing and pulling carts, and produce by-products such as skin, bones and feathers.

The output of the livestock industry is a measure of output of livestock products such as beef, mutton, pork, poultry meat, chicken and duck eggs, milk as well as raw hides and skins. Mutton witnessed the highest CAGR of 17.7% between 2010 and 2014 where this livestock product registered growth from 2,386.5 metric tonnes to 4,575.1 metric tonnes. During the same period, the output of beef increased at a CAGR of 2.9% as its volume increased from 46,510.0 metric tonnes to 52,202.0 metric tonnes. Poultry output was robust over this period as poultry meat increased from approximately 1.3 million metric tonnes to approximately 1.5 million metric tonnes (CAGR 3.7%) and chicken/duck eggs increased from 9,826.0 million eggs to 11,960.5 million eggs (CAGR 5.0%).

#### Livestock industry in Malaysia – output of livestock products<sup>a</sup>

	Output of livestock products						
	Beef (metric tonnes)	Mutton (metric tonnes)	Pork (metric tonnes)	Poultry meat ('000 metric tonnes)	Chicken/ duck eggs (million eggs)	Milk (million litres)	Raw hides and skins (metric tonnes)
2010	46,510.0	2,386.5	234,000.0	1,295.6	9,826.0	67.0	12,054.0
2011	48,835.0	3,091.5	214,308.0	1,289.9	10,358.0	70.9	12,656.0
2012	51,277.0	4,806.2	218,471.0	1,374.4	10,736.7	72.4	13,392.0
2013 <sup>p</sup>	51,738.0	4,321.4	217,422.0	1,458.1	11,399.3	74.0	13,516.0
2014 <sup>e</sup>	52,202.0	4,575.1	215,675.0	1,495.5	11,960.5	75.3	13,546.0
<b>CAGR</b>	<b>2.9%</b>	<b>17.7%</b>	<b>-2.0%</b>	<b>3.7%</b>	<b>5.0%</b>	<b>3.0%</b>	<b>3.0%</b>

<sup>a</sup> Latest available as at 18 January 2016

*p* – provisional

*e* – estimates

Source: Ministry of Agriculture and Agro-based Industry Malaysia, Department of Veterinary Services

In line with the growth in output of livestock products over the period of 2010 and 2014, the ex-farm value of livestock products increased from RM11.3 billion to RM15.3 billion at a CAGR of 8.0%. Ex-farm value of livestock, also known as farm gate value, is the net value of livestock when it leaves the farm, excluding any separately billed transportation or delivery charges. Mutton, chicken/duck eggs, beef and poultry meat registered the highest growth rates, with ex-farm values increasing at CAGRs of 22.0%, 14.6%, 10.2% and 7.1% respectively.

The outlook for Malaysia's livestock industry is promising on the back of growing economic affluence, growing population and increasing consumption patterns of its population. Further, the livestock industry benefits from strong support from the Government of Malaysia as it plays an important role in the nation's economic development by providing rural employment, uplifting rural incomes and ensuring national food security. Under the ETP, the Government of Malaysia intends to transform agriculture (including livestock) into agribusiness, and move towards a model which is inclusive but simultaneously anchored on market-centricity, economies of scale and value chain integration.

Under the Eleventh (11<sup>th</sup>) Malaysia Plan, the Government of Malaysia will also promote private consumption, as well as private investment in agriculture, manufacturing, and services to spearhead economic growth, and increase exports by improving product competitiveness, promoting services exports, and diversifying markets.

Under Budget 2015, the estimated Federal Government expenditure for the agriculture industry in 2015 is RM6.1 billion, of which RM1.4 billion is for development activities. The livestock industry will benefit from this as a sum of approximately RM135.2 million has been allocated for management services, biosecurity and sanitary and phyto-sanitary management, diagnostic and quality assessment, research, enforcement, development of livestock commodity, development of downstream industries, training and career development.

*(Source: Independent Market Research Report, SMITH ZANDER)*

#### **7.4 Prospects of our Group**

The animal feed industry in Malaysia, measured by the apparent consumption of animal feed, increased from RM6.5 billion in 2010 to RM7.8 billion in 2014 at a CAGR of 4.9%. The apparent consumption of animal feed comprises the value of domestic production output and imports of animal feed. Between 2010 and 2014, domestic production of animal feed declined marginally from RM3.7 billion to RM3.5 billion at a CAGR of -1.3%, while imports of animal feed increased from RM2.7 billion to RM4.3 billion at a CAGR of 11.8%. While this indicates a certain level of dependency on imports of animal feed for livestock in Malaysia, it also represents potential for local producers to ramp up operations to substitute imports. During the period of 2010 and 2014, Malaysia did not register any exports of animal feed. SMITH ZANDER anticipates that the apparent consumption of animal feed in Malaysia will increase from RM7.8 billion in 2014 to RM8.7 billion in 2017 at a CAGR of 3.7%.

Feed supplements are added to animal feed to add nutritional value, promote livestock growth and productivity, as well as improve palatability of animal feed. As animal feed supplements are key raw ingredients for the preparation of animal feed, the domestic consumption of animal feed supplements in Malaysia is dependent on the apparent consumption of animal feed. Between 2010 and 2014, Malaysia's net trade of animal feed supplement declined marginally from RM31.9 billion to RM27.3 billion at a CAGR of 3.8%, where net trade is recognised through the offsetting of animal feed supplement imports against the exports of animal feed supplement. The growth trend in Malaysia's net trade is a reflection of trade movement, whereby exports of animal feed supplements declined marginally from RM32.7 billion in 2010 to RM28.4 billion in 2014 at a CAGR of 3.4%. During this period, Malaysia's imports of animal feed supplements increased from RM829.7 million to RM1.2 billion at a CAGR of 8.7%. SMITH ZANDER notes that Malaysia is a net exporter of animal feed supplements globally, where the nation's income derived from the exports of animal feed supplements exceeds expenditure on the imports of animal feed supplements.

Animal feed is a vital component of the food chain for livestock and impacts the composition and quality of livestock products such as meat, eggs and milk which are consumed by humans. Animal feed is a significant cost component for the livestock industry, and the outlook and prospects of the animal feed industry is driven by growth in the livestock industry.

Growth in the livestock industry is in turn driven by consumption growth, where the consumption of livestock products has witnessed an increase from 2010 to 2014. Mutton and beef witnessed high growth rates of 14.9% and 8.0% respectively as consumption of mutton increased from 20,076.7 metric tonnes to 34,935.6 metric tonnes and consumption of beef increased from 154,402.0 metric tonnes to 210,166.0 metric tonnes. Over the same period, consumption of poultry meat increased from approximately 1.2 million metric tonnes to approximately 1.4 million metric tonnes at a CAGR of 3.8%, and consumption of chicken/duck eggs increased from approximately 8,572.0 million eggs to 9,922.0 million eggs at a CAGR of 3.7%.

SMITH ZANDER has identified the key industry demand drivers that drive growth in the consumption of animal feed, namely the increased consumption of livestock products as a result of economic affluence; growing population and changing consumption trends; as well as initiatives by the Government of Malaysia to spur the livestock industry in an effort to promote national food security and self-sufficiency of livestock. Thus, as a player in the animal feed industry, Sunzen's prospects and growth potential will be influenced by key industry demand drivers that impact the consumption of animal feed.

*(Source: Independent Market Research Report, SMITH ZANDER)*

Moving forward, our Group plans to expand our business organically via the Expansion Plan which includes increasing our Group's product offerings by introducing new products such as Orgacids Revolution and palm stearin as well as intensifying our marketing and promotional activities both locally and overseas to improve market awareness and enhance the presence of our Group's products. In addition, our management team will focus on improving productivity and the quality of our products via continuous R&D activities. Our Group's commitment and efforts towards biotechnology R&D and marketing strategies are expected to provide growth and ensure acceptance of our products in the feed additive market.

Premised on the above and the on-going efforts taken by our Group (as evidenced by its historical continued profitability set out in Section 7 of Appendix II of this AP) and initiatives to be undertaken (as set out in Section 5 of this AP), our Board is of the view that the outlook of our Group is expected to be promising.

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## 8. EFFECTS OF THE RIGHTS ISSUE OF SHARES WITH WARRANTS

### 8.1 Issued and paid-up share capital

Until such time when the SIS Options are exercised into SIS Shares, the SIS will not have an immediate effect on our issued and paid-up share capital. Our issued and paid-up share capital will increase progressively depending on the quantum of the SIS Options granted and exercised and the number of new Sunzen Shares issued pursuant thereto.

The pro forma effects of the Rights Issue of Shares with Warrants and SIS on our issued and paid-up share capital are as follows:

	Minimum Scenario		Maximum Scenario	
	No. of Sunzen Shares	RM	No. of Sunzen Shares	RM
Issued and paid-up share capital as at the LPD <sup>(1)</sup>	298,786,745	29,878,675	298,786,745	29,878,675
Assuming full exercise of the Warrants 2014/2019	-	-	22,179,114	2,217,911
	298,786,745	29,878,675	320,965,859	32,096,586
To be issued pursuant to the Rights Issue of Shares with Warrants	110,024,200	11,002,420	192,579,515	19,257,952
	408,810,945	40,881,095	513,545,374	51,354,538
Assuming full exercise of the Warrants 2014/2019 and Adjustment Warrants	24,740,678 <sup>(2)</sup>	2,474,068	-	-
	433,551,623	43,355,163	513,545,374	51,354,538
Assuming full exercise of the Warrants	110,024,200	11,002,420	192,579,515	19,257,952
	543,575,823	54,357,583	706,124,889	70,612,490
Assuming full exercise of the SIS Options	162,923,300	16,292,330	211,837,400	21,183,740
<b>Enlarged issued and paid-up share capital</b>	<b>706,499,123</b>	<b>70,649,913</b>	<b>917,962,289</b>	<b>91,796,230</b>

Notes:

(1) As at the LPD, our Company held 498,000 treasury shares.

(2) Assuming the number of the outstanding Warrants 2014/2019 is adjusted from 22,179,114 to 24,740,678 pursuant to the Adjustment Based on Minimum Scenario.

*Adjustment Warrants will be issued pursuant to the Adjustment in accordance with the provisions of the Existing Deed Poll as a result of the Rights Issue of Shares with Warrants. For the avoidance of doubt, no adjustment will be made to the existing exercise price of the outstanding Warrants 2014/2019 of RM0.10 each (i.e. the exercise price of the outstanding Warrants 2014/2019 cannot be adjusted below the par value of Sunzen Shares of RM0.10 each). A notice to the holders of Warrants 2014/2019 describing the mechanism of the adjustment to the number of outstanding Warrants 2014/2019 will be issued at a later date.*

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## 8.2 NA, NTA and gearing

The pro forma effects of the Rights Issue of Shares with Warrants and SIS on the NA, NTA and gearing of our Group based on the audited consolidated financial statements of our Company as at 31 December 2014 are as follows:

### Minimum Scenario

	(Audited) As at 31 December 2014 (RM)	(I) After Subsequent Events (RM)	(II) After (I) and the Rights Issue of Shares with Warrants (RM)	(III) After (II) and assuming full exercise of the Warrants 2014/2019, Adjustment Warrants <sup>(4)</sup> and Warrants (RM)
Share capital	16,576,667	29,878,675	40,881,095	54,357,583
Share premium	7,154,556	-	15,853,630 <sup>(2)</sup>	32,357,260
Treasury shares	(39,000)	(201,331)	(201,331)	(201,331)
Revaluation reserve	15,650,589	15,650,589	15,650,589	15,650,589
Warrants reserve	-	-	18,990,177 <sup>(3)</sup>	-
Other reserve	-	-	(18,990,177)	-
Merger deficit	(8,397,548)	(8,397,548)	(8,397,548)	(8,397,548)
Currency translation reserves	(30,123)	(30,123)	(30,123)	(30,123)
Retained profits	19,393,552	16,830,670	16,830,670	16,830,670
<b>Shareholders' funds / NA</b>	<b>50,308,693</b>	<b>53,730,932</b>	<b>80,586,982</b>	<b>110,567,100</b>
No. of Sunzen Shares outstanding (i.e. after excluding the Treasury Shares)	165,618,666 <sup>(1)</sup>	298,288,745	408,312,945	543,077,823
NA per Sunzen Share (RM)	0.30	0.18	0.20	0.20
NTA per Sunzen Share (RM)	0.30	0.18	0.20	0.20
Total borrowings	4,979,970	4,979,970	4,979,970	4,979,970
Gearing (times)	0.10	0.09	0.06	0.05

Notes:

- (1) Excluding 148,000 Sunzen Shares held as treasury shares by our Company as at 31 December 2014.
- (2) After netting off the estimated expenses of RM0.65 million for the Corporate Exercises.
- (3) Arising from the issuance of 110,024,200 Warrants at an indicative fair value of RM0.1726 each.

(4) Assuming the total number of the outstanding Warrants 2014/2019 is adjusted from 22,179,114 to 24,740,678 pursuant to the Adjustment Based on the Minimum Scenario.

**Maximum Scenario**

	(Audited) As at 31 December 2014 (RM)	(I) After Subsequent Events (RM)	(II) After (I) and assuming disposal of Treasury Shares in the open market (RM)	(III) After (II) and assuming full exercise of the Warrants 2014/2019 (RM)	(IV) After (III) and the Rights Issue of Shares with Warrants (RM)	(V) After (IV) and assuming full exercise of the Warrants (RM)
Share capital	16,576,667	29,878,675	29,878,675	32,096,586	51,354,538	70,612,490
Share premium	7,154,556	-	8,178	8,178	28,245,105 <sup>(3)</sup>	57,132,032
Treasury shares	(39,000)	(201,331)	-	-	-	-
Revaluation reserve	15,650,589	15,650,589	15,650,589	15,650,589	15,650,589	15,650,589
Warrants reserve	-	-	-	-	33,162,192 <sup>(4)</sup>	-
Other reserve	-	-	-	-	(33,162,192)	-
Merger deficit	(8,397,548)	(8,397,548)	(8,397,548)	(8,397,548)	(8,397,548)	(8,397,548)
Currency translation reserves	(30,123)	(30,123)	(30,123)	(30,123)	(30,123)	(30,123)
Retained profits	19,393,552	16,830,670	16,830,670	16,830,670	16,830,670	16,830,670
Shareholders' funds / NA	<b>50,308,693</b>	<b>53,730,932</b>	<b>53,940,441</b>	<b>56,158,352</b>	<b>103,653,231</b>	<b>151,798,110</b>
No. of Sunzen Shares outstanding	165,618,666 <sup>(1)</sup>	298,288,745 <sup>(2)</sup>	298,786,745	320,965,859	513,545,374	706,124,889
NA per Sunzen Share (RM)	0.30	0.18	0.18	0.17	0.20	0.21
NTA per Sunzen Share (RM)	0.30	0.18	0.18	0.17	0.20	0.21
Total borrowings	4,979,970	4,979,970	4,979,970	4,979,970	4,979,970	4,979,970
Gearing (times)	0.10	0.09	0.09	0.09	0.05	0.03

Notes:

- (1) Excluding 148,000 Sunzen Shares held as treasury shares by our Company as at 31 December 2014.
- (2) Excluding the Treasury Shares.
- (3) After netting off the estimated expenses of RM0.65 million for the Corporate Exercises.
- (4) Arising from the issuance of 192,579,515 Warrants at an indicative fair value of RM0.1722 each.



The effect of the SIS on our Group's NA would depend on factors such as the number of SIS Options granted and the fair value of the SIS Options after taking into account, *inter-alia*, the Subscription Price as well as any vesting conditions. Whilst the granting of the SIS Options under the SIS is expected to result in recognition of a charge in the statement of comprehensive income of our Group pursuant to MFRS-2, the recognition of such MFRS-2 charge would not impact on the NA of our Group as the corresponding amount will be classified as an equity compensation reserve which forms part of the shareholders' equity.

In the event none of the granted SIS Options are exercised within the duration of the SIS, the amount outstanding in the said equity compensation reserve would be transferred into our Group's retained earnings. On the other hand, if the granted SIS Options are exercised, the amount outstanding in the said equity compensation reserve would be transferred into the share premium account of our Company.

The SIS will not have any immediate effect on the consolidated NA per Share until such time when the SIS Options are exercised. The consolidated NA per Share following the exercise of the SIS Options will increase if the Subscription Price exceeds the consolidated NA per Share at the point of exercise of the SIS Options and conversely will decrease if the Subscription Price is below the consolidated NA per Share at the point of the exercise of the SIS Options.

The SIS is not expected to have an immediate effect on the gearing level of our Group until such time when the SIS Options are granted and exercised. The effect on the gearing will depend on the change in the NA, which in turn will depend on the actual number of the SIS Shares to be issued as well as the Subscription Price payable upon the exercise of the SIS Options.

### **8.3 Earnings and EPS**

The Rights Issue of Shares with Warrants and SIS are not expected to have an immediate material effect on our consolidated earnings and EPS for the FYE 31 December 2015 as it is only expected to be completed in the first (1<sup>st</sup>) quarter of 2016 and the proceeds to be raised are expected to be utilised within twelve (12) months from the date of listing of the Rights Shares. Moving forward, the Rights Issue of Shares with Warrants is expected to contribute positively to the future earnings of our Group when the benefits of the utilisation of proceeds are realised.

The SIS is not expected to have any immediate material effect on the earnings of our Group for the FYE 31 December 2015, save for the possible impact of the MFRS-2 upon granting of the SIS Options. However, any potential effect on the EPS of our Group in the future would depend on the impact of MFRS-2, the number of SIS Options granted and exercised as well as the utilisation of the proceeds raised from the exercise of the SIS Options.

Under the MFRS-2, the potential cost arising from the issuance of the SIS Options, which is measured by the fair value of the SIS Options after taking into account, *inter-alia*, the number of SIS Options granted and vested and the Subscription Price will need to be measured at the grant date and to be recognised as an expense over the vesting period, and therefore may affect the future earnings of our Group, the quantum of which can be determined only at the grant date. However, the estimated cost does not represent a cash outflow by our Company as it is merely an accounting treatment.

Our Company has taken note of the potential impact of MFRS-2 on our Group's future earnings and shall take into consideration such impact in the allocation and granting of the SIS Options to the Eligible Persons.

The EPS of our Company shall be correspondingly diluted as a result of the increase in the number of Sunzen Shares in issue pursuant to the issuance of the Rights Shares and the new Sunzen Shares arising from the exercise of the Warrants, Adjustment Warrants and SIS Options in the future.

The effect of any exercise of the Warrants, Adjustment Warrants and SIS Options on our Company's consolidated EPS would be dependent on the returns generated by our Group from the utilisation of proceeds arising from the exercise of the Warrants, Adjustment Warrants and SIS Options.

For illustration purposes, assuming the Rights Issue of Shares with Warrants is completed on 1 January 2014, being the commencement for the FYE 31 December 2014, the EPS of our Group shall be as follows:

**Minimum Scenario**

	(Audited) As at 31 December 2014	(I) After Subsequent Events	(II) After (I) and the Rights Issue of Shares with Warrants	(III) After (II) and assuming full exercise of the Warrants 2014/2019, Adjustment Warrants and Warrants
PAT attributable to our equity holders (RM)	1,100,107	1,100,107	1,100,107	1,100,107
No. of Sunzen Shares outstanding (i.e. after excluding the Treasury Shares)	165,618,666 <sup>^</sup>	298,288,745	408,312,945	543,077,823
No. of Warrants in issue	-	-	110,024,200	-
No. of Warrants 2014/2019 in issue	48,260,094	22,179,114	22,179,114	-
No. of Adjustment Warrants in issue	-	-	2,561,564	-
Basic EPS (sen)	0.72	0.37	0.27	0.20
Diluted EPS (sen)	0.61	0.34	0.20	N/A

Notes:

<sup>^</sup> Excluding 148,000 Sunzen Shares held as treasury shares by our Company as at 31 December 2014.

N/A Not applicable as our Company does not have any dilutive potential ordinary shares.

Maximum Scenario

	(Audited) As at 31 December 2014	(I) After Subsequent Events	(II) and assuming disposal of Treasury Shares in the open market	(III) After (II) and assuming full exercise of the Warrants 2014/2019	(IV) and the Rights Issue of Shares with Warrants	(V) After (IV) and assuming full exercise of the Warrants
Profit attributable to our equity holders (RM)	1,100,107	1,100,107	1,100,107	1,100,107	1,100,107	1,100,107
No. of Sunzen Shares outstanding	165,618,666 <sup>^</sup>	298,288,745*	298,786,745	320,965,859	513,545,374	706,124,889
No. of Warrants in issue	-	-	-	-	192,579,515	-
No. of Warrants 2014/2019 in issue	48,260,094	22,179,114	22,179,114	-	-	-
Basic EPS (sen)	0.72	0.37	0.37	0.34	0.21	0.16
Diluted EPS (sen)	0.61	0.34	0.34	N/A	0.16	N/A

Notes:

<sup>^</sup> Excluding 148,000 Sunzen Shares held as treasury shares by our Company as at 31 December 2014.

\* Excluding the Treasury Shares.

N/A Not applicable as our Company does not have any dilutive potential ordinary shares.

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## 9. WORKING CAPITAL, BORROWINGS, CONTINGENT LIABILITIES AND MATERIAL COMMITMENTS

### 9.1 Working capital

Our Board is of the opinion that after taking into consideration the proceeds from the Rights Issue of Shares with Warrants, cash in hand, funds generated from our operation and banking facilities available, our Group will have adequate working capital for the next twelve (12) months from the date of this AP.

### 9.2 Borrowings

As at the LPD, our Group has total outstanding borrowings of RM3.89 million, all of which are interest-bearing and from local financial institutions, details of which are as follows:

	As at the LPD (RM'000)
<b>Short-term borrowings:</b>	
Hire purchase payables	64
Term loans	607
<b>Long-term borrowings:</b>	
Hire purchase payables	99
Term loans	3,118

There is no non-interest bearing and foreign currency denominated borrowings as at the LPD.

There was no default on payment of either interest or principal sums in respect of any borrowing, throughout the past one (1) FYE 31 December 2014, and the subsequent financial period up to the LPD.

### 9.3 Contingent liabilities

Save as disclosed below, as at the LPD, there is no other contingent liability incurred by our Company or our Group, which upon becoming enforceable, may have a material impact on the financial position of our Group:

	Company level	
	As at the LPD (RM'000)	As at 31 December 2014 (RM'000)
Corporate guarantee given to banks in respect of banking facilities extended to a subsidiary	17,131	17,131
Corporate guarantee in favour of Zuellig Pharma Sdn Bhd for Sunzen Corporation*	2,500	-

Note:

\* The corporate guarantee was placed in favour of Zuellig Pharma Sdn Bhd as a guarantee for our wholly-owned subsidiary, namely Sunzen Corporation, for due payment of all liabilities and obligations in respect of the supply of goods by Zuellig Pharma Sdn Bhd, and subject to the terms and conditions as stipulated in respect of the letter of corporate guarantee for credit limits of up to RM2,500,000 dated 27 January 2015.

**9.4 Material commitments**

Save as disclosed below, as at the LPD, there is no other material commitment incurred by our Company or our Group, which upon becoming enforceable, may have material impact on the financial position of our Group:

**(RM'000)**

Balance consideration for the purchase of one (1) unit of double fat machine 2,353

Our Group intends to satisfy the abovementioned material commitment via proceeds from the Rights Issue of Shares with Warrants.

**10. TERMS AND CONDITIONS**

The issuance of the Rights Shares with Warrants pursuant to the Rights Issue of Shares with Warrants is governed by the terms and conditions as set out in this AP, the Deed Poll, the NPA and the RSF enclosed herewith.

**11. FURTHER INFORMATION**

You are requested to refer to the attached appendices for further information.

Yours faithfully  
For and behalf of the Board of  
**SUNZEN BIOTECH BERHAD**

  
**HONG CHOON HAU**  
Executive Director / Chief Executive Officer

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**CERTIFIED TRUE EXTRACT OF THE RESOLUTION IN RELATION TO THE RIGHTS ISSUE OF SHARES WITH WARRANTS PASSED AT OUR EGM HELD ON 24 NOVEMBER 2015**

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**SUNZEN BIOTECH BERHAD  
(680889-W)  
(Incorporated in Malaysia)****CERTIFIED EXTRACT OF THE MINUTES OF THE  
EXTRAORDINARY GENERAL MEETING OF THE COMPANY  
HELD ON 24 NOVEMBER 2015**

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It was RESOLVED:

**ORDINARY RESOLUTION 1**

**PROPOSED RENOUNCEABLE RIGHTS ISSUE OF UP TO 192,579,515 NEW ORDINARY SHARES OF RM0.10 EACH IN THE COMPANY ("SUNZEN SHARES") ("RIGHTS SHARES") ON THE BASIS OF THREE (3) RIGHTS SHARES FOR EVERY FIVE (5) EXISTING SUNZEN SHARES HELD, TOGETHER WITH UP TO 192,579,515 FREE DETACHABLE WARRANTS ("WARRANTS") ON THE BASIS OF ONE (1) WARRANT FOR EVERY ONE (1) RIGHTS SHARE SUBSCRIBED AT AN ENTITLEMENT DATE TO BE DETERMINED LATER ("ENTITLEMENT DATE") ("PROPOSED RIGHTS ISSUE OF SHARES WITH WARRANTS")**

THAT, subject to the passing of Ordinary Resolution 8 and Special Resolution and the approvals of all relevant parties and/or authorities being obtained (where required), the Board of Directors of the Company ("**Board**") be and is hereby authorised:

- (i) to provisionally allot and issue by way of renounceable rights issue of up to 192,579,515 Rights Shares at an issue price of RM0.25 per Rights Share on the basis of three (3) Rights Shares for every five (5) existing Sunzen Shares held, together with up to 192,579,515 Warrants at an exercise price of RM0.25 per Share on the basis of one (1) Warrant for every one (1) Rights Share subscribed by the shareholders of Sunzen whose names appear in the Record of Depositors of the Company as at the close of business on the Entitlement Date ("**Entitled Shareholders**");
- (ii) enter into and execute the deed poll in relation to the Proposed Rights Issue of Shares with Warrants ("**Deed Poll**") and to do all acts, deeds and things as they may deem fit or expedient in order to implement, finalise and give full effect to the aforesaid Deed Poll; and
- (iii) utilise the proceeds to be derived from the Proposed Rights Issue of Shares with Warrants in the manner as set out in Section 2.1.6 of the circular to shareholders dated 30 October 2015 ("**Circular**") and vary the manner and/or purpose of utilisation of such proceeds as they may deem fit and in the best interest of the Company.

THAT the actual number of Rights Shares with Warrants to be issued will only be determined on the Entitlement Date.

THAT in determining the shareholders' entitlements to the Rights Shares with Warrants under the Proposed Rights Issue of Shares with Warrants, fractional entitlements, if any, will be disregarded and dealt with by the Board in such manner at its discretion as it may deem fit or expedient and in the best interest of the Company.

THAT the Rights Shares with Warrants which are not taken up or validly taken up shall be made available for excess applications by the Entitled Shareholders and/or their renounees (if applicable). It is the intention of the Board to allocate the excess Rights Shares in a fair and equitable manner on a basis to be determined by the Board and announced later by the Company.

...2/-

**CERTIFIED TRUE EXTRACT OF THE RESOLUTION IN RELATION TO THE RIGHTS ISSUE OF SHARES WITH WARRANTS PASSED AT OUR EGM HELD ON 24 NOVEMBER 2015 (CONT'D)**

SUNZEN BIOTECH BERHAD (680889-W)  
EXTRACT OF THE MINUTES OF THE EXTRAORDINARY GENERAL MEETING OF THE COMPANY HELD ON 24 NOVEMBER 2015 RE: PROPOSED RIGHTS ISSUE OF SHARES WITH WARRANTS  
PAGE 2 OF 2

THAT approval be and is hereby given to the Board to create and issue the Warrants and such additional Warrants ("**Additional Warrants**") as may be required or permitted to be issued as a consequence of the adjustments based on the indicative principal terms of the Warrants as set out in the Circular and the terms and conditions of the Deed Poll.

THAT approval be and is hereby given to the Board to allot and issue such appropriate number of new Sunzen Shares credited as fully paid-up arising from the exercise by the holders of the Warrants and/or the Additional Warrants (as the case may be) in accordance with the provisions of the Deed Poll.

THAT the Rights Shares and/or the new Sunzen Shares to be issued arising from the exercise of the Warrants, Additional Warrants and/or additional warrants 2014/2019 to be issued pursuant to the adjustment in accordance with the provisions of the existing deed poll dated 28 March 2014 ("**Adjustment Warrants**") shall, upon issuance and allotment, rank *pari passu* in all respects with the then existing Sunzen Shares, save and except that the Rights Shares and/or the new Sunzen Shares shall not be entitled to any dividends, rights, allotments and/or other forms of distribution, the entitlement date of which is prior to the date of allotment and issuance of the Rights Shares and/or the new Sunzen Shares to be issued arising from the exercise of the Warrants, Additional Warrants and/or Adjustment Warrants.

AND THAT the Board be and is hereby authorised to take all such necessary steps to give full effect to the Proposed Rights Issue of Shares with Warrants with full powers to assent to any conditions, variations, modifications and/or amendments in any manner as may be required or permitted by any relevant authorities or deemed necessary by the Board, and to take all steps and to do all such acts and matters as they may consider necessary or expedient to implement, finalise and give full effect to the Proposed Rights Issue of Shares with Warrants.

Dated: **20 JAN 2016**

**CERTIFIED TRUE AND CORRECT**



CHAIRMAN  
TAN SRI HAJI MUSA BIN TAN SRI  
HAJI HASSAN

**INFORMATION ON OUR COMPANY****1. HISTORY AND BUSINESS**

Our Company was incorporated on 8 February 2005 under the Act as a public limited company under the name of Sunzen Biotech Berhad and listed on the ACE Market of Bursa Securities on 8 October 2008.

Our Company is principally engaged in the businesses of biotechnology R&D, manufacturing and marketing of animal feed supplement products and investment holding. Our Company, through its subsidiaries, is also involved in biotechnology R&D, manufacturing, distribution, trading and marketing of veterinary and animal health products, wholesaling and trading of animal health care products, R&D and commercialisation of in-feed anti-bacterial products and supplements for animal health products.

Further details of the principal activities of our subsidiary companies are set out in Section 6 of this Appendix.

**2. SHARE CAPITAL**

Our authorised and issued and paid-up share capital as at the LPD are as follows:

Type	No. of Sunzen Shares	Par value RM	Total RM
Authorised share capital	1,000,000,000	0.10	100,000,000.00
Issued and paid-up share capital	298,786,745	0.10	29,878,674.50

The changes in our issued and paid-up share capital for the past three (3) years up to the LPD are as follows:

Date of allotment	No. of Shares allotted	Par value (RM)	Description	Cumulative issued and paid-up share capital (RM)
19 May 2014	10,000	0.10	Exercise of Warrants 2014/2019	14,940,050.00
15 October 2014	60,000	0.10	Exercise of Warrants 2014/2019	14,946,050.00
20 October 2014	100,000	0.10	Exercise of Warrants 2014/2019	14,956,050.00
23 October 2014	106,666	0.10	Exercise of Warrants 2014/2019	14,966,716.60
29 October 2014	120,000	0.10	Exercise of Warrants 2014/2019	14,978,716.60
31 October 2014	120,000	0.10	Exercise of Warrants 2014/2019	14,990,716.60
5 November 2014	249,000	0.10	Exercise of Warrants 2014/2019	15,015,616.60
12 November 2014	14,880,000	0.10	Cash (from private placement)	16,503,616.60
20 November 2014	30,000	0.10	Exercise of Warrants 2014/2019	16,506,616.60
27 November 2014	95,500	0.10	Exercise of Warrants 2014/2019	16,516,166.60
9 December 2014	150,000	0.10	Exercise of Warrants 2014/2019	16,531,166.60
26 December 2014	130,000	0.10	Exercise of Warrants 2014/2019	16,544,166.60
29 December 2014	325,000	0.10	Exercise of Warrants 2014/2019	16,576,666.60
5 January 2015	781,000	0.10	Exercise of Warrants 2014/2019	16,654,766.60
9 January 2015	1,086,000	0.10	Exercise of Warrants 2014/2019	16,763,366.60
16 January 2015	160,000	0.10	Exercise of Warrants 2014/2019	16,779,366.60
22 January 2015	1,183,271	0.10	Exercise of Warrants 2014/2019	16,897,693.70



## INFORMATION ON OUR COMPANY (CONT'D)

Date of allotment	No. of Shares allotted	Par value (RM)	Description	Cumulative issued and paid-up share capital (RM)
26 January 2015	228,000	0.10	Exercise of Warrants 2014/2019	16,920,493.70
5 February 2015	522,000	0.10	Exercise of Warrants 2014/2019	16,972,693.70
6 February 2015	442,000	0.10	Exercise of Warrants 2014/2019	17,016,893.70
12 February 2015	80,000	0.10	Exercise of Warrants 2014/2019	17,024,893.70
23 February 2015	336,666	0.10	Exercise of Warrants 2014/2019	17,058,560.30
26 February 2015	200,000	0.10	Exercise of Warrants 2014/2019	17,078,560.30
19 March 2015	424,500	0.10	Exercise of Warrants 2014/2019	17,121,010.30
26 March 2015	150,000	0.10	Exercise of Warrants 2014/2019	17,136,010.30
31 March 2015	2,028,132	0.10	Exercise of Warrants 2014/2019	17,338,823.50
1 April 2015	2,274,700	0.10	Exercise of Warrants 2014/2019	17,566,293.50
3 April 2015	12,000,000	0.10	Exercise of Warrants 2014/2019	18,766,293.50
6 April 2015	1,134,000	0.10	Exercise of Warrants 2014/2019	18,879,693.50
13 April 2015	293,900	0.10	Exercise of Warrants 2014/2019	18,909,083.50
16 April 2015	451,000	0.10	Exercise of Warrants 2014/2019	18,954,183.50
23 April 2015	1,016,400	0.10	Exercise of Warrants 2014/2019	19,055,823.50
27 April 2015	8,000	0.10	Exercise of Warrants 2014/2019	19,056,623.50
5 May 2015	95,209,113	0.10	Bonus issue of shares (1:2)	28,577,534.80
13 May 2015	22,500	0.10	Exercise of Warrants 2014/2019	28,579,784.80
18 June 2015	337,500	0.10	Exercise of Warrants 2014/2019	28,613,534.80
22 June 2015	500,000	0.10	Exercise of Warrants 2014/2019	28,663,534.80
1 July 2015	1,057,100	0.10	Exercise of Warrants 2014/2019	28,769,244.80
8 July 2015	922,500	0.10	Exercise of Warrants 2014/2019	28,861,494.80
10 July 2015	202,000	0.10	Exercise of Warrants 2014/2019	28,881,694.80
3 August 2015	230,000	0.10	Exercise of Warrants 2014/2019	28,904,694.80
7 August 2015	272,500	0.10	Exercise of Warrants 2014/2019	28,931,944.80
25 August 2015	197,800	0.10	Exercise of Warrants 2014/2019	28,951,724.80
2 September 2015	251,000	0.10	Exercise of Warrants 2014/2019	28,976,824.80
10 September 2015	1,363,000	0.10	Exercise of Warrants 2014/2019	29,113,124.80
15 September 2015	135,300	0.10	Exercise of Warrants 2014/2019	29,126,654.80
28 September 2015	1,836,650	0.10	Exercise of Warrants 2014/2019	29,310,319.80
29 September 2015	634,900	0.10	Exercise of Warrants 2014/2019	29,373,809.80
7 October 2015	230,000	0.10	Exercise of Warrants 2014/2019	29,396,809.80
8 October 2015	609,450	0.10	Exercise of Warrants 2014/2019	29,457,754.80
15 October 2015	206,000	0.10	Exercise of Warrants 2014/2019	29,478,354.80
20 October 2015	235,000	0.10	Exercise of Warrants 2014/2019	29,501,854.80
27 October 2015	358,450	0.10	Exercise of Warrants 2014/2019	29,537,699.80
30 October 2015	97,598	0.10	Exercise of Warrants 2014/2019	29,547,459.60
12 November 2015	50,000	0.10	Exercise of Warrants 2014/2019	29,552,459.60
18 November 2015	512,200	0.10	Exercise of Warrants 2014/2019	29,603,679.60
23 November 2015	578,400	0.10	Exercise of Warrants 2014/2019	29,661,519.60

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**INFORMATION ON OUR COMPANY (CONT'D)**


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<b>Date of allotment</b>	<b>No. of Shares allotted</b>	<b>Par value (RM)</b>	<b>Description</b>	<b>Cumulative issued and paid-up share capital (RM)</b>
4 December 2015	556,000	0.10	Exercise of Warrants 2014/2019	29,717,119.60
9 December 2015	347,200	0.10	Exercise of Warrants 2014/2019	29,751,839.60
18 December 2015	498,200	0.10	Exercise of Warrants 2014/2019	29,801,659.60
29 December 2015	119,999	0.10	Exercise of Warrants 2014/2019	29,813,659.50
8 January 2016	650,150	0.10	Exercise of Warrants 2014/2019	29,878,674.50

**3. BOARD DIRECTORS**

Please refer to the Corporate Directory on page 1 of this AP for details of the age, professions, nationalities, designations and addresses of our Board.

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**INFORMATION ON OUR COMPANY (CONT'D)**
**4. DIRECTORS' SHAREHOLDINGS**

Until such time when the SIS Options are exercised into SIS Shares, the SIS is not expected to have any immediate effect on the shareholdings of our Directors. Dilution of the shareholdings of our Directors arising from the SIS will depend on the number of SIS Options granted and exercised by eligible Directors at any point in time throughout the duration of the SIS.

The pro forma effects of the Rights Issue of Shares with Warrants and SIS on the shareholdings of our Directors based on their shareholdings as at the LPD are as follows:

Minimum Scenario

Name	As at the LPD		(I) After the Rights Issue of Shares with Warrants		(II) After (I) and assuming full exercise of the Warrants 2014/2019 <sup>(3)</sup> , the Adjustment Warrants and the Warrants					
	Indirect		Direct		Direct		Indirect			
	No. of Sunzen Shares	%*	No. of Sunzen Shares	%*	No. of Sunzen Shares	%*	No. of Sunzen Shares	%*		
Tan Sri Haji Musa Bin Tan Sri Haji Hassan	3,000,000	1.01	-	0.73	3,000,000	-	4,087,607	0.75	-	-
Hong Choon Hau	79,569,000	26.68	138,000 <sup>(1)</sup>	31.18	127,310,400	220,800 <sup>(1)</sup>	175,051,800	32.23	303,600 <sup>(1)</sup>	0.06
Lim Eng Chai	12,000,000	4.02	-	4.70	19,200,000	-	26,400,000	4.86	-	-
Dato' Dr Mhd Nordin Bin Mohd Nor	120,000	0.04	-	0.03	120,000	-	164,618	0.03	-	-
Khoo Kien Hoe	-	-	-	-	-	-	-	-	-	-

## INFORMATION ON OUR COMPANY (CONT'D)

Name	(III) After (II) and assuming full grant and exercise of the SIS Options <sup>(2)</sup>			
	Direct		Indirect	
	No. of Sunzen Shares	%*	No. of Sunzen Shares	%*
Tan Sri Haji Musa Bin Tan Sri Haji Hassan	4,087,607	0.58	-	-
Hong Choon Hau	175,051,800	24.79	303,600 <sup>(1)</sup>	0.04
Lim Eng Chai	26,400,000	3.74	-	-
Dato' Dr Mhd Nordin Bin Mohd Nor	164,616	0.02	-	-
Khoo Kien Hoe	-	-	-	-

Notes:

Neg Negligible

\* Excluding the Treasury Shares.

(1) Deemed interested by virtue of the equity interest held by his spouse, namely Tracy Lim Hwee Teng pursuant to Section 134(12)(c) of the Act.

(2) Assuming no provision has been made for the allotment of SIS Options to our Directors as our Board has yet to decide on the quantum of SIS Options to be allocated to our Directors.

(3) Assuming the number of the outstanding Warrants 2014/2019 is adjusted from 22,179,114 to 24,740,678 pursuant to the Adjustment Based on Minimum Scenario.

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## INFORMATION ON OUR COMPANY (CONT'D)

Maximum Scenario

Name	As at the LPD				(I) Assuming disposal of Treasury Shares in the open market				(II) After (I) and assuming full exercise of the Warrants 2014/2019			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Sunzen Shares	%*	No. of Sunzen Shares	%*	No. of Sunzen Shares	%	No. of Sunzen Shares	%	No. of Sunzen Shares	%	No. of Sunzen Shares	%
Tan Sri Haji Musa Bin Tan Sri Haji Hassan	3,000,000	1.01	-	-	3,000,000	1.00	-	-	3,975,000	1.24	-	-
Hong Choon Hau	79,569,000	26.68	138,000 <sup>(1)</sup>	0.05	79,569,000	26.63	138,000 <sup>(1)</sup>	0.05	79,569,000	24.79	138,000 <sup>(1)</sup>	0.04
Lim Eng Chai	12,000,000	4.02	-	-	12,000,000	4.02	-	-	12,000,000	3.74	-	-
Dato' Dr Mhd Nordin Bin Mohd Nor	120,000	0.04	-	-	120,000	0.04	-	-	159,999	0.05	-	-
Khoo Kien Hoe	-	-	-	-	-	-	-	-	-	-	-	-

Name	(III) After (II) and the Rights Issue of Shares with Warrants				(IV) After (III) and assuming full exercise of the Warrants				(V) After (IV) and assuming full grant and exercise of the SIS Options <sup>(2)</sup>			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Sunzen Shares	%	No. of Sunzen Shares	%	No. of Sunzen Shares	%	No. of Sunzen Shares	%	No. of Sunzen Shares	%	No. of Sunzen Shares	%
Tan Sri Haji Musa Bin Tan Sri Haji Hassan	6,360,000	1.24	-	-	8,745,000	1.24	-	-	8,745,000	0.95	-	-
Hong Choon Hau	127,310,400	24.79	220,800 <sup>(1)</sup>	0.04	175,051,800	24.79	303,600 <sup>(1)</sup>	0.04	175,051,800	19.07	303,600 <sup>(1)</sup>	0.03
Lim Eng Chai	19,200,000	3.74	-	-	26,400,000	3.74	-	-	26,400,000	2.88	-	-
Dato' Dr Mhd Nordin Bin Mohd Nor	255,998	0.05	-	-	351,998	0.05	-	-	351,998	0.04	-	-
Khoo Kien Hoe	-	-	-	-	-	-	-	-	-	-	-	-

Notes:

Neg Negligible

\* Excluding the Treasury Shares.

**INFORMATION ON OUR COMPANY (CONT'D)**

- (1) Deemed interested by virtue of the equity interest held by his spouse, namely Tracy Lim Hwee Teng pursuant to Section 134(12)(c) of the Act.  
 (2) Assuming no provision has been made for the allotment of SIS Options to our Directors as our Board has yet to decide on the quantum of SIS Options to be allocated to our Directors.

**5. SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS**

Until such time when the SIS Options are exercised into SIS Shares, the SIS is not expected to have any immediate effect on the shareholdings of the substantial shareholders of our Company. Dilution of the shareholdings of the substantial shareholders of our Company arising from the SIS will depend on the number of SIS Options granted and exercised by eligible Director cum substantial shareholder of our Company at any point in time throughout the duration of the SIS.

The pro forma effects of the Rights Issue of Shares with Warrants and SIS on the shareholding of our substantial shareholders based on their shareholdings as at the LPD are as follows:

**Minimum Scenario**

	As at the LPD			(I) After the Rights Issue of Shares with Warrants			(II) After (I) and assuming full exercise of the Warrants 2014/2019 <sup>(3)</sup> , the Adjustment Warrants and the Warrants			
	Direct		Indirect	Direct		Indirect	Direct		Indirect	
	No. of Sunzen Shares	%*	No. of Sunzen Shares	%*	No. of Sunzen Shares	%*	No. of Sunzen Shares	%*	No. of Sunzen Shares	%*
Hong Choon Hau <sup>(1)</sup>	79,569,000	26.68	-	-	127,310,400	31.18	-	175,051,800	32.23	-
Mercury Securities	-	-	-	-	31,000,000	7.59	-	62,000,000	11.42	-
TA Securities	-	-	-	-	24,000,000	5.88	-	48,000,000	8.84	-

	(III) After (II) and assuming full grant and exercise of the SIS Options <sup>(2)</sup>		
	Direct		Indirect
	No. of Sunzen Shares	%*	No. of Sunzen Shares
Hong Choon Hau <sup>(1)</sup>	175,051,800	24.79	-
Mercury Securities	62,000,000	8.78	-
TA Securities	48,000,000	6.80	-

**INFORMATION ON OUR COMPANY (CONT'D)**

Notes:

\* Excluding the Treasury Shares.

(1) Our Executive Director / Chief Executive Officer.

(2) Assuming no provision has been made for the allotment of SIS Options to Hong Choon Hau as our Board has yet to decide on the quantum of SIS Options to be allocated to our Directors.

(3) Assuming the number of the outstanding Warrants 2014/2019 is adjusted from 22,179,114 to 24,740,678 pursuant to the Adjustment Based on Minimum Scenario.

**Maximum Scenario**

Name	As at the LPD			(I) Assuming disposal of Treasury Shares in the open market			(II) After (I) and assuming full exercise of Warrants 2014/2019			
	Direct		Indirect	Direct		Indirect	Direct		Indirect	
	No. of Sunzen Shares	%*	No. of Sunzen Shares	%	No. of Sunzen Shares	%	No. of Sunzen Shares	%	No. of Sunzen Shares	%
Hong Choon Hau <sup>(1)</sup>	79,569,000	26.68	-	-	79,569,000	26.63	-	79,569,000	24.79	-

Name	(III) After (II) and the Rights Issue of Shares with Warrants			(IV) After (III) and assuming full exercise of the Warrants			(V) After (IV) and assuming full grant and exercise of the SIS Options <sup>(2)</sup>			
	Direct		Indirect	Direct		Indirect	Direct		Indirect	
	No. of Sunzen Shares	%	No. of Sunzen Shares	%	No. of Sunzen Shares	%	No. of Sunzen Shares	%	No. of Sunzen Shares	%
Hong Choon Hau <sup>(1)</sup>	127,310,400	24.79	-	-	175,051,800	24.79	-	175,051,800	19.07	-

Notes:

\* Excluding the Treasury Shares.

(1) Our Executive Director / Chief Executive Officer.

(2) Assuming no provision has been made for the allotment of SIS Options to Hong Choon Hau as our Board has yet to decide on the quantum of SIS Options to be allocated to our Directors.

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**INFORMATION ON OUR COMPANY (CONT'D)**


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**6. SUBSIDIARY AND ASSOCIATED COMPANIES**

The details of our subsidiary companies as at the LPD are as follows:

<b>Company</b>	<b>Date and place of incorporation</b>	<b>Principal activities</b>	<b>Issued and paid-up share capital (RM)</b>	<b>Effective equity interest (%)</b>
Sunzen Corporation	17 October 1998, Malaysia	Biotechnology R&D, manufacturing and marketing of veterinary and animal health products	2,000,000	100
Sunzen LifeSciences	3 January 2007, Malaysia	R&D and commercialisation of in-feed anti bacterial products and supplements for animal health products	500,000	100
SFSB	31 July 2007, Malaysia	Investment holding, biotechnology R&D and trading of veterinary and animal products	1,000,000	100
Sunzen Venture Sdn Bhd <i>(formerly known as Sunzen Eservices Sdn Bhd)</i>	30 September 2014, Malaysia	Provision of solutions in the areas of self-service machines and universal delivery systems and information technology services	10	100
Sunzen Palma Sdn Bhd	29 June 2015, Malaysia	Distribution and marketing of animal health products	100,000	70 <sup>(1)</sup>
PT Sunzen Indonesia <sup>(2)</sup>	26 November 2009, Indonesia	Wholesaling and trading of animal health care products	USD100,000	100
Sunzen International Investment Limited	9 January 2015, Hong Kong	Investment and project management	HKD100	100

Notes:

- (1) The remaining thirty percent (30%) equity interest in Sunzen Palma Sdn Bhd are owned by Palma Tech Product Sdn Bhd, a third party.
- (2) Held seventy percent (70%) and thirty percent (30%) through Sunzen LifeSciences and SFSB, respectively.

We do not have any associated companies as at the LPD.

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## INFORMATION ON OUR COMPANY (CONT'D)

## 7. PROFIT AND DIVIDEND RECORDS

The profit and dividend records based on our Group's audited consolidated financial statements from the FYE 31 December 2012 to FYE 31 December 2014 and the unaudited consolidated financial results for the nine (9)-month period ended 30 September 2014 and 30 September 2015 are as follows:

	← Unaudited →		← Audited →		
	Nine (9)- month period ended 30 September 2015 (RM)	Nine (9)- month period ended 30 September 2014 (RM)	FYE 31 December 2014 (RM)	FYE 31 December 2013 (RM)	FYE 31 December 2012 (RM)
Revenue	23,299,062	26,781,901	37,338,915	37,325,958	32,795,795
GP	5,929,847	8,761,077	11,880,934	12,824,121	10,398,158
Other income	433,941	63,364	442,893	484,051	370,422
Marketing and distribution expenses	(2,681,975)	(3,299,414)	(4,764,741)	(4,520,023)	(3,956,072)
Administrative expenses	(1,853,315)	(2,142,877)	(2,713,910)	(2,695,168)	(2,474,833)
Other operating expenses	(1,433,974)	(2,363,839)	(3,146,924)	(1,644,959)	(2,063,110)
<b>Profit from operations</b>	<b>394,524</b>	<b>1,018,311</b>	<b>1,698,252</b>	<b>4,448,022</b>	<b>2,274,565</b>
Finance expenses	(187,326)	(235,049)	(306,883)	(358,187)	(427,191)
<b>PBT</b>	<b>207,198</b>	<b>783,262</b>	<b>1,391,369</b>	<b>4,089,835</b>	<b>1,847,374</b>
Income tax expense	(104,810)	(230,726)	(291,262)	(582,132)	(430,279)
<b>PAT</b>	<b>102,388</b>	<b>552,536</b>	<b>1,100,107</b>	<b>3,507,703</b>	<b>1,417,095</b>
Profit / (Loss) attributable to:					
Owners of our Company	103,865	552,536	1,100,107	3,507,703	1,417,095
Non-controlling interests	(1,477)	-	-	-	-
<b>Net profit / (loss) for the financial year</b>	<b>102,388</b>	<b>552,536</b>	<b>1,100,107</b>	<b>3,507,703</b>	<b>1,417,095</b>
EBITDA	820,416	1,437,681	2,340,054	5,143,804	3,051,940
Weighted average number of Shares in issue	274,466,816	149,280,500	152,000,333	149,320,500	149,330,500
Basic EPS <sup>(1)</sup> (sen)	0.04	0.23	0.72	2.35	0.95
Diluted EPS (sen)	0.03 <sup>(2)</sup>	0.20 <sup>(3)</sup>	0.61 <sup>(4)</sup>	N/A <sup>(5)</sup>	N/A <sup>(5)</sup>
GP margin (%)	25.45	32.71	31.82	34.36	31.71
PBT margin (%)	0.89	2.92	3.73	10.96	5.63
PAT margin (%)	0.44	2.06	2.95	9.40	4.32
Dividend (sen)	-	0.80	0.80	0.80	0.60

Notes:

N/A Not applicable

- (1) Being the PAT attributable to owners of the Company divided by weighted average number of Shares in issue for the financial years/periods under review.
- (2) Being the PAT attributable to owners of the Company divided by weighted average number of Shares in issue for the period under review and adjustment for assumed exercise of Warrants 2014/2019 of 293,185,902.
- (3) Being the PAT attributable to owners of the Company divided by weighted average number of Shares in issue for the period under review and adjustment for assumed exercise of Warrants 2014/2019 of 273,523,265.

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**INFORMATION ON OUR COMPANY (CONT'D)**

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(4) *Being the PAT attributable to owners of the Company divided by weighted average number of Shares in issue for the financial year under review and adjustment for assumed exercise of Warrants 2014/2019 of 180,956,389.*

(5) *There is no diluted earnings per share for the financial years under review as there is no potential dilutive ordinary shares.*

(a) **Nine (9)-month period ended 30 September 2015 vs. nine (9)-month period ended 30 September 2014**

Our Group's revenue decreased by 13.00% from approximately RM26.78 million in the nine (9)-month period ended 30 September 2014 to approximately RM23.30 million in the nine (9)-month period ended 30 September 2015. The decrease in revenue was mainly due to the decrease in sales of animal companion products supplied by Zoetis following the expiry of our distribution agreement with Zoetis as the exclusive distributor on 31 December 2014. Sunzen Corporation, our wholly-owned subsidiary, had on 1 October 2015 entered into a new distribution agreement with Zoetis as a non-exclusive distributor for Zoetis' livestock products. Such arrangements were made in order to align with the change in Zoetis' business model.

Our Group's GP and GP margin decreased from approximately RM8.76 million and 32.71% in the nine (9)-month period ended 30 September 2014 to approximately RM5.93 million and 25.45% in the nine (9)-month period ended 30 September 2015, respectively mainly due to the decreased sales of Zoetis' products (for animal companion) that have higher GP margins relative to the sales of other products, as mentioned above.

Other income for the nine (9)-month period ended 30 September 2015 of approximately RM0.43 million comprised mainly a realised gain on foreign exchange of approximately RM0.24 million and an interest income of approximately RM0.17 million and compared to the nine (9)-month period ended 30 September 2014 of approximately RM0.06 million which comprised mainly an interest income of approximately RM0.06 million.

Our Group's overall operating expenses for the nine (9)-month period ended 30 September 2015 decreased in tandem with the decline in revenue, GP and GP margin. As our result, our Group's PAT attributable to the owners of the Company decreased from approximately RM0.55 million in the nine (9)-month period ended 30 September 2014 to approximately RM0.10 million in the nine (9)-month period ended 30 September 2015.

(b) **FYE 31 December 2014 vs. FYE 31 December 2013**

Our Group's revenue increased marginally by 0.03% from approximately RM37.33 million in the FYE 31 December 2013 to approximately RM37.34 million in the FYE 31 December 2014.

Our Group's GP margin decreased by 2.54% from 34.36% in the FYE 31 December 2013 to 31.82% in the FYE 31 December 2014 mainly due to the change in sales mix (i.e., in the FYE 31 December 2014, there was a reduction in the sales of pharmaceuticals and feed products which have relatively higher margins and increased sales of premixes products which have relatively lower margins).

Other income for the FYE 31 December 2014 of approximately RM0.44 million comprised mainly a realised gain on foreign exchange of approximately RM0.32 million and an interest income of RM0.09 million compared to the FYE 31 December 2013 of approximately RM0.48 million which comprised mainly a realised gain on foreign exchange of approximately RM0.20 million, a gain on disposal of property, plant and equipment of approximately RM0.16 million and an interest income of approximately RM0.09 million.

**INFORMATION ON OUR COMPANY (CONT'D)**

Our Group's PAT attributable to the owners of the Company decreased by 68.66% from approximately RM3.51 million in the FYE 31 December 2013 to approximately RM1.10 million in the FYE 31 December 2014 and PAT margin decreased from 9.40% to 2.95%, respectively mainly due to the following:

- (i) lower GP margin for the FYE 31 December 2014 as mentioned above;
- (ii) inventories written off and inventories written down of approximately RM0.36 million and RM0.72 million, respectively for the FYE 31 December 2014 (due to the expiry of some products) compared to inventories written off and written down of inventories of approximately RM0.12 million and nil, respectively for the FYE 31 December 2013; and
- (iii) provision for doubtful debts of approximately RM0.42 million for the FYE 31 December 2014 (mainly due to payment default by our customers) compared to nil for the FYE 31 December 2013. Our Group has taken legal action to recover the debts from these customers, of which the details of material cases are disclosed in Section 4 of Appendix VII of this AP.

**(c) FYE 31 December 2013 vs. FYE 31 December 2012**

Our Group's revenue increased by approximately 13.81% from approximately RM32.80 million in the FYE 31 December 2012 to approximately RM37.33 million in the FYE 31 December 2013. The increase in revenue was mainly due to higher sales of companion animal products and higher export sales of Orgacids to overseas markets such as Vietnam, Singapore, Philippines, Indonesia, China and Iran.

In line with the increased revenue, our GP increased by 23.27% from approximately RM10.40 million in the FYE 31 December 2012 to approximately RM12.82 million in the FYE 31 December 2013. Our Group's GP margin also increased by 2.65% from 31.71% in the FYE 31 December 2012 to 34.36% in the FYE 31 December 2013 mainly due to the increased sales of companion animal products and higher export sales of Orgacids to the said overseas market which contributed to the higher GP margin as compared to local sales.

Other income for the FYE 31 December 2013 of approximately RM0.48 million comprised mainly a realised gain on foreign exchange of approximately RM0.20 million, a gain on disposal of property, plant and equipment of approximately RM0.16 million and an interest income of approximately RM0.09 million compared to the FYE 31 December 2012 of approximately RM0.37 million which comprised mainly a realised gain on foreign exchange of approximately RM0.18 million, an unrealised gain on foreign exchange of approximately RM0.05 million and an interest income of approximately RM0.10 million.

Our Group's PAT attributable to the owners of the Company increased by approximately 147.53% from approximately RM1.42 million in the FYE 31 December 2012 to approximately RM3.51 million in the FYE 31 December 2013 mainly due to following:

- (i) higher GP and GP margin for the FYE 31 December 2013 as mentioned above; and
- (ii) the overall operating expenses only increased slightly by approximately RM0.37 million or 4.31% from approximately RM8.49 million for the FYE 31 December 2012 to approximately RM8.86 million for the FYE 31 December 2013 despite the higher GP and GP margin for the FYE 31 December 2013 thus resulting in a significant increase in our Group's PAT attributable to the owners of our Company. Operating expenses comprised mainly amortisation of product development expenditure, depreciation, directors' remuneration and staff costs.

**INFORMATION ON OUR COMPANY (CONT'D)****8. HISTORICAL PRICES OF SUNZEN SHARES**

The monthly highest and lowest transacted market prices of Sunzen Shares for the past twelve (12) months are as follows:

	<b>Highest (RM)</b>	<b>Lowest (RM)</b>
<b>2015</b>		
January	0.400	0.277
February	0.350	0.320
March	0.373	0.307
April	0.395	0.340
May	0.405	0.375
June	0.540	0.380
July	0.525	0.450
August	0.495	0.385
September	0.440	0.410
October	0.425	0.405
November	0.485	0.400
December	0.460	0.410

Last transacted market price on 25 August 2015 (being the last trading date prior to the Announcement) was RM0.40 per Sunzen Share.

Last transacted market price on 12 January 2016 (being the LPD prior to printing of this AP) was RM0.420 per Sunzen Share.

Last transacted market price on 28 January 2016 (being the last day on which Sunzen Shares were traded prior to the ex-date of the Rights Issue of Shares with Warrants) was RM0.390 per Sunzen Share.

*(Source: Bloomberg Finance L.P.)*

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**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANT'S LETTER THEREON**



**ECOVIS AHL PLT** (LLP0003185-LCA) & (AF 001825)  
Chartered Accountants. Kuala Lumpur, Malaysia

**Kuala Lumpur, Malaysia**

**Phone :** +603 7981 1799

**Fax No:** +603 7980 4796

Kuala Lumpur, 20.1.2016

The Board of Directors  
**SUNZEN BIOTECH BERHAD**  
11, Jalan Anggerik Mokara 31/47  
Kota Kemuning  
40460 Shah Alam  
Selangor Darul Ehsan

Dear Sirs

**SUNZEN BIOTECH BERHAD ("SUNZEN" OR "THE COMPANY") AND ITS SUBSIDIARIES ("SUNZEN GROUP" OR "THE GROUP")**

**REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2014**

**Report on the Compilation of Pro Forma Consolidated Statements of Financial Position**

We have completed our assurance engagement to report on the compilation of pro forma consolidated statements of financial position as at 31 December 2014 of Sunzen and its subsidiaries ("Sunzen Group") together with the accompanying notes thereon prepared by the Board of Directors of Sunzen ("the Directors"). The pro forma consolidated statements of financial position which is set out in Appendix I (which we have stamped for the purpose of identification) has been compiled by the Directors for inclusion in the abridged prospectus of Sunzen for the renounceable rights issue of up to 192,579,515 new ordinary shares of RM0.10 each in Sunzen ("Sunzen Share") ("Rights Share") on the basis of three (3) Rights Shares for every five (5) existing Sunzen Shares held as at 5.00 pm on 12 January 2016, together with up to 192,579,515 free detachable warrants ("Warrants") on the basis of one (1) Warrant for every one (1) Rights Share subscribed at an issue price of RM0.25 per Rights Share ("Rights Issue of Shares with Warrants").

Sunzen has also obtained the relevant approvals for the establishment of a share issuance scheme ("SIS" or "Scheme") of up to thirty percent (30%) of the Company's issued and paid-up share capital (excluding treasury shares) at any one time during the duration of the SIS for the eligible Directors and employees of Sunzen Group (excluding dormant subsidiaries) ("Proposed SIS").

The above are collectively referred to as the "Corporate Exercises".

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**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANT'S LETTER THEREON (CONT'D)**

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**Report on the Compilation of Pro Forma Consolidated Statements of Financial Position (cont'd)**

The pro forma consolidated statements of financial position have been compiled by the Directors to illustrate the impact of the Corporate Exercises on the audited consolidated statements of financial position of Sunzen Group as at 31 December 2014 as if the Corporate Exercises had taken place on that date.

The pro forma consolidated statements of financial position, because of its nature, may not be reflective of Sunzen Group's actual financial position. Furthermore, such information does not purport to predict the future financial position of Sunzen Group.

*Directors' Responsibilities*

It is the sole responsibility of the Directors to prepare the pro forma consolidated statements of financial position as at 31 December 2014 on the basis described in notes to the pro forma consolidated statements of financial position as set out in Appendix I.

*Reporting Accountants' Responsibilities*

Our responsibility is to express an opinion on the proper compilation of the pro forma consolidated statements of financial position as at 31 December 2014, in all material respects, by the Directors on the basis describe in notes to the pro forma consolidated statements or financial position as set out in Appendix I.

In providing this opinion, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma consolidated statements of financial position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma consolidated statements of financial position.

The purpose of the pro forma consolidated statements of financial position is solely to illustrate the impacts of significant events or transactions on unadjusted financial information of the entity as if the events had occurred or the transactions has been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions would have been as presented.

*Basis of Opinion*

We conducted our work in accordance with Malaysian Approved Standards on Assurance Engagements - (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*. This standard requires that we comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled, in all material respects, the pro forma consolidated statements of financial position on the basis described in notes to the pro forma consolidated statements of financial position.

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**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANT'S LETTER THEREON (CONT'D)**

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**Report on the Compilation of Pro Forma Consolidated Statements of Financial Position (cont'd)**

A reasonable assurance engagement to report on whether the pro forma consolidated statements of financial position have been compiled, in all material respects, on the basis described in notes to the pro forma consolidated statements of financial position, involves performing procedures to assess whether the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- (i) the related pro forma adjustments give appropriate effect to the pro forma consolidated statements of financial position; and
- (ii) the pro forma consolidated statements of financial position reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the event or transaction in respect of which the pro forma consolidated statements of financial position have been compiled, and other relevant engagement circumstances. The engagement also involves evaluating the overall presentation of the pro forma consolidated statements of financial position.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Opinion*

In our opinion:

- (i) the pro forma consolidated statements of financial position of Sunzen Group as at 31 December 2014, which have been prepared by the Directors of Sunzen, have been properly compiled, in all material respects, on the basis stated in the accompanying notes to the pro forma consolidated statements of financial position using the audited financial statements of Sunzen Group as at 31 December 2014, which were prepared in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards, and in a manner consistent with both the format of the consolidated statements of financial position and the accounting policies of Sunzen Group; and
- (ii) the adjustments made to the information used in the preparation of the pro forma consolidated statements of financial position are appropriate for the purposes of preparing the pro forma consolidated statements of financial position.

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**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANT'S LETTER THEREON (CONT'D)**



**Report on the Compilation of Pro Forma Consolidated Statements of Financial Position (cont'd)**

**Other Matters**

This letter is issued for the sole purpose of inclusion in the abridged prospectus to shareholders of Sunzen in connection with the Rights Issue of Shares with Warrants. Our work had been carried out in accordance with Malaysian Approved Standards on Assurance Engagements and accordingly should not be relied upon as if it had been carried out in accordance with standards and practices in other jurisdictions. Therefore, this letter is not appropriate in other jurisdictions and should not be used or relied upon for any purpose other than the Corporate Exercises described above. We accept no duty or responsibility to and deny any liability to any party in respect of any use of, or reliance upon, this letter in connection with any type of transaction.

Yours faithfully

A handwritten signature in black ink that reads "ECOVIS".

ECOVIS AHL PLT  
AF 001825  
Chartered Accountants

A handwritten signature in black ink that reads "CHUA KAH CHUN".

CHUA KAH CHUN  
No. 2696/09/17 (J)  
Chartered Accountant

ECOVIS AHL PLT (LLP0003185-LCA) & (AF 001825) Chartered Accountants, No 9-3, Jalan 109F, Plaza Danau 2, Taman Danau Desa, 58100 Kuala Lumpur, Malaysia Phone: +60(3) 7981 1799 Fax: +60(3) 7980 4796 E-Mail: [kuala-lumpur@ecovis.com.my](mailto:kuala-lumpur@ecovis.com.my)

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**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANT'S LETTER THEREON (CONT'D)**

**APPENDIX I**

The pro forma consolidated statements of financial position of Sunzen Biotech Berhad ("Sunzen") as set out below are provided for illustrative purpose only and to show the effects of the transactions referred to in the accompanying notes as if they were effected on 31 December 2014.

**SCENARIO 1: MINIMUM SCENARIO**

	(I)	(II)	(III)
	Audited consolidated statements of financial position as at 31 December 2014	Subsequent events up to 12 January 2016, being the latest practicable date prior to the issuance of the abridged prospectus ("LPD") of Shares with Warrants	After (I) and full exercise of warrants 2014/2019 as constituted by the deed poll dated 28 March 2014 ("Warrants 2014/2019"), additional Warrants 2014/2019 to be issued pursuant to the adjustment in accordance with the provision of the deed poll dated 28 March 2014 ("Adjustment Warrants") and Warrants
	RM	RM	RM
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	29,450,811	29,450,811	41,750,811
<b>CURRENT ASSETS</b>			
Inventories	8,415,880	8,415,880	8,415,880
Trade receivables	6,578,241	6,578,241	6,578,241
Other receivables and deposits	960,225	960,225	960,225
Tax refundable	607,617	607,617	607,617
Deposit with licensed banks and financial institutions	6,304,481	6,304,481	6,304,481
Cash and bank balances	8,934,384	12,356,623	56,892,791
	31,800,828	35,223,067	79,759,235
<b>TOTAL ASSETS</b>	61,251,639	64,673,878	121,510,046

**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANT'S LETTER THEREON (CONT'D)**

## APPENDIX I

The pro forma consolidated statements of financial position of Sunzen Biotech Berhad ("Sunzen") as set out below are provided for illustrative purpose only and to show the effects of the transactions referred to in the accompanying notes as if they were effected on 31 December 2014.

## SCENARIO 1: MINIMUM SCENARIO (CONT'D)

	(I)	(II)	(III)
	Audited consolidated statements of financial position as at 31 December 2014	Subsequent events up to LPD of Shares with Warrants	After (II) and full exercise of Warrants 2014/2019, Adjustment Warrants and Warrants
	RM	RM	RM
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	16,576,667	29,878,675	40,881,095
Share premium	7,154,556	-	15,853,630
Warrants reserve	-	-	18,990,177
Other reserve	-	-	(18,990,177)
Treasury shares	(39,000)	(201,331)	(201,331)
Revaluation reserve	15,650,589	15,650,589	15,650,589
Merger deficit	(8,397,548)	(8,397,548)	(8,397,548)
Currency translation reserve	(30,123)	(30,123)	(30,123)
Retained profits	19,393,552	16,830,670	16,830,670
<b>SHAREHOLDERS' FUNDS/ NET ASSETS</b>	<b>50,308,693</b>	<b>53,730,932</b>	<b>80,586,982</b>
<b>NON-CURRENT LIABILITIES</b>			
Bank borrowings	3,945,935	3,945,935	3,945,935
Deferred taxation	1,494,224	1,494,224	1,494,224
	<b>5,440,159</b>	<b>5,440,159</b>	<b>5,440,159</b>

**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANT'S LETTER THEREON (CONT'D)**

## APPENDIX I

The pro forma consolidated statements of financial position of Sunzen Biotech Berhad ("Sunzen") as set out below are provided for illustrative purpose only and to show the effects of the transactions referred to in the accompanying notes as if they were effected on 31 December 2014.

## SCENARIO 1: MINIMUM SCENARIO (CONT'D)

	(I) Audited consolidated statements of financial position as at 31 December 2014 RM	(II) Subsequent events up to LPD RM	(III) After (II) and full exercise of Warrants 2014/2019, Adjustment Warrants and Warrants RM
<b>CURRENT LIABILITIES</b>			
Trade payables	3,384,459	3,384,459	3,384,459
Other payables and accruals	1,083,361	1,083,361	1,083,361
Bank borrowings	1,034,035	1,034,035	1,034,035
Tax liability	932	932	932
	<b>5,502,787</b>	<b>5,502,787</b>	<b>5,502,787</b>
<b>TOTAL LIABILITIES</b>	<b>10,942,946</b>	<b>10,942,946</b>	<b>10,942,946</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>61,251,639</b>	<b>64,673,878</b>	<b>121,510,046</b>

Number of SUNZEN Shares outstanding (excluding treasury shares) (unit)	165,618,666	298,288,745	408,312,945	543,077,823
Net assets per SUNZEN Share	0.30	0.18	0.20	0.20
Net tangible assets per SUNZEN Share	0.30	0.18	0.20	0.20
Total borrowings (RM)	4,979,970	4,979,970	4,979,970	4,979,970
Gearing (times)	0.10	0.09	0.06	0.05

**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANT'S LETTER THEREON (CONT'D)**

## APPENDIX I

The pro forma consolidated statements of financial position of Sunzen Biotech Berhad ("Sunzen") as set out below are provided for illustrative purpose only and to show the effects of the transactions referred to in the accompanying notes as if they were effected on 31 December 2014.

## SCENARIO 2: MAXIMUM SCENARIO

	(I)	(II)	(III)	(IV)	(V)
Audited consolidated statements of financial position as at 31 December 2014	Subsequent events up to LPD 2014	After (I) and assuming disposal of treasury shares in open market	After (II) and assuming full exercise of Warrants 2014/2019	After (III) and Shares with Warrants	After (IV) and assuming full exercise of Warrants
RM	RM	RM	RM	RM	RM
	29,450,811	29,450,811	29,450,811	49,250,811	49,250,811
	29,450,811	29,450,811	29,450,811	49,250,811	49,250,811
<b>ASSETS</b>					
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment					
<b>CURRENT ASSETS</b>					
Inventories	8,415,880	8,415,880	8,415,880	8,415,880	8,415,880
Trade receivables	6,578,241	6,578,241	6,578,241	6,578,241	6,578,241
Other receivables and deposits	960,225	960,225	960,225	960,225	960,225
Tax refundable	607,617	607,617	607,617	607,617	607,617
Deposit with licensed banks and financial institutions	6,304,481	6,304,481	6,304,481	6,304,481	6,304,481
Cash and bank balances	8,934,384	12,566,132	14,784,043	42,478,922	90,623,801
	31,800,828	35,432,067	37,650,487	65,345,366	113,490,245
<b>TOTAL ASSETS</b>	61,251,639	64,673,878	67,101,298	114,596,177	162,741,056

**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANT'S LETTER THEREON (CONT'D)**

## APPENDIX I

The pro forma consolidated statements of financial position of Sunzen Biotech Berhad ("Sunzen") as set out below are provided for illustrative purpose only and to show the effects of the transactions referred to in the accompanying notes as if they were effected on 31 December 2014.

## SCENARIO 2: MAXIMUM SCENARIO (CONT'D)

	(I)	(II)	(III)	(IV)	(V)	
	Audited consolidated statements of financial position as at 31 December 2014	Subsequent events up to LPD	After (I) and assuming disposal of treasury shares in open market	After (II) and assuming full exercise of Warrants 2014/2019	After (III) and Rights issue of Shares with Warrants	After (IV) and assuming full exercise of Warrants
	RM	RM	RM	RM	RM	RM
<b>EQUITY AND LIABILITIES</b>						
<b>EQUITY</b>						
Share capital	16,576,667	29,878,675	29,878,675	32,096,586	51,354,538	70,612,490
Share premium	7,154,556	-	8,178	8,178	28,245,105	57,132,032
Warrants reserve	-	-	-	-	33,162,192	-
Other reserve	-	-	-	-	(33,162,192)	-
Treasury shares	(39,000)	(201,331)	-	-	-	-
Revaluation reserve	15,650,589	15,650,589	15,650,589	15,650,589	15,650,589	15,650,589
Merger deficit	(8,397,548)	(8,397,548)	(8,397,548)	(8,397,548)	(8,397,548)	(8,397,548)
Currency translation reserve	(30,123)	(30,123)	(30,123)	(30,123)	(30,123)	(30,123)
Retained profits	19,393,552	16,830,670	16,830,670	16,830,670	16,830,670	16,830,670
<b>SHAREHOLDERS' FUNDS/ NET ASSETS</b>	<b>50,308,693</b>	<b>53,730,932</b>	<b>53,940,441</b>	<b>56,158,352</b>	<b>103,653,231</b>	<b>151,798,110</b>
<b>NON-CURRENT LIABILITIES</b>						
Bank borrowings	3,945,935	3,945,935	3,945,935	3,945,935	3,945,935	3,945,935
Deferred taxation	1,494,224	1,494,224	1,494,224	1,494,224	1,494,224	1,494,224
	<b>5,440,159</b>	<b>5,440,159</b>	<b>5,440,159</b>	<b>5,440,159</b>	<b>5,440,159</b>	<b>5,440,159</b>

**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANT'S LETTER THEREON (CONT'D)**

## APPENDIX I

The pro forma consolidated statements of financial position of Sunzen Biotech Berhad ("Sunzen") as set out below are provided for illustrative purpose only and to show the effects of the transactions referred to in the accompanying notes as if they were effected on 31 December 2014.

## SCENARIO 2: MAXIMUM SCENARIO (CONT'D)

	(i) Audited consolidated statements of financial position as at 31 December 2014 RM	(ii) After (i) and assuming disposal of treasury shares in open market RM	(iii) After (ii) and assuming full exercise of Warrants 2014/2019 RM	(iv) After (iii) and Rights Issue of Shares with Warrants RM	(v) After (iv) and assuming full exercise of Warrants RM
<b>CURRENT LIABILITIES</b>					
Trade payables	3,384,459	3,384,459	3,384,459	3,384,459	3,384,459
Other payables and accruals	1,083,361	1,083,361	1,083,361	1,083,361	1,083,361
Bank borrowings	1,034,035	1,034,035	1,034,035	1,034,035	1,034,035
Tax liability	932	932	932	932	932
	<b>5,502,787</b>	<b>5,502,787</b>	<b>5,502,787</b>	<b>5,502,787</b>	<b>5,502,787</b>
<b>TOTAL LIABILITIES</b>	<b>10,942,946</b>	<b>10,942,946</b>	<b>10,942,946</b>	<b>10,942,946</b>	<b>10,942,946</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>61,251,639</b>	<b>64,673,878</b>	<b>67,101,298</b>	<b>114,596,177</b>	<b>162,741,056</b>

Number of SUNZEN Shares outstanding (excluding treasury shares) (unit)	165,618,666	298,288,745	298,786,745	513,545,374	706,124,889
Net assets per SUNZEN Share	0.30	0.18	0.17	0.20	0.21
Net tangible assets per SUNZEN Share	0.30	0.18	0.17	0.20	0.21
Total borrowings (RM)	4,979,970	4,979,970	4,979,970	4,979,970	4,979,970
Gearing (times)	0.10	0.09	0.09	0.05	0.03

**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANT'S LETTER THEREON (CONT'D)**

## APPENDIX I

**SUNZEN BIOTECH BERHAD  
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2014**

## 1) Introduction

The pro forma consolidated statements of financial position has been prepared by the Directors for inclusion in the abridged prospectus of Sunzen for the renounceable rights issue of up to 192,579,515 new ordinary shares of RM0.10 each in Sunzen ("Sunzen Share") ("Rights Share") on the basis of three (3) Rights Shares for every five (5) existing Sunzen Shares held as at 5.00pm on 3 February 2016 at the issue price of RM0.25 per Right Share, together with up to 192,579,515 free detachable warrants ("Warrants") on the basis of one (1) Warrant for every one (1) Rights Share subscribed for ("Rights Issue of Shares with Warrants").

The Company had also obtained the relevant approvals for the establishment of a share issuance scheme ("SIS" or "Scheme") of up to thirty percent (30%) of the Company's issued and paid-up share capital (excluding treasury shares) at any one time during the duration of the SIS for the eligible Directors and employees of Sunzen and its subsidiaries ("Sunzen Group") (excluding dormant subsidiaries) ("SIS"). The SIS has not been implemented as at the LPD.

The above are collectively referred to as the "Corporate Exercises".

## 2) Basis Of Preparation

2.1 The pro forma consolidated statements of financial position of Sunzen Group as at 31 December 2014, for which the Board of Sunzen are solely responsible, have been prepared for illustrative purposes only, to show the effects on the pro forma consolidated statements of financial position of Sunzen Group as at 31 December 2014 had the Corporate Exercises and other transactions as described in Note 3 below had been effected on that date, and should be read in conjunction with the notes accompanying thereto.

The pro forma consolidated statements of financial position, because of their nature, may not be reflective of Sunzen Group's actual financial position. Furthermore, such information does not purport to predict the future financial position of Sunzen Group.

2.2 The pro forma consolidated statements of financial position of Sunzen Group have been prepared based on the audited consolidated statements of financial position of Sunzen Group as at 31 December 2014.

2.3 The pro forma consolidated statements of financial position have been prepared by the Board in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and in a manner consistent with both the format of the financial statements and the accounting policies of Sunzen Group as disclosed in its audited financial statements for the financial year ended 31 December 2014.

2.4 The audited financial statements of Sunzen Group for the financial year ended 31 December 2014 were reported by the auditors without any qualification.

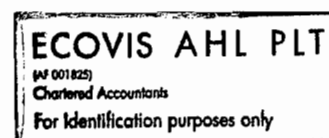
2.5 The pro forma consolidated statements of financial position is presented in Ringgit Malaysia ("RM").

## 3) Pro forma consolidated statements of financial position as at 31 December 2014

3.1 The illustration of the pro forma consolidated statements of financial position are based on the following scenarios:

Minimum scenario ("Min") : The scenario assumes none of the existing Warrants 2014/2019 is exercised prior to the Rights Issue of Shares with Warrants. In this scenario, only the undertaking shareholders (namely Hong Choon Hau, Tracy Lim Hwee Teng and Lim Eng Chai) fully subscribe for their aggregate entitlements to the 55,024,200 Rights Shares together with 55,024,200 Warrants and the underwriters will subscribe for 55,000,000 Rights Shares together with 55,000,000 Warrants.

Maximum scenario ("Max") : The maximum number of 192,579,515 Rights Shares and 192,579,515 Warrants is arrived after taking into account the existing issued and paid-up share capital of the Company as at the LPD, assuming all treasury shares have been disposed off in open market, full exercise of existing Warrants 2014/2019 prior to the Rights Issue of Shares with Warrants and all entitled shareholders fully subscribe for their respective entitlements to the Rights Shares with Warrants.



**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANT'S LETTER THEREON (CONT'D)**

## APPENDIX I

**SUNZEN BIOTECH BERHAD  
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2014**

## 3) Pro forma consolidated statements of financial position as at 31 December 2014 (cont'd)

## 3.2 Utilisation of proceeds

Based on the issue price of RM0.25 per Rights Share, the gross proceeds of up to RM48,144,879 from the Rights Issue of Shares with Warrants will be utilised in the following manner:

Description	Minimum scenario RM'000	Maximum scenario RM'000
Purchase of machineries	11,000	17,000
Upgrade of existing factory cum office building	1,300	2,800
Working capital	14,556	27,695
Estimated expenses in relation to the Corporate Exercises	650	650
<b>Total estimated proceeds</b>	<b>27,506</b>	<b>48,145</b>

## 3.3 Minimum scenario

## 3.3.1 Pro forma (I): Subsequent events up to LPD

After financial year ended 31 December 2014, there were subsequent conversion of 37,810,966 Warrants 2014/2019 up to 12 January 2016, bonus issue for 95,209,113 Sunzen Shares which was completed on 6 May 2015 ("Bonus Issue of Shares") and share buy back of 100,000 and 250,000 Sunzen Shares from open market on 18 June 2015 and 30 November 2015, respectively. The share buy back was made for a total consideration of RM162,331 (including transaction costs).

Upon completion of the conversion of 37,810,966 Warrants 2014/2019 into Sunzen Shares and Bonus Issue of Shares, the issued and paid-up share capital of Sunzen increased to 298,786,745 Sunzen Shares or RM29,878,675 at 12 January 2016.

## 3.3.2 Pro forma (II): After (I) and the Rights Issue of Shares with Warrants

Upon completion of the Rights Issue of Shares with Warrants, the issued and paid-up share capital of Sunzen will increase to 408,810,945 Sunzen Shares or RM40,881,095. Correspondingly, there will be a creation of warrants reserve of RM18,990,177. Share premium arising from the Rights Issue of Shares with Warrants is RM16,503,630, less estimated expenses of the Corporate Exercises amounting to RM650,000.

The proceeds raised from the Rights Issue of Shares with Warrants will be utilised in the manner indicated in Note 3.2 under the minimum scenario.

Warrants reserve

The allocated fair value of the Warrants are credited to a warrants reserve which is non-distributable. Warrants reserve shall be set off against "other reserve" upon full exercise of the Warrants.

The Warrants are assumed to have a fair value of RM0.1726 each and is determined using the Black-Scholes options pricing model based on the input date as of 12 January 2016 by reference to the following assumptions:

Theoretical ex-all price	: RM0.3276
Exercise price	: RM0.25
Tenure	: 5 years
Historical volatility	: 45.87%
Risk free interest rate	: 3.70% per annum

Adjustment Warrants

Adjustment to Warrants 2014/2019 arising from the Rights Issue of Shares with Warrants consist of an assumed additional 2,561,564 warrants with similar terms and tenure as Warrants 2014/2019 ("Adjustment Warrants"). With the adjustment, total outstanding Warrants 2014/2019 will be 24,740,678 warrants.

However, no adjustment will be made to the exercise price of the outstanding Warrants 2014/2019 of RM0.10 each.



**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANT'S LETTER THEREON (CONT'D)**

## APPENDIX I

**SUNZEN BIOTECH BERHAD  
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2014**

## 3) Pro forma consolidated statements of financial position as at 31 December 2014 (cont'd)

## 3.3 Minimum scenario (cont'd)

## 3.3.3 Pro forma (III): After (II) and full exercise of Warrants 2014/2019, Adjustment Warrants and Warrants

Assuming full exercise of Warrants 2014/2019, Adjustment Warrants and Warrants, the issued and paid-up share capital of Sunzen will increase to 543,575,823 Sunzen Shares or RM54,357,583. Share premium will increase by RM16,503,630 from exercise price of RM0.25 per Warrant for 1 Sunzen Share with par value of RM0.10.

The proceeds to be raised from the exercise of the Warrants 2014/2019, Adjustment Warrants and Warrants shall be utilised for the working capital of Sunzen and its subsidiaries.

## 3.3.4 The SIS will not have any immediate effect on the consolidated net assets ("NA") per Sunzen Share until such time when the options to be issued pursuant to the SIS ("SIS Options") are granted and exercised.

The consolidated NA per Share following the exercise of the SIS Options will increase if the subscription price exceeds the consolidated NA per Share at the point of exercise of the SIS Options and conversely will decrease if the subscription price is below the consolidated NA per Share at the point of the exercise of the SIS Options.

## 3.4 Maximum scenario

## 3.4.1 Pro forma (I): Subsequent events up to LPD

After financial year ended 31 December 2014, there were subsequent conversion of 37,810,966 Warrants 2014/2019 up to 12 January 2016, bonus issue for 95,209,113 Sunzen Shares which was completed on 6 May 2015 ("Bonus Issue of Shares") and share buy back of 100,000 and 250,000 Sunzen Shares from open market on 18 June 2015 and 30 November 2015, respectively. The share buy back was made for a total consideration of RM162,331 (including transaction costs).

Upon completion of the conversion of 37,810,966 Warrants 2014/2019 into Sunzen Shares and Bonus Issue of Shares, the issued and paid-up share capital of Sunzen increased to 298,786,745 Sunzen Shares or RM29,878,675 at 12 January 2016.

## 3.4.2 Pro forma (II): After (I) and assuming disposal of treasury shares in open market

Pursuant to share buy back of 100,000 and 250,000 Sunzen Shares from open market on 18 June 2015 and 30 November 2015 respectively, treasury shares of Sunzen increased to 498,000 treasury shares. Treasury shares are assumed to be disposed in open market at 5 day-volume weighted average market price at the LPD of RM0.4207 that totaled to RM209,509. In accordance with MASB Technical Release 1, the credit difference of RM8,178 shall be taken to share premium account.

## 3.4.3 Pro forma (III): After (II) and assuming full exercise of outstanding Warrants 2014/2019

Upon full exercise of all the outstanding Warrants 2014/2019 at RM0.10, the issued and paid-up share capital of Sunzen will increase by 22,179,114 Sunzen Shares or RM2,217,911.

The proceeds to be raised from the exercise of Warrants 2014/2019 shall be utilised for the working capital of Sunzen and its subsidiaries.

## 3.4.4 Pro forma (IV): After (III) and Rights Issue of Shares with Warrants

Upon completion of the Rights Issue of Shares with Warrants, the issued and paid-up share capital of Sunzen will increase to RM51,354,538. Correspondingly, there will be a creation of warrants reserve of RM33,162,192. Share premium arising from the Rights Issue of Shares with Warrants is RM28,886,927, less estimated expenses of the Corporate Exercise amounting to RM650,000.

The proceeds raised from the Rights Issue of Shares with Warrants will be utilised in the manner indicated in Note 3.2 under the maximum scenario.

**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANT'S LETTER THEREON (CONT'D)**

## APPENDIX I

**SUNZEN BIOTECH BERHAD  
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## 3) Pro forma consolidated statements of financial position as at 31 December 2014 (cont'd)

## 3.4 Maximum scenario (cont'd)

## 3.4.4 Pro forma (IV): After (III) and Rights Issue of Shares with Warrants (cont'd)

Warrants reserve

The allocated fair value of the Warrants are credited to a warrants reserve which is non-distributable. Warrants reserve shall be set off against "other reserve" upon full exercise of the Warrants.

The Warrants are assumed to have a fair value of RM0.1722 each and is determined using the Black-Scholes options pricing model based on the input date as of 12 January 2016 by reference to the following assumptions:

Theoretical ex-all price	:	RM0.3276
Exercise price	:	RM0.25
Tenure	:	5 years
Historical volatility	:	45.87%
Risk free interest rate	:	3.70% per annum

## 3.4.5 Pro forma (V): After (IV) and assuming full exercise of Warrants

Upon completion of the full exercise of Warrants, the issued and paid-up share capital of Sunzen will increase to 706,124,889 Sunzen Shares or RM70,612,490. The amount in warrants reserve of RM33,162,192 is set off against other reserve. Share premium will increase by RM28,886,927 from exercise price of RM0.25 per Warrant for 1 Sunzen Share with par value of RM0.10.

The proceeds to be raised from the exercise of the Warrants shall be utilised for the working capital of Sunzen and its subsidiaries.

## 3.4.6 The SIS will not have any immediate effect on the consolidated NA per Sunzen Share until such time when the SIS Options are granted and exercised.

The consolidated NA per Share following the exercise of the SIS Options will increase if the subscription price exceeds the consolidated NA per Share at the point of exercise of the SIS Options and conversely will decrease if the subscription price is below the consolidated NA per Share at the point of the exercise of the SIS Options.

**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANT'S LETTER THEREON (CONT'D)**

## APPENDIX I

## 5) Effects on the pro forma consolidated statements of financial position

## 5.1 Movement in cash and bank balances

	Max RM	Min RM
Audited as at 31 December 2014	8,934,384	8,934,384
Effect of pro forma I		
- Share buy back	(162,331)	(162,331)
- Expenses incurred for Bonus Issue of Shares	(196,527)	(196,527)
- Conversion of Warrants 2014/2019	3,781,097	3,781,097
	3,422,239	3,422,239
Pro forma I	12,356,623	12,356,623
Effect of pro forma II		
- Issuance of Right Shares with Warrants	-	11,002,420
- Excess from par value of Rights Shares issuance	-	16,503,630
- Estimated expenses for the Corporate Exercises	-	(650,000)
- Purchase of machineries and upgrade of building	-	(12,300,000)
- Disposal of treasury shares (@ RM0.4207 based on 5D-VWAP)	209,509	-
Pro forma II	12,666,132	26,912,673
Effect of pro forma III		
- Full exercise of Warrants	-	11,002,420
- Excess from par value of exercising Warrants	-	16,503,630
- Full exercise of outstanding Warrants 2014/2019	2,217,911	2,474,068
Pro forma III	14,784,043	56,892,791
Effect of pro forma IV		
- Issuance of Right Shares with Warrants	19,257,952	
- Excess from par value of Rights Shares issuance	28,886,927	
- Estimated expenses for the Corporate Exercises	(650,000)	
- Purchase of machineries and upgrade of building	(19,800,000)	
Pro forma IV	42,476,922	
Effect of pro forma V		
- Full exercise of Warrants	19,257,952	
- Excess from par value of exercising Warrants	28,886,927	
Pro forma V	90,623,801	

Note: For illustrative purposes, the proceeds for working capital are included in cash and bank balances when received.

## 5.2 Movement in share capital

	Max		Min	
	No. of shares	RM	No. of shares	RM
Audited as at 31 December 2014	165,766,666	16,576,667	165,766,666	16,576,667
Effect of pro forma I				
- Conversion of Warrants 2014/2019	37,810,966	3,781,097	37,810,966	3,781,097
- Bonus Issue of Shares	95,209,113	9,520,911	95,209,113	9,520,911
Pro forma I	298,786,745	29,878,675	298,786,745	29,878,675
Effect of pro forma II				
- Issuance of Right Shares with Warrants	-	-	110,024,200	11,002,420
Pro forma II	298,786,745	29,878,675	408,810,945	40,881,095
Effect of pro forma III				
- Full exercise of Warrants	-	-	110,024,200	11,002,420
- Full exercise of Warrants 2014/2019	22,179,114	2,217,911	24,740,678	2,474,068
Pro forma III	320,965,859	32,096,586	543,575,823	54,357,583
Effect of pro forma IV				
- Issuance of Right Shares with Warrants	192,579,515	19,257,952		
Pro forma IV	513,545,374	51,354,538		
Effect of pro forma V				
- Full exercise of Warrants	192,579,515	19,257,952		
Pro forma V	706,124,889	70,612,490		

**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANT'S LETTER THEREON (CONT'D)**

## APPENDIX I

## 5) Effects on the proforma consolidated statements of financial position (cont'd)

## 5.3 Movement in warrants reserves

	Max RM	Min RM
Audited as at 31 December 2014	-	-
Effect of pro forma I	-	-
Effect of pro forma II		
- Issuance of Warrants (fair value @ RM0.1726)	-	18,990,177
Pro forma II	-	18,990,177
Effect of pro forma III		
- Full exercise of Warrants	-	(18,990,177)
Pro forma III	-	-
Effect of pro forma IV		
- Issuance of Warrants (fair value @ RM0.1722)	33,162,192	
Pro forma IV	33,162,192	
Effect of pro forma V		
- Full exercise of Warrants	(33,162,192)	
Pro forma V	-	

## 5.4 Movement in share premium

	Max RM	Min RM
Audited as at 31 December 2014	7,154,556	7,154,556
Effect of pro forma I		
- Bonus Issue of Shares	(6,964,556)	(6,964,556)
- Expenses incurred for Bonus Issue of Shares	(190,000)	(190,000)
Pro forma I	-	-
Effect of pro forma II		
- Excess of par value for Rights Share issuance	-	16,503,630
- Estimated expenses for the Corporate Exercises	-	(650,000)
- Gain from disposal of treasury shares	8,178	-
Pro forma II	8,178	15,853,630
Effect of pro forma III		
- Full exercise of Warrants	-	16,503,630
Pro forma III	8,178	32,357,260
Effect of pro forma IV		
- Excess of par value for Rights Share issuance	28,886,927	
- Estimated expenses for the Corporate Exercises	(650,000)	
Pro forma IV	28,245,105	
Effect of pro forma V		
- Excess of par value from exercising Warrants	28,886,927	
Pro forma V	57,132,032	

## 5.5 Movement in other reserve

	Max RM	Min RM
Audited as at 31 December 2014	-	-
Effect of pro forma I	-	-
Effect of pro forma II		
- Issuance of Warrants (fair value @ RM0.1726)	-	(18,990,177)
Pro forma II	-	(18,990,177)
Effect of pro forma III		
- Full exercise of Warrants	-	18,990,177
Pro forma III	-	-
Effect of pro forma IV		
- Issuance of Warrants (fair value @ RM0.1722)	(33,162,192)	
Pro forma IV	(33,162,192)	
Effect of pro forma V		
- Full exercise of Warrants	33,162,192	
Pro forma V	-	

**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 DECEMBER 2014 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANT'S LETTER THEREON (CONT'D)**

## APPENDIX I

## 5) Effects on the proforma consolidated statements of financial position (cont'd)

## 5.6 Movement in retained profits

	Max RM	Min RM
Audited as at 31 December 2014	19,393,552	19,393,552
Effect of pro forma I		
- Bonus Issue of Shares	(2,556,355)	(2,556,355)
- Expenses incurred for Bonus Issue of Shares	(6,527)	(6,527)
Pro forma I, II, III, IV and V	16,830,670	16,830,670

## 5.7 Movement in treasury shares

	Max		Min	
	No. of shares	RM	No. of shares	RM
Audited as at 31 December 2014	148,000	(39,000)	148,000	(39,000)
Effect of pro forma I				
- Share buy back	350,000	(162,331)	350,000	(162,331)
Pro forma I	498,000	(201,331)	498,000	(201,331)
Effect of pro forma II				
- Consideration received on disposal	-	209,509	-	-
- Transfer to share premium account	(498,000)	(8,178)	-	-
Pro forma II, III, IV and V	-	-	498,000	(201,331)

## 5.8 Movement in Warrants 2014/2019

	Min No. of warrants
Audited as at 31 December 2014	48,260,094
Effect of pro forma I	
- Adjustment arising from Bonus Issue of Shares	11,729,986
- Conversion of Warrants 2014/2019	(37,810,966)
Pro forma I	22,179,114
Effect of pro forma II	
- Adjustment arising from Rights Issue with Warrants	2,561,564
Pro forma II	24,740,678
Effect of pro forma III	
- Full exercise of Warrants 2014/2019	(24,740,678)
Pro forma III	-

## 5.9 Movement of property, plant and equipment

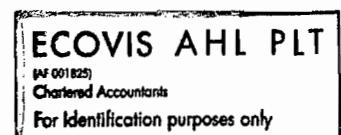
	Max RM	Min RM
Audited as at 31 December 2014	29,450,811	29,450,811
Effect of pro forma I	-	-
Effect of pro forma II		
- Purchase of machineries and upgrade of building	-	12,300,000
Pro forma II	29,450,811	41,750,811
Effect of pro forma III		
- Purchase of machineries and upgrade of building	19,800,000	-
Pro forma III, IV and V	49,250,811	41,750,811

## APPROVAL BY THE BOARD OF DIRECTORS

Approved and adopted by the Board of Directors in accordance with a resolution dated 20 January 2016.



HONG CHOON HAU  
Executive Director cum Chief Executive Officer



**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31  
DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON**

**FINANCIAL STATEMENTS  
31 DECEMBER 2014**

**SUNZEN BIOTECH BERHAD**  
(Incorporated in Malaysia)  
(680889 - W)

**CERTIFIED TRUE COPY**



.....  
ECOVIS AHL PLT (AF 001825)  
CHUA KAH CHUN  
PARTNER

ECOVIS AHL PLT  
(LLP0003185-LCA) & (AF 001825)  
Chartered Accountants

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**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31  
DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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**SUNZEN BIOTECH BERHAD**

(Incorporated in Malaysia)  
Company No : 680889 - W

**FINANCIAL REPORT  
for the financial year ended 31 December 2014****CONTENTS**

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**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**


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**SUNZEN BIOTECH BERHAD**

(Incorporated in Malaysia)  
Company No : 680889 - W

**DIRECTORS' REPORT**

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2014.

**PRINCIPAL ACTIVITIES**

The Company is principally engaged in the businesses of biotechnology research and development, manufacturing and marketing of animal feed supplement products and investment holding. The principal activities of the subsidiaries are set out in Note 5 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

**RESULTS**

	THE GROUP RM	THE COMPANY RM
Net profit/(loss) for the financial year	<u>1,100,107</u>	<u>(196,144)</u>
Attributable to:		
Owners of the Company	<u>1,100,107</u>	<u>(196,144)</u>

**DIVIDENDS**

During the financial year, the Company paid a single-tier interim dividend of RM0.008 per ordinary share of RM0.10 each on 22 May 2014 amounting to RM1,194,164 in respect of the current financial year.

The Directors do not recommend the payment of any final dividend for the current financial year.

**RESERVES AND PROVISIONS**

All material transfers to or from reserves or provisions during the financial year have been disclosed in the financial statements.



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**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

---

**SUNZEN BIOTECH BERHAD**

(Incorporated in Malaysia)  
Company No : 680889 - W

**DIRECTORS' REPORT (CONT'D)**

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**ISSUES OF SHARES AND DEBENTURES**

During the financial year,

- (a) There were no changes in the authorized share capital of the Company;
- (b) the Company increased its issued and paid up share capital by way of:-
  - i) private placements of 14,880,000 new ordinary shares of RM0.10 each at an issue price of RM0.36 each; and
  - ii) exercise of Warrants 2014/2019. A total of 1,496,166 units of Warrants 2014/2019 have been exercised and converted into ordinary shares at an issue price of RM0.10 each;

The new ordinary shares were issued for cash consideration. The new ordinary shares issued rank *pari passu* in all respects with the existing shares of the Company.

- (c) there were no issue of debentures by the Company.

**TREASURY SHARES**

During the financial year, the Company purchased from the open market, 78,000 units of its own shares on the ACE Market of Bursa Malaysia Securities Berhad at an average buy-back price of RM0.31 per ordinary share. The total consideration paid for acquisition of the shares was RM24,440 and was financed by internally generated funds. The repurchased shares were held as treasury shares in accordance with Section 67A of the Companies Act 1965 in Malaysia.

As at 31 December 2014, the Company held 148,000 repurchased shares as treasury shares out of its total issued and paid-up share capital of 165,766,666 ordinary shares of RM0.10 each. The carrying amount of the Treasury Shares is RM39,000.

**WARRANTS 2014/2019**

On 21 April 2014, the Company issued 49,756,260 units of Warrants 2014/2019 to the shareholders of the Company on the basis of one (1) free Warrant 2014/2019 for every three (3) existing ordinary shares of RM0.10 each held in the Company. The Warrants 2014/2019 were listed on the ACE Market of Bursa Malaysia Securities Berhad. The Main features of the Warrants 2014/2019 are disclosed in Note 30 to the financial statements.

As at the end of the financial year, 48,260,094 Warrants remained unexercised.

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**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31  
DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

---

**SUNZEN BIOTECH BERHAD**

(Incorporated in Malaysia)  
Company No : 680889 - W

**DIRECTORS' REPORT (CONT'D)**

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**OPTIONS GRANTED OVER UNISSUED SHARES**

During the financial year, no options were granted by the Company to any person to take up any unissued shares in the Company.

**BAD AND DOUBTFUL DEBTS**

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for impairment losses on receivables, and satisfied themselves that all known bad debts had been written off and adequate allowance has been made for impairment losses on receivables.

At the date of this report, the Directors are not aware of any circumstances that would render the amount written off of bad debts and the allowance for impairment losses on receivables inadequate to any substantial extent in the financial statements of the Group and of the Company.

**CURRENT ASSETS**

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that any current assets other than debts, which were unlikely to be realised in the ordinary course of business, their value as shown in the accounting records of the Group and of the Company, have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements misleading.

**VALUATION METHODS**

At the date of this report, the Directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

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**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31  
DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

---

**SUNZEN BIOTECH BERHAD**

(Incorporated in Malaysia)  
Company No : 680889 - W

**DIRECTORS' REPORT (CONT'D)**

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**CONTINGENT AND OTHER LIABILITIES**

The contingent liability is disclosed in Note 35 to the financial statements. At the date of this report, there does not exist:-

- (i) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year which secures the liabilities of any other person; or
- (ii) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

No contingent or other liability of the Group and of the Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations when they fall due.

**CHANGE OF CIRCUMSTANCES**

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

**ITEMS OF UNUSUAL NATURE**

The results of the operations of the Group and of the Company during the financial year were not, in the opinion of the Directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect substantially the results of the operations of the Group and of the Company for the financial year.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

**SUNZEN BIOTECH BERHAD**

(Incorporated in Malaysia)  
Company No : 680889 - W

**DIRECTORS' REPORT (CONT'D)**

**DIRECTORS**

The Directors who served since the date of the last report and at the date of this report are as follows:-

KOK POE CHU	
DATO' DR MOHD NORDIN BIN MOHD NOR	
HONG CHOON HAU	(Appointed on 1 July 2014)
LIM ENG CHAI	(Appointed on 1 July 2014)
TAN SRI HAJI MUSA BIN TAN SRI HAJI HASSAN	(Appointed on 21 July 2014)
KHOO KIEN HOE	(Appointed on 22 July 2014)
TEO KIM LAI	(Resigned on 17 July 2014)
FONG CHAN SENG	(Resigned on 18 July 2014)
S. GUNASEHARAN A/L P. SUBRAMANIAM	(Resigned on 21 July 2014)
TAN KIM SING	(Resigned on 21 July 2014)
EMERITUS PROFESSOR DATO' DR OMAR @ S. OMAR BIN ABDUL RAHMAN	(Resigned on 22 July 2014)

**DIRECTORS' INTERESTS**

According to the register of Directors' shareholdings, the interests of Directors holding office at the end of the financial year in shares in the Company and its related corporations during the financial year are as follows:-

	NUMBER OF ORDINARY SHARES OF RM0.10 EACH			
	AT 1.1.2014	BOUGHT	SOLD	AT 31.12.2014
<b><u>DIRECT INTEREST:</u></b>				
KOK POE CHU	18,955,710	-	16,576,600	2,379,110
HONG CHOON HAU	-	41,046,000	-	41,046,000
LIM ENG CHAI	-	6,000,000	-	6,000,000
TAN SRI HAJI MUSA BIN TAN SRI HAJI HASSAN	-	2,000,000	-	2,000,000
DATO' DR MOHD NORDIN BIN MOHD NOR	80,000	-	-	80,000
<b><u>INDIRECT INTEREST:</u></b>				
HONG CHOON HAU*	-	92,000	-	92,000

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

**SUNZEN BIOTECH BERHAD**

(Incorporated in Malaysia)  
Company No : 680889 - W

**DIRECTORS' REPORT (CONT'D)**

**DIRECTORS' INTERESTS (CONT'D)**

	NUMBER OF WARRANTS 2014/2019			AT 31.12.2014
	AT 1.1.2014	ALLOTTED**	SOLD	
<b>DIRECT INTEREST:</b>				
KOK POE CHU	-	6,318,569	5,135,298	1,183,271
HONG CHOON HAU	-	12,000,000	-	12,000,000
LIM ENG CHAI	-	2,000,000	-	2,000,000
TAN SRI HAJI MUSA BIN TAN SRI HAJI HASSAN	-	650,000	-	650,000
DATO' DR MOHD NORDIN BIN MOHD NOR	-	26,666	-	26,666

*\*Deemed interested by virtue of the shareholdings held by his spouse pursuant to Section 134(12)(c) of the Companies Act, 1965.*

*\*\*Free warrants allotted*

By virtue of their interest in shares in the Company, the Directors are deemed to have interests in shares in its subsidiaries to the extent that the Company has interests, pursuant to Section 6A of the Companies Act 1965 in Malaysia.

Other than as disclosed above, none of the other Directors of the Company has interest in shares of the Company and its related corporations.

**DIRECTORS' BENEFITS**

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors or the fixed salary of a full-time employee of the Company as shown in Note 31 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Neither during nor at the end of the financial year was the Company or its subsidiaries a party to any arrangements whose object is to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

**SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR**

The significant events during the financial year are disclosed in Note 37 to the financial statements.

**SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD**

The significant events occurring after the reporting period are disclosed in Note 38 to the financial statements.

**AUDITORS**

The auditors, Ecovis AHL PLT, have expressed their willingness to continue in office.

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**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31  
DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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**SUNZEN BIOTECH BERHAD**

(Incorporated in Malaysia)  
Company No : 680889 - W

**DIRECTORS' REPORT (CONT'D)**

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**SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS DATED 23 APRIL 2015**



**Hong Choon Hau**



**Lim Eng Chai**

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

**SUNZEN BIOTECH BERHAD**

(Incorporated in Malaysia)  
Company No : 680889 - W

**STATEMENT BY DIRECTORS**

We, Hong Choon Hau and Lim Eng Chai, being two of the Directors of Sunzen Biotech Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 12 to 77 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 December 2014 and of their results and cash flows for the financial year ended on that date.

The supplementary information set out in Note 39, which is not part of the financial statements, is prepared in all material respects, in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

**SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS  
DATED 23 APRIL 2015**



**Hong Choon Hau**



**Lim Eng Chai**

**STATUTORY DECLARATION**

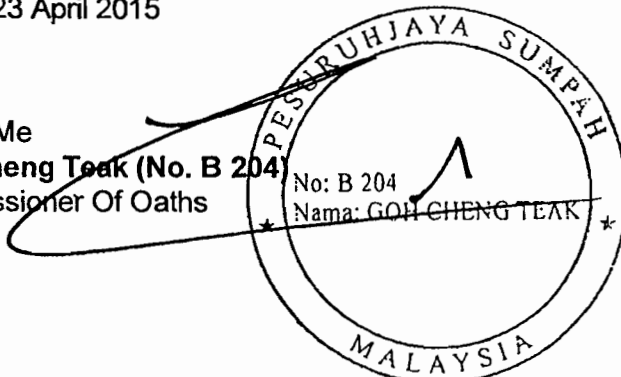
I, Phang Tong Eng, being the officer primarily responsible for the financial management of Sunzen Biotech Berhad, do solemnly and sincerely declare that the financial statements set out on pages 12 to 77 are, to the best of my knowledge and belief, correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by  
Phang Tong Eng, at Klang in the  
state of Selangor Darul Ehsan  
on this 23 April 2015



**Phang Tong Eng**

Before Me  
**Goh Cheng Teak (No. B 204)**  
Commissioner Of Oaths



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**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31  
DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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

(Incorporated in Malaysia)  
Company No : 680889 - W

**Report on the Financial Statements**

We have audited the financial statements of Sunzen Biotech Berhad, which comprise the statements of financial position as at 31 December 2014 of the Group and of the Company, and the statements of profit and loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 12 to 77.

*Directors' Responsibility for the Financial Statements*

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

ECOVIS AHL PLT (LLP0003185-LCA) & (AF 001825) Chartered Accountants, No 9-3, Jalan 109F, Plaza Danau 2, Taman Danau Desa, 58100 Kuala Lumpur, Malaysia Phone: +60(3) 7981 1799 Fax: +60(3) 7980 4796 E-Mail: [kuala-lumpur@ecovis.com.my](mailto:kuala-lumpur@ecovis.com.my)

Effective from 30 October 2014, ECOVIS AHL has converted from a conventional partnership to a limited liability partnership, ECOVIS AHL PLT.

A member of ECOVIS International tax advisors accountants auditors lawyers represented in more than 50 countries on 5 continents.

ECOVIS International is a Swiss association. Each Member Firm is an independent legal entity in its own country and is only liable for its own acts or omissions, not those of any other entity. ECOVIS AHL PLT is a Malaysia member firm of ECOVIS International.



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**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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

(Incorporated in Malaysia)  
Company No : 680889 - W

*Auditors' Responsibility (Cont'd)*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2014 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

**Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:-

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act;
- (b) We have considered the financial statements and the auditors' report of the subsidiary of which we have not acted as auditors, which is indicated in Note 5 to the financial statements;
- (c) We are satisfied that 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 purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes; and
- (d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

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**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31  
DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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

(Incorporated in Malaysia)  
Company No : 680889 - W

**Other Reporting Responsibilities**

The supplementary information set out in Note 39 on page 78 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

**Other Matters**

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

A stylized, handwritten signature in black ink that reads "Ecovis".

**ECOVIS AHL PLT**  
Firm No : AF 001825  
Chartered Accountants

Kuala Lumpur  
23 April 2015

A handwritten signature in black ink that reads "Chua Kah Chun".

**Chua Kah Chun**  
Approval No : 2696/09/15 (J)  
Chartered Accountant

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

**SUNZEN BIOTECH BERHAD**

(Incorporated in Malaysia)  
Company No : 680889 - W

**STATEMENTS OF FINANCIAL POSITION AT 31 DECEMBER 2014**

	NOTE	THE GROUP		THE COMPANY	
		2014 RM	2013 RM	2014 RM	2013 RM
<b>ASSETS</b>					
<b>NON-CURRENT ASSETS</b>					
Investments in subsidiaries	5	-	-	10,897,548	10,897,548
Property, plant and equipment	6	29,450,811	16,053,874	148,167	249,417
Product development expenditure	7	-	72,602	-	-
		<u>29,450,811</u>	<u>16,126,476</u>	<u>11,045,715</u>	<u>11,146,965</u>
<b>CURRENT ASSETS</b>					
Inventories	8	8,415,880	11,973,020	1,927,413	2,345,678
Trade receivables	9	6,578,241	9,238,323	2,572,582	2,814,266
Other receivables and deposits	10	960,225	290,279	43,571	3,646
Amount owing by subsidiaries	11	-	-	446,692	2,756,791
Tax refundable		607,617	156,918	340,227	156,918
Deposits with licensed banks and financial institutions	12	6,304,481	3,252,324	4,461,271	1,461,542
Cash and bank balances		8,934,384	4,708,639	4,304,094	1,606,786
		<u>31,800,828</u>	<u>29,619,503</u>	<u>14,095,850</u>	<u>11,145,627</u>
<b>TOTAL ASSETS</b>		<u>61,251,639</u>	<u>45,745,979</u>	<u>25,141,565</u>	<u>22,292,592</u>

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31  
DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

**SUNZEN BIOTECH BERHAD**

(Incorporated in Malaysia)  
Company No : 680889 - W

**STATEMENTS OF FINANCIAL POSITION AT 31 DECEMBER 2014 (CONT'D)**

	NOTE	THE GROUP		THE COMPANY	
		2014 RM	2013 RM	2014 RM	2013 RM
<b>EQUITY AND LIABILITIES</b>					
<b>EQUITY</b>					
Share capital	13	16,576,667	14,939,050	16,576,667	14,939,050
Treasury shares	14	(39,000)	(14,560)	(39,000)	(14,560)
Reserves	15	33,771,026	17,639,836	7,726,170	5,482,267
<b>TOTAL EQUITY</b>		<b>50,308,693</b>	<b>32,564,326</b>	<b>24,263,837</b>	<b>20,406,757</b>
<b>NON-CURRENT LIABILITIES</b>					
Bank borrowings	16	3,945,935	4,390,217	-	-
Deferred taxation	17	1,494,224	448,901	33,554	35,582
		<b>5,440,159</b>	<b>4,839,118</b>	<b>33,554</b>	<b>35,582</b>
<b>CURRENT LIABILITIES</b>					
Trade payables	18	3,384,459	3,714,645	581,100	410,074
Other payables and accruals	19	1,083,361	1,133,663	263,074	214,096
Amount owing to Directors	20	-	8,819	-	-
Bank borrowings	16	1,034,035	3,291,174	-	1,226,083
Tax liability		932	194,234	-	-
		<b>5,502,787</b>	<b>8,342,535</b>	<b>844,174</b>	<b>1,850,253</b>
<b>TOTAL LIABILITIES</b>		<b>10,942,946</b>	<b>13,181,653</b>	<b>877,728</b>	<b>1,885,835</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>61,251,639</b>	<b>45,745,979</b>	<b>25,141,565</b>	<b>22,292,592</b>
<b>NET ASSETS PER SHARE</b>	21	<b>30.38 sen</b>	<b>21.81 sen</b>		

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

**SUNZEN BIOTECH BERHAD**

(Incorporated in Malaysia)  
Company No : 680889 - W

**STATEMENTS OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

	NOTE	THE GROUP		THE COMPANY	
		2014 RM	2013 RM	2014 RM	2013 RM
REVENUE	22	37,338,915	37,325,958	12,704,178	11,601,397
COST OF SALES		(25,457,981)	(24,501,837)	(10,428,513)	(9,252,719)
GROSS PROFIT		11,880,934	12,824,121	2,275,665	2,348,678
OTHER INCOME		442,893	484,051	112,921	1,008,164
		12,323,827	13,308,172	2,388,586	3,356,842
MARKETING AND DISTRIBUTION EXPENSES		(4,764,741)	(4,520,023)	(1,990,735)	(1,865,384)
ADMINISTRATIVE EXPENSES		(2,713,910)	(2,695,168)	(281,738)	(246,906)
OTHER OPERATING EXPENSES		(3,146,924)	(1,644,959)	(312,814)	(1,008,138)
FINANCE EXPENSES		(306,883)	(358,187)	(4,781)	(19,156)
PROFIT/(LOSS) BEFORE TAXATION	23	1,391,369	4,089,835	(201,482)	217,258
INCOME TAX (EXPENSE)/CREDIT	24	(291,262)	(582,132)	5,338	(75,108)
PROFIT/(LOSS) AFTER TAXATION		1,100,107	3,507,703	(196,144)	142,150
OTHER COMPREHENSIVE INCOME/ (EXPENSE)					
<u>Items that will not be reclassified subsequently to profit or loss</u>					
Revaluation surplus on property, plant and equipment, net of tax		12,523,027	-	-	-
<u>Items that may be reclassified subsequently to profit or loss</u>					
Foreign currency translation		68,009	(62,925)	-	-
	25	12,591,036	(62,925)	-	-
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE FINANCIAL YEAR		13,691,143	3,444,778	(196,144)	142,150
PROFIT/(LOSS) AFTER TAXATION ATTRIBUTABLE TO OWNERS OF THE COMPANY		1,100,107	3,507,703	(196,144)	142,150
TOTAL COMPREHENSIVE INCOME/(EXPENSE) ATTRIBUTABLE TO OWNERS OF THE COMPANY		13,691,143	3,444,778	(196,144)	142,150
EARNINGS PER SHARE					
- Basic	26	0.7 sen	2.3 sen		
- Diluted	26	0.6 sen	N/A		

The annexed notes form an integral part of these financial statements.

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**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

**SUNZEN BIOTECH BERHAD**

(Incorporated in Malaysia)  
Company No : 680889 - W

**STATEMENTS OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

	NOTE	Non-Distributable				Distributable			TOTAL EQUITY RM
		SHARE CAPITAL RM	SHARE PREMIUM RM	TREASURY SHARES RM	REVALUATION RESERVE RM	MERGER DEFICIT RM	CURRENCY TRANSLATION RESERVE RM	RETAINED PROFITS RM	
THE GROUP									
Balance at 1.1.2013		14,939,050	3,520,345	(12,217)	3,176,639	(8,397,548)	(35,207)	16,826,752	30,017,814
Profit after taxation for the financial year		-	-	-	-	-	-	3,507,703	3,507,703
Other comprehensive income for the financial year, net of tax:		-	-	-	-	-	(62,925)	-	(62,925)
- Foreign currency translation		-	-	-	-	-	(62,925)	-	(62,925)
Total comprehensive income for the financial year		-	-	-	-	-	(62,925)	3,507,703	3,444,778
Amortisation on revaluation reserve		-	-	-	(1,095)	-	-	1,095	-
Dividend paid	27	-	-	-	-	-	-	(895,923)	(895,923)
Purchase of own shares		-	-	(2,343)	-	-	-	-	(2,343)
Balance at 31.12.2013/1.1.2014		14,939,050	3,520,345	(14,560)	3,175,544	(8,397,548)	(98,132)	19,439,627	32,564,326
Profit after taxation for the financial year		-	-	-	-	-	-	1,100,107	1,100,107
Other comprehensive income for the financial year, net of tax:		-	-	-	-	-	-	-	-
- Revaluation surplus on property, plant and equipment		-	-	-	12,523,027	-	-	-	12,523,027
- Foreign currency translation		-	-	-	-	-	68,009	-	68,009
Total comprehensive income for the financial year		-	-	-	12,523,027	-	68,009	1,100,107	13,691,143
Amortisation on revaluation reserve		-	-	-	(47,982)	-	-	47,982	-
Dividend paid		-	-	-	-	-	-	(1,194,164)	(1,194,164)
Purchase of own shares	27	-	-	(24,440)	-	-	-	-	(24,440)
Issuance of shares		1,637,617	3,634,211	-	-	-	-	-	5,271,828
Balance at 31.12.2014		16,576,667	7,154,556	(39,000)	15,650,589	(8,397,548)	(30,123)	19,393,552	50,308,693

The annexed notes form an integral part of these financial statements.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

**SUNZEN BIOTECH BERHAD**

(Incorporated in Malaysia)  
Company No : 680889 - W

**STATEMENTS OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONT'D)**

THE COMPANY	NOTE	SHARE CAPITAL RM	SHARE PREMIUM RM	TREASURY SHARES RM	RETAINED PROFITS RM	TOTAL EQUITY RM
Balance at 1.1.2013		14,939,050	3,520,345	(12,217)	2,715,695	21,162,873
Total comprehensive income for the financial year		-	-	-	142,150	142,150
Dividend paid	27	-	-	-	(895,923)	(895,923)
Purchase of own shares		-	-	(2,343)	-	(2,343)
Balance at 31.12.2013/1.1.2014		14,939,050	3,520,345	(14,560)	1,961,922	20,406,757
Total comprehensive expense for the financial year		-	-	-	(196,144)	(196,144)
Dividend paid	27	-	-	-	(1,194,164)	(1,194,164)
Purchase of own shares		-	-	(24,440)	-	(24,440)
Issuance of shares		1,637,617	3,634,211	-	-	5,271,828
Balance at 31.12.2014		16,576,667	7,154,556	(39,000)	571,614	24,263,837

The annexed notes form an integral part of these financial statements.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

**SUNZEN BIOTECH BERHAD**

(Incorporated in Malaysia)  
Company No : 680889 - W

**STATEMENTS OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

	THE GROUP		THE COMPANY	
	2014 RM	2013 RM	2014 RM	2013 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit/(Loss) before taxation	1,391,369	4,089,835	(201,482)	217,258
Adjustments for:-				
Amortisation of product development expenditure	72,602	248,687	-	-
Bad debts written off	-	18,222	-	1,222
Depreciation of property, plant and equipment	657,439	536,866	113,348	114,762
Impairment loss on amount owing by a subsidiary	-	-	14,911	766,870
Impairment of goodwill	-	57,958	-	-
Impairment of investment in a subsidiary	-	-	-	100,000
Interest expense	289,640	340,791	1,105	15,217
Inventories written off	360,004	118,186	32,438	-
Dividend income	-	-	-	(900,000)
Gain on disposal of plant and equipment	-	(157,880)	-	-
Interest income	(88,239)	(89,771)	(3,934)	(45,264)
Income from unit trust deposit with a financial institution	(123)	(103)	-	-
Provision for doubtful debts	424,003	-	100,331	-
Provision for inventories written off	719,964	-	-	-
Unrealised loss/(gain) on foreign exchange	4,475	(33,556)	(33,393)	1,428
Operating profit before working capital changes	3,831,134	5,129,235	23,324	271,493
Decrease/(Increase) in inventories	2,477,172	(2,847,279)	385,827	300,524
Decrease/(Increase) in trade and other receivables	1,573,770	(1,942,873)	118,276	245,728
(Decrease)/Increase in trade and other payables (Inclusive of bills payable in Note 16)	(2,694,187)	2,425,298	(1,006,080)	1,228,633
<b>CASH FROM/(USED IN) OPERATIONS</b>	<b>5,187,889</b>	<b>2,764,381</b>	<b>(478,653)</b>	<b>2,046,378</b>
Interest paid	(291,162)	(343,064)	(1,105)	(15,217)
Net tax paid	(913,036)	(521,956)	(180,000)	(180,000)
<b>NET CASH FROM/(USED IN) OPERATING ACTIVITIES</b>	<b>3,983,691</b>	<b>1,899,361</b>	<b>(659,758)</b>	<b>1,851,161</b>



**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

**SUNZEN BIOTECH BERHAD**

(Incorporated in Malaysia)  
Company No : 680889 - W

**STATEMENTS OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONT'D)**

	NOTE	THE GROUP		THE COMPANY	
		2014 RM	2013 RM	2014 RM	2013 RM
<b>CASH FLOWS (USED IN)/FROM INVESTING ACTIVITIES</b>					
Dividend received		-	-	-	900,000
Interest received		88,239	89,771	3,934	45,264
Income from unit trust deposit with a other financial institution		123	103	-	-
Proceeds from disposal of property, plant and equipment		-	158,600	-	-
Purchase of property, plant and equipment	28	(249,304)	(189,661)	(12,098)	(8,060)
<b>NET CASH (USED IN)/FROM INVESTING ACTIVITIES</b>		<b>(160,942)</b>	<b>58,813</b>	<b>(8,164)</b>	<b>937,204</b>
<b>CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES</b>					
Net repayment from/(advances to) subsidiaries		-	-	2,294,897	(2,634,239)
(Repayment to)/Advances from Directors		(8,819)	7,345	-	-
Repayment of hire purchase obligations		(109,927)	(136,047)	-	-
Proceeds from issuance of shares		5,271,828	-	5,271,828	-
Purchases of own shares		(24,440)	(2,343)	(24,440)	(2,343)
Repayment of term loans		(548,444)	(524,561)	-	-
Dividend paid		(1,194,164)	(895,923)	(1,194,164)	(895,923)
<b>NET CASH FROM/(USED IN) FINANCING ACTIVITIES</b>		<b>3,386,034</b>	<b>(1,551,529)</b>	<b>6,348,121</b>	<b>(3,532,505)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>7,208,783</b>	<b>406,645</b>	<b>5,680,199</b>	<b>(744,140)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR</b>		<b>7,960,963</b>	<b>7,569,129</b>	<b>3,068,328</b>	<b>3,813,166</b>
<b>FOREIGN EXCHANGE DIFFERENCE</b>		<b>69,119</b>	<b>(14,811)</b>	<b>16,838</b>	<b>(698)</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR</b>	29	<b>15,238,865</b>	<b>7,960,963</b>	<b>8,765,365</b>	<b>3,068,328</b>

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**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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**SUNZEN BIOTECH BERHAD**

(Incorporated in Malaysia)  
Company No : 680889 - W

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

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**1. GENERAL INFORMATION**

The Company is a public company limited by shares and incorporated under the Companies Act, 1965 in Malaysia. The domicile of the Company is in Malaysia. The registered office and principal place of business are as follows:

Registered office: 10<sup>th</sup> Floor, Menara Hap Seng, No. 1 & 3, Jalan P. Ramlee, 50250 Kuala Lumpur.

Principal place of business: No. 11, Jalan Anggerik Mokara 31/47, Kota Kemuning, 40460 Shah Alam, Selangor Darul Ehsan.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors dated 23 April 2015.

**2. PRINCIPAL ACTIVITIES**

The Company is principally engaged in the businesses of biotechnology research and development, manufacturing and marketing of animal feed supplement products and investment holding. The principal activities of the subsidiaries are set out in Note 5 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

**3. BASIS OF PREPARATION**

The financial statements of the Group are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The Group has not applied in advance the following accounting standards and interpretations (including the consequential amendments) that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the current financial year:-

***Effective for financial periods beginning on or after 1 July 2014***

- Amendments to MFRS 119, Defined Benefit Plans: Employee Contributions
- Annual improvements to MFRSs 2010 - 2012 Cycle
- Annual improvements to MFRSs 2011 - 2013 Cycle

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**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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## SUNZEN BIOTECH BERHAD

(Incorporated in Malaysia)  
Company No : 680889 - W

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONT'D)

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#### 3. BASIS OF PREPARATION (CONT'D)

##### *Effective for financial periods beginning on or after 1 January 2016*

- MFRS 14, Regulatory Deferral Accounts
- Amendments to MFRS 11, Accounting for Acquisitions of Interest in Joint Operations
- Amendments to MFRS 10 and 128, Sales or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to MFRS 10, 12 and 128, Investment Entities: Applying the Consolidation Exception
- Amendments to MFRS 101, Presentation of Financial Statements: Disclosure Initiative
- Amendments to MFRS 116 and MFRS 138, Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to MFRS 116 and MFRS 141, Agriculture: Bearer Plants
- Amendments to MFRS 127 Separate Financial Statements
- Annual Improvements to MFRSs 2012 - 2014 Cycle

##### *Effective for financial periods beginning on or after 1 January 2017*

- MFRS 15, Revenue from Contract with Customers

##### *Effective for financial periods beginning on or after 1 January 2018*

- MFRS 9, Financial Instruments (IFRS 9 issued by IASB in July 2014)
- Amendments to MFRS 7, Financial Instruments: Mandatory Effective Date of MFRS 9 and Transition Disclosures

The above accounting standards and interpretations (including the consequential amendments) are not expected to have any material impacts to the financial statements of the Group and the Company except as follows:-

#### (a) MFRS 15 Revenue from Contracts with Customers

MFRS 15 Revenue from Contracts with Customers was issued in September 2014 and establishes a new five-step model that will apply to recognition of revenue arising from contracts with customers. Under this Standard, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principle of this Standard is to provide a more structured approach to measuring and recognising revenue.

This Standard is applicable to all entities and will supersede all current revenue recognition requirements under MFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Group is currently assessing the impact of this Standard and plans to adopt this Standard on the required effective date.

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**3. BASIS OF PREPARATION (CONT'D)****(b) MFRS 9 Financial Instruments**

In November 2014, the MASB issued the final version of MFRS 9 Financial Instruments, replacing MFRS 139. This Standard made changes to the requirements for classification and measurement, impairment, and hedge accounting. The adoption of this Standard will have an effect on the classification and measurement of the Group's and the Company's financial assets, but no impact on the classification and measurement of the Group's and the Company's financial liabilities.

MFRS 9 Financial Instruments also requires impairment assessments to be based on an expected loss model, replacing the MFRS 139 incurred loss model. Finally, MFRS 9 Financial Instruments aligns hedge accounting more closely with risk management, establish a more principle-based approach to hedge accounting and address inconsistencies and weaknesses in the previous model.

This Standard will come into effect on or after 1 January 2018 with early adoption permitted. Retrospective application is required, but comparative information is not compulsory. The Group is currently assessing the impact of the adoption of this Standard in relation to the new requirements for classification and measurement and impairment, but the requirements for hedge accounting is not relevant to the Group.

**4. SIGNIFICANT ACCOUNTING POLICIES****(a) Critical Accounting Estimates And Judgements**

Estimates and judgements are continually evaluated by the Directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that affect the application of the Group's accounting policies and disclosures, and have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities, income and expenses are discussed below:-

**(i) Depreciation of Property, Plant and Equipment**

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial and production factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions. The Group anticipates that the residual values of its

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**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(a) Critical Accounting Estimates And Judgements (cont'd)****(i) Depreciation of Property, Plant and Equipment (cont'd)**

property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

**(ii) Income Taxes**

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the current tax and deferred tax provisions in the period in which such determination is made.

**(iii) Impairment of Non-Financial Assets**

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

**(iv) Amortisation of Product Development Expenditure**

Changes in the expected level of usage and technological development could impact the economic useful lives and therefore, future amortisation charges could be revised.

**(v) Write-down of Inventories**

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

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**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(a) Critical Accounting Estimates And Judgements (Cont'd)****(vi) *Impairment of Trade and Other Receivables***

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. Management specifically reviews its loan and receivables financial assets and analyses historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in the customer payment terms when making a judgment to evaluate the adequacy of the allowance for impairment losses. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experienced for assets with similar credit risk characteristics. If the expectation is different from the estimation, such difference will impact the carrying value of receivables.

**(vii) *Revaluation of Properties***

Certain properties of the Group are reported at valuation which is based on valuations performed by independent professional valuers.

The independent professional valuers have exercised judgement in determining discount rates, estimates of future cash flows, capitalisation rate, terminal year value, market freehold rental and other factors used in the valuation process. Also, judgement has been applied in estimating prices for less readily observable external parameters. Other factors such as model assumptions, market dislocations and unexpected correlations can also materially affect these estimates and the resulting valuation estimates.

**(viii) *Fair Value Estimates for Certain Financial Assets and Liabilities***

The Group may carry certain financial assets and liabilities at fair value, which requires extensive use of accounting estimates and judgement. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group uses different valuation methodologies. Any changes in fair value of these assets and liabilities would affect profit and/or equity.

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**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(b) Basis of Consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December 2014.

Subsidiaries are entities, including unincorporated entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Control is achieved when the Group is exposed to, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In assessing control, potential voting rights that presently are exercisable are taken into account.

Intragroup transactions, balances, income and expenses are eliminated on consolidation. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

**(a) Business Combinations**

Acquisitions of businesses are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Group at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss when incurred.

Business combinations involving entities under common control are accounted for by applying the pooling of interest method. The assets and liabilities of the combining entities are reflected at their carrying amounts reported in the consolidated financial statements of the controlling holding company. Any difference between the consideration paid and the share capital of the "acquired" entity is reflected within equity as merger reserve or merger deficit.

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**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(b) Basis of Consolidation (Cont'd)****(a) Business Combinations (Cont'd)**

In a business combination achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

**(b) Non-Controlling Interests**

Non-controlling interests are presented within equity in the consolidated statement of financial position, separately from the equity attributable to owners of the Company. Transactions with non-controlling interests are accounted for as transactions with owners and are recognised directly in equity. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

At the end of each reporting period, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.



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**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(b) Basis of Consolidation (Cont'd)****(c) Acquisitions of Non-Controlling Interests**

All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity and attributed to owners of the parent.

Upon loss of control of a subsidiary, the profit or loss on disposal is calculated as the difference between:-

- (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary; and
- (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the former subsidiary and any non-controlling interests.

**(d) Loss of Control**

Amounts previously recognised in other comprehensive income in relation to the former subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained profits) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 139 or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

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**NOTES TO THE FINANCIAL STATEMENTS  
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**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(c) Goodwill**

Goodwill is measured at cost less accumulated impairment losses, if any. The carrying value of goodwill is reviewed for impairment annually. The impairment value of goodwill is recognised immediately in profit or loss. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Under the acquisition method, any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interests recognised and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities at the date of acquisition is recorded as goodwill.

Where the latter amount exceeds the former, after reassessment, the excess represents a bargain purchase gain and is recognised as a gain in profit or loss.

**(d) Investments in Subsidiaries**

Investments in subsidiaries are stated at cost in the statement of financial position of the Company, and are reviewed for impairment at the end of the reporting period if events or changes in circumstances indicate that their carrying values may not be recoverable.

On the disposal of the investment in subsidiaries, the difference between the net disposal proceeds and the carrying amount of the investment is recognised in profit or loss.

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**NOTES TO THE FINANCIAL STATEMENTS  
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**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(e) Functional and Foreign Currencies***(i) Functional and Presentation Currencies*

The functional currency of the Group is the currency of the primary economic environment in which the Group operates.

The financial statements of the Group are presented in Ringgit Malaysia, which is the functional and presentation currency.

*(ii) Transactions and Balances*

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss.

*(iii) Foreign Operations*

Assets and liabilities of foreign operations are translated to Ringgit Malaysia at the rates of exchange ruling at the end of the reporting period. Revenues and expenses of foreign operations are translated at exchange rates ruling at the dates of the transactions. All exchange differences arising from translation are taken directly to other comprehensive income and accumulated in equity under the translation reserve. On the disposal of a foreign operation, the cumulative amount recognised in other comprehensive income relating to that particular foreign operation is reclassified from equity to profit or loss.

Goodwill and fair value adjustments arising from the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the end of the reporting period.

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**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(e) Functional and Foreign Currencies (Cont'd)***(iii) Foreign Operations (Cont'd)*

MFRS 121 requires an entity:

- (a) to recognise some translation differences in other comprehensive income and accumulate these in a separate component of equity; and
- (b) on disposal of a foreign operation, to reclassify the cumulative translation difference for that foreign operation (including, if applicable, gains and losses on related hedges) from equity to profit or loss as part of the gain or loss on disposal.

**(f) Financial Instruments**

Financial instruments are recognised in the statements of financial position when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

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

Financial instruments recognised in the statements of financial position are disclosed in the individual policy statement associated with each item.

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**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(f) Financial Instruments (Cont'd)***(i) Financial Assets*

On initial recognition, financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables financial assets, or available-for-sale financial assets, as appropriate.

- *Financial Assets at Fair Value Through Profit or Loss*

As at the end of the reporting period, there were no financial assets classified under this category.

- *Held-to-maturity Investments*

As at the end of the reporting period, there were no financial assets classified under this category.

- *Loans and Receivables*

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables financial assets. Loans and receivables financial assets are measured at amortised cost using the effective interest method, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

- *Available-for-sale Financial Assets*

As at the end of the reporting period, there were no financial assets classified under this category.

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**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(f) Financial Instruments (Cont'd)****(ii) Financial Liabilities**

All financial liabilities are initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges.

**(iii) Equity Instruments**

Instruments classified as equity are measured at cost and are not remeasured subsequently.

- **Ordinary Shares**

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from proceeds.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

- **Treasury Shares**

When the Company's own shares recognised as equity are bought back, the amount of the consideration paid, including all costs directly attributable, are recognised as a deduction from equity. Own shares purchased that are not subsequently cancelled are classified as treasury shares and are presented as a deduction from total equity.

Where such shares are subsequently sold or reissued, any consideration received, net of any direct costs, is included in equity.

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONT'D)

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#### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

##### (g) Property, Plant and Equipment

Plant and equipment, other than freehold land and factory buildings, are stated at cost less accumulated depreciation and impairment losses, if any.

Freehold land is stated at valuation recognised after the date of the revaluation. Freehold land is not depreciated. Factory buildings are stated at revalued amount less accumulated depreciation and impairment losses, if any, recognised after the date of the revaluation.

Freehold land and factory buildings are revalued periodically, at least once in every 5 years. Surpluses arising from the revaluation are recognised in other comprehensive income and accumulated in equity under the revaluation reserve. Deficits arising from the revaluation, to the extent that they are not supported by any previous revaluation surpluses, are recognised in profit or loss.

Depreciation is calculated under the straight-line method to write down the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:-

Factory buildings	2%
Furniture, fittings and office equipment	10% - 33.3%
Motor vehicles	20%
Plant and machinery	14%

The depreciation method, useful life and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group is obligated to incur when the asset is acquired, if applicable.

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**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(g) Property, Plant and Equipment (Cont'd)**

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset is recognised in profit or loss.

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

**(h) Impairment****(i) *Impairment of Financial Assets***

All financial assets (other than those categorised at fair value through profit or loss), are assessed at the end of each reporting period whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset.

An impairment loss in respect of held-to-maturity investments and loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

With the exception of available-for-sale financial assets, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. In respect of available-for-sale financial assets, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss made is recognised in other comprehensive income.



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**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(h) Impairment (Cont'd)***(ii) Impairment of Non-Financial Assets*

The carrying values of assets, other than those to which MFRS 136 - Impairment of Assets does not apply, are reviewed at the end of each reporting period for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount of the assets is the higher of the assets' fair value less costs to sell and their value-in-use, which is measured by reference to discounted future cash flow.

An impairment loss is recognised in profit or loss immediately unless the asset is carried at its revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of a previously recognised revaluation surplus for the same asset.

In respect of assets other than goodwill, and when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately, unless the asset is carried at its revalued amount. A reversal of an impairment loss on a revalued asset is credited to other comprehensive income. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the profit and loss, a reversal of that impairment loss is recognised as income in profit and loss.

**(i) Assets under Hire Purchase**

Assets acquired under hire purchase are capitalised in the financial statements and are depreciated in accordance with the policy set out in Note 4(g) above. Each hire purchase payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. Finance charges are recognised in profit or loss over the period of the respective hire purchase agreements.

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**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(j) Government Grant**

Government grant which relate to the cost of development expenditure and pre-commercialisation of a new organic acid blend are recognised on a receivable basis, and are set off against the related property, plant and equipment acquired for that purpose.

**(k) Product Development Expenditure**

Research expenditure is recognised as an expense when it is incurred.

Development expenditure is recognised as an expense except that expenditure incurred on development projects are capitalised as long-term assets to the extent that such expenditure is expected to generate future economic benefits. Development expenditure is capitalised if, and only if an entity can demonstrate all of the following:-

- (i) its ability to measure reliably the expenditure attributable to the asset under development;
- (ii) the product or process is technically and commercially feasible;
- (iii) its future economic benefits are probable;
- (iv) its ability to use or sell the developed assets; and
- (v) the availability of adequate technical, financial and other resources to complete the asset under development.

Capitalised product development expenditure is measured at cost less accumulated amortisation and impairment losses, if any. Development expenditure initially recognised as an expense is not recognised as assets in the subsequent periods.

Amortisation is calculated under the straight-line method to write down product development expenditure over the remaining period of the product's estimated economic useful life from the date of the initial product launch. In the event that the expected future economic benefits are no longer probable of being recovered, the development expenditure is written down to its recoverable amount.

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**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(l) Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis, and comprises the purchase price and incidentals incurred in bringing the inventories to their present location and condition. Cost of finished goods includes cost of materials, labour and an appropriate proportion of production overheads.

Net realisable value represents the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

Where necessary, due allowance is made for all damaged, obsolete and slow-moving items. The Group writes down its obsolete or slow moving inventories based on assessment of the condition and the future demand for the inventories. These inventories are written down when events or changes in circumstances indicate that the carrying amounts may not be recovered.

**(m) Income Taxes**

Income taxes for the financial year comprise current and deferred tax.

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences other than those that arise from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

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**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(m) Income Taxes (Cont'd)**

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transactions either in other comprehensive income or directly in equity.

**(n) Cash and Cash Equivalents**

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, deposits, bank overdrafts and short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**(o) Employee Benefits****(i) Short-term Benefits**

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group.

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**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(o) Employee Benefits (Cont'd)****(ii) Defined Contribution Plans**

The Group's contributions to defined contribution plans are recognised in profit or loss 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.

**(p) Related Parties**

A party is related to an entity if:-

- (a) A person or a close member of that person's family is related to a reporting entity if that person:-
  - (i) has control or joint control over the reporting entity;
  - (ii) has significant influence over the reporting entity; or
  - (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- (b) An entity is related to a reporting entity if any of the following conditions applies:-
  - (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

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**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(p) Related Parties (Cont'd)**

- (b) An entity is related to a reporting entity if any of the following conditions applies:- (Cont'd)
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
  - (vi) The entity is controlled or jointly controlled by a person identified in (a) above.
  - (vii) A person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

**(q) Operating Segments**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

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**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(r) Contingent Liabilities**

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

**(s) 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 customers' acceptance and where applicable, net of sales tax, returns and trade discounts.

**(ii) Interest Income**

Interest income is recognised on an accrual basis.

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**5. INVESTMENTS IN SUBSIDIARIES**

	THE COMPANY	
	2014 RM	2013 RM
Unquoted shares in Malaysia, at cost		
At 1 January	10,997,548	10,997,548
Less: Impairment	(100,000)	(100,000)
At 31 December	<u>10,897,548</u>	<u>10,897,548</u>

Details of the subsidiaries are as follows:-

Name of Company	Principal place of business	Effective Equity Interest		Principal Activities
		2014 %	2013 %	
Sunzen Corporation Sdn. Bhd.	Malaysia	100	100	Biotechnology research and development, manufacturing and marketing of veterinary and animal health products.
Sunzen Lifesciences Sdn. Bhd.	Malaysia	100	100	R & D and commercialisation of in-feed anti bacterial products and supplements for animal health products.
Sunzen Feedtech Sdn. Bhd.	Malaysia	100	100	Investment holding, biotechnology research and development and trading of veterinary and animal health products.
PT Sunzen Indonesia**	Indonesia	100	100	Wholesaling and trading of animal health care products.

\* held 70% and 30% through Sunzen Lifesciences Sdn. Bhd. and Sunzen Feedtech Sdn. Bhd. respectively.

# not audited by Messrs. Ecovis AHL PLT



**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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**NOTES TO THE FINANCIAL STATEMENTS  
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**6. PROPERTY, PLANT AND EQUIPMENT**

THE GROUP NET CARRYING AMOUNT	AT 1.1.2014 RM	ADDITIONS RM	REVALUATION RM	WRITTEN OFF/ DISPOSAL RM	DEPRECIATION CHARGE RM	FOREIGN CURRENCY TRANSLATION RESERVES RM	AT 31.12.2014 RM
Freehold land	7,670,000	-	11,806,000	-	-	-	19,476,000
Factory buildings	6,553,101	-	1,743,105	-	(179,277)	-	8,116,929
Furniture, fittings and office equipment	360,648	101,352	-	-	(156,833)	138	305,305
Motor vehicles	383,179	400,728	-	-	(234,997)	829	549,739
Plant and machinery	1,086,946	2,224	-	-	(86,332)	-	1,002,838
<b>Total</b>	<b>16,053,874</b>	<b>504,304</b>	<b>13,549,105</b>	<b>-</b>	<b>(657,439)</b>	<b>967</b>	<b>29,450,811</b>

THE GROUP NET CARRYING AMOUNT	AT 1.1.2013 RM	ADDITIONS RM	RECLASSIFICATION RM	WRITTEN OFF/ DISPOSAL RM	DEPRECIATION CHARGE RM	FOREIGN CURRENCY TRANSLATION RESERVES RM	AT 31.12.2013 RM
Freehold land	7,670,000	-	-	-	-	-	7,670,000
Factory buildings	6,757,694	-	(66,864)	-	(137,729)	-	6,553,101
Furniture, fittings and office equipment	470,866	40,107	-	(720)	(148,962)	(643)	360,648
Motor vehicles	299,869	242,474	-	-	(155,285)	(3,879)	383,179
Plant and machinery	1,180,156	1,680	-	-	(94,890)	-	1,086,946
<b>Total</b>	<b>16,378,585</b>	<b>284,261</b>	<b>(66,864)</b>	<b>(720)</b>	<b>(536,866)</b>	<b>(4,522)</b>	<b>16,053,874</b>

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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**NOTES TO THE FINANCIAL STATEMENTS  
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**6. PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

THE GROUP AT 31.12.2014	AT COST RM	AT VALUATION RM	GOVERNMENT GRANT RM	ACCUMULATED DEPRECIATION RM	NET CARRYING AMOUNT RM
Freehold land	-	19,476,000	-	-	19,476,000
Factory buildings	3,424,113	5,539,743	-	(846,927)	8,116,929
Furniture, fittings and office equipment	1,540,820	-	-	(1,235,515)	305,305
Motor vehicles	1,373,545	-	-	(823,806)	549,739
Plant and machinery	2,266,093	-	-	(1,263,255)	1,002,838
<b>Total</b>	<b>8,604,571</b>	<b>25,015,743</b>	<b>-</b>	<b>(4,169,503)</b>	<b>29,450,811</b>

AT 31.12.2013

Freehold land	-	7,670,000	-	-	7,670,000
Factory buildings	3,424,113	3,796,638	-	(667,650)	6,553,101
Furniture, fittings and office equipment	1,439,468	-	-	(1,078,820)	360,648
Motor vehicles	972,817	-	-	(589,638)	383,179
Plant and machinery	3,113,869	-	(850,000)	(1,176,923)	1,086,946
<b>Total</b>	<b>8,950,267</b>	<b>11,466,638</b>	<b>(850,000)</b>	<b>(3,513,031)</b>	<b>16,053,874</b>

THE COMPANY NET CARRYING AMOUNT	AT 1.1.2014 RM	ADDITIONS RM	DEPRECIATION CHARGE RM	AT 31.12.2014 RM
Furniture, fittings and office equipment	32,978	12,098	(11,841)	33,235
Motor vehicles	34,400	-	(17,200)	17,200
Plant and machinery	182,039	-	(84,307)	97,732
<b>Total</b>	<b>249,417</b>	<b>12,098</b>	<b>(113,348)</b>	<b>148,167</b>

THE COMPANY NET CARRYING AMOUNT	AT 1.1.2013 RM	ADDITIONS RM	DEPRECIATION CHARGE RM	AT 31.12.2013 RM
Furniture, fittings and office equipment	37,222	6,380	(10,624)	32,978
Motor vehicles	51,600	-	(17,200)	34,400
Plant and machinery	267,297	1,680	(86,938)	182,039
<b>Total</b>	<b>356,119</b>	<b>8,060</b>	<b>(114,762)</b>	<b>249,417</b>

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

**6. PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

	COST RM	ACCUMULATED DEPRECIATION RM	NET CARRYING AMOUNT RM
As At 31.12.2014			
Furniture, fittings and office equipment	86,063	(52,828)	33,235
Motor vehicles	86,000	(68,800)	17,200
Plant and machinery	745,094	(647,362)	97,732
<b>Total</b>	<b>917,157</b>	<b>(768,990)</b>	<b>148,167</b>
As At 31.12.2013			
Furniture, fittings and office equipment	73,965	(40,987)	32,978
Motor vehicles	86,000	(51,600)	34,400
Plant and machinery	745,094	(563,055)	182,039
<b>Total</b>	<b>905,059</b>	<b>(655,642)</b>	<b>249,417</b>

Revaluation of freehold land and factory buildings

Freehold land and factory buildings have been revalued based on a valuation performed by an independent firm of professional valuers. The valuation is based on the market value comparison method that market value of comparable land and building in close proximity are adjusted for differences in location, size and shapes, accessibility, infrastructure available, improvements made on the side and other value considerations.

If the factory buildings were measured using the cost model, the net carrying amount would be as follows:-

	THE GROUP	
	2014 RM	2013 RM
Factory buildings, at 31 December:-		
Cost	7,147,727	7,147,727
Accumulated depreciation	(804,759)	(661,805)
<b>Net carrying amount</b>	<b>6,342,968</b>	<b>6,485,922</b>

Assets held under hire purchase

Included in the property, plant and equipment of the Group at the end of the reporting period are motor vehicles with a total net carrying amount of RM493,611 (2013: RM296,877) acquired under hire purchase.

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**NOTES TO THE FINANCIAL STATEMENTS  
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**6. PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

Assets pledged as security

The freehold land and factory buildings of the Group have been pledged as security for banking facilities granted to the Group as disclosed in Note 16 to the financial statements as follows:-

	THE GROUP	
	2014 RM	2013 RM
<u>At net carrying amount:-</u>		
Freehold land	19,476,000	7,670,000
Factory buildings	<u>8,116,929</u>	<u>6,553,101</u>

**7. PRODUCT DEVELOPMENT EXPENDITURE**

	THE GROUP	
	2014 RM	2013 RM
<u>Cost</u>		
At 1 January/31 December	1,988,442	1,988,442
<u>Accumulated amortisation</u>		
At 1 January	(1,915,840)	(1,667,153)
Addition during the financial year	(72,602)	(248,687)
At 31 December	<u>(1,988,442)</u>	<u>(1,915,840)</u>
Net carrying amount	<u>-</u>	<u>72,602</u>

Expenditure capitalised included personnel costs and cost of materials consumed in development activities as well as fees paid to external researchers for product development purposes.

The recoverable amount of a cash-generating unit ("CGU") is determined based on value-in-use calculations using cash flow projections prepared and approved by the management.

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**NOTES TO THE FINANCIAL STATEMENTS  
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**8. INVENTORIES**

	THE GROUP		THE COMPANY	
	2014 RM	2013 RM	2014 RM	2013 RM
At cost:-				
Raw materials	1,991,683	2,879,335	1,386,705	1,743,656
Finished goods	6,167,473	8,796,347	354,212	416,316
Packing materials	256,724	297,338	186,496	185,706
	<u>8,415,880</u>	<u>11,973,020</u>	<u>1,927,413</u>	<u>2,345,678</u>

None of the inventories is carried at net realisable value. Cost of inventories included in cost of sales is RM8,415,880 (2013: RM11,973,020) and RM1,927,413 (2013: RM2,345,678) for both Group and Company respectively.

During the financial year, inventories written off and provision for inventories written off amounted to RM1,079,968 (2013: RM118,186) and RM32,438 (2013: Nil) for Group and Company respectively.

**9. TRADE RECEIVABLES**

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

	THE GROUP		THE COMPANY	
	2014 RM	2013 RM	2014 RM	2013 RM
Third parties	6,970,616	9,214,331	2,656,065	2,814,266
Add: Unrealised gain on foreign exchange	31,628	23,992	16,848	-
Less: Provision for doubtful debts	(424,003)	-	(100,331)	-
	<u>6,578,241</u>	<u>9,238,323</u>	<u>2,572,582</u>	<u>2,814,266</u>

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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**10. OTHER RECEIVABLES AND DEPOSITS**

	THE GROUP		THE COMPANY	
	2014 RM	2013 RM	2014 RM	2013 RM
Other receivables	36,086	174,215	691	731
Deposits	924,139	116,064	42,880	2,915
	<u>960,225</u>	<u>290,279</u>	<u>43,571</u>	<u>3,646</u>

**11. AMOUNT OWING BY SUBSIDIARIES**

	THE COMPANY	
	2014 RM	2013 RM
Amount owing by - trade	601,414	339,254
Amount owing by - non-trade	1,541,464	3,184,407
Less: Allowance for impairment loss - non-trade	(781,781)	(766,870)
	<u>1,361,097</u>	<u>2,756,791</u>
Amount owing to - non-trade	(914,405)	-
	<u>446,692</u>	<u>2,756,791</u>

Trade balances are owing by/(to) subsidiaries are subject to the normal trade credit terms. Amounts owing by/(to) subsidiaries are to be settled in cash.

The non-trade balances represent unsecured interest-free advances and payments made on behalf. The amounts owing are repayable on demand and are to be settled in cash.

**12. DEPOSITS WITH LICENSED BANKS AND FINANCIAL INSTITUTIONS**

	THE GROUP		THE COMPANY	
	2014 RM	2013 RM	2014 RM	2013 RM
Fixed deposits with licensed banks	708,729	687,266	451,932	438,244
Short terms funds	5,595,752	2,565,058	4,009,339	1,023,298
	<u>6,304,481</u>	<u>3,252,324</u>	<u>4,461,271</u>	<u>1,461,542</u>

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**12. DEPOSITS WITH LICENSED BANKS AND FINANCIAL INSTITUTIONS (CONT'D)**

Included in fixed deposits with licensed banks of the Group is an amount of RM708,729 (2013: RM687,266) which has been pledged as collateral to a licensed bank to secure banking facilities granted to the Group.

The interest rates of the fixed deposits of the Group and of the Company at the end of the reporting period ranged from 2.68% to 3.20% (2013: 2.68% to 3.10%) per annum. The maturity period ranged from 1 month to 6 months (2013: 1 month to 6 months).

Short term funds amounting to RM5,595,752 (2013: RM2,565,058) and RM4,009,339 (2013: RM1,023,298) for the Group and the Company respectively represent investments in a highly liquid market. This investment is convertible into cash in the short term period and has insignificant risk of changes in value.

**13. SHARE CAPITAL**

	THE COMPANY			
	2014 NUMBER OF SHARES	2013	2014 RM	2013 RM
ORDINARY SHARES OF RM0.10 EACH:-				
AUTHORISED	<u>250,000,000</u>	<u>250,000,000</u>	<u>25,000,000</u>	<u>25,000,000</u>
ISSUED AND FULLY PAID-UP:-				
At 1 January	149,390,500	149,390,500	14,939,050	14,939,050
Issued during the year				
- Private placement	14,880,000	-	1,488,000	-
- Warrants converted	1,496,166	-	149,617	-
At 31 December	<u>165,766,666</u>	<u>149,390,500</u>	<u>16,576,667</u>	<u>14,939,050</u>

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**13. SHARE CAPITAL (CONT'D)**

During the financial year, the Company increased its issued and paid up share capital by way of:-

- (a) Private placements of 14,880,000 new ordinary shares of RM0.10 each at an issue price of RM0.36 each; and
- (b) exercise of Warrants 2014/2019. A total of 1,496,166 of Warrants have been exercised and converted into ordinary shares at an issue price of RM0.10 each.

The new ordinary shares were issued for cash consideration. The new ordinary shares issued rank pari passu in all respects with the existing shares of the Company.

**14. TREASURY SHARES**

During the financial year, the Company purchased from the open market, 78,000 units of its own shares on the ACE Market of Bursa Malaysia Securities Berhad at an average buy-back price of RM0.31 per ordinary share. The total consideration paid for acquisition of the shares was RM24,440 and was financed by internally generated funds. The repurchased shares were held as treasury shares in accordance with Section 67A of the Companies Act, 1965 in Malaysia.

As at 31 December 2014, the Company held 148,000 repurchased shares as treasury shares out of its total issued and paid-up share capital of 165,766,666 ordinary shares of RM0.10 each. The carrying amount of the treasury shares is RM39,000.

**15. RESERVES****(a) Share Premium**

The share premium account is not distributable by way of cash dividends but may be utilised in the manner set out in Section 60(3) of the Companies Act, 1965 in Malaysia.

**(b) Revaluation Reserve**

The asset revaluation reserve represents increases in the fair value of freehold land and factory buildings, net of tax, and decreases to the extent that such decreases relate to an increase on the same asset previously recognised in other comprehensive income and is not distributable by way of dividends.



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**15. RESERVES (CONT'D)**

**(c) Merger Deficit**

The merger deficit of RM8,397,548 (2013: RM8,397,548) resulted from the difference between the carrying value of the investments in a subsidiary and the nominal value of the shares of the Company's subsidiary upon consolidation under the merger accounting principle.

**(d) Currency Translation Reserve**

The currency translation reserve arose from the translation of the financial statements of a foreign subsidiary and is not distributable by way of dividends.

**(e) Retained Profits**

Under the single tier system which came into effect from the year of assessment 2008, companies are not required to have tax credit under Section 108 of the Income Tax Act, 1967 for the dividend payment purposes. Under this system, tax on the Company's profits is the final tax and accordingly, any dividends to the shareholders are not subject to tax.

**16. BANK BORROWINGS**

	THE GROUP		THE COMPANY	
	2014 RM	2013 RM	2014 RM	2013 RM
Total bank borrowings:-				
Bills payable	360,000	2,656,745	-	1,226,083
Hire purchase payables	320,960	175,669	-	-
Term loans	4,299,010	4,848,977	-	-
	<u>4,979,970</u>	<u>7,681,391</u>	<u>-</u>	<u>1,226,083</u>

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**16. BANK BORROWINGS (CONT'D)**

	THE GROUP		THE COMPANY	
	2014 RM	2013 RM	2014 RM	2013 RM
Current liabilities:-				
Bills payable	360,000	2,656,745	-	1,226,083
Hire purchase payables	99,633	79,261	-	-
Term loans	574,402	555,168	-	-
	<u>1,034,035</u>	<u>3,291,174</u>	<u>-</u>	<u>1,226,083</u>

	THE GROUP	
	2014 RM	2013 RM
Non-current liabilities:-		
Hire purchase payables	221,327	96,408
Term loans	3,724,608	4,293,809
	<u>3,945,935</u>	<u>4,390,217</u>

The bills payable and term loans are secured by the following:-

- (a) pledge of certain fixed deposits belonging to the Group as disclosed in note 12 to the financial statements;
- (b) legal charge over the properties belonging to a subsidiary as per disclosure in note 6 to the financial statements; and
- (c) negative pledge.

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**16. BANK BORROWINGS (CONT'D)**

Details of the hire purchase payables outstanding at the end of the reporting period were as follows:-

	THE GROUP	
	2014 RM	2013 RM
Minimum hire purchase payments:		
- not later than one year	113,053	85,922
- later than one year and not later than five years	238,169	104,036
	<u>351,222</u>	<u>189,958</u>
Less: Future finance charges	(30,262)	(14,289)
Present value of hire purchase payables	<u>320,960</u>	<u>175,669</u>
Current portion:		
- not later than one year	99,633	79,261
Non-current portion:		
- later than one year and not later than five years	221,327	96,408
	<u>320,960</u>	<u>175,669</u>

	THE GROUP	
	2014 RM	2013 RM
The term loans are repayable as follows:-		
Current portion:		
- not later than one year	574,402	555,168
Non-current portion:		
- later than one year and not later than 2 years	606,756	585,026
- later than 2 years and not later than 5 years	2,033,603	1,950,672
- more than 5 years	1,084,249	1,758,111
Total non-current portion	<u>3,724,608</u>	<u>4,293,809</u>
	<u>4,299,010</u>	<u>4,848,977</u>

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**16. BANK BORROWINGS (CONT'D)**

The repayment terms of the term loans are as follows:-

Term loan 1	Repayable in 120 monthly instalments of RM30,660 each, effective from November 2010.
Term loan 2	Repayable in 120 monthly instalments of RM10,220 each, effective from November 2010.
Term loan 3	Repayable in 120 monthly instalments of RM25,488 each, effective from November 2011.

**17. DEFERRED TAXATION**

	THE GROUP		THE COMPANY	
	2014 RM	2013 RM	2014 RM	2013 RM
At 1 January	448,901	524,109	35,582	35,356
Recognised in profit or loss (Note 24)	22,478	(84,634)	(2,028)	226
Foreign currency translation reserves	(3,233)	9,426	-	-
Surplus on revaluation of property (Note 25)	1,026,078	-	-	-
At 31 December	<u>1,494,224</u>	<u>448,901</u>	<u>33,554</u>	<u>35,582</u>

The components of deferred tax liabilities are as follows:-

	THE GROUP		THE COMPANY	
	2014 RM	2013 RM	2014 RM	2013 RM
Product development expenditure	-	4,792	-	-
Accelerated capital allowances	471,379	253,406	33,554	35,582
Foreign currency translation reserves	(3,233)	9,426	-	-
Revaluation reserve	1,026,078	181,277	-	-
	<u>1,494,224</u>	<u>448,901</u>	<u>33,554</u>	<u>35,582</u>

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**18. TRADE PAYABLES**

The normal credit terms granted to the Group range from 30 to 90 days.(2013: 30 to 90 days).

**19. OTHER PAYABLES AND ACCRUALS**

	THE GROUP		THE COMPANY	
	2014 RM	2013 RM	2014 RM	2013 RM
Other payables	316,776	437,615	62,535	48,496
Accruals	766,585	696,048	200,539	165,600
	<u>1,083,361</u>	<u>1,133,663</u>	<u>263,074</u>	<u>214,096</u>

**20. AMOUNT OWING TO DIRECTORS**

In the prior financial year, the amount owing is unsecured, and in respect of interest-free advances and payments made on behalf. The amount owing was repayable within the next twelve months in cash.

**21. NET ASSETS PER SHARE**

The net assets per share of the Group is calculated based on the net assets value of RM50,308,693 (2013: RM32,564,326) divided by the number of ordinary shares in issue at the end of the reporting period of 165,618,666 (2013: 149,320,500).

**22. REVENUE**

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

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**23. PROFIT/(LOSS) BEFORE TAXATION**

Profit/(Loss) before taxation is arrived at after charging/(crediting):-

	THE GROUP		THE COMPANY	
	2014 RM	2013 RM	2014 RM	2013 RM
Amortisation of product development expenditure	72,602	248,687	-	-
Auditors' remunerations:				
- current year	43,024	43,643	18,500	18,500
- over provision in prior years	(820)	-	-	-
Bad debts written off	-	18,222	-	1,222
Depreciation of property, plant and equipment	657,439	536,866	113,348	114,762
Directors' remuneration:				
- fee	86,490	71,940	86,490	68,940
- other emoluments	1,256,208	1,428,275	-	-
Impairment loss on amount owing by a subsidiary	-	-	14,911	766,870
Impairment of goodwill	-	57,958	-	-
Impairment of investment in a subsidiary	-	-	-	100,000
Interest expense:				
- bank overdraft	1,084	1,022	-	-
- bills payable	30,253	61,222	1,105	15,217
- hire purchase	11,854	8,965	-	-
- term loans	246,449	269,582	-	-
Inventories written off	360,004	118,186	32,438	-
Provision for doubtful debts	424,003	-	100,331	-
Provision for inventories written off	719,964	-	-	-
Rental of office equipment	7,980	7,780	3,180	3,180
Rental of premises	63,394	55,265	13,300	52,200
Staff costs:				
- salaries, wages, bonuses and allowances	3,377,534	2,938,861	816,136	639,015
- defined contribution plan	514,222	454,514	99,762	77,181
Dividend income	-	-	-	(900,000)
Gain on disposal of property, plant and equipment	-	(157,880)	-	-
(Gain)/Loss on foreign exchange:				
- realised	(265,365)	(164,700)	(41,926)	(60,800)
- unrealised	4,475	(33,556)	(33,393)	1,428
Income from unit trust deposit with a financial institution	(123)	(103)	-	-
Interest income	(88,239)	(89,771)	(3,934)	(45,264)

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**NOTES TO THE FINANCIAL STATEMENTS**

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**24. INCOME TAX EXPENSE/(CREDIT)**

	THE GROUP		THE COMPANY	
	2014 RM	2013 RM	2014 RM	2013 RM
Income tax expense:				
- for current financial year	270,610	684,276	5,574	74,333
- (over)/underprovision in the previous financial year	(1,826)	(17,510)	(8,884)	549
	<u>268,784</u>	<u>666,766</u>	<u>(3,310)</u>	<u>74,882</u>
Deferred taxation (Note 17):				
- for current financial year	13,819	(84,269)	(2,028)	226
- reversal of deferred tax liability arising from revaluation reserve	8,659	(365)	-	-
	<u>22,478</u>	<u>(84,634)</u>	<u>(2,028)</u>	<u>226</u>
Income tax expense/(credit)	<u>291,262</u>	<u>582,132</u>	<u>(5,338)</u>	<u>75,108</u>

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

	THE GROUP		THE COMPANY	
	2014 RM	2013 RM	2014 RM	2013 RM
Profit/(Loss) before taxation	<u>1,391,369</u>	<u>4,089,835</u>	<u>(201,482)</u>	<u>217,258</u>
Tax at the statutory tax rate of 25%	347,842	1,022,458	(50,370)	54,314
Tax effects of:-				
Non-deductible expenses	343,121	128,408	67,243	244,888
Non-taxable gain	(9,416)	(35,444)	(13,327)	357
Tax exemption	(478,455)	(472,072)	-	(225,000)
(Over)/Underprovision in the previous financial year:				
- income tax	(1,826)	(17,510)	(8,884)	549
Balance carried forward	<u>201,266</u>	<u>625,840</u>	<u>(5,338)</u>	<u>75,108</u>

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**24. INCOME TAX EXPENSE/(CREDIT) (CONT'D)**

	THE GROUP		THE COMPANY	
	2014 RM	2013 RM	2014 RM	2013 RM
Balance brought forward	201,266	625,840	(5,338)	75,108
Reversal of deferred tax liability arising from revaluation reserve	8,659	(365)	-	-
Deferred tax asset	8,015	(85,119)	-	-
Differential in tax rate of a subsidiary in oversea	37,447	11,779	-	-
Tax credit arising from tax loss	35,875	29,997	-	-
<b>Income tax expense/(credit) for the financial year</b>	<b>291,262</b>	<b>582,132</b>	<b>(5,338)</b>	<b>75,108</b>

The Company's wholly-owned subsidiary, Sunzen Lifesciences Sdn. Bhd. was awarded the Bionexus status incentive under the Promotion of Investments Act, 1986 by the Minister of Finance, with the recommendation made by Malaysian Biotechnology Corporation Sdn Bhd on 23 July 2007. Accordingly, the said subsidiary is granted 100% tax exemption from its statutory income derived from the production of in-feed anti bacterial products and supplements for animal health products for a period of 10 years from 1 January 2010.

**25. OTHER COMPREHENSIVE INCOME/(EXPENSE)**

	THE GROUP	
	2014 RM	2013 RM
<b>Items that may be reclassified subsequently to profit or loss</b>		
Foreign currency translation	68,009	(62,925)
<b>Items that will not be reclassified subsequently to profit or loss</b>		
Revaluation surplus on property, plant and equipment	13,549,105	-
Tax effects (Note 17)	(1,026,078)	-
	12,523,027	-
	<b>12,591,036</b>	<b>(62,925)</b>



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**26. EARNINGS PER SHARE**

The basic earnings per share for the financial year has been calculated by dividing the consolidated profit attributable to the owners of the Company of RM1,100,107 (2013: RM3,507,703) over the weighted average number of ordinary shares in issue during the financial year of 152,000,333 (2013: 149,320,500).

The diluted earnings per shares for the financial year has been calculated by dividing the consolidated profit attributable to the owners of RM1,100,107 over the weighted average number of ordinary shares and adjustment for assumed exercise of Warrants 2014/2019 of 180,956,389. There is no diluted earnings per share for the previous financial year as there are no potential dilutive ordinary shares.

**27. DIVIDEND PAID**

	THE GROUP/THE COMPANY	
	2014 RM	2013 RM
Interim dividend of RM0.008 per ordinary share of RM0.10 each less income tax of 25%	-	895,923
Interim single-tier dividend of RM0.008 per ordinary share of RM0.10	1,194,164	-
	<u>1,194,164</u>	<u>895,923</u>

**28. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT**

	THE GROUP		THE COMPANY	
	2014 RM	2013 RM	2014 RM	2013 RM
Cost of property, plant and equipment purchased	504,304	284,261	12,098	8,060
Amount financed through hire purchase	(255,000)	(94,600)	-	-
Cash disbursed for purchase of property, plant and equipment	<u>249,304</u>	<u>189,661</u>	<u>12,098</u>	<u>8,060</u>

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**29. CASH AND CASH EQUIVALENTS**

For the purpose of the statements of cash flows, cash and cash equivalents comprise the following:-

	THE GROUP		THE COMPANY	
	2014 RM	2013 RM	2014 RM	2013 RM
Deposits with licensed banks and financial institutions	708,729	687,266	451,932	438,244
Short-term funds	5,595,752	2,565,058	4,009,339	1,023,298
	<u>6,304,481</u>	<u>3,252,324</u>	<u>4,461,271</u>	<u>1,461,542</u>
Cash and bank balances	8,894,853	4,673,952	4,287,956	1,607,484
Unrealised gain on foreign exchange	39,531	34,687	16,138	(698)
	<u>15,238,865</u>	<u>7,960,963</u>	<u>8,765,365</u>	<u>3,068,328</u>

**30. WARRANT 2014/2019**

The movement in warrants is as follows:-

	NUMBER OF WARRANTS			At 31.12.2014
	At 1.1.2014	Granted	Exercised	
Warrants 2014/2019	<u>-</u>	<u>49,756,260</u>	<u>(1,496,166)</u>	<u>48,260,094</u>

On 28 March 2014, the Company executed a deed poll ("Deed Poll") pertaining to the creation and issuance of up to 49,796,833 free warrants on the basis of one (1) warrant for every three (3) existing ordinary shares held in the Company.

The Warrants were listed on the ACE Market of Bursa Malaysia Securities Berhad.

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**30. WARRANT 2014/2019 (CONT'D)**

The main features of the Warrants 2014/2019 are as follows:-

- (a) Each warrant will entitle the registered holder to subscribe for one (1) new ordinary share of par value of RM0.10 each in the Company at an exercise price of RM0.10 each subject to adjustment in accordance with the conditions stipulated in the Deed Poll;
- (b) The warrants may be exercised at any time within five (5) years beginning on the date of issuance on 21 April 2014. Warrants not exercised within the exercise period will thereafter lapse and cease to be valid;
- (c) The new shares to be issued pursuant to the exercise of the warrants shall, upon allotment and issue, rank *pari passu* in all respect with the existing ordinary shares of the Company in issue except that they will not be entitled to any dividend, rights, allotment or other distributions, the entitlement date of which is before the allotment and issuance of the new shares; and
- (d) The persons to whom the warrants have been granted have no rights to participate in any distribution and/on offer of further securities in the Company until/and unless warrants holders exercise their warrant for new shares.

**31. DIRECTORS' REMUNERATION**

The aggregate amount of emoluments received and receivable by the Directors of the Group and of the Company during the financial year was as follows:-

THE GROUP 2014	NO. OF DIRECTORS*	SALARIES AND BONUS RM	EPF & SOCSO RM	FEE RM	TOTAL RM
Executive					
- Between RM300,001 and RM350,000	4	1,090,590	165,618	-	1,256,208
Non-executive					
- Less than or equal to RM50,000	3	-	-	86,490	86,490
	7	1,090,590	165,618	86,490	1,342,698

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**31. DIRECTORS' REMUNERATION (CONT'D)**

THE GROUP 2013	No. OF DIRECTORS	SALARIES AND BONUS RM	EPF & SOCSSO RM	FEE RM	TOTAL RM
Executive					
- Between RM300,001 and RM350,000	3	885,190	133,417	2,000	1,020,607
- Between RM400,001 and RM450,000	1	356,235	53,433	1,000	410,668
	4	1,241,425	186,850	3,000	1,431,275
Non-executive					
- Less than or equal to RM50,000	3	-	-	68,940	68,940
	7	1,241,425	186,850	71,940	1,500,215
THE COMPANY 2014					
Non-executive					
- Less than or equal to RM50,000	3	-	-	86,490	86,490
2013					
Non-executive					
- Less than or equal to RM50,000	3	-	-	68,940	68,940

\* There were changes to the composition of the Board during the financial year as follow:-

- (a) resignation of three (3) Executive Directors and two (2) Independent Non-Executive Directors; and
- (b) appointment of two (2) Executive Directors and two (2) Independent Non-Executive Directors.

As at reporting date, the Board comprises six (6) members, of whom three (3) are Executive Directors and three (3) are Independent Non-Executive Directors.

**32. SIGNIFICANT RELATED PARTY DISCLOSURES**

- (a) Identity of related parties

The Company has related party relationships with:-

- (i) its subsidiaries as disclosed in Note 5 to the financial statements; and
- (ii) the Directors who are the key management personnel.

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**32. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D)**

- (b) In addition to the information disclosed elsewhere in the financial statements, the Company carried out the following transactions with related parties during the financial year:-

	THE COMPANY	
	2014 RM	2013 RM
Sales to subsidiaries	401,064	586,319
Handling costs charged by a subsidiary	-	51,527
Purchases from subsidiaries	4,125,374	3,438,771
Rental paid to a subsidiary	-	45,600
Share of overhead recovery from a subsidiary	<u>389,318</u>	<u>373,614</u>

	THE GROUP		THE COMPANY	
	2014 RM	2013 RM	2014 RM	2013 RM
Key management personnel compensation: - short-term employee benefits	<u>1,482,716</u>	<u>1,500,215</u>	<u>226,508</u>	<u>68,940</u>

**33. FOREIGN CURRENCY RATES**

The principal closing foreign exchange rates used (expressed on the basis of one unit of foreign currency to RM equivalent) for the translation of the foreign currency balances at the end of the reporting period are as follows:-

	THE GROUP AND THE COMPANY	
	2014 RM	2013 RM
Indonesian Rupiah	0.0003	0.0003
Singapore Dollar	2.68	2.63
United States Dollar	<u>3.54</u>	<u>3.23</u>

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONT'D)

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#### 34. OPERATING SEGMENTS

As the principal activity of the Group is manufacturing and trading in animal health products and its operations are principally located in Malaysia. One of the subsidiaries which principally located in Indonesia, as its operation is insignificant to the Group, no segmental analysis is provided.

#### 35. CONTINGENT LIABILITY

	THE COMPANY	
	2014 RM	2013 RM
Unsecured:		
Corporate guarantee given to banks in respect of banking facilities extended to a subsidiary	17,131,000	17,131,000

#### 36. FINANCIAL INSTRUMENTS

The Group's activities are exposed to a variety of market risks (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall financial risk management policies focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the Group's financial performance.

##### (a) Financial Risk Management Policies

The Group's policies in respect of the major areas of treasury activities are as follows:-

##### (i) Market Risks

##### (i) Foreign Currency Risk

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than Ringgit Malaysia. The currencies giving rise to this risk are primarily United States Dollar, Indonesian Rupiah and Singapore Dollar. Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

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**36. FINANCIAL INSTRUMENTS (CONT'D)**

**(a) Financial Risk Management Policies (Cont'd)**

**(i) Market Risks (Cont'd)**

*(i) Foreign Currency Risk (Cont'd)*

The Group's exposure to foreign currency risk is as follows:-

THE GROUP 2014	SINGAPORE DOLLAR RM	UNITED STATES DOLLAR RM	INDONESIAN RUPIAH RM	RINGGIT MALAYSIA RM	TOTAL RM
<b>Financial assets</b>					
Trade receivables	-	444,503	209,924	5,923,814	6,578,241
Other receivables and deposits	-	-	24,061	936,164	960,225
Deposits with licensed banks and financial institutions	-	-	-	6,304,481	6,304,481
Cash and bank balances	4,400	1,697,293	173,910	7,058,781	8,934,384
	<b>4,400</b>	<b>2,141,796</b>	<b>407,895</b>	<b>20,223,240</b>	<b>22,777,331</b>
<b>Financial liabilities</b>					
Trade payables	-	470,346	-	2,914,113	3,384,459
Other payables and accruals	-	-	15,692	1,067,669	1,083,361
Bills payable	-	-	-	360,000	360,000
Hire purchase payables	-	-	-	320,960	320,960
Term loans	-	-	-	4,299,010	4,299,010
	<b>-</b>	<b>470,346</b>	<b>15,692</b>	<b>8,961,752</b>	<b>9,447,790</b>
<b>Net financial assets</b>	<b>4,400</b>	<b>1,671,450</b>	<b>392,203</b>	<b>11,261,488</b>	<b>13,329,541</b>
<b>Less: Net financial assets denominated in the entity's functional currency</b>	<b>-</b>	<b>-</b>	<b>(392,203)</b>	<b>(11,261,488)</b>	<b>(11,653,691)</b>
<b>Currency exposure</b>	<b>4,400</b>	<b>1,671,450</b>	<b>-</b>	<b>-</b>	<b>1,675,850</b>

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**36. FINANCIAL INSTRUMENTS (CONT'D)**

**(a) Financial Risk Management Policies (Cont'd)**

**(i) Market Risks (Cont'd)**

*(i) Foreign Currency Risk (Cont'd)*

THE GROUP 2013	SINGAPORE DOLLAR RM	UNITED STATES DOLLAR RM	INDONESIAN RUPIAH RM	RINGGIT MALAYSIA RM	TOTAL RM
<b>Financial assets</b>					
Trade receivables	-	1,098,898	285,554	7,853,871	9,238,323
Other receivables and deposits	-	66,433	82,628	141,218	290,279
Deposits with licensed banks and financial institutions	-	-	-	3,252,324	3,252,324
Cash and bank balances	4,317	575,444	117,839	4,011,039	4,708,639
	<b>4,317</b>	<b>1,740,775</b>	<b>486,021</b>	<b>15,258,452</b>	<b>17,489,565</b>
<b>Financial liabilities</b>					
Trade payables	-	107,060	-	3,607,585	3,714,645
Other payables and accruals	-	-	16,561	1,117,102	1,133,663
Amount owing to Directors	-	-	-	8,819	8,819
Bills payable	-	-	-	2,656,745	2,656,745
Hire purchase payables	-	-	4,870	170,799	175,669
Term loans	-	-	-	4,848,977	4,848,977
	<b>-</b>	<b>107,060</b>	<b>21,431</b>	<b>12,410,027</b>	<b>12,538,518</b>
<b>Net financial assets</b>	<b>4,317</b>	<b>1,633,715</b>	<b>464,590</b>	<b>2,848,425</b>	<b>4,951,047</b>
<b>Less: Net financial assets denominated in the entity's functional currency</b>	<b>-</b>	<b>-</b>	<b>(464,590)</b>	<b>(2,848,425)</b>	<b>(3,313,015)</b>
<b>Currency exposure</b>	<b>4,317</b>	<b>1,633,715</b>	<b>-</b>	<b>-</b>	<b>1,638,032</b>



AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

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**NOTES TO THE FINANCIAL STATEMENTS  
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**36. FINANCIAL INSTRUMENTS (CONT'D)**

**(a) Financial Risk Management Policies (Cont'd)**

**(i) Market Risks (Cont'd)**

**(i) Foreign Currency Risk (Cont'd)**

THE COMPANY	UNITED STATES DOLLAR RM	RINGGIT MALAYSIA RM	TOTAL RM
2014			
<b>Financial assets</b>			
Trade receivables	16,848	2,555,734	2,572,582
Other receivables and deposits	-	43,571	43,571
Amount owing by subsidiaries	-	446,692	446,692
Deposits with licensed banks and financial institutions	-	4,461,271	4,461,271
Cash and bank balances	775,868	3,528,226	4,304,094
	<b>792,716</b>	<b>11,035,494</b>	<b>11,828,210</b>
<b>Financial liabilities</b>			
Trade payables	86,910	494,190	581,100
Other payables and accruals	-	263,074	263,074
	<b>86,910</b>	<b>757,264</b>	<b>844,174</b>
<b>Net financial assets</b>	<b>705,806</b>	<b>10,278,230</b>	<b>10,984,036</b>
Less: Net financial assets denominated in the Company's functional currency	-	(10,278,230)	(10,278,230)
<b>Currency exposure</b>	<b>705,806</b>	<b>-</b>	<b>705,806</b>
2013			
<b>Financial assets</b>			
Trade receivables	-	2,814,266	2,814,266
Other receivables and deposits	-	3,646	3,646
Amount owing by subsidiaries	9,318	2,747,473	2,756,791
Deposits with licensed banks and financial institutions	-	1,461,542	1,461,542
Cash and bank balances	233,302	1,373,484	1,606,786
	<b>242,620</b>	<b>8,400,411</b>	<b>8,643,031</b>
<b>Financial liabilities</b>			
Trade payables	-	410,074	410,074
Other payables and accruals	-	214,096	214,096
Bills payable	-	1,226,083	1,226,083
	<b>-</b>	<b>1,850,253</b>	<b>1,850,253</b>
<b>Net financial assets</b>	<b>242,620</b>	<b>6,550,158</b>	<b>6,792,778</b>
Less: Net financial assets denominated in the Company's functional currency	-	(6,550,158)	(6,550,158)
<b>Currency exposure</b>	<b>242,620</b>	<b>-</b>	<b>242,620</b>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

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**NOTES TO THE FINANCIAL STATEMENTS  
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**36. FINANCIAL INSTRUMENTS (CONT'D)**

**(a) Financial Risk Management Policies (Cont'd)**

**(i) Market Risks (Cont'd)**

*(i) Foreign Currency Risk (Cont'd)*

Foreign currency risk sensitivity analysis

The following table details the sensitivity analysis to a reasonably possible change in the foreign currencies as at the end of the reporting period, with all other variables held constant:-

	THE GROUP		THE COMPANY	
	2014 Increase/ (Decrease) RM	2013 Increase/ (Decrease) RM	2014 Increase/ (Decrease) RM	2013 Increase/ (Decrease) RM
<b>Effects on profit after taxation</b>				
Singapore Dollar:				
- strengthened by 5%	220	216	-	-
- weakened by 5%	(220)	(216)	-	-
United States Dollar:				
- strengthened by 5%	83,572	81,686	35,290	12,131
- weakened by 5%	(83,572)	(81,686)	(35,290)	(12,131)
<b>Effects on equity</b>				
Singapore Dollar:				
- strengthened by 5%	220	216	-	-
- weakened by 5%	(220)	(216)	-	-
United States Dollar:				
- strengthened by 5%	83,572	81,686	35,290	12,131
- weakened by 5%	(83,572)	(81,686)	(35,290)	(12,131)
Indonesian Rupiah:				
- strengthened by 5%	(4,497)	1,971	-	-
- weakened by 5%	4,497	(1,971)	-	-

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**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**


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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONT'D)**


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**36. FINANCIAL INSTRUMENTS (CONT'D)****(a) Financial Risk Management Policies (Cont'd)****(i) Market Risks (Cont'd)****(ii) Interest Rate Risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from its interest-bearing borrowings. The Group's policy is to obtain the most favourable interest rate available.

Information relating to the Group's exposure to the interest rate risk of financial liabilities is disclosed in Note 36(a)(iii) to the financial statements.

**Interest rate risk sensitivity analysis**

The following table details the sensitivity analysis to a reasonably possible change in the interest rates as at the end of the reporting period, with all other variables held constant:-

	The Group	
	2014 (Decrease)/ Increase RM	2013 (Decrease)/ Increase RM
<b>Effects on profit after taxation</b>		
Increase of 100 basis points ("bp")	(49,800)	(76,814)
Decrease of 100 bp	49,800	76,814
<b>Effects of equity</b>		
Increase of 100 bp	(49,800)	(76,814)
Decrease of 100 bp	49,800	76,814

**(iii) Equity Price Risk**

The Group does not have any quoted investments and hence is not exposed to equity price risk.

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**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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**SUNZEN BIOTECH BERHAD**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONT'D)**

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**36. FINANCIAL INSTRUMENTS (CONT'D)****(a) Financial Risk Management Policies (Cont'd)****(ii) Credit Risk**

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables, deposits with licensed banks or financial institutions and cash and bank balances. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis.

**(1) Trade receivables**

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of the trade and other receivables as appropriate. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. Impairment is estimated by management based on prior experience and the current economic environment.

**Credit risk concentration profile**

The Group does not have any major concentration of credit risk related to any individual customer or counterparty.

**Exposure to credit risk**

As the Group does not hold any collateral, the maximum exposure to credit risk is represented by the carrying amount of financial assets as at the end of the reporting period.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONT'D)**

**36. FINANCIAL INSTRUMENTS (CONT'D)**

**(a) Financial Risk Management Policies (Cont'd)**

**(ii) Credit Risk (Cont'd)**

**(1) Trade receivables (Cont'd)**

The exposure of credit risk for trade receivables by geographical region is as follows:-

	THE GROUP		THE COMPANY	
	2014 RM	2013 RM	2014 RM	2013 RM
Hong Kong	26,977	106,342	-	17,396
Indonesia	209,924	285,554	-	9,028
Malaysia	6,347,816	7,241,488	2,656,065	2,787,842
Philippines	-	471,424	-	-
Singapore	-	658,463	-	-
Thailand	99,389	91,555	-	-
Vietnam	286,510	359,505	-	-
	<u>6,970,616</u>	<u>9,214,331</u>	<u>2,656,065</u>	<u>2,814,266</u>
Unrealised gain on foreign exchange	31,628	23,992	16,848	-
Provision for doubtful debts	(424,003)	-	(100,331)	-
	<u>6,578,241</u>	<u>9,238,323</u>	<u>2,572,582</u>	<u>2,814,266</u>

The ageing analysis of the Group's trade receivables is as follows:-

	THE GROUP		THE COMPANY	
	2014 RM	2013 RM	2014 RM	2013 RM
Not past due	3,288,550	4,118,617	1,045,808	876,434
Past due and not Impaired:				
- less than 3 months	2,411,746	3,301,323	1,002,165	1,257,858
- 3 to 6 months	636,588	1,528,351	287,969	639,027
- over 6 months	633,732	266,040	320,123	40,947
	<u>6,970,616</u>	<u>9,214,331</u>	<u>2,656,065</u>	<u>2,814,266</u>

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**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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**SUNZEN BIOTECH BERHAD**

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**NOTES TO THE FINANCIAL STATEMENTS****FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONT'D)**

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**36. FINANCIAL INSTRUMENTS (CONT'D)****(a) Financial Risk Management Policies (Cont'd)****(ii) Credit Risk (Cont'd)****(1) Trade receivables (Cont'd)***Trade receivables that are past due but not impaired*

The Group and the Company believes that no impairment allowance is necessary in respect of these trade receivables. They are substantially companies with good collection track record and no recent history of default.

*Trade receivables that are neither past due nor impaired*

A significant portion of trade receivables that are neither past due nor impaired are regular customers that have been transacting with the Group and the Company. The Group and the Company use ageing analysis to monitor the credit quality of the trade receivables. Any receivables having significant balances past due, which are deemed to have higher credit risk, are monitored individually.

**(2) Investments and other financial instruments**

For other financial assets (including deposits with licensed banks and financial institutions and cash and bank balances), the Group and the Company minimise credit risk by dealing exclusively with high credit rating financial institutions.

Short-term funds are made only in liquid securities and only with financial institutions that are reputable and have a strong credit rating.

**(3) Financial guarantees**

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to a subsidiary. The Company monitors on an ongoing basis the results of the subsidiary and repayments made by the subsidiary.

As at the end of the reporting period, there was no indication that the subsidiary would default on repayment.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONT'D)**

**36. FINANCIAL INSTRUMENTS (CONT'D)**

**(a) Financial Risk Management Policies (Cont'd)**

**(iii) Liquidity Risk**

Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):-

THE GROUP 2014	WEIGHTED AVERAGE EFFECTIVE RATE %	CARRYING AMOUNT RM	CONTRACTUAL UNDISCOUNTED CASH FLOWS RM	WITHIN 1 YEAR RM	1-5 YEARS RM	MORE THAN 5 YEARS RM
Trade payables	-	3,384,459	3,384,459	3,384,459	-	-
Other payables and accruals	-	1,083,361	1,083,361	1,083,361	-	-
Bills payable	5.23	360,000	360,000	360,000	-	-
Hire purchase payables	3.88	320,960	351,222	113,053	238,169	-
Term loans	4.87	4,299,010	5,112,720	796,416	3,185,664	1,130,640
		<b>9,447,790</b>	<b>10,291,762</b>	<b>5,737,289</b>	<b>3,423,833</b>	<b>1,130,640</b>
<b>2013</b>						
Trade payables	-	3,714,645	3,714,645	3,714,645	-	-
Other payables and accruals	-	1,133,663	1,133,663	1,133,663	-	-
Amount owing to Directors	-	8,819	8,819	8,819	-	-
Bills payable	3.36	2,656,745	2,656,745	2,656,745	-	-
Hire purchase payables	3.69	175,669	189,958	85,922	104,036	-
Term loans	4.72	4,848,977	5,855,601	796,416	3,185,664	1,873,521
		<b>12,538,518</b>	<b>13,559,431</b>	<b>8,396,210</b>	<b>3,289,700</b>	<b>1,873,521</b>

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

**SUNZEN BIOTECH BERHAD**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONT'D)**

**36. FINANCIAL INSTRUMENTS (CONT'D)**

**(a) Financial Risk Management Policies (Cont'd)**

**(iii) Liquidity Risk (Cont'd)**

THE COMPANY 2014	WEIGHTED AVERAGE EFFECTIVE RATE %	CARRYING AMOUNT RM	CONTRACTUAL UNDISCOUNTED CASH FLOWS RM	WITHIN 1 YEAR RM	1 - 5 YEARS RM	MORE THAN 5 YEARS RM
Trade payables	-	581,100	581,100	581,100	-	-
Other payables and accruals	-	263,074	263,074	263,074	-	-
		844,174	844,174	844,174	-	-
2013						
Trade payables	-	410,074	410,074	410,074	-	-
Other payables and accruals	-	214,096	214,096	214,096	-	-
Bills payable	3.36	1,226,083	1,226,083	1,226,083	-	-
		1,850,253	1,850,253	1,850,253	-	-

**(b) Capital Risk Management**

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support its businesses and maximise shareholder value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to its shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio. The Group's strategies were unchanged from the previous financial year. The debt-to-equity ratio is calculated as net debt divided by total equity. Net debt is calculated as borrowings plus trade and other payables less cash and cash equivalents.



**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

**SUNZEN BIOTECH BERHAD**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONT'D)**

**36. FINANCIAL INSTRUMENTS (CONT'D)**

**(b) Capital Risk Management (Cont'd)**

The debt-to-equity ratio of the Group as at the end of the reporting period was as follows:-

	THE GROUP	
	2014 RM	2013 RM
Trade payables	3,384,459	3,714,645
Other payables and accruals	1,083,361	1,133,663
Bills payable	360,000	2,656,745
Hire purchase payables	320,960	175,669
Term loans	4,299,010	4,848,977
	<u>9,447,790</u>	<u>12,529,699</u>
Less: Deposits with licensed banks and financial institutions	(6,304,481)	(3,252,324)
Less: Cash and bank balances	<u>(8,934,384)</u>	<u>(4,708,639)</u>
Net debt	<u>(5,791,075)</u>	<u>4,568,736</u>
Total equity	<u>50,308,693</u>	<u>32,564,326</u>
Net debt-to-equity ratio	<u>N/A</u>	<u>0.14</u>

Under the requirements of Bursa Malaysia Guidance Note No. 3/2006, the Company is required to maintain its shareholders' equity equal to or not less than the 25% of the issued and paid-up share capital (excluding treasury shares) of the Company. The Company has complied with this requirement.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

**SUNZEN BIOTECH BERHAD**

(Incorporated in Malaysia)  
Company No : 680889 - W

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONT'D)**

**36. FINANCIAL INSTRUMENTS (CONT'D)**

**(c) Classification of Financial Instruments**

	THE GROUP		THE COMPANY	
	2014 RM	2013 RM	2014 RM	2013 RM
<b>Financial Assets</b>				
<u>Loans and receivables</u>				
Trade receivables	6,578,241	9,238,323	2,572,582	2,814,266
Other receivables and deposits	960,225	290,279	43,571	3,646
Amount owing by subsidiaries	-	-	446,692	2,756,791
Deposits with licensed banks and financial institutions	6,304,481	3,252,324	4,461,271	1,461,542
Cash and bank balances	8,934,384	4,708,639	4,304,094	1,606,786
	<u>22,777,331</u>	<u>17,489,565</u>	<u>11,828,210</u>	<u>8,643,031</u>
<b>Financial Liabilities</b>				
<u>Other financial liabilities</u>				
Trade payables	3,384,459	3,714,645	581,100	410,074
Other payables and accruals	1,083,361	1,133,663	263,074	214,096
Amount owing to Directors	-	8,819	-	-
Bills payable	360,000	2,656,745	-	1,226,083
Hire purchase payables	320,960	175,669	-	-
Term loans	4,299,010	4,848,977	-	-
	<u>9,447,790</u>	<u>12,538,518</u>	<u>844,174</u>	<u>1,850,253</u>

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**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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**SUNZEN BIOTECH BERHAD**

(Incorporated in Malaysia)  
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONT'D)**

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**36. FINANCIAL INSTRUMENTS (CONT'D)****(d) Fair Values of Financial Instruments**

The carrying amounts of the financial assets and financial liabilities reported in the financial statements approximated their fair values.

The following summarises the methods used to determine the fair values of the financial instruments:-

- (i) The financial assets and financial liabilities maturing within the next 12 months approximated their fair values due to the relatively short-term maturity of the financial instruments.
- (ii) The fair value of quoted investments is estimated based on their quoted market prices as at the end of the reporting period.
- (iii) The fair value of hire purchase payables is determined by discounting the relevant cash flows using current interest rates for similar instruments as at the end of the reporting period.
- (iv) The carrying amounts of the term loans approximated their fair values as these instruments bear interest at variable rates.

**(e) Fair Value Hierarchy**

As at 31 December 2014, there were no financial instruments carried at fair values.

**37. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR**

On 21 April 2014, the Company issued 49,756,260 Warrants 2014/2019 on the basis of one (1) warrant for every three (3) existing ordinary shares of RM0.10 each held in the Company. The Warrants 2014/2019 were listed on the ACE Market of Bursa Malaysia Securities Berhad.

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**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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**SUNZEN BIOTECH BERHAD**

(Incorporated in Malaysia)  
Company No : 680889 - W

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONT'D)**

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**38. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD**

- (a) On 6 January 2015, the Company had acquired a wholly owned subsidiary, Sunzen Eservices Sdn Bhd, for a total consideration of RM10.

On 23 January 2015, Sunzen Venture Sdn Bhd (formerly known as Sunzen Eservices Sdn Bhd) acquired a wholly owned subsidiary, Sunzen International Investment Limited, incorporated as a limited company in Hong Kong, for a total consideration of HKD100.

- (b) The Company has placed a corporate guarantee in favour of Zuellig Pharma Sdn Bhd as guarantee for its subsidiary, Sunzen Corporation Sdn Bhd, for due payment, all liabilities and obligation in respect of the supply of goods, and subject to the terms and conditions as stipulated in respect of the Letter of Corporate Guarantee for credit limits of up to RM2,500,000 dated 27 January 2015.
- (c) On 15 April 2015, an Extraordinary General Meeting was held, in which shareholders of the Company had granted the approval to the Board for the following:-
- (i) a bonus issue of up to 109,523,280 new ordinary shares to the shareholders of the Company on the basis of one (1) bonus share for every two (2) existing ordinary shares of RM0.10 each held at book closure date on 5 May 2015, 5pm; and
  - (ii) proposed increase in authorised share capital of the Company from RM25,000,000 to RM50,000,000 comprising 250,000,000 ordinary shares and 500,000,000 ordinary shares respectively.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

**SUNZEN BIOTECH BERHAD**

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**SUPPLEMENTARY INFORMATION**

**39. DISCLOSURE OF REALISED AND UNREALISED PROFITS/(LOSSES)**

The breakdown of the retained profits of the Group and of the Company as at the end of the reporting period into realised and unrealised profits/(losses) are presented in accordance with the directive issued by Bursa Malaysia Securities Berhad and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants, as follows:-

	THE GROUP		THE COMPANY	
	2014 RM	2013 RM	2014 RM	2013 RM
Total retained profits:				
- realised	20,836,143	19,832,421	572,181	1,997,912
- unrealised	(1,442,591)	(392,794)	(567)	(35,990)
At 31 December	<u>19,393,552</u>	<u>19,439,627</u>	<u>571,614</u>	<u>1,961,922</u>

**UNAUDITED CONSOLIDATED FINANCIAL RESULTS OF OUR GROUP FOR THE NINE (9)-  
MONTH PERIOD ENDED 30 SEPTEMBER 2015**

(Company No : 680889-W)

SUNZEN BIOTECH BERHAD  
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2015



	Current Quarter Ended 30.09.2015 (Unaudited) RM'000	Corresponding Quarter Ended 30.09.2014 (Unaudited) RM'000	Current Year-To-Date Ended 30.09.2015 (Unaudited) RM'000	Corresponding Year-To-Date Ended 30.09.2014 (Unaudited) RM'000
Revenue	6,192	8,461	23,299	26,782
<b>Operating profit</b>	<b>1,769</b>	<b>2,577</b>	<b>6,364</b>	<b>8,824</b>
Operating expenses	(2,119)	(2,417)	(5,969)	(7,806)
Finance expenses	(60)	(75)	(187)	(235)
<b>(Loss)/Profit before taxation</b>	<b>(410)</b>	<b>85</b>	<b>208</b>	<b>783</b>
Tax expense	(58)	(77)	(105)	(231)
<b>(Loss)/Profit after taxation</b>	<b>(468)</b>	<b>8</b>	<b>103</b>	<b>552</b>
<b>Other comprehensive income/(loss), net of tax</b> <i>Items that may be reclassified subsequently to profit or loss</i>				
Surplus on revaluation of property	-	12,523	-	12,523
Foreign currency translation	(1)	(2)	26	42
	(1)	12,521	26	12,565
<b>Total comprehensive (loss)/income</b>	<b>(469)</b>	<b>12,529</b>	<b>129</b>	<b>13,117</b>
(Loss)/Profit after taxation attributable to owners of:				
- the Company	(467)	8	104	552
- non-controlling interest	(1)	-	(1)	-
	(468)	8	103	552
Total comprehensive (loss)/income attributable to owners of:				
- the Company	(468)	12,529	130	13,117
- non-controlling interest	(1)	-	(1)	-
	(469)	12,529	129	13,117
Earnings per share (sen) attributable to Owners of the Company:				
- Basic	(0.17)	0.00 ^	0.04	0.23

Note:-

^ 0.003 sen

The above condensed consolidated statement of profit and loss and other comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2014 and the accompanying explanatory notes attached to the interim financial statements.

**UNAUDITED CONSOLIDATED FINANCIAL RESULTS OF OUR GROUP FOR THE NINE (9)-  
MONTH PERIOD ENDED 30 SEPTEMBER 2015 (CONT'D)**

(Company No : 680889-W)

**SUNZEN BIOTECH BERHAD**  
(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 SEPTEMBER 2015**

	As At Financial Year Quarter 30.09.2015 (Unaudited) RM'000	As At Financial Year End 31.12.2014 (Audited) RM'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	33,112	29,451
Product development expenditure	-	-
	<u>33,112</u>	<u>29,451</u>
<b>Current assets</b>		
Inventories	10,514	8,416
Trade receivables	6,922	6,578
Other receivables, deposits and prepayments	3,083	960
Tax refundable	991	608
Fixed and short term deposits with licensed banks	4,466	6,305
Cash and bank balances with licensed banks and other financial institution	6,406	8,934
	<u>32,382</u>	<u>31,801</u>
<b>TOTAL ASSETS</b>	<u>65,494</u>	<u>61,252</u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	29,374	16,577
Share premium	-	7,155
Treasury shares	(88)	(39)
Retained profits	16,935	19,394
Revaluation reserves	15,651	15,651
Merger deficit	(8,397)	(8,397)
Currency translation reserve	(4)	(30)
<b>Attributable to owners of the Company</b>	<u>53,471</u>	<u>50,311</u>
Non-controlling interest	29	-
<b>TOTAL EQUITY</b>	<u>53,500</u>	<u>50,311</u>
<b>Non-current liabilities</b>		
Deferred taxation	1,487	1,494
Hire purchase payables	115	221
Term loans	3,272	3,725
	<u>4,874</u>	<u>5,440</u>
<b>Current Liabilities</b>		
Trade payables	4,395	3,384
Bill payable	-	360
Other payables and accruals	2,062	1,083
Hire purchase payables	64	100
Term loans	598	574
Provision for taxation	1	-
	<u>7,120</u>	<u>5,501</u>
<b>TOTAL LIABILITIES</b>	<u>11,994</u>	<u>10,941</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>65,494</u>	<u>61,252</u>
<b>Net assets per share (RM) attributable to owners of the Company</b>	<u>0.18</u>	<u>0.30</u>

Note:-

The above condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2014 and the accompanying explanatory notes attached to the interim financial statements.

The net assets per share attributable to owners of the Company is calculated based on net assets value divided by the number of ordinary shares in issue at the end of the reporting period of 293,738,098 (2014 - 165,618,666).

**UNAUDITED CONSOLIDATED FINANCIAL RESULTS OF OUR GROUP FOR THE NINE (9)-  
MONTH PERIOD ENDED 30 SEPTEMBER 2015 (CONT'D)**

(Company No : 680889-W)

SUNZEN BIOTECH BERHAD  
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2015

	Share Capital RM'000	Share Premium RM'000	Treasury Shares RM'000	Revaluation Reserves RM'000	Merger Deficit RM'000	Currency Translation Reserve RM'000	Retained Profits RM'000	Attributable to owners of the Company RM'000	Non- Controlling Interest RM'000	Total Equity RM'000
<b>Quarter ended 30 September 2015</b>										
<b>(Unaudited)</b>										
Balance at 1 January 2015	16,577	7,155	(39)	15,651	(8,397)	(30)	19,394	50,311	-	50,311
Profit after taxation for the financial period	-	-	-	-	-	-	104	104	(1)	103
Other comprehensive income for the financial period, net of tax:										
- Foreign currency translation	-	-	-	-	-	26	-	26	-	26
Total comprehensive income for the financial period	-	-	-	-	-	26	104	130	(1)	129
Issuance of shares	12,797	(7,155)	-	-	-	-	(2,563)	3,079	30	3,109
Purchase of own shares	-	-	(49)	-	-	-	-	(49)	-	(49)
<b>Balance at 30 September 2015</b>	<b>29,374</b>	<b>-</b>	<b>(88)</b>	<b>15,651</b>	<b>(8,397)</b>	<b>(4)</b>	<b>16,935</b>	<b>53,471</b>	<b>29</b>	<b>53,500</b>
<b>Quarter ended 30 September 2014</b>										
<b>(Unaudited)</b>										
Balance at 1 January 2014	14,939	3,520	(14)	3,176	(8,397)	(98)	19,440	32,566	-	32,566
Profit after taxation for the financial period	-	-	-	-	-	-	552	552	-	552
Other comprehensive income for the financial period, net of tax:										
- Surplus on revaluation of property	-	-	-	12,523	-	-	-	12,523	-	12,523
- Foreign currency translation	-	-	-	-	-	42	-	42	-	42
Total comprehensive income for the financial period	-	-	-	12,523	-	42	552	13,117	-	13,117
Interim dividend of RM0.008 per ordinary share of RM0.10 each in respect of financial year ending 31 December 2014	-	-	-	-	-	-	(1,194)	(1,194)	-	(1,194)
Issuance of shares	1	(122)	-	-	-	-	-	(121)	-	(121)
Purchase of own shares	-	-	(14)	-	-	-	-	(14)	-	(14)
<b>Balance at 30 September 2014</b>	<b>14,940</b>	<b>3,398</b>	<b>(28)</b>	<b>15,699</b>	<b>(8,397)</b>	<b>(56)</b>	<b>18,798</b>	<b>44,354</b>	<b>-</b>	<b>44,354</b>

The above condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2014 and the accompanying explanatory notes attached to the interim financial statements.



**UNAUDITED CONSOLIDATED FINANCIAL RESULTS OF OUR GROUP FOR THE NINE (9)-  
MONTH PERIOD ENDED 30 SEPTEMBER 2015 (CONT'D)**

(Company No : 680889-W)

**SUNZEN BIOTECH BERHAD**  
(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2015**

	Current Year To Date Ended 30.09.2015 (Unaudited) RM'000	Corresponding Year To Date Ended 30.09.2014 (Unaudited) RM'000
<b>Cash flows from/(for) operating activities</b>		
Profit before taxation	208	783
<b>Adjustments for:-</b>		
Amortisation of product development expenditure	-	55
Depreciation of property, plant and equipment	601	439
Interest expense	178	222
Inventories written off	192	222
Write down of inventories	(457)	720
Gain on disposal of plant and equipment	(24)	-
Interest income	(166)	(61)
Provision for write off of receivables	-	416
Unrealised (gain)/loss on foreign exchange	(25)	38
Operating profit before working capital changes	<u>507</u>	<u>2,834</u>
Increase in inventories	(1,832)	(619)
(Increase)/Decrease in trade and other receivables	(2,463)	2,405
Increase/(Decrease) in trade and other payables	<u>1,637</u>	<u>(674)</u>
<b>Cash (for)/from operations</b>	<b>(2,151)</b>	<b>3,946</b>
Net tax paid	(495)	(723)
Interest paid	<u>(180)</u>	<u>(223)</u>
<b>Net cash (for)/from operating activities</b>	<b>(2,826)</b>	<b>3,000</b>
<b>Cash flows from/(for) investing activities</b>		
Interest received	166	61
Proceeds from disposal of plant and equipment	130	-
Purchase of property, plant and equipment	<u>(4,369)</u>	<u>(62)</u>
<b>Net cash for investing activities</b>	<b>(4,073)</b>	<b>(1)</b>
<b>Cash flows from/(for) financing activities</b>		
Repayment of term loans	(426)	(410)
Repayment to directors	-	(9)
Repayment of hire purchase obligations	(142)	(83)
Treasury shares	(49)	(14)
Dividend paid	-	(1,194)
Listing expenses	(197)	(122)
Issuance of shares	3,276	1
Proceeds from shares issued to non-controlling interest	30	-
<b>Net cash from/(for) financing activities</b>	<b>2,492</b>	<b>(1,831)</b>
Net (decrease)/increase in cash and cash equivalents	(4,407)	1,168
Cash and cash equivalents at beginning of the financial period	15,239	7,961
Foreign exchange difference	40	4
<b>Cash and cash equivalents at end of the financial period</b>	<b>10,872</b>	<b>9,133</b>
<b>Cash and cash equivalents comprise:</b>		
Fixed and short term deposits with licensed banks	4,466	2,277
Cash and bank balances with licensed banks and other financial institution	6,406	6,856
	<u>10,872</u>	<u>9,133</u>

Note:-

The above condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2014 and the accompanying explanatory notes attached to the interim financial statements.

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**UNAUDITED CONSOLIDATED FINANCIAL RESULTS OF OUR GROUP FOR THE NINE (9)-MONTH PERIOD ENDED 30 SEPTEMBER 2015 (CONT'D)**

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**SUNZEN BIOTECH BERHAD**

(Company No: 680889-W)  
(Incorporated in Malaysia)

**NOTES TO THE INTERIM STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2015****A. NOTES PURSUANT TO THE MALAYSIAN FINANCIAL REPORTING STANDARD 134 (MFRS 134): INTERIM FINANCIAL REPORTING****A1. Basis of reporting preparation**

The unaudited interim financial statements have been prepared in accordance with the Malaysian Financial Reporting Standards (“MFRSs”) 134: “Interim Financial Reporting” issued by the Malaysian Accounting Standards Board (“MASB”) and Chapter 9, Part K of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) for the ACE Market (“ACE LR”). The unaudited interim financial statements should be read in conjunction with the audited annual financial statements of the Group for the financial year ended 31 December 2014.

The following Amendments to MFRSs applicable to the Group have been adopted with effect from 1 January 2015. The adoption of the amendments did not have any material impacts on the financial statements of the Group.

- Amendment to MFRS 119, Defined Benefit Plans: Employee Contributions
- Annual Improvements to MFRSs 2010 - 2012 Cycle
- Annual Improvements to MFRSs 2011 - 2013 Cycle

The following revised MFRSs and Amendments to MFRSs issued by the MASB are not yet effective for adoption by the Group and are not expected to have any material impacts on the financial statements of the Group.

**Amendments effective for financial periods beginning on or after 1 January 2016**

- Annual Improvements to MFRSs 2012 - 2014 Cycle
- Amendment to MFRS 10 and MFRS 128, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to MFRS 11, Accounting for Acquisitions of Interests in Joint Operations
- MFRS 14, Regulatory Deferral Accounts
- Amendments to MFRS 101, Disclosure Initiative
- Amendments to MFRS 116 and MFRS 138, Clarification of Acceptance Methods of Depreciation and Amortisation
- Amendments to MFRS 116 and MFRS 141, Agriculture: Bearer Plants
- Amendments to MFRS 127, Equity Method in Separate Financial Statements
- Amendments to MFRS 10, MFRS 12 and MFRS 128, Investment Entities: Applying the Consolidation Exception

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**UNAUDITED CONSOLIDATED FINANCIAL RESULTS OF OUR GROUP FOR THE NINE (9)-MONTH PERIOD ENDED 30 SEPTEMBER 2015 (CONT'D)**

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**SUNZEN BIOTECH BERHAD**

(Company No: 680889-W)

(Incorporated in Malaysia)

**A1. Basis of reporting preparation (Cont'd)****Amendments effective for financial periods beginning on or after 1 January 2017**

- MFRS 15, Revenue from Contracts with Customers

**Amendments effective for financial periods beginning on or after 1 January 2018**

- MFRS 9, Financial Instruments (IFRS 9 issued by IASB in July 2014)

**A2. Auditors' report on preceding annual financial statements**

The audited financial statements of the Company and its subsidiaries for the FYE 31 December 2014 were not subjected to any qualification.

**A3. Seasonal or cyclical factors**

The principal business operations of the Group were not significantly affected by seasonal or cyclical factors during the current quarter under review.

**A4. Items of unusual nature and amount**

There were no items affecting assets, liabilities, equity, net income or cash flows that were unusual because of their nature, size or incidence during the current quarter under review.

**A5. Material changes in estimates**

There were no material changes in estimates of amounts reported that will have a material effect in the current quarter under review.

**A6. Issuances, cancellations, repurchase, resale and repayments of debt and equity securities**

In the current quarter under review, there were conversions of 7,102,750 free Warrants 2014/2019 into ordinary shares of RM0.10 each, total number of ordinary shares in issue had increased to 293,738,098 shares. Balance number of treasury shares held as of 30 September 2015 were 248,000 shares with carrying amount of RM87,854.

**A7. Dividend paid**

There was no dividend payment made during the current quarter under review.

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**UNAUDITED CONSOLIDATED FINANCIAL RESULTS OF OUR GROUP FOR THE NINE (9)-MONTH PERIOD ENDED 30 SEPTEMBER 2015 (CONT'D)**


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**SUNZEN BIOTECH BERHAD**

(Company No: 680889-W)

(Incorporated in Malaysia)

**A8. Segmental information**

Segmental revenue on the basis of geographical market is as follows:-

Geographical Market	Current Year-To-Date Ended 30 September 2015 RM'000	Corresponding Year-To-Date Ended 30 September 2014 RM'000
Asia other than Malaysia	4,763	6,620
Middle East	-	299
Total export revenue	4,763	6,919
Malaysia	18,536	19,863
Total export and local revenue	23,299	26,782

For current year-to-date, revenue contribution from export and domestic markets indicated a contraction of 31.16% and 6.68% respectively compared to a year earlier. Export revenue contributed about 20.44% of total revenue for current year-to-date versus 25.83% in the corresponding year.

**A9. Valuation of property, plant and equipment**

Revaluation of the Group's freehold lands and buildings has been brought forward without any amendments from the financial statement for FYE 31 December 2014.

**A10. Capital commitments**

At the end of the reporting date, there were no outstanding capital commitments not provided for in the interim statements under review.

**A11. Material subsequent event after the Reporting Period**

There were no material events subsequent to the end of the current quarter that have not been reflected in the financial statements, which are likely to substantially affect the current quarter results under review.

**A12. Changes in the Composition of the Group**

For the current quarter under review, there were no changes in the composition of the Group.

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**UNAUDITED CONSOLIDATED FINANCIAL RESULTS OF OUR GROUP FOR THE NINE (9)-MONTH PERIOD ENDED 30 SEPTEMBER 2015 (CONT'D)**


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**SUNZEN BIOTECH BERHAD**

(Company No: 680889-W)

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**A13. Contingent Liabilities**

Save for the following corporate guarantees, neither the Company nor its subsidiaries have any contingent liabilities at the end of the reporting period, which upon becoming enforceable, may have a material effect on the financial position of the Group.

The Company has placed a corporate guarantee amounting to RM17,131,000 in favour of Maybank Islamic Berhad in relation to Islamic banking facilities granted to Sunzen Corporation Sdn Bhd as follows:

<b>Islamic Banking Facility</b>	<b>Corporate Guarantee RM'000</b>	<b>Facility Limit RM'000</b>	<b>Balance As At 30 September 2015 RM'000</b>
Bank overdraft	500	500	-
Trade line	6,000	6,000	-
Term loans	10,631	6,465	3,870
<b>Total</b>	<b>17,131</b>	<b>12,965</b>	<b>3,870</b>

The Company has also created a corporate guarantee in favour of Zuellig Pharma Sdn Bhd for due payment, all liabilities and obligation relating to supply of Zoetis products to Sunzen Corporation Sdn Bhd with credit limits of up to RM2.5 million.

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**UNAUDITED CONSOLIDATED FINANCIAL RESULTS OF OUR GROUP FOR THE NINE (9)-MONTH PERIOD ENDED 30 SEPTEMBER 2015 (CONT'D)**


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**SUNZEN BIOTECH BERHAD**

(Company No: 680889-W)

(Incorporated in Malaysia)

**B. ADDITIONAL INFORMATION REQUIRED UNDER THE ACE LR****B1. Review of performance of the Company and its principal subsidiaries for the current quarter and financial year-to-date**

	<b>Current Quarter Ended 30 September 2015 RM'000</b>	<b>Corresponding Quarter Ended 30 September 2014 RM'000</b>	<b>Current Year-To-Date Ended 30 September 2015 RM'000</b>	<b>Corresponding Year-To-Date Ended 30 September 2014 RM'000</b>
Revenue	6,192	8,461	23,299	26,782
(Loss)/Profit before taxation ("PBT")	(410)	85	208	783

In the current quarter, the Group posted a 26.82% decrease in revenue contribution to RM6.19 million from RM8.46 million in the corresponding period of 2014, attributed to mainly the decrease in sales volume achieved for local and export markets in the current quarter. Current year-to-date's revenue was down by 13.01% or RM3.48 million compared to the previous year.

The fall in Group's revenue and higher products costs in respect of trading products in particular, have resulted in reporting a pre-tax loss of RM410,000 in the current quarter. PBT for current year-to-date was down by 73.44% to RM208,000 from RM783,000 in a year earlier.

**B2. Review of performance of the operating segments of the Company and its principal subsidiaries for the current quarter and financial year-to-date**

<b>Revenue</b>	<b>Current Quarter Ended 30 September 2015 RM'000</b>	<b>Corresponding Quarter Ended 30 September 2014 RM'000</b>	<b>Current Year-To-Date Ended 30 September 2015 RM'000</b>	<b>Corresponding Year-To-Date Ended 30 September 2014 RM'000</b>
Trading	2,280	4,162	10,338	13,369
Manufacturing	3,912	4,299	12,961	13,413
<b>Total</b>	<b>6,192</b>	<b>8,461</b>	<b>23,299</b>	<b>26,782</b>

**UNAUDITED CONSOLIDATED FINANCIAL RESULTS OF OUR GROUP FOR THE NINE (9)-MONTH PERIOD ENDED 30 SEPTEMBER 2015 (CONT'D)**

**SUNZEN BIOTECH BERHAD**

(Company No: 680889-W)

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Revenue from trading and manufacturing of animal health products was down by 45.22% and 9.00% respectively in the current quarter relative to corresponding period. For current year-to-date, trading product's revenue had decreased by 22.67% while manufacturing product was slightly down by 3.37% year-on-year.

**B3. Profit before taxation**

Profit before taxation is arrived at after (charging)/crediting:-

	Current Quarter Ended 30 September 2015 RM'000	Corresponding Quarter Ended 30 September 2014 RM'000	Current Year-To-Date Ended 30 September 2015 RM'000	Corresponding Year-To-Date Ended 30 September 2014 RM'000
Interest income	55	18	166	61
Interest expense	(58)	(72)	(178)	(222)
Depreciation and Amortisation	(292)	(187)	(601)	(494)
Provision for write off of receivables	-	-	-	(416)
Inventories written off	(3)	-	(192)	(222)
Write down of inventories	(59)	(435)	457	(720)
Gain on disposal of plant and property	-	-	24	-
Gain/(loss) on foreign exchange:				
- realised	80	48	151	106
- unrealised	(68)	4	25	(38)

**B4. Material changes in the Current Quarter's results compared to the results of the immediate Preceding Quarter**

	Current Quarter Ended 30 September 2015 RM'000	Preceding Quarter Ended 30 June 2015 RM'000	Variance	
			RM'000	%
Revenue	6,192	9,071	(2,879)	(31.74)
PBT	(410)	195	(605)	(310.26)

Group's revenue, quarter-on-quarter slipped by 31.74% to RM6.19 million in the third quarter ended 30 September 2015. PBT turned into a negative in the third quarter on lower sales volume and higher products costs in contrast with a pre-tax profit of RM195,000 in the preceding quarter.

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**UNAUDITED CONSOLIDATED FINANCIAL RESULTS OF OUR GROUP FOR THE NINE (9)-MONTH PERIOD ENDED 30 SEPTEMBER 2015 (CONT'D)**


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**SUNZEN BIOTECH BERHAD**

(Company No: 680889-W)

(Incorporated in Malaysia)

**B5. Prospects**

There has been a steady growth in the consumption of animal feeds in livestock industry with the increased consumption of livestock products in tandem with growing global population, economic affluence as well as our government's initiatives to promote national food safety and self-sufficiency of livestock, which are likely to boost the livestock industry. Based on above positive trend for livestock industry and the on-going expansion plans the Group embarked on, it is of the view that the outlook of the Group is expected to be promising.

**B6. Profit forecast and profit guarantee**

No profit forecast or profit guarantee has been issued by the Group for the current quarter under review.

**B7. Taxation**

	<b>Current Quarter Ended 30 September 2015 RM'000</b>	<b>Corresponding Quarter Ended 30 September 2014 RM'000</b>	<b>Current Year-To-Date Ended 30 September 2015 RM'000</b>	<b>Corresponding Year-To-Date Ended 30 September 2014 RM'000</b>
<b><u>Income tax expense:-</u></b>				
Current financial year	58	32	111	205
Overprovision in previous financial year	-	-	-	-
	58	32	111	205
<b><u>Deferred tax expense:-</u></b>				
Current financial year	-	45	(6)	26
	-	45	(6)	26
Tax expense	58	77	105	231

The Company's wholly-owned subsidiary, Sunzen LifeSciences Sdn. Bhd. was awarded the BioNexus status incentive under the Promotion of Investment Act, 1986 by the Ministry of Finance, with the recommendation made by Malaysian Biotechnology Corporation Sdn. Bhd. on 23 July 2007. Accordingly, the subsidiary is granted 100% tax exemption from the statutory income derived from the production of in-feed anti bacterial products and supplements for animal health products for a period of 10 years commencing from 1 January 2010 to 31 December 2019.



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**UNAUDITED CONSOLIDATED FINANCIAL RESULTS OF OUR GROUP FOR THE NINE (9)-MONTH PERIOD ENDED 30 SEPTEMBER 2015 (CONT'D)**


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**SUNZEN BIOTECH BERHAD**

(Company No: 680889-W)

(Incorporated in Malaysia)

**B8. Status of Corporate Proposal**

Bursa Securities had, vide its letter dated 20 October 2015, granted its approval on the following:

- (a) admission to Official List of Bursa Securities for up to 192,579,515 Warrants to be issued pursuant to the Proposed Rights Issue of Shares with Warrants; and
- (b) listing of and quotation for:
  - (i) up to 192,579,515 Rights Shares;
  - (ii) up to 5,327,525 Adjustment Warrants (subject to a final revision);
  - (iii) such number of additional new Sunzen Shares, representing up to 30% of the issued and paid-up capital of Sunzen (excluding treasury shares) to be issued for the exercise of SIS Options pursuant to the Proposed SIS; and
  - (iv) up to 197,907,040 new Sunzen Shares to be issued pursuant to the exercise of up to 192,579,515 Warrants and up to 5,327,525 Adjustment Warrants (subject to a final revision).

**Warrants 2014/2019 with exercise right expiring on 14 April 2019**

At year-to-date ended 30 September 2015, total number of Warrants 2014/2019 that had converted into ordinary shares at RM0.10 each and the number of unexercised warrants as follows:

Total number of warrants listed	Total number of warrants converted into ordinary shares	Total number of unexercised warrants
61,486,246	34,258,485	27,227,761

**UNAUDITED CONSOLIDATED FINANCIAL RESULTS OF OUR GROUP FOR THE NINE (9)-MONTH PERIOD ENDED 30 SEPTEMBER 2015 (CONT'D)**

**SUNZEN BIOTECH BERHAD**

(Company No: 680889-W)

(Incorporated in Malaysia)

**B8. Status of Corporate Proposal (Cont'd)**

**Utilisation of Private Placement proceeds**

As at the announcement date of this report, the total gross proceeds of RM5.356 million raised from Private Placement of 14,880,000 ordinary shares placed out at RM0.36 each has been fully utilised as follows:

Purpose	Proposed utilisation RM'000	Actual utilisation RM'000	Intended timeframe for utilisation from the listing date* (Months)	Deviation		Explanation
				RM'000	%	
Upgrading/ purchase of plant and machinery	5,181	5,244	24	(63)		
Estimated listing expenses	175	112	0.5	63		Note <sup>(1)</sup>
Total	5,356	5,356		-		

Notes:

\* Listing of Placement Shares on 14 November 2014.

(1) The surplus amount of the listing expenses incurred has been adjusted to the upgrading/purchase of plant and machinery.

**B9. Group borrowings and debt securities**

The Group's borrowings as at 30 September 2015 were as follows:

	Secured RM'000	Unsecured RM'000	Total RM'000
<u>Short-term borrowings:-</u>			
Bills payable	-	-	-
Hire purchases	64	-	64
Term loans	598	-	598
	662	-	662
<u>Long-term borrowings:-</u>			
Hire purchases	115	-	115

**UNAUDITED CONSOLIDATED FINANCIAL RESULTS OF OUR GROUP FOR THE NINE (9)-MONTH PERIOD ENDED 30 SEPTEMBER 2015 (CONT'D)**

**SUNZEN BIOTECH BERHAD**

(Company No: 680889-W)

(Incorporated in Malaysia)

Term loans	3,272	-	3,272
	3,387	-	3,387
Total	4,049	-	4,049

The above borrowings are denominated in Ringgit Malaysia.

**B10. Material Litigation**

As at the date of this announcement, neither the Company nor any of its subsidiaries is engaged in any material litigation and arbitration either as plaintiff or defendant, which has a material effect on the financial position of the Company or its subsidiaries and the Directors are not aware of any proceedings pending or threatened or of any facts likely to give rise to any proceedings which might materially and adversely affect the financial position or business of the Company or its subsidiaries.

**B11. Dividend declared or recommended**

There was no dividend declared by the Board in the current quarter.

**B12. Earnings per share**

Basic earnings per share is calculated by dividing the Group's profit after taxation attributable to owners of the Company for the period over the weighted average number of ordinary shares in issue excluding treasury shares during the financial period. For comparative purpose, basic earnings per share for the corresponding period is restated to take Bonus Issue of shares into consideration.

	Current Quarter Ended 30 September 2015	Corresponding Quarter Ended 30 September 2014	Current Year-To-Date Ended 30 September 2015	Corresponding Year-To-Date Ended 30 September 2014
Group's (loss)/profit after taxation attributable to owners of the Company (RM'000)	(468)	8	103	552
Weighted average number of ordinary shares in issue excluding treasury shares	274,466,816	244,504,613	274,466,816	244,504,613
Basic earnings per share (sen)	(0.17)	0.00 <sup>^</sup>	0.04	0.23

Note:-

<sup>^</sup> 0.003 sen

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**UNAUDITED CONSOLIDATED FINANCIAL RESULTS OF OUR GROUP FOR THE NINE (9)-MONTH PERIOD ENDED 30 SEPTEMBER 2015 (CONT'D)**


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**SUNZEN BIOTECH BERHAD**

(Company No: 680889-W)

(Incorporated in Malaysia)

**B13. Disclosure of Realised and Unrealised Profits or Losses**

The breakdown of the retained profits of the Group at the end of the reporting period is presented in accordance with the directive issued by Bursa Securities and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Securities Listing Requirements, as issued by the Malaysian Institute of Accountants.

	<b>Current Year-To-Date Ended 30 September 2015 RM'000</b>	<b>Corresponding Year-To-Date Ended 30 September 2014 RM'000</b>
<b>Total retained profits of the Group:-</b>		
- realised	18,345	20,280
- unrealised	(1,410)	(1,482)
 Group's retained profits as per consolidated financial statements	16,935	18,798

This quarterly report for the financial period ended 30 September 2015 has been seen and approved by the Board of Directors of Sunzen Biotech for release to Bursa Securities.

Date: 24 November 2015

DIRECTORS' REPORT



宏誠生物科技有限公司  
SUNZEN BIOTECH BHD  
(680889-W)

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10<sup>th</sup> Floor, Menara Hap Seng  
No. 1 & 3, Jalan P. Ramlee  
50250 Kuala Lumpur

20 JAN 2016

To: Shareholders of Sunzen Biotech Berhad (“Sunzen” or “Company”)

Dear Sir/Madam,

On behalf of the Board of Directors of Sunzen (“Board”), I wish to report that after making due enquiries in relation to our Company and subsidiary companies (“Group”) during the period between 31 December 2014 (being the date on which the latest audited consolidated financial statements have been made up) to the date thereof, being a date not earlier than fourteen (14) days before the date of this Abridged Prospectus that:

- (i) in the opinion of the Board, the business of our Group has been satisfactorily maintained;
- (ii) in the opinion of the Board, no circumstances have arisen since the last audited consolidated financial statements of our Group which have adversely affected the trading or the value of the assets of our Group;
- (iii) the current assets of our Group appear in the books at values which are believed to be realisable in the ordinary course of business;
- (iv) save as disclosed in this Abridged Prospectus, there are no contingent liabilities which have arisen by reason of any guarantees or indemnities given by our Group;
- (v) since the last audited consolidated financial statements of our Group, there has been no default or any known event that could give rise to a default situation, in respect of payment of either interest and/or principal sums in relation to any borrowings; and
- (vi) save as disclosed in this Abridged Prospectus, there have been no material changes in the published reserves or any unusual factors affecting the results of our Group since the last audited consolidated financial statements of our Group.

Yours faithfully  
For and behalf of the Board of  
SUNZEN BIOTECH BERHAD

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

HONG CHOON HUI  
Executive Director cum Chief Executive Officer

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**ADDITIONAL INFORMATION**

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**1. SHARE CAPITAL**

- 1.1 Save for the Rights Shares, Warrants and new Shares to be issued pursuant to the exercise of the Warrants, no securities in our Company will be allotted or issued on the basis of this AP later than twelve (12) months after the date of the issuance of this AP.
- 1.2 As at the date of this AP, there is no founder, management, deferred shares or preference shares in the share capital of our Company. There is only one (1) class of shares in our Company, namely ordinary shares of RM0.10 each, all of which rank *pari passu* with one another.
- 1.3 Save as disclosed below and for the Entitled Shareholders who will be allotted the provisional Rights Shares with Warrants under the Rights Issue of Shares with Warrants, no person has been or is entitled to be granted an option to subscribe for any of our securities as at the LPD:
- (i) the Entitled Shareholders who will be allotted the Provisional Rights Shares with Warrants under the Rights Issue of Shares with Warrants;
  - (ii) up to thirty percent (30%) of the issued and paid-up share capital of our Company (excluding treasury shares) can be issued at any one time during the duration of the scheme for the Eligible Persons after the completion of the Rights Issue of Shares with Warrants. As at the LPD, the SIS has not been implemented; and
  - (iii) the holders of the outstanding Warrants 2014/2019 and/or Adjustment Warrants, who are entitled to subscribe for one (1) new Sunzen Share for each Warrant 2014/2019 or Adjustment Warrant held during the five (5)-year exercise period up to 14 April 2019 at the exercise price of the Warrants 2014/2019 and/or Adjustment Warrants. As at the LPD, our Company has a total of 22,179,114 outstanding Warrants 2014/2019 and under the Minimum Scenario, a total of up to 2,561,564 Adjustment Warrants will be issued.

**2. REMUNERATION OF DIRECTORS**

The provisions in our Articles of Association in respect of the arrangements for the remuneration of Directors are as follows:

***Article 76 – Remuneration of Directors***

- (a) *The Directors shall be paid by way of fees for their services, such fixed sums (if any) as shall from time to time be determined by the Company in general meeting and shall (unless such resolution otherwise provide) be divisible among the Directors as they may agree, or, failing agreement, equally, except that any Director who shall be entitled only to rank in such division for a proportion of the fees related to the period during which he has held office provided always that:*
- (i) *Fees payable to Directors who hold no executive office in the Company shall be paid by a fixed sum and not by a commission on or percentage of profits or turnover;*
  - (ii) *Salaries and other emoluments payable to Directors who hold an executive office in the Company pursuant to a contract of service need not be determined by the Company in general meeting but such salaries and emoluments may not include a commission on or percentage of turnover; and*
  - (iii) *Fees payable to the Directors shall not be increased except pursuant to a resolution passed at a general meeting, where notice of the proposed increase has been given in notice convening the meeting.*

**ADDITIONAL INFORMATION (CONT'D)**

- (b) *The Directors may be entitled to be reimbursed all travelling or such reasonable expenses as may be incurred in attending and returning from meetings of the Directors or of any committee of the Directors or general meeting or otherwise howsoever incurred in the course of the performance of their duties as Directors.*
- (c) *Any Directors who is appointed to any executive office or serves on any committee or who otherwise performs or renders services, which in the opinion of the Directors are outside his ordinary duties as a Directors, may be paid such extra remuneration as the Directors may determine, subject however as is hereinafter provided in this Article.*
- (d) *Any fee paid to an alternate Director shall be such as agreed between himself and the Director nominating him and shall be paid out of the remuneration of the latter.*

**3. MATERIAL CONTRACTS**

Neither we nor our subsidiary companies have entered into any material contracts, (not being contracts entered into in the ordinary course of business) within two (2) years immediately preceding the date of this AP, except for the following:

- (i) Existing Deed Poll;
- (ii) the Deed Poll executed by our Company constituting the Warrants; and
- (iii) Underwriting Agreement to underwrite 55,000,000 Rights Shares together with 55,000,000 Warrants, representing approximately 49.99% of the total size of the Rights Issue of Shares with Warrants based on the Minimum Subscription Level for an underwriting commission of two (2) percent (2.00%) of the total value of the Rights Shares underwritten, amounting to RM291,500 (inclusive of GST of RM16,500).

**4. MATERIAL LITIGATION**

As at the LPD, neither our Company nor our subsidiary companies are engaged in any material litigation, claims or arbitration either as plaintiff or defendant, which has a material effect on the financial position of our Group and there are no other proceedings, pending or threatened, or of any facts likely to give rise to any proceedings, which might materially and adversely affect the business or financial position of our Group, except for the following:

Shah Alam Session Court (Suit No.: A52NCC-404-10/2014) and Shah Alam High Court (Petition No. 28NCC-570-12/2015)

On 30 October 2014, Sunzen Corporation brought an action against Tong Fung Enterprise Sdn Bhd (“**Tong Fung**”) claiming for outstanding sum due to Sunzen Corporation for goods sold and delivered in the amount of RM125,111.96. On 24 November 2014, the cause papers were duly served by registered post on Tong Fung. On 12 December 2014, Shah Alam Session Court has granted a Judgement in Default against Tong Fung for the aforesaid outstanding sum as at 23 September 2013 together with statutory interest at the rate of 5% per annum from 24 September 2013 to the date of full settlement and RM1,280.00 costs. Having served the Sealed Judgement, Tong Fung has to-date not settled the judgement sum.

Sunzen Corporation has on 17 March 2015 instructed Messrs K H Chong & Associates to commence with winding-up proceedings against Tong Fung to recover the total amount of RM125,111.96, interests and costs of RM1,280.00. Subsequently, Sunzen Corporation has on 2 December 2015 initiated winding-up proceedings and the matter has been fixed for hearing at the Shah Alam High Court on 2 March 2016 on the basis that the papers are in order.

**ADDITIONAL INFORMATION (CONT'D)**

Messrs K H Chong & Associates are of the view that, the chances of recovering this sum depends on whether Tong Fung is still operating as an ongoing business concern. If Tong Fung ceases to operate their business and have no assets, then there is a high likelihood that Sunzen Corporation would not be able to recover in this matter. On the other hand, if Tong Fung is still in operation and/or business then they will not allow themselves to be wound up in which there will be a fair chance of recovery by Sunzen Corporation.

Shah Alam Session Court (Suit No.: A52NCC-405-10/2014) and Shah Alam High Court (Bankruptcy No. 29NCC-9169-10/2015)

On 30 October 2014, Sunzen LifeSciences brought an action against Ong Lai Hock (trading as Skalar Enterprise) (“**Ong Lai Hock**”) claiming for outstanding sum due to Sunzen LifeSciences for goods sold and delivered in the amount of RM159,965.00. On 25 November 2014, the cause papers were duly served personally on Ong Lai Hock. On 15 December 2014, Shah Alam Session Court has granted a Judgement in Default against Ong Lai Hock for the aforesaid outstanding sum as at 20 November 2013 together with statutory interest at the rate of 5% per annum from 21 November 2013 to the date of full settlement and RM1,280.00 costs. Having served the Sealed Judgment, Ong Lai Hock has todate not settled the judgement sum.

Sunzen LifeSciences has on 17 March 2015 instructed Messrs K H Chong & Associates to commence with bankruptcy proceedings against Ong Lai Hock to recover the total amount of RM159,965.00, interest and costs of RM1,280.00. Subsequently, Sunzen LifeSciences has on 28 October 2015 initiated the bankruptcy proceedings. This matter is fixed for hearing or case management on 3 May 2016 at the Shah Alam High Court.

Messrs K H Chong & Associates are of the view that, the chances of recovering this sum depends on whether Ong Lai Hock is being pursued by other creditors, owing large sums of money and/or have ceased operations then in such instance, it is unlikely that there is any chance of recovery by Sunzen LifeSciences.

**5. GENERAL**

- 5.1 There is no existing or proposed service contract entered or to be entered into by our Company with any Director or proposed Director, other than those which are expiring or determinable by the employing company without payment of compensation (other than statutory compensation) within one (1) year from the date of this AP.
- 5.2 Save as disclosed in this AP, the financial conditions and operations of our Group are not affected by any of the following:
- (i) known trends or demands, commitments, events or uncertainties that will result in or are reasonably likely to result in our Group’s liquidity increasing or decreasing in any material way;
  - (ii) material commitments for capital expenditure of our Group;
  - (iii) unusual or infrequent events or transactions or significant economic changes that will materially affect the amount of reported income from operations;
  - (iv) known trends or uncertainties that have had or that our Group reasonably expects will have, a material favourable or unfavourable impact on our Group’s revenue or operating income;
  - (v) substantial increase in revenues; and



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**ADDITIONAL INFORMATION (CONT'D)**

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- (vi) material information, including trading factors or risks, which are unlikely to be known or anticipated by the general public and which could materially affect our profits.

**6. CONSENTS**

The Adviser, Joint Underwriters, Company Secretaries, SMITH ZANDER, Principal Banker, Share Registrar, Solicitors for the Rights Issue of Shares with Warrants and Bloomberg Finance L.P. have given and have not subsequently withdrawn their written consents to the inclusion in this AP of their names and all references thereto in the form and context in which they appear in this AP.

The written consent of our Reporting Accountants and Auditors to the inclusion in this AP of their names and letter relating to the pro forma consolidated statements of financial position of our Group as at 31 December 2014 and the audited consolidated financial statements of our Group for the FYE 31 December 2014 respectively, and all references thereto in the form and context in which they appear have been given before the issuance of this AP and have not subsequently been withdrawn.

**7. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at our Registered Office at 10<sup>th</sup> Floor, Menara Hap Seng, No. 1 & 3, Jalan P. Ramlee, 50250 Kuala Lumpur during normal business hours from 9.00 a.m. to 5.00 p.m. from Monday to Friday (excluding public holidays) for the period of twelve (12) months from the date of this AP:

- (i) our Memorandum and Articles of Association;
- (ii) the audited financial statements of our Group for the past two (2) FYEs 31 December 2013 and 31 December 2014 and our latest unaudited consolidated financial results for the nine (9)-month period ended 30 September 2015;
- (iii) the pro forma consolidated statements of financial position as at 31 December 2014 and the Reporting Accountants' letter thereon as set out in **Appendix III** of this AP;
- (iv) the Undertakings referred to in Section 2.4 of this AP;
- (v) the Underwriting Agreement referred to in Section 2.4 of this AP and Section 3 above;
- (vi) Directors' Report referred to as **Appendix VI** of this AP;
- (vii) the material contracts as set out in Section 3 above;
- (viii) the writ and relevant cause papers in relation to the material litigation matters as set out in Section 4 above;
- (ix) the Independent Market Research Report; and
- (x) the letters of consent referred to in Section 6 above.

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**ADDITIONAL INFORMATION (CONT'D)**

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**8. RESPONSIBILITY STATEMENT**

This AP together with its accompanying documents have been seen and approved by our Board and they collectively and individually accept full responsibility for the accuracy of the information given herein and confirm that, after having made all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts, the omission of which would make any statement herein false or misleading.

TA Securities, being the Adviser for the Rights Issue of Shares with Warrants, acknowledges that, based on all available information and to the best of its knowledge and belief, this AP constitutes a full and true disclosure of all material facts concerning this Rights Issue of Shares with Warrants.

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