

SUNZEN BIOTECH BERHAD

(Company No: 680889-W)

(Incorporated in Malaysia)

NOTES TO THE INTERIM STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

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 2012.

The following MFRSs and Amendments to MFRSs applicable to the Group have been adopted with effect from 1 January 2013.

- MFRS 10 Consolidated Financial Statements
- MFRS 11 Joint Arrangements
- MFRS 12 Disclosure of Interests in Other Entities
- MFRS 13 Fair Value Measurement
- MFRS 119 Employee Benefits (2011)
- MFRS 127 Separate Financial Statements (2011)
- MFRS 128 Investment in Associates and Joint Ventures (2011)
- Amendments to MFRS 7: Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities
- Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2009-2011 Cycle)
- Amendments to MFRS 101: Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)
- Amendments to MFRS 116: Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)
- Amendments to MFRS 132: Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)
- Amendments to MFRS 134: Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)
- Amendments to MFRS 10: Consolidated Financial Statements: Transition Guidance
- Amendments to MFRS 11: Joint Arrangements: Transition Guidance
- Amendments to MFRS 12: Disclosure of Interests in Other Entities: Transition Guidance

The adoption of the above standards and amendments is not expected to have any material financial impact to the financial statements of the Group.

SUNZEN BIOTECH BERHAD

(Company No: 680889-W)

(Incorporated in Malaysia)

A1. Basis of reporting preparation (*Cont'd*)

The following revised MFRSs and Amendments to MFRSs applicable to the Group, have been issued by the MASB are not yet effective for adoption by the Group.

Amendments effective for annual periods beginning on or after 1 January 2014

Amendments to MFRS 10: Consolidated Financial Statements: Investment Entities

Amendments to MFRS 12: Disclosure of Interests in Other Entities: Investment Entities

Amendments to MFRS 127: Separate Financial Statements (2011): Investment Entities

Amendments to MFRS 132: Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities

Amendments to MFRS 136: Recoverable Amount Disclosures for Non-Financial Assets

Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting

MFRSs and Amendments effective for annual periods beginning on or after 1 January 2015

MFRS 9 Financial Instruments (2009)

MFRS 9 Financial Instruments (2010)

Amendments to MFRS 7 Financial Instruments: Disclosures - Mandatory Effective Date of MFRS 9 and Transition Disclosures

The adoption of the above standards and amendments is not expected to have any material financial impact to the Group upon their first adoption.

A2. Auditors' report on preceding annual financial statements

The audited financial statements of the Company and its subsidiaries for the FYE 31 December 2012 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.

SUNZEN BIOTECH BERHAD

(Company No: 680889-W)

(Incorporated in Malaysia)

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

There were no issuances, cancellations, repurchase, resale and repayments of debt and equity securities during the current quarter under review. Total number of shares repurchased and retained as treasury shares at 31 December 2013 was 70,000 for total cost of RM14,560.

A7. Dividend paid

An interim dividend of RM0.008 per ordinary share of RM0.10 each less income tax of 25% amounting to RM895,923 in respect of the financial year ended 31 December 2013 was paid on 8 October 2013.

A8. Segmental information

Segmental revenue on the basis of geographical market is as follows:

Geographical Market	Current Year-To-Date Ended 31 December 2013 RM'000	Corresponding Year-To-Date Ended 31 December 2012 RM'000
Asia other than Malaysia	9,590	5,879
Middle East	523	182
Africa	48	57
Total export	10,161	6,118
Malaysia	27,165	26,678
Total revenue	37,326	32,796

Export sales for year 2013 posted a significant growth of RM4.04 million or 66.08% in revenue compared to 2012, which was mainly contributed by the increase of sales orders for Orgacids and companion animal products. Local sales showed a marginal increase of RM0.48 million or 1.83% in revenue compared to year 2012. Export sales for 2013 contributed 27.22% to the Group's total revenue compared to 18.65% in 2012.

SUNZEN BIOTECH BERHAD

(Company No: 680889-W)

(Incorporated in Malaysia)

A9. Valuation of property, plant and equipment

The valuation of the Group's freehold lands and buildings has been brought forward without any amendments from the annual financial statements for the FYE 31 December 2012.

A10. Capital commitments

As at the end of reporting period, there were no outstanding capital commitments not provided for in the financial statements.

A11. 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.

A12. Changes in the Composition of the Group

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

A13. Contingent Liabilities

Save for the corporate guarantee granted by the Company in favour of financial institutions for Islamic banking facilities extended to a subsidiary amounting to **RM17,131,000**, 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 corporate guarantee forms part of the securities for the following banking facilities made available to a subsidiary company.

Islamic Banking Facility	Corporate Guarantee RM'000	Facility Limit RM'000	Outstanding Balance
			As At 31 December 2013 RM'000
Bank overdraft	500	500	-
Trade line	6,000	6,000	2,657
Term loans	10,631	6,465	4,849
<hr/>			
Total	17,131	12,965	7,506

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**

	Current Quarter Ended 31 December 2013 RM'000	Corresponding Quarter Ended 31 December 2012 RM'000	Current Year-To-Date Ended 31 December 2013 RM'000	Corresponding Year-To-Date Ended 31 December 2012 RM'000
Revenue	11,619	8,522	37,326	32,796
Profit before taxation ("PBT")	1,381	207	4,175	1,847

Group's revenue posted 36.34% higher or RM3.10 million for the current quarter compared to the corresponding quarter of 2012, mainly attributed to increased export sales for both companion animal products and Orgacids products. Export sales for the current quarter was 147.12% higher or RM2.18 million compared to 2012.

Group's PBT for the current quarter increased significantly by 567.15% or RM1.17 million as against the same quarter of 2012, mainly contributed by increased export sales.

Group's revenue and PBT for the current year-to-date posted an increase of 13.81% or RM4.53 million and 126.04% or RM2.33 million, respectively. This was mainly attributed to the resilient sales performance of Orgacids and companion animal products in overseas markets.

B2. Review of performance of the operating segments of the Company and its principal subsidiaries for the current quarter and financial year-to-date

Revenue	Current Quarter Ended 31 December 2013 RM'000	Corresponding Quarter Ended 31 December 2012 RM'000	Current Year-To-Date Ended 31 December 2013 RM'000	Corresponding Year-To-Date Ended 31 December 2012 RM'000
Trading	6,651	4,196	19,278	16,396
Manufacturing	4,968	4,326	18,048	16,400
Total	11,619	8,522	37,326	32,796

SUNZEN BIOTECH BERHAD

(Company No: 680889-W)

(Incorporated in Malaysia)

B2. Review of performance of the operating segments of the Company and its principal subsidiaries for the current quarter and financial year-to-date (Cont'd)

Revenue derived from trading products showed a 58.51% increase or RM2.46 million for the current quarter compared to the corresponding quarter of 2012. For manufacturing products, revenue increased by 14.84% or RM0.64 million quarter-on-quarter.

For the current year-to-date, trading products posted a 17.58% increase or RM2.88 million in revenue, while revenue from manufacturing products has increased 10.05% or RM1.65 million.

B3. Profit before taxation

Profit before taxation is arrived at after crediting/(charging):

	Current Quarter Ended 31 December 2013 RM'000	Corresponding Quarter Ended 31 December 2012 RM'000	Current Year-To-Date Ended 31 December 2013 RM'000	Corresponding Year-To-Date Ended 31 December 2012 RM'000
Interest income	23	24	90	96
Interest expense	(97)	(96)	(342)	(405)
Depreciation and Amortisation	(236)	(223)	(785)	(874)
Provision for and write off of receivables	-	-	(18)	-
Provision for and write off of inventories	(56)	(50)	(118)	(166)
Plant and equipment written off	-	-	-	(3)
Product development expenditure written off	-	(113)	-	(190)
Gain on disposal of plant and equipment	-	-	-	1
Gain on disposal of quoted shares	-	-	-	2
Gain/(loss) on foreign exchange				
- realised	8	98	165	124
- unrealised	(2)	(64)	60	55

SUNZEN BIOTECH BERHAD

(Company No: 680889-W)

(Incorporated in Malaysia)

B4. Material changes in the Current Quarter's results compared to the results of the immediate Preceding Quarter

	Current Quarter Ended 31 December 2013 RM'000	Preceding Quarter Ended 30 September 2013 RM'000	Variance	
			RM'000	%
Revenue	11,619	8,980	2,639	29.39
PBT	1,381	1,227	154	12.55

Group's revenue reported 29.39% higher for the current quarter compared to the preceding quarter, mainly driven by the increased export sales of companion animal products and Orgacids products, and the increased sales of veterinary pharmaceutical products in local market.

Group's PBT for the current quarter increased by 12.55% compared to the preceding quarter despite having incurred higher operating expenses and lower gain on foreign exchange in the current quarter. The improved profitability was attributed to better sales performance for overseas markets in the current quarter and also partly due to gain on disposal of two units of motor vehicles.

B5. Prospects

The Board is of the opinion that the outlook of the Group's financial performance for year 2014 is promising amid challenges facing ahead in view of the steady revenue growth seen in 2013. The Group is planning to diversify the existing product range and also broadening its market presence.

B6. Profit forecast and profit guarantee

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

SUNZEN BIOTECH BERHAD

(Company No: 680889-W)

(Incorporated in Malaysia)

B7. Taxation

	Current Quarter Ended 31 December 2013 RM'000	Corresponding Quarter Ended 31 December 2012 RM'000	Current Year-To-Date Ended 31 December 2013 RM'000	Corresponding Year-To-Date Ended 31 December 2012 RM'000
<u>Income tax expense:-</u>				
Current financial year	226	57	684	524
Overprovision in previous financial year	-	-	(18)	(38)
	<u>226</u>	<u>57</u>	<u>666</u>	<u>486</u>
<u>Deferred tax expense:-</u>				
Current financial year				
Underprovision	(84)	(88)	(85)	(88)
in previous financial year	-	-	-	32
	<u>(84)</u>	<u>(88)</u>	<u>(85)</u>	<u>(56)</u>
Tax expense	<u>142</u>	<u>(31)</u>	<u>581</u>	<u>430</u>

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.

SUNZEN BIOTECH BERHAD

(Company No: 680889-W)

(Incorporated in Malaysia)

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 December 2013, 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	4,473	36	-	-	Note ⁽¹⁾
Overseas expansion	1,000	1,000	48	-	-	-
Working capital	430	250	24	-	-	-
Estimated listing expenses	1,800	1,980	3	(180)	(10.00)	Note ⁽²⁾
Total	8,000	7,703				

Notes:

(1) *Sunzen Biotech had announced to Bursa Securities on 17 September 2013 to further extend the utilisation period for the balance proceeds to 8 October 2014.*

(2) *The excess amount of listing expenses incurred during the implementation of Sunzen Biotech's listing exercise was adjusted to the Company's working capital.*

* *Sunzen Biotech was listed on 8 October 2008.*

SUNZEN BIOTECH BERHAD

(Company No: 680889-W)

(Incorporated in Malaysia)

B9. Group borrowings and debt securities

The Group's borrowings as at 31 December 2013 were as follows:

	Secured RM'000	Unsecured RM'000	Total RM'000
<u>Short-term borrowings:-</u>			
Bills payable	2,657	-	2,657
Hire purchases	79	-	79
Term loans	555	-	555
	<u>3,291</u>	<u>-</u>	<u>3,291</u>
	Secured RM'000	Unsecured RM'000	Total RM'000
<u>Long-term borrowings:-</u>			
Hire purchases	96	-	96
Term loans	4,294	-	4,294
	<u>4,390</u>	<u>-</u>	<u>4,390</u>
Total	<u>7,681</u>	<u>-</u>	<u>7,681</u>

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 declaration of dividend for the current quarter under review.

SUNZEN BIOTECH BERHAD

(Company No: 680889-W)

(Incorporated in Malaysia)

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 year as follows:

	Current Quarter Ended 31 December 2013	Corresponding Quarter Ended 31 December 2012	Current Year-To -Date Ended 31 December 2013	Corresponding Year-To-Date Ended 31 December 2012
Group's profit after taxation attributable to owners of the Company (RM'000)	1,239	238	3,594	1,417
Weighted average number of ordinary shares in issue excluding treasury shares	149,320,500	149,330,500	149,320,500	149,330,500
Basic earnings per share (sen)	0.83	0.16	2.41	0.95

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.

	Current Year-To-Date Ended 31 December 2013 RM'000	Corresponding Year-To-Date Ended 31 December 2012 RM'000
Total retained profits of the Group:-		
- Realised	19,890	17,327
- Unrealised	(365)	(501)
Group's retained profits as per consolidated financial statements	19,525	16,826

SUNZEN BIOTECH BERHAD

(Company No: 680889-W)

(Incorporated in Malaysia)

This quarterly report for the financial year ended 31 December 2013 has been seen and approved by the Board of Directors of Sunzen Biotech for release to Bursa Securities.

Date: 27 February 2014