

(Company No : 680889-W)

**SUNZEN BIOTECH BERHAD**  
(Incorporated in Malaysia)

**INTERIM FINANCIAL REPORT AS AT 30 JUNE 2009**

**CONDENSED CONSOLIDATED INCOME STATEMENTS  
FOR THE QUARTER ENDED 30 JUNE 2009**

	Current Quarter Ended 30.06.2009 (Unaudited) RM'000	Corresponding Quarter Ended 30.06.2008 (Unaudited) RM'000	Current Year-To-Date Ended 30.06.2009 (Unaudited) RM'000	Corresponding Year-To-Date Ended 30.06.2008 (Unaudited) RM'000
Revenue	6,220	6,886	12,863	13,039
Operating profit	2,108	2,111	4,113	4,601
Operating expenses	(1,556)	(1,323)	(3,213)	(2,674)
Finance costs	(97)	(104)	(198)	(188)
Profit before taxation	455	684	702	1,739
Tax expenses	42	(95)	(10)	(218)
Profit after taxation	497	589	692	1,521
Attributable to:				
Ordinary equity share holders of the parent	497	589	692	1,521
Earnings per share (sen)				
Basic	0.35	1.16	0.48	3.01
Diluted	-	N/A	-	N/A

Notes:-

The condensed consolidated income statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2008 and the accompanying explanatory notes attached to this interim financial report.

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**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**AS AT 30 JUNE 2009**

	As At End Of Current Year Quarter 30.06.2009 (Unaudited) RM'000	As At Financial Year End 31.12.2008 (Audited) RM'000
<b>ASSETS</b>		
<b>Non - current assets</b>		
Property, plant and equipment	9,632	9,363
Product development expenditure	1,303	1,221
Goodwill	58	58
Quoted investment, at cost	11	11
	<u>11,004</u>	<u>10,653</u>
<b>Current assets</b>		
Inventories	12,268	10,712
Trade receivables	5,867	7,398
Other receivables, deposits and prepayments	169	66
Tax refundable	735	1,120
Amount owing by directors	2	-
Fixed and short term deposits with licensed banks	6,200	5,159
Cash and bank balances	3,883	3,828
	<u>29,124</u>	<u>28,283</u>
<b>TOTAL ASSETS</b>	<u><b>40,128</b></u>	<u><b>38,936</b></u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	14,939	14,939
Share Premium	3,520	3,520
Retained profits	12,905	14,006
Merger deficit	(8,397)	(8,397)
	<u>22,967</u>	<u>24,068</u>
<b>Non-current liabilities</b>		
Deferred taxation	429	424
Hire purchase payables	336	392
Term loans	3,943	4,214
	<u>4,708</u>	<u>5,030</u>
<b>Current Liabilities</b>		
Trade payables	4,792	3,699
Other payables and accruals	2,546	2,295
Amount owing to directors	-	166
Dividend payable	1,793	-
Hire purchase payables	111	108
Short term borrowings	3,211	3,570
	<u>12,453</u>	<u>9,838</u>
<b>TOTAL LIABILITIES</b>	<u><b>17,161</b></u>	<u><b>14,868</b></u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u><b>40,128</b></u>	<u><b>38,936</b></u>
<b>Net assets per share attributable to ordinary equity holders of the parent (RM)</b>	<b>0.15</b>	<b>0.16</b>

**Notes:-**

The condensed consolidated balance sheets should be read in conjunction with the audited financial statements for the financial year ended 31 December 2008 and the accompanying explanatory notes attached to this interim financial report.

The net assets per share attributable to ordinary equity holders is calculated based on net asset value and enlarged paid up capital of 149,390,500 shares.

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE QUARTER ENDED 30 JUNE 2009

	← Attributable to Equity Holders of the Company →				Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Retained Profits RM'000	Merger Deficit RM'000	
<b>12 months ended 31 December 2008</b>					
<b>(Audited)</b>					
Balance at 1 January 2008	10,398	-	12,111	(8,397)	14,112
Allotment during the financial year:					
- settlement of advances	2,041				2,041
- public issue	2,500	5,500			8,000
Profit for the financial year			1,895		1,895
Listing expenses		(1,980)			(1,980)
Balance at 31 December 2008	14,939	3,520	14,006	(8,397)	24,068
<b>6 months ended 30 June 2009</b>					
<b>(Unaudited)</b>					
Balance at 1 January 2009	14,939	3,520	14,006	(8,397)	24,068
Dividend			(1,793)		(1,793)
Profit for the year			692		692
Balance at 30 June 2009	14,939	3,520	12,905	(8,397)	22,967

Notes:-

The condensed consolidated statements of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2008 and the accompanying explanatory notes attached to this interim financial report.

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**SUNZEN BIOTECH BERHAD**

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**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS  
FOR THE QUARTER ENDED 30 JUNE 2009**

	Current Year To Date Ended 30.06.2009 (Unaudited) RM'000	Corresponding Year To Date Ended 30.06.2008 (Unaudited) RM'000
<b>Cash flows from operating activities</b>		
Profit before taxation	702	1,739
<b>Adjustments for non-cash flow:-</b>		
Depreciation	255	110
Non-cash items	190	156
<b>Operating profit before working capital changes</b>	<u>1,147</u>	<u>2,005</u>
<b>Changes in working capital</b>	<u>825</u>	<u>(1,845)</u>
	1,972	160
Tax paid	(124)	(293)
Tax refunded	504	520
Interest paid	(183)	(178)
<b>Net cash from operating activities</b>	<u>2,169</u>	<u>209</u>
<b>Investing activities</b>		
Interest received	64	35
Income received from unit trust	-	1
Payment for product development expenditure	(154)	(145)
Purchase of property, plant and equipment	(526)	(251)
Proceeds from disposal of property, plant and equipment	3	-
<b>Net cash for investing activities</b>	<u>(613)</u>	<u>(360)</u>
<b>Financing activities</b>		
Drawdown of term loan	-	123
Repayment of term loan	(239)	(173)
Repayment to directors	(168)	(3)
Repayment of hire purchase obligation	(53)	(12)
<b>Net cash for financing activities</b>	<u>(460)</u>	<u>(65)</u>
<b>Net decrease in cash and cash equivalents</b>	<u>1,096</u>	<u>(216)</u>
Cash and cash equivalents at beginning of the period	8,987	4,458
<b>Cash and cash equivalents at end of the period</b>	<u>10,083</u>	<u>4,242</u>
<b>Cash and cash equivalents comprise:</b>		
Fixed and short term deposits with licensed banks	6,200	2,126
Cash and bank balances	3,883	2,116
	<u>10,083</u>	<u>4,242</u>

**Notes:-**

The condensed consolidated cash flow statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2008 and the accompanying explanatory notes attached to this interim financial report.

## **SUNZEN BIOTECH BERHAD**

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### **NOTES TO THE INTERIM REPORT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 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 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") for the ACE Market ("ACE LR").

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.

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**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.

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**B. ADDITIONAL INFORMATION REQUIRED BY THE ACE LR**

**B1. Review of performance of the Company and its principal subsidiaries for the current quarter and financial year-to-date**

	Current Quarter Ended 30 June 2009 RM'000	Corresponding Quarter Ended 30 June 2008 RM'000	Current Year-To-Date Ended 30 June 2009 RM'000	Corresponding Year -To -Date Ended 30 June 2008 RM'000
Revenue	6,220	6,886	12,863	13,039
Profit before taxation ("PBT")	455	684	702	1,739

For the current quarter under review, the Group registered a decrease in revenue and PBT by 9.67% and 33.48%, respectively as compared to the corresponding quarter ended 30 June 2008.

For the current year-to-date ended 30 June 2009, revenue and PBT declined by 1.35% and 59.63%, respectively as compared to the corresponding year-to-date ended 30 June 2008.

The main reasons for a lower profitability for the current quarter under review and current year-to-date ended 30 June 2009 as compared to the preceding year corresponding quarter and corresponding period were as follows:-

- Raw materials costs for vitamins and minerals remained high;
- Increase in sales and promotion expenses for sales campaign launched and travelling expenses incurred by sales team;
- Recruitment of additional staffs;
- Loss on foreign exchange arising from settlement of payment with overseas suppliers in United States Dollar ("USD"); and
- Incurrence of post listing expenses for corporate advisory service and outsourcing of internal audit function.

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

	<b>Current Quarter Ended 30 June 2009 RM'000</b>	<b>Preceding Quarter Ended 31 March 2009 RM'000</b>	<b>Variance</b>	
			<b>RM'000</b>	<b>%</b>
Revenue	6,220	6,643	(423)	(6.37)
Profit/(loss) before taxation ("PBT")	455	247	208	84.21

The Group recorded an increase in PBT of RM0.208 million or 84.21% despite a decrease in revenue as compared to the immediate preceding quarter due to the reasons as follows:-

- Decrease in raw materials costs for Orgacids ;
- Decrease in sales and promotion expenses; and
- Reduction in loss on foreign exchange due to the weakening of USD against local currency towards the second quarter of year 2009.

**B3. Prospects**

Although the Group's financial performance for the current year-to-date ended 30 June 2009 was not so encouraging as compared to the corresponding year-to-date ended 30 June 2008, the Board expects an improved profitability in the second half of year 2009, based on the anticipated lower average raw material costs, anticipated improvement in the economic situation and the possibility of increase in sales demand. We are also planning to conduct a few technical seminars with overseas speakers to support the sales and marketing activities to further increase our sales in the second half of year 2009.

The Group is also currently in the midst of registering a sales office in Indonesia as well as in the Philippines with the aim of further exploring overseas markets. In addition, we had signed a Memorandum of Understanding ("MOU") with Regalplus (Beijing) Investment Consultant Co. Ltd. ("RICCL") on 10 July 2009 for the business collaboration arrangement while awaiting product registration approval from People's Republic of China's ("PRC") authority. As such, we would be able to penetrate into the PRC market upon receiving the product registration approval.

**B4. Profit forecast and profit guarantee**

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



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**B5. Taxation**

	<b>Current Quarter Ended 30 June 2009 RM'000</b>	<b>Corresponding Quarter Ended 30 June 2008 RM'000</b>	<b>Current Year-To-Date Ended 30 June 2009 RM'000</b>	<b>Corresponding Year-To-Date Ended 30 June 2008 RM'000</b>
<b><u>Income tax expense</u></b>				
Current financial year	38	95	90	203
(Over)/Underprovision in previous financial year	(85)	-	(85)	-
	(47)	95	5	203
<b><u>Deferred tax expense</u></b>				
Current financial year	8	-	8	21
(Over)/Underprovision in previous financial year	(3)	-	(3)	(6)
	5	-	5	15
Tax expense	(42)	95	10	218

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 30 June 2009 were as follows:

	<b>Cost RM'000</b>	<b>Market Price RM'000</b>
Quoted shares	11	7

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

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**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 30 June 2009, the status of utilisation of the gross proceeds of RM8 million raised from the public issue was as follows:

Purpose	Proposed utilisation RM'000	Actual utilisation RM'000	Intended timeframe for utilisation from the listing date (Months)	Deviation		Explanation
				RM'000	%	
Research and development	4,770	400	36	-	-	-
Overseas expansion	1,000	110	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>2,740</b>				

*Note:*

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

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**B9. Group borrowings and debt securities**

The Group's borrowings as at 30 June 2009 were as follows:

	Secured RM'000	Unsecured RM'000	Total RM'000
<u>Short term borrowings:-</u>			
Bills payable	2,747	-	2,747
Hire purchases	111	-	111
Term loan	464	-	464
	3,322	-	3,322
	Secured RM'000	Unsecured RM'000	Total RM'000
<u>Long term borrowings:-</u>			
Hire purchases	336	-	336
Term loan	3,943	-	3,943
	4,279	-	4,279
Total	7,601	-	7,601

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**

On 2 June 2009, the Board of Directors had recommended a final tax exempt dividend of 1.2 sen per ordinary share of RM0.10 held by the entitled shareholders on the entitlement date of 30 June 2009 in respect of the FYE 31 December 2008, which was duly approved by the shareholders of the Company at the Fourth Annual General Meeting on 25 June 2009.

The tax exempt dividend was distributed on 24 July 2009 to the shareholders whose names appeared in the Record of Depositors of the Company at the close of business on 30 June 2009.

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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 RM497,000 for the current quarter ended 30 June 2009 and RM589,000 for the corresponding quarter ended 30 June 2008 and the weighted average number of shares of 143,431,596 (2009) and 50,576,476 (2008).

**B14. Update on the status of the MOU pursuant to Rule 9.29 of the ACE LR**

On 24 November 2008, the Company signed a MOU with University Putra Malaysia ("UPM") for the collaboration on research and development work on animal health products. On 10 July 2009, the Company signed a MOU with RICCL for the business collaboration arrangement.

As at the date of this report, there was no material development on the abovementioned MOU since the last announcement.

This quarterly report for the financial period ended 30 June 2009 has been seen and approved by the Board of Directors of Sunzen Biotech for release to Bursa Securities.

Date: 20 August 2009