

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

NOTES TO THE INTERIM REPORT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2008

A. NOTES PURSUANT TO THE FINANCIAL REPORTING STANDARD 134 (FRS 134): INTERIM FINANCIAL REPORTING

A1. Basis of reporting preparation

The interim financial statements are unaudited and have been prepared in accordance with the Financial Reporting Standards 134 (FRS 134):“Interim Financial Reporting” issued by the Malaysian Accounting Standards Board (“MASB”) and Appendix 9B part A of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) for the MESDAQ Market (“MMLR”). This is the first interim financial report on the consolidated results for the second quarter ended 30 June 2008 announced by the Company in compliance with the MMLR and as such, there are no comparative figures for the preceding year’s corresponding period.

The accounting policies and methods of computation adopted by the Sunzen Biotech Berhad (“Sunzen Biotech” or “Company”) and its subsidiaries (“Group”) in this interim financial report are in compliance with the new and revised Financial Reporting Standards issued by the MASB.

The interim financial statements should be read in conjunction with the proforma consolidated financial information (“Proforma Consolidated Financial Information”) and the accountants’ report (“Accountants’ Report”) for the financial period ended 31 March 2008 as disclosed in the prospectus of Sunzen Biotech dated 12 September 2008 (“Prospectus”) and the accompanying explanatory notes attached to this interim financial report.

A2. Summary of significant accounting policies

The significant accounting policies adopted are consistent with the Proforma Consolidated Financial Information and the Accountants’ Report for the financial period ended 31 March 2008 as disclosed in the Prospectus.

A3. Auditors’ report

There was no qualification on the audited financial statements of the Company and its subsidiaries for the financial period ended 31 March 2008.

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A4. Seasonal or cyclical factors

The principal business operations of the Group are not significantly affected by seasonal or cyclical factors during the current quarter under review.

A5. Items of unusual nature and amount

There were no items affecting assets, liabilities, equity, net income or cashflows that are unusual because of their nature, size or incidence during the current quarter under review.

A6. Material changes in estimates

There were no changes in the estimates that had a material effect in the current quarter under review and financial year-to-date.

A7. Issuances, cancellations, repurchase, resale and repayments of debt and equity securities

In conjunction with and as an integral part of the listing of Sunzen Biotech on the MESDAQ Market of Bursa Securities, the Company is undertaking the following transactions:-

- (a) Acquisition by Sunzen Biotech of the entire issued and paid-up share capital of Sunzen Corporation Sdn Bhd (“Sunzen Corporation”) comprising 2,000,000 ordinary shares of RM1.00 each for a total purchase consideration of RM10,397,548 to be satisfied through the issuance of 103,975,480 new ordinary shares of RM0.10 each in Sunzen Biotech (“Sunzen Biotech Shares” or “Shares”) at par;
- (b) Assumption and settlement of advances amounting to RM2,041,482 owed by Sunzen Corporation to its directors and shareholders as at 31 December 2006 by Sunzen Biotech, via the issuance of 20,414,820 Shares;
- (c) Public issue of 25,000,000 new Shares at an indicative issue price of RM0.32 per shares, will be allotted in the following manners:
 - (i) 3,000,000 new Sunzen Biotech Shares will be made available for application by Malaysian citizens, companies, societies, co-operatives and institutions;
 - (ii) 4,000,000 new Sunzen Biotech Shares will be reserved for the eligible Directors, employees and persons who have contributed to the success of the Sunzen Biotech Group; and
 - (iii) 18,000,000 new Sunzen Biotech Shares will be made available for application by way of private placement to selected investors.

(Collectively referred to as “Public Issue”)

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A7. Issuances, cancellations, repurchase, resale and repayments of debt and equity securities (*Cont'd*)

- (d) Upon completion of the Public Issue, the issued and paid-up share capital of the Company will be RM14,939,050 comprising 149,390,500 Sunzen Biotech Shares to be listed on the MESDAQ Market of Bursa Securities.

(Collectively referred to as “Initial Public Offering or “IPO”)

Save for the above, there have been no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the current quarter under review and financial year-to-date.

A8. Dividends paid

The Company paid a tax-exempt interim dividend of RM2,061,053 in respect of the financial year ended 31 December 2007 on 14 April 2008.

A9. Segmental information

Segmental information is not provided as the Group’s primary business segment is principally engaged in the manufacturing and trading in animal health products and its operation is principally located in Malaysia.

A10. Valuation of property, plant and equipment

There was no valuation of the property, plant and equipment in the current quarter under review.

A11. Capital commitments

The Group has no material capital commitments in respect of property, plant and equipment in the current quarter under review.

A12. Material events subsequent to the end of period reported

There are no material events subsequent to the end of the current quarter that have not been reflected in the financial statements for the said period as at the date of issue of this quarterly report.

A13. Changes in the Composition of the Group

There were no changes in the composition of the Group in the current quarter under review and financial year-to-date save for the acquisition of a subsidiary pursuant to the IPO as disclosed in Note A7 in this quarterly report.

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A14. Contingent Liabilities and Contingent Assets

There are no contingent liabilities and contingent assets, which upon becoming enforceable, may have a material effect on the net assets, profits or financial position of our Group under the quarter under review.

B. ADDITIONAL INFORMATION REQUIRED BY THE MMLR

B1. Review of performance of the Company and its principal subsidiaries

For the financial period to date, the Group recorded a pre-tax profit of RM1.74 million.

The sales had increased marginally for the quarter under review. However, the profit margin for the quarter under review has been significantly affected by the increase of the costs of raw materials.

B2. Material changes in the quarterly results compared to the results of the preceding quarter

There were no comparative figures for the immediate preceding quarter as this is the Group's first quarterly report.

B3. Current Year Prospects

The costs of raw materials are expected to continue to increase for the second half of the year. Nevertheless, the Board of Directors remain positive with the Group's prospects for the second half of the year which is expected to be better than the first half of the year and is of the view that the Group is likely to achieve its profit forecast as disclosed in the Prospectus.

B4. Variance between Actual Profit and Forecast Profit

Save for the profit forecast stated in the Prospectus, the Group did not issue any profit forecast or profit guarantee in any public document during the current financial period. Disclosure on explanatory notes for the variance between actual and forecast results would only be provided in the final quarterly report for the current financial year ending 31 December 2008.

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B5. Taxation

	Current Quarter Ended 30-Jun-08 RM'000	Current Year Ended 30-Jun-08 RM'000
Current tax expense	95	218
Deferred tax expense	<u>-</u>	<u>-</u>
	<u>95</u>	<u>218</u>

The effective tax rate of the Group for the current quarter was lower than the statutory tax rate due mainly to the exemption of 70% of its statutory income in respect of the pioneer status awarded to Sunzen Biotech for the manufacturing of its feed additive.

B6. Profit from sale of unquoted investments and/ or properties

There were no disposal of unquoted investment and properties for the current quarter under review and financial year-to-date.

B7. Quoted securities

There was no purchase or disposal of quoted securities for the current quarter under review and financial year to date.

B8. Status of Corporate Proposal

In conjunction with the IPO and pursuant to the Prospectus, the Company carried out the Public Issue and the entire issued and paid-up share capital of the Company comprising 149,390,500 ordinary shares of RM0.10 each will be listed on the MESDAQ Market of Bursa Securities on 8 October 2008.

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B8. Status of Corporate Proposal (Cont'd)**Utilisation of IPO Proceeds**

As at 30 June 2008, the Company has not been listed on the MESDAQ Market of Bursa Securities and henceforth there was no utilisation of IPO proceeds.

B9. Group borrowings and debt securities

The Group's borrowings as at 30 June 2008 are as follows:-

	Secured RM'000	Unsecured RM'000	Total RM'000
<u>Short term borrowing:-</u>			
Bills payable	2,740	-	2,740
Hire Purchases	25	-	25
Term Loan	289	-	289
	<u>3,054</u>	<u>-</u>	<u>3,054</u>
<u>Long Term borrowings:-</u>			
Hire Purchases	33	-	33
Term Loan	4,580	-	4,580
	<u>4,613</u>	<u>-</u>	<u>4,613</u>
Total	<u>7,667</u>	<u>-</u>	<u>7,667</u>

B10. Off Balance Sheet Financial Instruments

The Group does not have any financial instruments with off-balance sheet risk.

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B11. Material Litigation

As at the date of this announcement, neither our Company nor any of our subsidiaries is engaged in any material litigation and arbitration either as plaintiff or defendant, which has a material effect on the financial position of our Company or our subsidiaries and our 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 our Company or our subsidiaries.

B12. Dividend

There was no dividend proposed or declared for the current quarter under review.

B13. Earnings per share

The basic earning per share is calculated based on the Group's profit attributable to equity holders of the Company of RM0.59 million for the current quarter under review and RM1.52 million for current financial period as at 30 June 2008 and on the weighted average number of shares of 50,576,357 as at 30 June 2008.

Fully diluted earnings per share were not computed as there were no outstanding potential ordinary shares to be issued as at the end of the reporting period.

This quarterly report for the financial period ended 30 June 2008 has been seen and approved by the Board of Directors of Sunzen Biotech for release to Bursa Securities.

By order of the Board

Mah Li Chen (MAICSA 7022751)

Lee Wai Kim (MAICSA 7036446)

Companies Secretaries

Date: 6 October 2008