

(Company No : 680889-H)

SUNZEN BIOTECH BERHAD  
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

|  | Current<br>Quarter<br>Ended<br>31.12.2015<br>(Unaudited)<br>RM'000 | Corresponding<br>Quarter<br>Ended<br>31.12.2014<br>(Unaudited)<br>RM'000 | Current<br>Year-To-Date<br>Ended<br>31.12.2015<br>(Unaudited)<br>RM'000 | Corresponding<br>Year-To-Date<br>Ended<br>31.12.2014<br>(Audited)<br>RM'000 |
|--|--|--|---|---|
| Revenue  | 8,922  | 10,557   | 32,221  | 37,339  |
| <b>Operating profit</b>  | <b>1,951</b>   | <b>3,500</b>   | <b>8,315</b>  | <b>12,324</b>   |
| Operating expenses   | (2,360)  | (2,820)  | (8,329)   | (10,626)  |
| Finance expenses   | (58)   | (72)   | (245)   | (307)   |
| <b>(Loss)/Profit before taxation</b>   | <b>(467)</b>   | <b>608</b>   | <b>(259)</b>  | <b>1,391</b>  |
| Income tax credit/(expense)  | 17   | (60)   | (88)  | (291)   |
| <b>(Loss)/Profit after taxation</b>  | <b>(450)</b>   | <b>548</b>   | <b>(347)</b>  | <b>1,100</b>  |
| <b>Other comprehensive income/(loss), net of tax</b><br><i>Items that may be reclassified subsequently<br/>to profit or loss</i> |  |  |   |   |
| Surplus on revaluation of property   | -  | -  | -   | 12,523  |
| Foreign currency translation   | (55)   | 26   | (29)  | 68  |
|  | <b>(55)</b>  | <b>26</b>  | <b>(29)</b>   | <b>12,591</b>   |
| <b>Total comprehensive (loss)/income</b>   | <b>(505)</b>   | <b>574</b>   | <b>(376)</b>  | <b>13,691</b>   |
| <br>   |  |  |   |   |
| (Loss)/Profit after taxation attributable to owners of:  |  |  |   |   |
| - the Company:   | (452)  | 548  | (348)   | 1,100   |
| - non-controlling interest:  | 2  | -  | 1   | -   |
|  | <b>(450)</b>   | <b>548</b>   | <b>(347)</b>  | <b>1,100</b>  |
| <br>   |  |  |   |   |
| Total comprehensive (loss)/income attributable to  |  |  |   |   |
| - the Company:   | (507)  | 574  | (377)   | 13,691  |
| - non-controlling interest:  | 2  | -  | 1   | -   |
|  | <b>(505)</b>   | <b>574</b>   | <b>(376)</b>  | <b>13,691</b>   |
| <br>   |  |  |   |   |
| Earnings per share (sen) attributable to<br>Owners of the Company:   |  |  |   |   |
| - Basic  | (0.16)   | 0.22   | (0.12)  | 0.44  |
| - Diluted  | (0.15)   | 0.20   | (0.12)  | 0.40  |

Note:-

The above condensed consolidated statement of profit and loss and other comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2014 and the accompanying explanatory notes attached to the interim financial statements.

(Company No : 680889-W)

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

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2015**

|  | As At<br>Financial Year<br>End<br>31.12.2015<br>(Unaudited)<br>RM'000 | As At<br>Financial Year<br>End<br>31.12.2014<br>(Audited)<br>RM'000 |
|--|---|---|
| <b>ASSETS</b>  |   |   |
| <b>Non-current assets</b>  |   |   |
| Property, plant and equipment  | 33,117  | 29,451  |
| Product development expenditure  | -   | -   |
|  | <u>33,117</u>   | <u>29,451</u>   |
| <b>Current assets</b>  |   |   |
| Inventories  | 11,470  | 8,416   |
| Trade receivables  | 7,450   | 6,578   |
| Other receivables, deposits and prepayments                                | 3,564   | 960   |
| Tax refundable   | 1,193   | 608   |
| Fixed and short term deposits with licensed banks                          | 1,485   | 6,305   |
| Cash and bank balances with licensed banks and other financial institution | 6,609   | 8,934   |
|  | <u>31,771</u>   | <u>31,801</u>   |
| <b>TOTAL ASSETS</b>  | <u>64,888</u>   | <u>61,252</u>   |
| <b>EQUITY AND LIABILITIES</b>  |   |   |
| <b>Equity</b>  |   |   |
| Share capital  | 29,814  | 16,577  |
| Share premium  | -   | 7,155   |
| Treasury shares  | (201)   | (39)  |
| Retained profits   | 16,508  | 19,394  |
| Revaluation reserves   | 15,651  | 15,651  |
| Merger deficit   | (8,397)   | (8,397)   |
| Currency translation reserve   | (59)  | (30)  |
| Attributable to owners of the Company                                      | <u>53,316</u>   | <u>50,311</u>   |
| Non-controlling interest   | 31  | -   |
|  | <u>53,347</u>   | <u>50,311</u>   |
| <b>Non-current liabilities</b>   |   |   |
| Deferred taxation  | 1,501   | 1,494   |
| Hire purchase payables   | 99  | 221   |
| Term loans   | 3,118   | 3,725   |
|  | <u>4,718</u>  | <u>5,440</u>  |
| <b>Current Liabilities</b>   |   |   |
| Trade payables   | 4,269   | 3,384   |
| Bill payable   | -   | 360   |
| Other payables and accruals  | 1,875   | 1,083   |
| Hire purchase payables   | 64  | 100   |
| Term loans   | 607   | 574   |
| Amount owing to Directors  | 4   | -   |
| Provision for taxation   | 4   | -   |
|  | <u>6,823</u>  | <u>5,501</u>  |
| <b>TOTAL LIABILITIES</b>   | <u>11,541</u>   | <u>10,941</u>   |
| <b>TOTAL EQUITY AND LIABILITIES</b>  | <u>64,888</u>   | <u>61,252</u>   |
| <b>Net assets per share (RM) attributable to owners of the Company</b>     | <u>0.18</u>   | <u>0.30</u>   |

*Note:-*

The above condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2014 and the accompanying explanatory notes attached to the interim financial statements.

The net assets per share attributable to owners of the Company is calculated based on net assets value divided by the number of ordinary shares in issue at the end of the reporting period of 297,638,595 (2014: 165,618,666).

(Company No : 680889-W)

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

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015**

**Quarter ended 31 December 2015  
(Unaudited)**

Balance at 1 January 2015

(Loss)/profit after taxation for the financial year  
Other comprehensive income/(loss) for the financial year, net of tax:  
- Foreign currency translation  
Total comprehensive (loss)/income for the financial year  
Issuance of shares  
Purchase of own shares

|   | Share<br>Capital<br>RM'000 | Share<br>Premium<br>RM'000 | Treasury<br>Shares<br>RM'000 | Revaluation<br>Reserves<br>RM'000 | Merger<br>Deficit<br>RM'000 | Currency<br>Translation<br>Reserve<br>RM'000 | Retained<br>Profits<br>RM'000 | Attributable<br>to owners of<br>the Company<br>RM'000 | Non-<br>Controlling<br>Interest<br>RM'000 | Total<br>Equity<br>RM'000 |
|---|----------------------------|----------------------------|------------------------------|-----------------------------------|-----------------------------|--|-------------------------------|---|---|---------------------------|
| Balance at 1 January 2015   | 16,577                     | 7,155                      | (39)                         | 15,651                            | (8,397)                     | (30)   | 19,394                        | 50,311  | -   | 50,311                    |
| (Loss)/profit after taxation for the financial year                   | -                          | -                          | -                            | -                                 | -                           | -  | (348)                         | (348)   | 1   | (347)                     |
| Other comprehensive income/(loss) for the financial year, net of tax: | -                          | -                          | -                            | -                                 | -                           | (29)   | -                             | (29)  | -   | (29)                      |
| - Foreign currency translation  | -                          | -                          | -                            | -                                 | -                           | (29)   | (348)                         | (377)   | 1   | (376)                     |
| Total comprehensive (loss)/income for the financial year              | 13,237                     | (7,155)                    | -                            | -                                 | -                           | -  | (2,538)                       | 3,544   | 30  | 3,574                     |
| Issuance of shares  | -                          | -                          | (162)                        | -                                 | -                           | -  | -                             | (162)   | -   | (162)                     |
| Purchase of own shares  | -                          | -                          | (201)                        | -                                 | (8,397)                     | (59)   | 16,508                        | 53,316  | 31  | 53,347                    |
| Balance at 31 December 2015   | 14,939                     | 3,520                      | (14)                         | 3,176                             | (8,397)                     | (98)   | 19,440                        | 32,566  | -   | 32,566                    |

**Quarter ended 31 December 2014  
(Audited)**

Balance at 1 January 2014

Profit after taxation for the financial year  
Other comprehensive income for the financial year, net of tax:  
- Surplus on revaluation of property  
- Foreign currency translation  
Total comprehensive income for the financial year  
Amortisation on revaluation reserve  
Dividend paid  
Issuance of shares  
Purchase of own shares

|  | Share<br>Capital<br>RM'000 | Share<br>Premium<br>RM'000 | Treasury<br>Shares<br>RM'000 | Revaluation<br>Reserves<br>RM'000 | Merger<br>Deficit<br>RM'000 | Currency<br>Translation<br>Reserve<br>RM'000 | Retained<br>Profits<br>RM'000 | Attributable<br>to owners of<br>the Company<br>RM'000 | Non-<br>Controlling<br>Interest<br>RM'000 | Total<br>Equity<br>RM'000 |
|--|----------------------------|----------------------------|------------------------------|-----------------------------------|-----------------------------|--|-------------------------------|---|---|---------------------------|
| Balance at 1 January 2014                                      | 16,577                     | 7,155                      | (39)                         | 15,651                            | (8,397)                     | (30)   | 19,394                        | 50,311  | -   | 50,311                    |
| Profit after taxation for the financial year                   | -                          | -                          | -                            | -                                 | -                           | -  | 1,100                         | 1,100   | -   | 1,100                     |
| Other comprehensive income for the financial year, net of tax: | -                          | -                          | -                            | 12,523                            | -                           | -  | -                             | 12,523  | -   | 12,523                    |
| - Surplus on revaluation of property                           | -                          | -                          | -                            | 12,523                            | -                           | -  | -                             | 12,523  | -   | 12,523                    |
| - Foreign currency translation                                 | -                          | -                          | -                            | -                                 | -                           | 68   | -                             | 68  | -   | 68                        |
| Total comprehensive income for the financial year              | -                          | -                          | -                            | 12,523                            | -                           | 68   | 1,100                         | 13,691  | -   | 13,691                    |
| Amortisation on revaluation reserve                            | -                          | -                          | -                            | (48)                              | -                           | -  | 48                            | -   | -   | -                         |
| Dividend paid  | -                          | -                          | -                            | -                                 | (1,194)                     | -  | (1,194)                       | (1,194)   | -   | (1,194)                   |
| Issuance of shares   | 1,638                      | 3,635                      | -                            | -                                 | -                           | -  | -                             | 5,273   | -   | 5,273                     |
| Purchase of own shares   | -                          | -                          | (25)                         | -                                 | -                           | -  | -                             | (25)  | -   | (25)                      |
| Balance at 31 December 2014                                    | 16,577                     | 7,155                      | (39)                         | 15,651                            | (8,397)                     | (30)   | 19,394                        | 50,311  | -   | 50,311                    |

The above condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2014 and the accompanying explanatory notes attached to the interim financial statements.

(Company No : 680889-W)

**SUNZEN BIOTECH BERHAD**

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015**

|  | Current Year<br>To Date Ended<br>31.12.2015<br>(Unaudited)<br>RM'000 | Corresponding Year<br>To Date Ended<br>31.12.2014<br>(Audited)<br>RM'000 |
|--|--|--|
| <b>Cash flows from/(for) operating activities</b>                          |  |  |
| (Loss)/Profit before taxation  | (259)  | 1,391  |
| <b>Adjustments for:-</b>   |  |  |
| Amortisation of product development expenditure                            | -  | 73   |
| Depreciation of property, plant and equipment                              | 1,051  | 657  |
| Interest expense   | 233  | 290  |
| (Write back)/Write down of inventories                                     | (544)  | 720  |
| Inventories written off  | 525  | 360  |
| Gain on disposal of plant and equipment                                    | (94)   | -  |
| Interest income  | (185)  | (88)   |
| Provision for doubtful debts   | -  | 424  |
| Bad debts recovered  | (4)  | -  |
| Unrealised (gain)/loss on foreign exchange                                 | (105)  | 4  |
| Operating profit before working capital changes                            | <u>618</u>   | <u>3,831</u>   |
| (Increase)/Decrease in inventories   | (3,035)  | 2,477  |
| (Increase)/Decrease in trade and other receivables                         | (3,489)  | 1,574  |
| Increase/(Decrease) in trade and other payables                            | 1,330  | (2,694)  |
| <b>Cash (for)/from operations</b>  | <u>(4,576)</u>   | <u>5,188</u>   |
| Net tax paid   | (658)  | (913)  |
| Interest paid  | (235)  | (291)  |
| <b>Net cash (for)/from operating activities</b>                            | <u>(5,469)</u>   | <u>3,984</u>   |
| <b>Cash flows (for)/from investing activities</b>                          |  |  |
| Interest received  | 185  | 88   |
| Proceeds from disposal of plant and equipment                              | 201  | -  |
| Purchase of property, plant and equipment                                  | (4,822)  | (249)  |
| <b>Net cash for investing activities</b>                                   | <u>(4,436)</u>   | <u>(161)</u>   |
| <b>Cash flows from/(for) financing activities</b>                          |  |  |
| Repayment of term loans  | (572)  | (548)  |
| Advances from/(Repayment to) Directors                                     | 4  | (9)  |
| Repayment of hire purchase obligations                                     | (158)  | (110)  |
| Treasury shares  | (162)  | (25)   |
| Dividend paid  | -  | (1,194)  |
| Proceeds from issuance of shares   | 3,544  | 5,272  |
| Proceeds from issuance of shares to non-controlling interest               | 30   | -  |
| <b>Net cash from financing activities</b>                                  | <u>2,686</u>   | <u>3,386</u>   |
| Net (decrease)/increase in cash and cash equivalents                       | (7,219)  | 7,209  |
| Cash and cash equivalents at beginning of the financial year               | 15,239   | 7,961  |
| Foreign exchange difference  | 74   | 69   |
| <b>Cash and cash equivalents at end of the financial year</b>              | <u>8,094</u>   | <u>15,239</u>  |
| <b>Cash and cash equivalents comprise:</b>                                 |  |  |
| Fixed and short term deposits with licensed banks                          | 1,485  | 6,305  |
| Cash and bank balances with licensed banks and other financial institution | 6,609  | 8,934  |
|  | <u>8,094</u>   | <u>15,239</u>  |

Note:-

The above condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2014 and the accompanying explanatory notes attached to the interim financial statements.

# **SUNZEN BIOTECH BERHAD**

(Company No: 680889-W)

(Incorporated in Malaysia)

## **NOTES TO THE INTERIM STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2015**

### **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 2014.

The following Amendments to MFRSs applicable to the Group have been adopted with effect from 1 January 2015. The adoption of the amendments did not have any material impacts on the financial statements of the Group.

- Amendment to MFRS 119, Defined Benefit Plans: Employee Contributions
- Annual Improvements to MFRSs 2010 - 2012 Cycle
- Annual Improvements to MFRSs 2011 - 2013 Cycle

The following revised MFRSs and Amendments to MFRSs issued by the MASB are not yet effective for adoption by the Group and are not expected to have any material impacts on the financial statements of the Group.

#### **Amendments effective for financial periods beginning on or after 1 January 2016**

- Annual Improvements to MFRSs 2012 - 2014 Cycle
- Amendment to MFRS 10 and MFRS 128, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to MFRS 11, Accounting for Acquisitions of Interests in Joint Operations
- MFRS 14, Regulatory Deferral Accounts
- Amendments to MFRS 101, Disclosure Initiative
- Amendments to MFRS 116 and MFRS 138, Clarification of Acceptance Methods of Depreciation and Amortisation
- Amendments to MFRS 116 and MFRS 141, Agriculture: Bearer Plants
- Amendments to MFRS 127, Equity Method in Separate Financial Statements
- Amendments to MFRS 10, MFRS 12 and MFRS 128, Investment Entities: Applying the Consolidation Exception

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

**Amendments effective for financial periods beginning on or after 1 January 2017**

- MFRS 15, Revenue from Contracts with Customers

**Amendments effective for financial periods beginning on or after 1 January 2018**

- MFRS 9, Financial Instruments (IFRS 9 issued by IASB in July 2014)

**A2. Auditors' report on preceding annual financial statements**

The audited financial statements of the Company and its subsidiaries for the FYE 31 December 2014 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.

**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**

Additional 4,398,497 shares of RM0.10 each were issued with the exercise of free Warrants 2014/2019 in the current quarter, total number of ordinary shares in issue increased to 298,136,595 as at 31 December 2015. The Company repurchased its own 250,000 shares in the open market for a consideration of RM112,950, bringing total number of treasury shares held of 498,000 as at 31 December 2015, with carrying amount of RM201,290.

**A7. Dividend paid**

No dividend payment made during the current quarter.

**A8. Segmental information**

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

| <b>Geographical Market</b>            | <b>Current<br/>Year-To-Date<br/>Ended<br/>31 December<br/>2015<br/>RM'000</b> | <b>Corresponding<br/>Year-To-Date<br/>Ended<br/>31 December<br/>2014<br/>RM'000</b> |
|---------------------------------------|---|---|
| Asia other than Malaysia              | 6,915   | 9,244   |
| Middle East                           | -   | 601   |
| <b>Total export revenue</b>           | <b>6,915</b>  | <b>9,845</b>  |
| Malaysia                              | 25,306  | 27,494  |
| <b>Total export and local revenue</b> | <b>32,221</b>   | <b>37,339</b>   |

Revenue contribution from export and local markets for 2015 decreased by 29.76% and 7.96% respectively compared to the previous year. Overseas revenue contributed 21.46% of the Group's revenue in 2015 compared to 26.37% in the corresponding year.

**A9. Valuation of property, plant and equipment**

Revaluation of the Group's freehold lands and buildings has been brought forward without any amendments from the financial statement for FYE 31 December 2014.

**A10. Capital commitments**

Sunzen Feedtech Sdn. Bhd, a wholly-subsiary of the Company has committed to purchase one unit of RBD palm oil fractional plant from Palma Tech Product Sdn Bhd for RM3.7 million, which is to be installed at the existing factory in Shah Alam.

**A11. Material subsequent event after the Reporting Period**

Sunzen Corporation Sdn. Bhd, a wholly-subsiary of the Company has on 22 January 2016 entered into a Sale and Purchase Agreement with Mr Ang Kian Bing (NRIC No. 680520-06-5193), the purchaser for the disposal of one and half storey corner semi-detached factory for a cash consideration of RM3.5 million.

**A12. Changes in the Composition of the Group**

**SUNZEN BIOTECH BERHAD**  
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For the current quarter under review, there were no changes in the composition of the Group.

**A13. Contingent Liabilities**

Save for the following corporate guarantees, 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 Company has placed a corporate guarantee amounting to RM17,131,000 in favour of Maybank Islamic Berhad in relation to Islamic banking facilities granted to Sunzen Corporation Sdn Bhd as follows:

| <b>Islamic Banking Facility</b> | <b>Corporate Guarantee<br/>RM'000</b> | <b>Facility Limit<br/>RM'000</b> | <b>Balance<br/>As At<br/>31 December 2015<br/>RM'000</b> |
|---------------------------------|---------------------------------------|----------------------------------|--|
| Bank overdraft                  | 500                                   | 500                              | -  |
| Trade line                      | 6,000                                 | 6,000                            | -  |
| Term loans                      | 10,631                                | 6,465                            | 3,725  |
| <b>Total</b>                    | <b>17,131</b>                         | <b>12,965</b>                    | <b>3,725</b>   |

The Company has also created a corporate guarantee in favour of Zuellig Pharma Sdn Bhd for due payment, all liabilities and obligation relating to supply of Zoetis products to Sunzen Corporation Sdn Bhd with credit limits of up to RM2.5 million.



**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<br>Quarter<br>Ended<br>31 December<br>2015<br>RM'000 | Corresponding<br>Quarter<br>Ended<br>31 December<br>2014<br>RM'000 | Current<br>Year-To-Date<br>Ended<br>31 December<br>2015<br>RM'000 | Corresponding<br>Year-To-Date<br>Ended<br>31 December<br>2014<br>RM'000 |
|--|--|--|---|---|
| Revenue  | 8,922  | 10,557   | 32,221  | 37,339  |
| (Loss)/Profit<br>before<br>taxation<br>("PBT") | (467)  | 608  | (259)   | 1,391   |

The Group posted a 15.49% decrease in revenue for the current quarter compared to the corresponding quarter in 2014, mainly due to the decrease in sales of companion animal products as well as overseas sales for feed supplements in the current quarter. Revenue for year-to-date decreased by 13.71% or RM5.118 million compared to 2014 caused by same factors as above-mentioned.

The decrease in profit contribution from companion animal products and also from Orgacids products for overseas markets, the increase in products costs as well as the increase in depreciation charge and utilities for the new and upgraded oleo-chemical plants have led to a pre-tax loss of RM467,000 and RM259,000 in the current quarter and year-to-date respectively.

**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<br>Quarter<br>Ended<br>31 December<br>2015<br>RM'000 | Corresponding<br>Quarter<br>Ended<br>31 December<br>2014<br>RM'000 | Current<br>Year-To-Date<br>Ended<br>31 December<br>2015<br>RM'000 | Corresponding<br>Year-To-Date<br>Ended<br>31 December<br>2014<br>RM'000 |
|---------------|--|--|---|---|
| Trading       | 3,809  | 5,304  | 14,147  | 18,673  |
| Manufacturing | 5,113  | 5,253  | 18,074  | 18,666  |

**SUNZEN BIOTECH BERHAD**  
 (Company No: 680889-W)  
 (Incorporated in Malaysia)

|       |       |        |        |        |
|-------|-------|--------|--------|--------|
| Total | 8,922 | 10,557 | 32,221 | 37,339 |
|-------|-------|--------|--------|--------|

Revenue from trading and manufacturing of animal health products decreased by 28.19% and 2.67% respectively in the current quarter relative to corresponding quarter. For current year-to-date, revenue from trading product was 24.24% lower while manufacturing product 3.17% lower compared to the corresponding year-to-date.

**B3. Profit before taxation**

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

|   | Current<br>Quarter<br>Ended<br>31 December<br>2015<br>RM'000 | Corresponding<br>Quarter<br>Ended<br>31 December<br>2014<br>RM'000 | Current<br>Year-To-Date<br>Ended<br>31 December<br>2015<br>RM'000 | Corresponding<br>Year-To-Date<br>Ended<br>31 December<br>2014<br>RM'000 |
|---|--|--|---|---|
| Interest income                           | 19   | 27   | 185   | 88  |
| Interest expense                          | (55)   | (68)   | (233)   | (290)   |
| Depreciation and<br>Amortisation          | (450)  | (236)  | (1,051)   | (730)   |
| Provision for doubtful debts              | -  | (8)  | -   | (424)   |
| Bad debts recovered                       | 4  | -  | 4   | -   |
| Inventories written off                   | (333)  | (138)  | (525)   | (360)   |
| Write back/(Write down) of<br>inventories | 87   | -  | 544   | (720)   |
| Gain on disposal of plant<br>and property | 70   | -  | 94  | -   |
| Gain/(loss) on foreign<br>exchange:       |  |  |   |   |
| - realised                                | 76   | 159  | 227   | 265   |
| - unrealized                              | 80   | 34   | 105   | (4)   |

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

|         | Current<br>Quarter<br>Ended<br>31 December<br>2015<br>RM'000 | Preceding<br>Quarter<br>Ended<br>30 September<br>2015<br>RM'000 | Variance |       |
|---------|--|---|----------|-------|
|         |  |   | RM'000   | %     |
| Revenue | 8,922  | 6,192   | 2,730    | 44.09 |
| PBT     | (467)  | (410)   | (57)     | 13.90 |

Group's revenue for the current quarter increased by 44.09% compared to the preceding quarter ended 30 September 2015. Despite having higher revenue in the current quarter, the Group incurred a pre-tax loss of RM467,000, mainly due to higher depreciation charge and utilities for the new plants, higher marketing expenses and inventories written off in the current quarter.

**B5. Prospects**

The Board is of the opinion that the Company will remain cautious in view of current economic slow-down affecting most of the industries. However, the Company continues to embark on research and development activities to improve its existing products range as well as to develop new products variety for animal health industry and the installation of new plants for oleo-chemical and premixes products. Moving forward, the Company is expected to strengthen its existing position in overseas markets as well as local markets through more aggressive marketing activities as well as active participations in overseas products exhibitions.

**B6. Profit forecast and profit guarantee**

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

**B7. Taxation**

|   | Current<br>Quarter<br>Ended<br>31 December<br>2015<br>RM'000 | Corresponding<br>Quarter<br>Ended<br>31 December<br>2014<br>RM'000 | Current<br>Year-To-Date<br>Ended<br>31 December<br>2015<br>RM'000 | Corresponding<br>Year-To-Date<br>Ended<br>31 December<br>2014<br>RM'000 |
|---|--|--|---|---|
| <b><u>Income tax</u></b>                      |  |  |   |   |
| <b><u>(credit)/expense:-</u></b>              |  |  |   |   |
| Current financial year                        | (48)   | 63   | 63  | 268   |
| Under-provision in<br>previous financial year | 12   | -  | 12  | -   |
|   | (36)   | 63   | 75  | 268   |
| <b><u>Deferred tax expense:-</u></b>          |  |  |   |   |
| Current financial year                        | 19   | (3)  | 13  | 23  |
|   | 19   | (3)  | 13  | 23  |
| Tax (credit)/expense                          | (17)   | 60   | 88  | 291   |

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.

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**B8. Status of Corporate Proposal**

**Renounceable Rights Issue of up to 192,579,515 new ordinary shares of RM0.10 each in Sunzen on the basis of 3 Rights Shares for every 5 existing Sunzen shares held as at 5.00 p.m. on 3 February 2016 at an issue price of RM0.25 each, together with up to 192,579,515 free detachable warrants on the basis of 1 warrant for every 1 Rights share subscribed for.**

The shareholders of the Company have granted the approval for the Rights Issue of Shares with Warrants at the Extraordinary General Meeting held on 24 November 2015. The corporate exercise has yet to be completed as at 25 February 2016.

**Warrants 2014/2019 with exercise right expiring on 14 April 2019**

At 31 December 2015, total number of Warrants 2014/2019 that had converted into ordinary shares at RM0.10 each and the number of unexercised warrants as follows:

| Total number of warrants listed | Total number of warrants converted into ordinary shares | Total number of unexercised warrants |
|---------------------------------|---|--------------------------------------|
| 61,486,246                      | 38,656,982  | 22,829,264                           |

**B9. Group borrowings and debt securities**

The Group's borrowings as at 31 December 2015 were as follows:

|                                | Secured<br>RM'000 | Unsecured<br>RM'000 | Total<br>RM'000 |
|--------------------------------|-------------------|---------------------|-----------------|
| <u>Short-term borrowings:-</u> |                   |                     |                 |
| Bills payable                  | -                 | -                   | -               |
| Hire purchases                 | 64                | -                   | 64              |
| Term loans                     | 607               | -                   | 607             |
|                                | 671               | -                   | 671             |
| <u>Long-term borrowings:-</u>  |                   |                     |                 |
| Hire purchases                 | 99                | -                   | 99              |
| Term loans                     | 3,118             | -                   | 3,118           |

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|       |       |   |       |
|-------|-------|---|-------|
|       | 3,217 | - | 3,217 |
| Total | 3,888 | - | 3,888 |

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 dividend declared by the Board in the current quarter.

**B12. Earnings per share**

Basic earnings per share is calculated by dividing the Group's (loss)/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 period. For comparative purpose, basic and diluted earnings per share for the corresponding period is restated to include Bonus Issue of shares of 95,209,113.

|   | <b>Current<br/>Quarter<br/>Ended<br/>31 December<br/>2015</b> | <b>Corresponding<br/>Quarter<br/>Ended<br/>31 December<br/>2014</b> | <b>Current<br/>Year-To-Date<br/>Ended<br/>31 December<br/>2015</b> | <b>Corresponding<br/>Year-To-Date<br/>Ended<br/>31 December<br/>2014</b> |
|---|---|---|--|--|
| Group's (loss)/profit after taxation attributable to owners of the Company (RM'000) | (452)   | 548   | (348)  | 1,100  |
| Weighted average number of ordinary shares in issue excluding treasury shares       | 281,170,896   | 247,209,446   | 281,170,896  | 247,209,446  |
| Basic earnings per share (sen)  | (0.16)  | 0.22  | (0.12)   | 0.44   |

Diluted earnings per share is calculated by dividing the Group's (loss)/profit after taxation attributable to owners of the Company for the period over the weighted average

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number of ordinary shares and adjustment for assumed exercise of Warrants 2014/2019 of 296,635,881 (2014: 276,165,502).

**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.

|   | <b>Current<br/>Year-To-Date<br/>Ended<br/>31 December<br/>2015<br/>RM'000</b> | <b>Corresponding<br/>Year-To-Date<br/>Ended<br/>31 December<br/>2014<br/>RM'000</b> |
|---|---|---|
| <b>Total retained profits of the Group:-</b>                      |   |   |
| - realised  | 17,853  | 20,836  |
| - unrealised  | (1,345)   | (1,442)   |
| <br>  |   |   |
| Group's retained profits as per consolidated financial statements | <hr/> 16,508  | <hr/> 19,394  |

This quarterly report for the financial year ended 31 December 2015 has been seen and approved by the Board of Directors of Sunzen Biotech for release to Bursa Securities.

Date: 25 February 2016