

(Company No : 680889-W)

SUNZEN BIOTECH BERHAD

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2016**

	Current Quarter Ended 31.03.2016 (Unaudited) RM'000	Corresponding Quarter Ended 31.03.2015 (Unaudited) RM'000	Current Year-To-Date Ended 31.03.2016 (Unaudited) RM'000	Corresponding Year-To-Date Ended 31.03.2015 (Unaudited) RM'000
Revenue	8,059	8,036	8,059	8,036
Operating profit	1,895	2,321	1,895	2,321
Operating expenses	(3,032)	(1,833)	(3,032)	(1,833)
Finance expenses	(73)	(65)	(73)	(65)
(Loss)/Profit before taxation	(1,210)	423	(1,210)	423
Income tax expense	(4)	(30)	(4)	(30)
(Loss)/Profit after taxation	(1,214)	393	(1,214)	393
Other comprehensive income, net of tax <i>Items that may be reclassified subsequently to profit or loss</i>				
Foreign currency translation	71	15	71	15
	71	15	71	15
Total comprehensive (loss)/income	(1,143)	408	(1,143)	408
(Loss)/Profit after taxation attributable to owners of:				
- the Company:	(1,227)	393	(1,227)	393
- non-controlling interest:	13	-	13	-
	(1,214)	393	(1,214)	393
Total comprehensive (loss)/income attributable to				
- the Company:	(1,156)	408	(1,156)	408
- non-controlling interest:	13	-	13	-
	(1,143)	408	(1,143)	408
(Loss)/Earnings per share (sen) attributable to Owners of the Company:				
- Basic	(0.40)	0.16	(0.40)	0.16
- Diluted	(0.36)	0.14	(0.36)	0.14

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 2015 and the accompanying explanatory notes attached to the interim financial statements.

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SUNZEN BIOTECH BERHAD

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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2016**

	As At Financial Year Quarter 31.03.2016 (Unaudited) RM'000	As At Financial Year End 31.12.2015 (Audited) RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	29,113	33,117
Product development expenditure	-	-
	<u>29,113</u>	<u>33,117</u>
Current assets		
Inventories	11,621	11,470
Trade receivables	5,793	7,450
Other receivables, deposits and prepayments	8,308	3,564
Tax refundable	1,034	1,193
Fixed and short term deposits with licensed banks	41,498	1,486
Cash and bank balances with licensed banks and other financial institution	9,959	6,609
	<u>78,213</u>	<u>31,772</u>
TOTAL ASSETS	<u>107,326</u>	<u>64,889</u>
EQUITY AND LIABILITIES		
Equity		
Share capital	47,896	29,814
Share premium	25,967	-
Treasury shares	(201)	(201)
Retained profits	17,495	16,482
Revaluation reserves	13,411	15,651
Merger deficit	(8,397)	(8,397)
Currency translation reserve	11	(60)
Attributable to owners of the Company	<u>96,182</u>	<u>53,289</u>
Non-controlling interest	44	31
	<u>96,226</u>	<u>53,320</u>
Non-current liabilities		
Deferred taxation	1,501	1,501
Hire purchase payables	-	99
Term loans	2,960	3,118
	<u>4,461</u>	<u>4,718</u>
Current Liabilities		
Trade payables	2,908	4,610
Bill payable	1,604	-
Other payables and accruals	1,474	1,564
Hire purchase payables	35	64
Term loans	615	607
Amount owing to Directors	-	3
Provision for taxation	3	3
	<u>6,639</u>	<u>6,851</u>
TOTAL LIABILITIES	<u>11,100</u>	<u>11,569</u>
TOTAL EQUITY AND LIABILITIES	<u>107,326</u>	<u>64,889</u>
Net assets per share (RM) attributable to owners of the Company	<u>0.20</u>	<u>0.18</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 2015 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 478,462,141 (2015: 297,638,595) excluding treasury shares held.

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2016**

	Share Capital RM'000	Share Premium RM'000	Treasury Shares RM'000	Revaluation Reserves RM'000	Merger Deficit RM'000	Currency Translation Reserve RM'000	Retained Profits RM'000	Attributable to owners of the Company RM'000	Non-Controlling Interest RM'000	Total Equity RM'000
Balance at 1 January 2016	29,814	-	(201)	15,651	(8,397)	(60)	16,482	53,289	31	53,320
(Loss)/profit after taxation for the financial period	-	-	-	-	-	-	(1,227)	(1,227)	13	(1,214)
Other comprehensive income/(loss) for the financial period, net of tax:										
- Foreign currency translation	-	-	-	-	-	71	-	71	-	71
Total comprehensive (loss)/income for the financial period	18,082	25,967	-	-	-	71	(1,227)	(1,156)	13	(1,143)
Issuance of shares	-	-	-	-	-	-	-	44,049	-	44,049
Disposal of property, plant and equipment	-	-	-	(2,240)	-	-	2,240	-	-	-
Balance at 31 March 2016	47,896	25,967	(201)	13,411	(8,397)	11	17,495	96,182	44	96,226

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

Balance at 1 January 2015	16,577	7,155	(39)	15,651	(8,397)	(30)	19,394	50,311	-	50,311
Profit after taxation for the financial period	-	-	-	-	-	-	393	393	-	393
Other comprehensive income for the financial period, net of tax:										
- Foreign currency translation	-	-	-	-	-	15	-	15	-	15
Total comprehensive income for the financial period	762	-	-	-	-	15	393	408	-	408
Issuance of shares	-	-	-	-	-	-	-	762	-	762
Balance at 31 March 2015	17,339	7,155	(39)	15,651	(8,397)	(15)	19,787	51,481	-	51,481

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 2015 and the accompanying explanatory notes attached to the interim financial statements.

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2016**

	Current Year To Date Ended 31.03.2016 (Unaudited) RM'000	Corresponding Year To Date Ended 31.03.2015 (Unaudited) RM'000
Cash flows from/(for) operating activities		
(Loss)/Profit before taxation	(1,210)	423
Adjustments for:-		
Depreciation of property, plant and equipment	196	138
Interest expense	68	61
Write down/(Write back) of inventories	127	(375)
Inventories written off	-	89
Loss/(Gain) on disposal of property, plant and equipment	397	(24)
Interest income	(13)	(50)
Unrealised loss/(gain) on foreign exchange	172	(66)
Operating (loss)/profit before working capital changes	<u>(263)</u>	<u>196</u>
(Increase)/Decrease in inventories	(278)	1,549
Increase in trade and other receivables	(3,018)	(33)
Decrease in trade and other payables	(202)	(2,088)
Cash for operations	<u>(3,761)</u>	<u>(376)</u>
Net tax refunded/(paid)	155	(172)
Interest paid	(69)	(62)
Net cash for operating activities	<u>(3,675)</u>	<u>(610)</u>
Cash flows (for)/from investing activities		
Interest received	13	50
Proceeds from disposal of property, plant and equipment	3,332	130
Purchase of property, plant and equipment	(32)	(15)
Net cash from investing activities	<u>3,313</u>	<u>165</u>
Cash flows from/(for) financing activities		
Repayment of term loans	(148)	(141)
Repayment to Directors	(3)	-
Repayment of hire purchase obligations	(18)	(97)
Proceeds from issuance of shares	44,049	762
Net cash from financing activities	<u>43,880</u>	<u>524</u>
Net increase in cash and cash equivalents	43,518	79
Cash and cash equivalents at beginning of the financial period	8,095	15,239
Foreign exchange difference	(156)	59
Cash and cash equivalents at end of the financial period	<u>51,457</u>	<u>15,377</u>
Cash and cash equivalents comprise:		
Fixed and short term deposits with licensed banks	41,498	6,353
Cash and bank balances with licensed banks and other financial institution	9,959	9,024
	<u>51,457</u>	<u>15,377</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 2015 and the accompanying explanatory notes attached to the interim financial statements.

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NOTES TO THE INTERIM STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2016

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 2015.

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 2017

- Amendment to MFRS 10 and MFRS 128, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- MFRS 15, Revenue from Contracts with Customers
- MFRS 9, Financial Instruments

A2. Auditors’ report on preceding annual financial statements

The audited financial statements of the Company and its subsidiaries for the FYE 31 December 2015 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 except for depreciation annual rate applicable to

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new plant and machinery, which has been revised to 7% (2015: 14%) in view of its longer estimated useful life.

A6. Issuances, cancellations, repurchase, resale and repayments of debt and equity securities

Total of additional 180,823,546 ordinary shares of RM0.10 each were issued pursuant to the Rights Issue of 179,423,296 shares and the exercise of Warrants 2014/2019 into 1,400,250 shares in the current quarter, total number of ordinary shares in issue increased to 478,960,141 as at 31 March 2016. There was no buy-back of own shares in the current quarter, total number of treasury shares held remains as 498,000 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:-

Geographical Market	Current Year-To-Date Ended 31 March 2016 RM'000	Corresponding Year-To-Date Ended 31 March 2015 RM'000
Asia other than Malaysia	1,812	1,834
Total export revenue	1,812	1,834
Malaysia	6,247	6,202
Total export and local revenue	8,059	8,036

Overseas revenue contributed about 22.48% of the Group's revenue in the current quarter under review compared to 22.82% in the corresponding year. Sale of Powder Fat products is classified as local revenue since the sales orders are from local customers.

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 2015.

A10. Capital commitments

In line with the Expansion Plan, the Group has accepted the quotation followed by the signing of Purchase Order on 4 May 2016 for the purchase one unit of Premix Plant and Packing System and one unit of Orgacids Plant and Packing System from Palma Tech

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Product Sdn Bhd for RM2.05 million and RM2.60 million respectively, which are to be funded by the Rights Issue proceeds raised.

A11. Material subsequent event after the Reporting Period

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.

A12. Changes in the Composition of the Group

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:

Islamic Banking Facility	Corporate Guarantee RM'000	Facility Limit RM'000	Balance As At 31 March 2016 RM'000
Bank overdraft	500	500	-
Trade line	6,000	6,000	1,604
Term loans	10,631	6,465	3,575
<hr/>			
Total	17,131	12,965	5,179

Corporate guarantee placed with Zuellig Pharma Sdn Bhd for the supply of Zoetis products to Sunzen Corporation Sdn Bhd, with credit limits of up to RM2.5 million is due for cancellation after Zoetis Malaysia Sdn Bhd reverted to having direct arrangement of orders and delivery of goods with Sunzen since October 2015.

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 March 2016 RM'000	Corresponding Quarter Ended 31 March 2015 RM'000	Current Year-To-Date Ended 31 March 2016 RM'000	Corresponding Year-To-Date Ended 31 March 2015 RM'000
Revenue	8,059	8,036	8,059	8,036
(Loss)/Profit before taxation ("PBT")	(1,210)	423	(1,210)	423

For the current quarter under review, revenue from Fat Powder products has cushioned the shortfall in revenue of both Companion Animals products and Premixes products, whereas Orgacids products maintained about the same sales volume as in the corresponding quarter, hence, the Group recorded a marginal increase of 0.29% in revenue compared to the corresponding quarter in the previous year.

The Group registered loss before taxation of RM1.21 million in the current quarter mainly attributed to the decrease in product margin, the increase in headcounts and the increase in other operating expenses. The increase in other operating expenses is related to the loss on disposal of semi-detached factory, unrealised loss on foreign currency resulted from weakening of USD currency in the current quarter and the write down of inventories for trading products.

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 March 2016 RM'000	Corresponding Quarter Ended 31 March 2015 RM'000	Current Year-To-Date Ended 31 March 2016 RM'000	Corresponding Year-To-Date Ended 31 March 2015 RM'000
Trading	3,016	3,888	3,016	3,888
Manufacturing	5,043	4,148	5,043	4,148
Total	8,059	8,036	8,059	8,036

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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 contribution from trading products in the current quarter decreased by 22.43% relative to the corresponding quarter mainly due to the decrease in sale of Companion Animals products in the current quarter. Manufacturing products, however posted 21.58% increase in revenue compared to the corresponding quarter attributed to the sale of Powder Fat products in the current quarter, where product marketing was only started in the second quarter of 2015.

B3. Profit before taxation

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

	Current Quarter Ended 31 March 2016 RM'000	Corresponding Quarter Ended 31 March 2015 RM'000	Current Year-To-Date Ended 31 March 2016 RM'000	Corresponding Year-To-Date Ended 31 March 2015 RM'000
Interest income	13	50	13	50
Interest expense	(68)	(61)	(68)	(61)
Depreciation and amortisation	(196)	(138)	(196)	(138)
Inventories written off (Write down)/Write back of inventories	- (127)	(89) 375	- (127)	(89) 375
(Loss)/Gain on disposal of property, plant and equipment	(397)	24	(397)	24
(Loss)/Gain on foreign exchange:				
- realised	(23)	48	(23)	48
- unrealised	(172)	66	(172)	66

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

	Current Quarter Ended 31 March 2016 RM'000	Preceding Quarter Ended 31 December 2015 RM'000	Variance	
			RM'000	%
Revenue	8,059	8,922	(863)	(9.67)
PBT	(1,210)	(467)	(743)	159.10

For the current quarter under review, a 9.67% dip in revenue compared to the preceding quarter mainly due to the decrease in sale of trading products. The Group incurred further loss in the current quarter mainly attributed to the increase in other operating expenses as explained above in B1.

B5. Prospects

The Group will continue to focus its effort on product diversification and strengthening of its existing distribution network not only in local market but also in overseas markets namely China, Korea which already have an existing demand for Orgacids products, while Vietnam for Orgacids and Premixes products. It also expects to see demand for Powder Fat products to improve further in view of increased revenue achieved in the current quarter compared to preceding quarter in 2015.

B6. 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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B7. Taxation

	Current Quarter Ended 31 March 2016 RM'000	Corresponding Quarter Ended 31 March 2015 RM'000	Current Year-To-Date Ended 31 March 2016 RM'000	Corresponding Year-To-Date Ended 31 March 2015 RM'000
<u>Income tax expense:-</u>				
Current financial year	4	24	4	24
	4	24	4	24
<u>Deferred tax expense:-</u>				
Current financial year	-	6	-	6
	-	6	-	6
Tax expense	4	30	4	30

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.

B8. Status of Corporate Proposal

The Rights Issue of Shares with Warrants has been completed with the listing of 179,423,296 Rights shares together with 179,423,296 Warrants (Warrants 2016/2021) and also 3,605,952 Adjustment Warrants (Warrants 2014/2019) on 4 March 2016.

Pursuant to the establishment of Share Issuance Scheme ("SIS") of up to 30% of the Company's issued and paid-up capital (excluding treasury shares) for the eligible Directors and employees of Sunzen and its subsidiaries (excluding dormant subsidiaries), the effective date for the implementation of the SIS is 15 April, 2016 as announced to Bursa Securities.

B8. Status of Corporate Proposal (Cont'd)

Warrants

As at 31 March 2016, total number of Warrants 2014/2019 and Warrants 2016/2021 that had been exercised and the number of unexercised warrants were as follows:

Warrants	Maturity date	Exercise price (RM)	Total number of warrants listed	Total number of warrants exercised	Total number of unexercised warrants
Warrants 2014/2019	14.04.2019	0.10	65,092,198	40,057,232	25,034,966
Warrants 2016/2021	25.02.2021	0.25	179,423,296	-	179,423,296

Utilisation of Proceeds from Rights Issue of 179,423,296 ordinary shares

As at 31 March 2016, the status of utilisation of the gross proceeds of approximately RM44.85 million raised from the Rights Issue of shares at an exercise price of RM0.25 each is as follows:

Purpose	Proposed utilisation RM'000	Actual utilisation RM'000	Intended timeframe from the listing date* (Months)	Variation		Notes
				RM'000	%	
Purchase of machineries	17,000	2,960	6	-	-	
Upgrade of building	2,800	54	6	-	-	
Working capital	24,405	5,880	12	296	-	
Estimated listing expenses	650	946	0.5	(296)	-	(1)
Total	44,855	9,840				

Pending full utilisation of the proceeds for the abovementioned purpose, the proceeds is placed in short term deposits with financial institution. Interest earned from the deposits will be used as working capital.

Notes:

* Listing date of Rights Shares on 4 March 2016.

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(1) Shortfall of the listing expenses incurred is adjusted from the working capital.

B9. Group borrowings and debt securities

The Group's borrowings as at 31 March 2016 were as follows:

	Secured RM'000	Unsecured RM'000	Total RM'000
<u>Short-term borrowings:-</u>			
Bills payable	1,604	-	1,604
Hire purchases	35	-	35
Term loans	615	-	615
	<u>2,254</u>	<u>-</u>	<u>2,254</u>
	Secured RM'000	Unsecured RM'000	Total RM'000
<u>Long-term borrowings:-</u>			
Hire purchases	-	-	-
Term loans	2,960	-	2,960
	<u>2,960</u>	<u>-</u>	<u>2,960</u>
Total	<u>5,214</u>	<u>-</u>	<u>5,214</u>

The proceeds from the disposal of semi-detached factory of RM3.3 million, out of which about RM1.690 million would be used to redeem one of the three existing term loans.

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.

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B12. (Loss)/Earnings per share

Basic (loss)/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 during the financial period excluding treasury shares. For comparative purpose, basic and diluted (loss)/earnings per share for the corresponding period is restated to include Bonus Issue of shares of 95,209,113.

	Current Quarter Ended 31 March 2016	Corresponding Quarter Ended 31 March 2015	Current Year-To-Date Ended 31 March 2016	Corresponding Year-To-Date Ended 31 March 2015
Group's (loss)/profit after taxation attributable to owners of the Company (RM'000)	(1,227)	393	(1,227)	393
Weighted average number of ordinary shares in issue excluding treasury shares	307,815,213	252,701,719	307,815,213	252,701,719
Basic (loss)/earnings per share (sen)	(0.40)	0.16	(0.40)	0.16

Diluted (loss)/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 during the financial period and adjustment for assumed exercise of Warrants of 343,133,044 (2015: 285,157,991).

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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 March 2016 RM'000	Corresponding Year-To-Date Ended 31 March 2015 RM'000
Total retained profits of the Group:-		
- realised	19,011	21,169
- unrealised	(1,516)	(1,382)
 Group's retained profits as per consolidated financial statements	<hr/> 17,495 <hr/>	<hr/> 19,787 <hr/>

This quarterly report for the financial period ended 31 March 2016 has been seen and approved by the Board of Directors of Sunzen Biotech for release to Bursa Securities.

Date: 26 May 2016