

# SUNZEN BIOTECH BERHAD

(Company No: 680889-W)

(Incorporated in Malaysia)

## NOTES TO THE INTERIM REPORT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2009

### 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”).

The accounting policies and methods of computation adopted by 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 Group’s audited statutory financial statements presented in the Annual Report for the financial year ended (“FYE”) 31 December 2008 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 those adopted for the annual audited financial statements for the FYE 31 December 2008.

#### A3. Auditors’ report

There was no qualification on the audited financial statements of the Company and its subsidiaries for the FYE 31 December 2008.

#### A4. 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.

#### A5. 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.

**A6. Material changes in estimates**

There were no changes in the estimates that had a material effect in the current quarter under review.

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

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

**A8. Dividends paid**

No dividend was paid during the current quarter under review.

**A9. Segmental information**

Segmental information is not provided as the Group is principally engaged in the manufacturing and trading in animal health products and its operations are principally located in Malaysia.

**A10. Valuation of property, plant and equipment**

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

**A11. Capital commitments**

As at the balance sheet date, there were no outstanding capital commitments not provided for in the financial statements.

**A12. Material subsequent event**

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.

**A13. Changes in the Composition of the Group**

There were no changes in the composition of the Group in the current quarter under review.

**A14. Contingent Liabilities and Contingent Assets**

There were 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 for the current quarter under review.

**B. ADDITIONAL INFORMATION REQUIRED BY THE MMLR**

**B1. Review of performance of the Company and its principal subsidiaries for the Current Quarter**

For the current quarter under review, the Group recorded a revenue of RM6.643 million against RM6.153 million in the comparative quarter ended 31 March 2008, an increase of RM0.490 million or 7.96 % mainly due to the increase in sales of Orgacids.

The sales of Orgacids in the current quarter posted an increase of RM0.337 million or 19.54 % to RM2.062 million from RM1.725 million in the comparative quarter ended 31 March 2008. The increase was mainly due to the discovery of a new export market in Iran.

The profit before taxation for the Group decreased by RM0.808 million or 76.59% to RM0.247 million compared to RM1.055 million in the comparative quarter ended 31 March 2008.

The main reasons for the lower profitability in the current quarter were as follows:

- Costs of raw materials for vitamins and minerals still remained high;
- Higher sales promotion expenses incurred during festive season;
- Loss on foreign exchange arising from payment to overseas suppliers in United States Dollar;
- Depreciation charge for the current quarter showed an increase in relation to new factory building, new machinery and new motor vehicles; and
- Incurrence of post listing expenses for corporate advisory service and outsourcing of an internal audit function.

**B2. Material changes in the Current Quarter's results compared to the results of the Immediate Preceding Quarter**

	<b>Current Quarter Ended 31 March 2009 RM'000</b>	<b>Preceding Quarter Ended 31 December 2008 RM'000</b>	<b>Variance</b>	
			<b>RM'000</b>	<b>%</b>
Revenue	6,643	6,643	-	-
Profit/(loss) before taxation ("PBT")/ ("LBT")	247	(14)	261	1,864

The Group recorded a revenue of RM6.643 million for the current quarter, which was exactly the same as the preceding quarter ended 31 December 2008.

**B2. Material changes in the Current Quarter's results compared to the results of the Immediate Preceding Quarter (Cont'd)**

However, the Group recorded a PBT of RM247,000, which was RM261,000 higher than the LBT of RM14,000 incurred in the preceding quarter mainly due to the decline of raw material price for phosphoric acid and the increase in the sales of Orgacids.

**B3. Prospects**

The Board expects the second quarter of 2009 to remain challenging given the current global economic crisis despite initial signs of early recovery in the Asian economies and also the recent outbreak of Influenza A virus subtype H1N1, which may adversely impact the livestock industry.

However, the Board is confident that the Group's profitability will be further improved with the gradual decline in raw material prices for vitamins and minerals and the stabilising of raw material costs for Orgacids.

Moving forward, the Company is in the midst of securing the product registration for Orgacids in China. Upon the successful registration, the Board is confident that this potential new market will boost the sales for Orgacids which in turn improves the profitability of the Group in the future.

**B4. Profit forecast and profit guarantee**

No profit forecast or profit guarantee has been issued by the Group for the current quarter under review.

**B5. Taxation**

	<b>Current Quarter Ended 31 March 2009 RM'000</b>	<b>Comparative Quarter Ended 31 March 2008 RM'000</b>	<b>Cumulative Year to date Ended 31 March 2009 RM'000</b>	<b>Cumulative Year to date Ended 31 March 2008 RM'000</b>
Current tax expense	52	123	52	123
Deferred tax expense	-	-	-	-
	52	123	52	123

The effective tax rate of the Group for the current quarter under review was lower than the statutory tax rate mainly due 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 disposals of unquoted investments and properties for the current quarter under review.

**B7. Quoted securities**

(a) Investments in quoted securities as at 31 March 2009 were as follows:

	<b>Cost RM'000</b>	<b>Market Price RM'000</b>
Quoted shares	11	8

There were no purchases or disposals of quoted securities for the current quarter under review.

**B8. Status of Corporate Proposal**

There was no other corporate proposal announced but not completed as at the date of this announcement.

**Utilisation of IPO Proceeds**

As at 31 March 2009, the status of utilisation of the gross proceeds of RM8 million raised from the public issue was as follows:

<b>Purpose</b>	<b>Proposed utilisation RM'000</b>	<b>Actual utilisation RM'000</b>	<b>Intended timeframe for utilisation from the listing date (Months)</b>	<b>Deviation</b>		<b>Explanation</b>
				<b>RM'000</b>	<b>%</b>	
Research and development	4,770	317	36	-	-	-
Overseas expansion	1,000	12	48	-	-	-
Working capital	430	250	24	-	-	-
Estimated listing expenses	1,800	1,980	3	(180)	(10.00)	N1
<b>Total</b>	<b>8,000</b>	<b>2,530</b>				

*Note:*

*N1 The excess amount of listing expenses incurred during the implementation of the Company's listing exercise.*

**B9. Group borrowings and debt securities**

The Group's borrowings as at 31 March 2009 were as follows:

	<b>Secured RM'000</b>	<b>Unsecured RM'000</b>	<b>Total RM'000</b>
<u>Short term borrowings:-</u>			
Bills payable	2,884	-	2,884
Hire purchases	82	-	82
Term loan	348	-	348
	<u>3,314</u>	<u>-</u>	<u>3,314</u>
	<b>Secured RM'000</b>	<b>Unsecured RM'000</b>	<b>Total RM'000</b>
<u>Long term borrowings:-</u>			
Hire purchases	392	-	392
Term loan	4,180	-	4,180
	<u>4,572</u>	<u>-</u>	<u>4,572</u>
Total	<u>7,886</u>	<u>-</u>	<u>7,886</u>

The above borrowings are denominated in Ringgit Malaysia.

**B10. Off Balance Sheet Financial Instruments**

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

**B11. 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.

**B12. Dividend**

The Board of Directors does not recommend payment of any dividend for the quarter under review.

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**B13. Earnings per share**

The basic earnings per share is calculated based on the Group's profit attributable to equity holders of the Company of RM195,000 for the current quarter ended 31 March 2009 and RM932,000 for comparative quarter ended 31 March 2008 and the weighted average number of shares of 149,390,500 (2009) and 124,390,500 (2008).

This quarterly report for the financial period ended 31 March 2009 has been seen and approved by the Board of Directors of Sunzen Biotech for release to Bursa Securities.

Date: 20 May 2009