

SUNZEN BIOTECH BERHAD

(Company No: 680889-W)

(Incorporated in Malaysia)

NOTES TO THE INTERIM REPORT FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 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.

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

The Company paid a final tax exempt dividend of RM1,792,686.00 in respect of the FYE 31 December 2008 on 24 July 2009.

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 UNDER 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 September 2009 RM'000	Corresponding Quarter Ended 30 September 2008 RM'000	Current Year-To-Date Ended 30 September 2009 RM'000	Corresponding Year -To -Date Ended 30 September 2008 RM'000
Revenue	6,921	6,578	19,784	19,618
Profit before taxation ("PBT")	539	432	1,241	2,170

For the current quarter under review, the Group registered an increase in both revenue and PBT by 5.21% and 24.77%, respectively as compared to the corresponding quarter ended 30 September 2008. This increase in revenue and PBT was mainly due to the Group's concentrated sales promotion activities held in end of August and early September 2009.

For the current year to date, revenue increased marginally by 0.85% whereas PBT declined by 42.81%, as compared to the corresponding year to date ended 30 September 2008. The main reasons for a lower PBT for the current year to date as compared to the corresponding year to date were as follows:

- Increase in amortisation of product development expenditure;
- Increase in depreciation of property, plant and equipment;
- Recruitment of additional staff;
- Incurrence of post listing expenses for corporate advisory service and outsourcing of internal audit function; and
- Writing off of expired trading inventories.

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

	Current Quarter Ended 30 September 2009 RM'000	Preceding Quarter Ended 30 June 2009 RM'000	Variance	
			RM'000	%
Revenue	6,921	6,220	701	11.27
PBT	539	455	84	18.46

For the current quarter under review, both revenue and PBT rose by 11.27% and 18.46%, respectively as compared to the preceding quarter ended 30 June 2009.

The improved revenue and profitability reported above were due to the following reasons:

- Sales promotion activities held in end of August and early September 2009 has stimulated and improved the demand of the Group's products; and
- Gain on foreign exchange due to the continuous weakening of United States Dollar ("USD") against the local currency.

B3. Prospects

The Group is planning to construct a new warehouse on the existing vacant land adjacent to the existing corporate office by December 2009, to accommodate a bigger storage space and overcome the constraint in the existing warehouse, and to cater for future business expansion.

The Group is still in the midst of registering a sales office in Indonesia as well as in the Philippines as relevant approvals have not been obtained from the respective countries.

The Group is also planning a year end product promotion activity to further increase the Group's sales in the last quarter of year 2009.

The Board foresees that the future profitability of the Group will improve given further anticipated price reduction on raw materials for Orgacids, the anticipated increase in revenue and the continuous weakening of USD against the local currency.

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

	Current Quarter Ended 30 September 2009 RM'000	Corresponding Quarter Ended 30 September 2008 RM'000	Current Year-To-Date Ended 30 September 2009 RM'000	Corresponding Year-To-Date Ended 30 September 2008 RM'000
<u>Income tax expense</u>				
Current financial year	46	47	136	250
(Over)/Underprovision in previous financial year	-	-	(85)	-
	46	47	51	250
<u>Deferred tax expense</u>				
Current financial year	5	-	13	21
(Over)/Underprovision in previous financial year	-	-	(3)	(6)
	5	-	10	15
Tax expense	51	47	61	265

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 September 2009 were as follows:

	Cost RM'000	Market Price RM'000
Quoted shares	11	8

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 September 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	497	36	-	-	-
Overseas expansion	1,000	265	48	-	-	-
Working capital	430	250	24	-	-	-
Estimated listing expenses	1,800	1,980	3	(180)	(10.00)	N1
Total	8,000	2,992				

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 September 2009 were as follows:

	Secured RM'000	Unsecured RM'000	Total RM'000
<u>Short term borrowings:-</u>			
Bills payable	3,308	-	3,308
Hire purchases	112	-	112
Term loan	473	-	473
	<u>3,893</u>	<u>-</u>	<u>3,893</u>
	Secured RM'000	Unsecured RM'000	Total RM'000
<u>Long term borrowings:-</u>			
Hire purchases	308	-	308
Term loan	3,821	-	3,821
	<u>4,129</u>	<u>-</u>	<u>4,129</u>
Total	<u>8,022</u>	<u>-</u>	<u>8,022</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

There was no dividend proposed or declared for the current 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 RM488,000 for the current quarter ended 30 September 2009 and RM385,000 for the corresponding quarter ended 30 September 2008 and the weighted average number of shares of 149,390,500 (2009) and 75,816,951 (2008).

B14. Update on the status of the Memorandum of Understanding (“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 Regalplus (Beijing) Investment Consultant Co. Ltd. for the business collaboration arrangement.

As at the date of this report, there were no material developments on the abovementioned MOUs since the last announcement.

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

Date: 20 November 2009