

(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 30 SEPTEMBER 2016**

	Current Quarter Ended 30.09.2016 (Unaudited) RM'000	Corresponding Quarter Ended 30.09.2015 (Unaudited) RM'000	Current Year-To-Date Ended 30.09.2016 (Unaudited) RM'000	Corresponding Year-To-Date Ended 30.09.2015 (Unaudited) RM'000
Revenue	7,903	6,192	25,970	23,299
Operating profit	1,624	1,769	6,066	6,364
Operating expenses	(2,310)	(2,119)	(8,148)	(5,969)
Finance expenses	(41)	(60)	(160)	(187)
(Loss)/Profit before taxation	(727)	(410)	(2,242)	208
Income tax expense	(4)	(58)	(12)	(105)
(Loss)/Profit after taxation	(731)	(468)	(2,254)	103
Other comprehensive (expense)/income, net of tax <i>Items that may be reclassified subsequently to profit or loss</i>				
Foreign currency translation	9	(1)	24	26
	9	(1)	24	26
Total comprehensive (expense)/income	(722)	(469)	(2,230)	129
(Loss)/Profit after taxation attributable to owners of:				
- the Company:	(744)	(467)	(2,332)	104
- non-controlling interest:	13	(1)	78	(1)
	(731)	(468)	(2,254)	103
Total comprehensive (expense)/income attributable to:				
- the Company:	(735)	(468)	(2,308)	130
- non-controlling interest:	13	(1)	78	(1)
	(722)	(469)	(2,230)	129
(Loss)/Earnings per share (sen) attributable to Owners of the Company:				
- Basic	(0.18)	(0.17)	(0.58)	0.04
- Diluted	(0.18)	(0.16)	(0.56)	0.04

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.

(Company No : 680889-W)

SUNZEN BIOTECH BERHAD
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2016

	As At Financial Year Quarter 30.09.2016 (Unaudited) RM'000	As At Financial Year End 31.12.2015 (Audited) RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	34,594	33,117
Product development expenditure	-	-
	<u>34,594</u>	<u>33,117</u>
Current assets		
Inventories	9,404	11,470
Trade receivables	5,203	7,450
Other receivables, deposits and prepayments	3,718	3,564
Tax refundable	1,239	1,193
Fixed and short term deposits with licensed banks	37,161	1,486
Cash and bank balances with licensed banks and other financial institution	14,677	6,609
	<u>71,402</u>	<u>31,772</u>
TOTAL ASSETS	<u>105,996</u>	<u>64,889</u>
EQUITY AND LIABILITIES		
Equity		
Share capital	47,912	29,814
Share premium	25,963	-
Treasury shares	(242)	(201)
Retained profits	16,390	16,482
Revaluation reserves	13,411	15,651
Merger deficit	(8,397)	(8,397)
Currency translation reserve	(36)	(60)
Attributable to owners of the Company	<u>95,001</u>	<u>53,289</u>
Non-controlling interest	109	31
	<u>95,110</u>	<u>53,320</u>
Non-current liabilities		
Deferred taxation	1,402	1,501
Hire purchase payables	223	99
Term loans	1,364	3,118
	<u>2,989</u>	<u>4,718</u>
Current Liabilities		
Trade payables	2,253	4,610
Bill payable	1,284	-
Other payables and accruals	3,944	1,564
Hire purchase payables	73	64
Term loans	343	607
Amount owing to Directors	-	3
Provision for taxation	-	3
	<u>7,897</u>	<u>6,851</u>
TOTAL LIABILITIES	<u>10,886</u>	<u>11,569</u>
TOTAL EQUITY AND LIABILITIES	<u>105,996</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 478,426,141 (2015: 297,638,595) excluding treasury shares held.

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SUNZEN BIOTECH BERHAD
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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 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
Quarter ended 30 September 2016 (Unaudited)										
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	-	-	-	-	-	-	(2,332)	(2,332)	78	(2,254)
Other comprehensive (expense)/income for the financial period, net of tax:										
- Foreign currency translation	-	-	-	-	-	24	-	24	-	24
Total comprehensive (expense)/income for the financial period	-	-	-	-	-	24	(2,332)	(2,308)	78	(2,230)
Issuance of shares	18,098	25,963	-	-	-	-	-	44,061	-	44,061
Purchase of own shares	-	-	(41)	-	-	-	-	(41)	-	(41)
Disposal of property, plant and equipment	-	-	-	(2,240)	-	-	2,240	-	-	-
Balance at 30 September 2016	47,912	25,963	(242)	13,411	(8,397)	(36)	16,390	95,001	109	95,110
Quarter ended 30 September 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	-	-	-	-	-	-	104	104	(1)	103
Other comprehensive income for the financial period, net of tax:										
- Foreign currency translation	-	-	-	-	-	26	-	26	-	26
Total comprehensive income for the financial period	-	-	-	-	-	26	104	130	(1)	129
Issuance of shares	12,797	(7,155)	-	-	-	-	(2,563)	3,079	30	3,109
Purchase of own shares	-	-	(49)	-	-	-	-	(49)	-	(49)
Balance at 30 September 2015	29,374	-	(88)	15,651	(8,397)	(4)	16,935	53,471	29	53,500

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 30 SEPTEMBER 2016**

	Current Year To Date Ended 30.09.2016 (Unaudited) RM'000	Corresponding Year To Date Ended 30.09.2015 (Unaudited) RM'000
Cash flows from/(for) operating activities		
(Loss)/Profit before taxation	(2,242)	208
Adjustments for:-		
Depreciation of property, plant and equipment	680	601
Interest expense	150	178
Write down/(Write back) of inventories	865	(457)
Inventories written off	-	192
Loss/(Gain) on disposal of property, plant and equipment	397	(24)
Interest income	(678)	(166)
Unrealised loss/(gain) on foreign exchange	95	(25)
Operating (loss)/profit before working capital changes	<u>(733)</u>	<u>507</u>
Decrease/(Increase) in inventories	1,201	(1,832)
Decrease/(Increase) in trade and other receivables	2,089	(641)
Increase/(Decrease) in trade and other payables	1,312	(185)
Cash from/(for) operations	<u>3,869</u>	<u>(2,151)</u>
Net tax paid	(159)	(495)
Interest paid	(152)	(180)
Net cash from/(for) operating activities	<u>3,558</u>	<u>(2,826)</u>
Cash flows (for)/from investing activities		
Interest received	678	166
Proceeds from disposal of property, plant and equipment	3,333	130
Purchase of property, plant and equipment	(5,698)	(4,369)
Net cash for investing activities	<u>(1,687)</u>	<u>(4,073)</u>
Cash flows from/(for) financing activities		
Repayment of term loans	(2,016)	(426)
Repayment to Directors	(3)	-
Repayment of hire purchase obligations	(57)	(142)
Treasury shares	(41)	(49)
Proceeds from issuance of shares	44,061	3,079
Proceeds from issuance of shares to non-controlling interest	-	30
Net cash from financing activities	<u>41,944</u>	<u>2,492</u>
Net increase/(decrease) in cash and cash equivalents	43,815	(4,407)
Cash and cash equivalents at beginning of the financial period	8,095	15,239
Foreign exchange difference	(72)	40
Cash and cash equivalents at end of the financial period	<u>51,838</u>	<u>10,872</u>
Cash and cash equivalents comprise:		
Fixed and short term deposits with licensed banks	37,161	4,466
Cash and bank balances with licensed banks and other financial institution	14,677	6,406
	<u>51,838</u>	<u>10,872</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 30 SEPTEMBER 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

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There were no material changes in estimates of amounts reported that will have a material effect in the current quarter under review since the first quarter 2016 whereby annual depreciation rate for new plant and machinery has been revised to 7% (2015: 14%).

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

For the current quarter under review, there were no exercises of Warrants by warrants holders, the total number of ordinary shares in issue as at 30 September 2016 remains as 479,124,141. The Company repurchased 200,000 ordinary shares from the open market at purchase consideration of RM41,299, thus the total number of treasury shares increased to 698,000 with the carrying amount of RM242,589.

A7. Dividend paid

During the current quarter, there was no payment of dividend.

A8. Segmental information

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

Geographical Market	Current Year-To-Date Ended 30 September 2016 RM'000	Corresponding Year-To-Date Ended 30 September 2015 RM'000
Asia other than Malaysia	5,139	4,763
Total export revenue	5,139	4,763
Malaysia	20,831	18,536
Total export and local revenue	25,970	23,299

For the current year-to-date, overseas revenue reported a year-on-year increase of 7.89% mainly attributed to the increase in sale of Orgacids products, while for local revenue a 12.38% increase largely contributed by Fat Powder products.

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.

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A10. Capital commitments

Capital commitment authorised but not provided for in the interim financial statements under review.

	30 September 2016	30 September 2015
	RM'000	RM'000
Property, Plant and Equipment		
- Contracted	3,063	-

It includes the balance amount contracted for in relation to the installations of one line of Pre-mix Plant and one line of Orgacids Plant, which will be funded from the Rights Issue proceeds.

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 guarantee, 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	Facility Limit	Balance As At 30 September 2016
	RM'000	RM'000	RM'000
Bank overdraft	500	500	-
Trade line	6,000	6,000	1,284
Term loans	10,631	6,465	1,707

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Total	17,131	12,965	2,991
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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 2016 RM'000	Corresponding Quarter Ended 30 September 2015 RM'000	Current Year-To-Date Ended 30 September 2016 RM'000	Corresponding Year-To-Date Ended 30 September 2015 RM'000
Revenue	7,903	6,192	25,970	23,299
(Loss)/Profit before taxation ("PBT")	(727)	(410)	(2,242)	208

For the current quarter under review, revenue increased by 27.63 % compared to the corresponding quarter, mainly driven by Fat Powder products sales. Revenue for the current year-to-date saw a year-on-year increase of 11.46% mainly boosted by Fat Powder products sales which outweighed the impact of reduction in sales for premixes products and trading products for livestock and companion animals.

A pre-tax loss of RM0.727 million in the current quarter despite with improved revenue, mainly impacted by higher utilities cost for Fat Powder Plant, higher write down of inventories for trading products and lower product margin. For the current year-to-date, the Group incurred a pre-tax loss of RM2.242 million as compared to a pre-tax profit of RM0.208 million a year ago, mainly attributed to lower product margin, higher write down of inventories, increase of utilities cost and higher headcount for production division.

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 30 September 2016 RM'000	Corresponding Quarter Ended 30 September 2015 RM'000	Current Year-To-Date Ended 30 September 2016 RM'000	Corresponding Year-To-Date Ended 30 September 2015 RM'000
Trading	2,161	2,280	7,900	10,338
Manufacturing	5,542	3,912	17,870	12,961
Project	200	-	200	-

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management

Total	7,903	6,192	25,970	23,299
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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)

Trading products showed a 5.22% decrease in revenue for the current quarter, while for manufacturing products 41.67% higher attributable to Fat Powder products, relative to the corresponding quarter. For the current year-to-date, trading products reported 23.58% lower in revenue whereas manufacturing products 37.88% higher compared to the previous year. Project Management involves the undertaking of contract for the farming operation of durian orchard, contributing a monthly revenue of RM0.200 million.

B3. Profit before taxation

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

	Current Quarter Ended 30 September 2016 RM'000	Corresponding Quarter Ended 30 September 2015 RM'000	Current Year-To-Date Ended 30 September 2016 RM'000	Corresponding Year-To-Date Ended 30 September 2015 RM'000
Interest income	221	55	678	166
Interest expense	(38)	(58)	(150)	(178)
Depreciation	(246)	(292)	(680)	(601)
Inventories written off	-	(3)	-	(192)
(Write down)/Write back of inventories	(521)	(59)	(865)	457
(Loss)/Gain on disposal of property, plant and equipment	(397)	-	(397)	24
Gain/(Loss) on foreign exchange:				
- realised	6	80	99	151
- unrealised	99	(68)	(95)	25

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

	Current Quarter Ended 30 September 2016 RM'000	Preceding Quarter Ended 30 June 2016 RM'000	Variance	
			RM'000	%
Revenue	7,903	10,008	(2,105)	(21.03)
PBT	(727)	(305)	(422)	138.36

Revenue for the current quarter down by 21.03% relative to the preceding quarter mainly attributed to the decline in sale contribution from Fat Powder products as well as trading products for livestock animals.

A higher pre-tax loss for the current quarter despite with lower operating expenses incurred in the current quarter compared to the preceding quarter mainly due to lower product margin as a result of weaker sales performance in the current quarter and also the reduction of interest income.

B5. Prospects

The Company is continually looking for opportunities to engage in new markets both domestic and overseas. The Company is also exploring potential customers in East Malaysia particularly in the poultry and ruminant sectors.

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 Quarter Ended 30 September 2016 RM'000	Corresponding Quarter Ended 30 September 2015 RM'000	Current Year-To-Date Ended 30 September 2016 RM'000	Corresponding Year-To-Date Ended 30 September 2015 RM'000
<u>Income tax expense:-</u>				
Current financial year	4	58	12	111
	4	58	12	111
<u>Deferred tax expense:-</u>				
Current financial year	-	-	-	(6)
	-	-	-	(6)

Tax expense	4	58	12	105
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B7. Taxation (Cont'd)

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

As at announcement date of this report, there were no corporate proposals which were already announced but not completed yet.

Share Issuance Scheme ("SIS"), with effective date 15 April 2016

Pursuant to the establishment of 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 Company has yet to finalise the details of the eligibility and allocation criteria as well as exercise of the SIS.

Warrants

As at 30 September 2016, the total number of Warrants exercised for warrants 2014/2019 and warrants 2016/2021 and the total 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	40,221,232	24,870,966
Warrants 2016/2021	25.02.2021	0.25	179,423,296	-	179,423,296

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B8. Status of Corporate Proposal (Cont'd)**Utilisation of Proceeds from Rights Issue of 179,423,296 ordinary shares**

As at 30 September 2016, the status of utilisation of the gross proceeds of approximately RM44.855 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	5,283	6	-	-	(2)
Upgrade of building	2,800	87	6	-	-	(2)
Working capital	24,405	17,564	12	296	-	
Estimated listing expenses	650	946	0.5	(296)	-	(1)
Total	44,855	23,880				

Notes:

* Listing date of Rights Shares on 4 March 2016.

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

(2) On 5 August 2016, the Company announced to extend the deadline of the intended timeframe for the utilisation of the balance proceeds to 4 September 2017 from 4 September 2016.

While pending the proceeds to be fully utilised over the period of time, the fund is placed in short term deposits with financial institution, whereby interest derived from the placement will be used as working capital.

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B9. Group borrowings and debt securities

The Group's borrowings as at 30 September 2016 were as follows:

	Secured RM'000	Unsecured RM'000	Total RM'000
<u>Short-term borrowings:-</u>			
Bills payable	1,284	-	1,284
Hire purchases	73	-	73
Term loans	343	-	343
	<u>1,700</u>	<u>-</u>	<u>1,700</u>
	Secured RM'000	Unsecured RM'000	Total RM'000
<u>Long-term borrowings:-</u>			
Hire purchases	223	-	223
Term loans	1,364	-	1,364
	<u>1,587</u>	<u>-</u>	<u>1,587</u>
Total	<u>3,287</u>	<u>-</u>	<u>3,287</u>

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.

	Current Quarter Ended 30 September 2016	Corresponding Quarter Ended 30 September 2015	Current Year-To-Date Ended 30 September 2016	Corresponding Year-To-Date Ended 30 September 2015
Group's (loss)/profit after taxation attributable to owners of the Company (RM'000)	(744)	(467)	(2,332)	104
Weighted average number of ordinary shares in issue excluding treasury shares	403,081,789	274,466,816	403,081,789	274,466,816
Basic (loss)/earnings per share (sen)	(0.18)	(0.17)	(0.58)	0.04

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 413,695,513 (2015: 293,185,902).

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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 30 September 2016 RM'000	Corresponding Year-To-Date Ended 30 September 2015 RM'000
Total retained profits of the Group:-		
- realised	17,730	18,345
- unrealised	(1,340)	(1,410)
Group's retained profits as per consolidated financial statements	<hr/> 16,390	<hr/> 16,935

This quarterly report for the financial period ended 30 September 2016 has been reviewed and approved by the Board of Directors of Sunzen Biotech for release to Bursa Securities.