

(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 2018**

| | Current Quarter Ended 31.03.2018 (Unaudited) RM'000 | Corresponding Quarter Ended 31.03.2017 (Unaudited) RM'000 | Current Year-To-Date Ended 31.03.2018 (Unaudited) RM'000 | Corresponding Year-To-Date Ended 31.03.2017 (Unaudited) RM'000 |
|---|--|--|---|---|
| Revenue | 70,932 | 45,745 | 70,932 | 45,745 |
| Operating profit | 1,713 | 3,009 | 1,713 | 3,009 |
| Operating expenses | (2,140) | (1,917) | (2,140) | (1,917) |
| Finance expenses | (22) | (34) | (22) | (34) |
| (Loss)/Profit before tax | (449) | 1,058 | (449) | 1,058 |
| Income tax expense | (20) | (7) | (20) | (7) |
| (Loss)/Profit after tax | (469) | 1,051 | (469) | 1,051 |
| Other comprehensive income, net of tax <i>Items that may be reclassified subsequently to profit or loss</i> | | | | |
| Foreign currency translation | 3 | 4 | 3 | 4 |
| | 3 | 4 | 3 | 4 |
| Total comprehensive (expense)/income | (466) | 1,055 | (466) | 1,055 |
| | | | | |
| (Loss)/Profit after tax attributable to: | | | | |
| Equity holders of the company | (409) | 1,019 | (409) | 1,019 |
| Non-controlling interests | (60) | 32 | (60) | 32 |
| | (469) | 1,051 | (469) | 1,051 |
| | | | | |
| Total comprehensive (expense)/income attributable to: | | | | |
| Equity holders of the company | (406) | 1,023 | (406) | 1,023 |
| Non-controlling interests | (60) | 32 | (60) | 32 |
| | (466) | 1,055 | (466) | 1,055 |
| | | | | |
| (Loss)/Earnings per ordinary share (sen) attributable to equity holders of the company | | | | |
| - Basic | (0.09) | 0.21 | (0.09) | 0.21 |
| - Diluted | (0.08) | 0.20 | (0.08) | 0.20 |

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 2017 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 MARCH 2018

| | As At Financial Year Quarter 31.03.2018 (Unaudited) RM'000 | As At Financial Year End 31.12.2017 (Audited) RM'000 |
|---|---|---|
| ASSETS | | |
| Non-current assets | | |
| Property, plant and equipment | 37,905 | 37,671 |
| Product development expenditure | - | - |
| | <u>37,905</u> | <u>37,671</u> |
| Current assets | | |
| Inventories | 5,592 | 6,086 |
| Trade receivables | 13,440 | 22,669 |
| Other receivables, deposits and prepayments | 4,035 | 3,799 |
| Tax recoverable | 1,650 | 1,526 |
| Fixed and short term deposits with licensed banks | 14,577 | 19,624 |
| Cash and bank balances with licensed banks and other financial institution | 37,398 | 27,776 |
| | <u>76,692</u> | <u>81,480</u> |
| TOTAL ASSETS | <u>114,597</u> | <u>119,151</u> |
| EQUITY | | |
| Share capital | 63,300 | 63,286 |
| Share premium | - | - |
| Treasury shares | (242) | (242) |
| Warrants Reseve | 10,909 | 10,909 |
| Retained profits | 20,254 | 20,663 |
| Revaluation reserve | 13,369 | 13,369 |
| Merger deficit | (8,397) | (8,397) |
| Currency translation reserve | (131) | (134) |
| Total equity attributable to equity holders of the Company | <u>99,062</u> | <u>99,454</u> |
| Non-controlling interests | 206 | 266 |
| TOTAL EQUITY | <u>99,268</u> | <u>99,720</u> |
| LIABILITIES | | |
| Non-current liabilities | | |
| Deferred tax liabilities | 898 | 898 |
| Hire purchase payables | 134 | 150 |
| Term loans | 807 | 900 |
| | <u>1,839</u> | <u>1,948</u> |
| Current Liabilities | | |
| Trade payables | 10,827 | 14,919 |
| Other payables and accruals | 2,221 | 2,015 |
| Amount owing to Directors | - | 22 |
| Hire purchase payables | 60 | 59 |
| Term loans | 372 | 370 |
| Tax payable | 10 | 98 |
| | <u>13,490</u> | <u>17,483</u> |
| TOTAL LIABILITIES | <u>15,329</u> | <u>19,431</u> |
| TOTAL EQUITY AND LIABILITIES | <u>114,597</u> | <u>119,151</u> |
| Net assets per ordinary share (RM) attributable to equity holders of the Company | <u>0.21</u> | <u>0.21</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 2017 and the accompanying explanatory notes attached to the interim financial statements.

The net assets per share attributable to equity holders 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 481,760,347 (2017: 481,620,347) excluding treasury shares held.

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018**

| | ← Attributable to equity holders of the Company → | | | | | | | Retained Profits RM'000 | Total RM'000 | Non-Controlling Interests RM'000 | Total Equity RM'000 |
|--|---|-------------------------|---------------------------|----------------------------|-------------------------------|--------------------------|--|----------------------------|-----------------|-------------------------------------|------------------------|
| | Share Capital RM'000 | Share Premium RM'000 | Treasury Shares RM'000 | Warrants Reserve RM'000 | Revaluation Reserve RM'000 | Merger Deficit RM'000 | Currency Translation Reserve RM'000 | | | | |
| Quarter ended 31 March 2018 (Unaudited) | | | | | | | | | | | |
| Balance at 1 January 2018 | 63,286 | - | (242) | 10,909 | 13,369 | (8,397) | (134) | 20,663 | 99,454 | 266 | 99,720 |
| Loss after tax for the financial period | - | - | - | - | - | - | - | (409) | (409) | (60) | (469) |
| Other comprehensive income/(expense) for the financial period, net of tax: | | | | | | | | | | | |
| - Foreign currency translation | - | - | - | - | - | - | 3 | - | 3 | - | 3 |
| Total comprehensive income/(expense) for the financial period | - | - | - | - | - | - | 3 | (409) | (406) | (60) | (466) |
| Issuance of shares | 14 | - | - | - | - | - | - | - | 14 | - | 14 |
| Balance at 31 March 2018 | 63,300 | - | (242) | 10,909 | 13,369 | (8,397) | (131) | 20,254 | 99,062 | 206 | 99,268 |
| Quarter ended 31 March 2017 (Unaudited) | | | | | | | | | | | |
| Balance at 1 January 2017 | 47,912 | 15,054 | (242) | 10,909 | 13,393 | (8,397) | (4) | 18,610 | 97,235 | 100 | 97,335 |
| Profit after tax for the financial period | - | - | - | - | - | - | - | 1,019 | 1,019 | 32 | 1,051 |
| Other comprehensive income for the financial period, net of tax: | | | | | | | | | | | |
| - Foreign currency translation | - | - | - | - | - | - | 4 | - | 4 | - | 4 |
| Total comprehensive income for the financial period | - | - | - | - | - | - | 4 | 1,019 | 1,023 | 32 | 1,055 |
| Balance at 31 March 2017 | 47,912 | 15,054 | (242) | 10,909 | 13,393 | (8,397) | - | 19,629 | 98,258 | 132 | 98,390 |

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 2017 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 CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018

| | Current Year To Date Ended 31.03.2018 (Unaudited) RM'000 | Corresponding Year To Date Ended 31.03.2017 (Unaudited) RM'000 |
|--|--|--|
| Cash flows from/(for) operating activities | | |
| (Loss)/Profit before tax | (449) | 1,058 |
| Adjustments for:- | | |
| Depreciation of property, plant and equipment | 259 | 258 |
| Interest expense | 19 | 30 |
| Write down/(write back) of inventories | 112 | (114) |
| Gain on disposal of property, plant and equipment | (30) | - |
| Interest income | (189) | (68) |
| Unrealised loss on foreign exchange | 62 | 66 |
| Operating (loss)/profit before working capital changes | <u>(216)</u> | <u>1,230</u> |
| (Increase)/Decrease in inventories | (68) | 375 |
| Decrease/(Increase) in trade and other receivables | 9,444 | (12,523) |
| (Decrease)/Increase in trade and other payables | <u>(3,885)</u> | <u>20,252</u> |
| Cash from operations | <u>5,275</u> | <u>9,334</u> |
| Net tax paid | (232) | (158) |
| Interest paid | <u>(19)</u> | <u>(30)</u> |
| Net cash from operating activities | <u>5,024</u> | <u>9,146</u> |
| Cash flows (for)/from investing activities | | |
| Interest received | 189 | 68 |
| Proceeds from disposal of property, plant and equipment | 30 | - |
| Purchase of property, plant and equipment | <u>(494)</u> | <u>(1,554)</u> |
| Net cash for investing activities | <u>(275)</u> | <u>(1,486)</u> |
| Cash flows (for)/from financing activities | | |
| Repayment of term loans | (91) | (86) |
| Repayment of bills payable | - | (786) |
| Repayment to Directors | (22) | - |
| Repayment of hire purchase obligations | (15) | (22) |
| Proceeds from issuance of shares | 14 | - |
| Net cash for financing activities | <u>(114)</u> | <u>(894)</u> |
| Net increase in cash and cash equivalents | 4,635 | 6,766 |
| Cash and cash equivalents at beginning of the financial period | 47,400 | 50,553 |
| Foreign exchange difference | (60) | (17) |
| Cash and cash equivalents at end of the financial period | <u>51,975</u> | <u>57,302</u> |
| Cash and cash equivalents comprise: | | |
| Fixed and short term deposits with licensed banks | 14,577 | 35,624 |
| Cash and bank balances with licensed banks and other financial institution | <u>37,398</u> | <u>21,678</u> |
| | <u>51,975</u> | <u>57,302</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 2017 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 2018

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 (“MFRS”) 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 2017.

The following MFRS and Interpretation 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 2018

- Amendments to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2014-2016 Cycle)
- Amendments to MFRS 2 Share-based Payment - Classification and Measurement of Share-based Payment Transactions
- MFRS 9 Financial Instruments (2014)
- MFRS 15 Revenue from Contracts with Customers
- Amendments to MFRS 128 Investments in Associates and Joint Ventures (Annual Improvements 2014-2016 Cycle)
- Amendments to MFRS 140 Transfers of Investment Property
- Amendments to MFRS 15 - Classifications to MFRS 15
- IC Interpretation 22 Foreign Currency Transactions and Advance Consideration

Amendments effective for financial periods beginning on or after 1 January 2019

- MFRS 16 Leases
- IC Interpretation 23 Uncertainty over Income Tax Treatments
- Amendments to MFRS 9 Financial Instruments (2014) - Prepayment Features with Negative Compensation
- Amendments to MFRS 128 Investments in Associates and Joint Ventures - Long-term Interest in Associates and Joint Ventures
- Amendments to MFRS 3 Business Combinations - Previously Held Interest in a Joint Operation (Annual Improvements 2015-2017 Cycle)
- Amendments to MFRS 11 Joint Arrangements - Previously Held Interest in a Joint Operation (Annual Improvements 2015-2017 Cycle)

A1. Basis of reporting preparation (Cont'd)

**Amendments effective for financial periods beginning on or after 1 January 2019
(Cont'd)**

- Amendments to MFRS 112 Income Taxes - Income Tax Consequences of Payments on Financial Instruments Classified as Equity (Annual Improvements 2015-2017 Cycle)
- Amendments to MFRS 123 Borrowing Costs - Borrowing Costs Eligible for Capitalisation (Annual Improvements 2015-2017 Cycle)
- Amendments to MFRS 119 Employee Benefits - Plan Amendment, Curtailment or Settlement

A2. Auditors' report on preceding annual financial statements

The audited financial statements of the Company and its subsidiaries for the FYE 31 December 2017 were not subjected to any qualification.

A3. Seasonal or cyclical factors

The financial performance of the Group's trading of crude palm oil and derivative products segment for the current quarter was impacted by seasonal crop production, seasonal external supply and fluctuating commodity prices.

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

Total number of ordinary shares in issue increased to 482,458,347 as at 31 March 2018 as a result of the conversion of 140,000 Warrants 2014/2019 during the current quarter. There was no share-buy back done during the current quarter, the number of treasury share as at 31 March 2018 remains unchanged, that is, 698,000.

A7. Dividend paid

No dividend paid in the current quarter under review.

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A8. Segmental information

The Group has two major business segments which include manufacturing and trading of animal health products and trading of crude palm oil and derivative products.

| | Current Quarter Ended 31 March 2018 RM'000 | Corresponding Quarter Ended 31 March 2017 RM'000 | Current Year-To-Date Ended 31 March 2018 RM'000 | Corresponding Year-To-Date Ended 31 March 2017 RM'000 |
|---|---|---|--|--|
| <u>Revenue</u> | | | | |
| Manufacturing and trading of animal health products | 6,690 | 9,313 | 6,690 | 9,313 |
| Trading of crude palm oil and derivative products | 64,242 | 36,232 | 64,242 | 36,232 |
| Others | - | 200 | - | 200 |
| Total | 70,932 | 45,745 | 70,932 | 45,745 |

Revenue from animal products decreased as compared to the corresponding quarter mainly related to trading products range while trading of crude palm oil and derivative products showed a significant increase in the current quarter.

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 2017. The last revaluation of freehold land and factory buildings of the Group was on 25 June 2014 by an independent firm of professional valuers. The Group adopts a revaluation policy to revalue its freehold lands and buildings in every 5 years, thus the next revaluation will be due in 2019.

A10. Capital commitments

Capital commitment authorised but not provided for in the interim financial statements under review as follows:

| | 31 March 2018 RM'000 | 31 March 2017 RM'000 |
|-------------------------------|---------------------------------|---------------------------------|
| Property, Plant and Equipment | | |
| - Contracted for | 3,644 | 3,859 |

The outstanding balance as at 31 March 2018 is made up of balance brought forward from the previous period.

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A11. Material subsequent event after the Reporting Period

On 9 February 2018, the Company announced the proposed ratification of the diversification of its business and its subsidiaries into trading of crude palm oil and derivative products during 2017.

On 26 January 2018 and 6 March 2018, the Company made announcement to Bursa Securities on:

- Proposed acquisition of 5,250,000 Ordinary Shares in Ecolite Biotech Manufacturing Sdn Bhd (“Ecolite”), representing 70% equity interest in Ecolite for a total purchase consideration of RM12,050,360 to be wholly satisfied by the issuance and allotment of 40,848,678 new ordinary shares in the Company at an issue price of RM0.295 per share.
- Proposed diversification into the manufacturing and trading of traditional Chinese medicines and herbal health foods and beverages.

On 8 May 2018, the Company announced the proposed acquisition of 700,000 ordinary shares in Amplio Ingredients Sdn. Bhd. (“Amplio”), representing 70% equity interest in Amplio for a total purchase consideration of RM2,800,000 to be funded from internally generated fund.

A12. Changes in the Composition of the Group

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

A13. Contingent Liabilities

Unsecured corporate guarantee given to banks in respect of banking facilities extended to subsidiaries as follows:

| | 31 March 2018 RM'000 | 31 March 2017 RM'000 |
|----------------------------------|-------------------------|-------------------------|
| <u>Banking facilities</u> | | |
| Term loans | 1,179 | 1,536 |
| Bills payable | - | 1,997 |
| | <hr/> 1,179 | <hr/> 3,533 |

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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 31 March 2018 RM'000 | Corresponding Quarter Ended 31 March 2017 RM'000 | Current Year-To-Date Ended 31 March 2018 RM'000 | Corresponding Year-To-Date Ended 31 March 2017 RM'000 |
|-----------------------------|---|---|--|--|
| Revenue | 70,932 | 45,745 | 70,932 | 45,745 |
| (Loss)/Profit before tax | (449) | 1,058 | (449) | 1,058 |

For the current quarter under review, Group's revenue increased by 55.06% compared to the corresponding quarter in the previous year mainly due to the increase in trading of crude palm oil and derivative products for the current quarter.

Despite the performance of revenue improved in the current quarter, the Group reported a loss before tax of about RM449,000 mainly due to the decrease in profit contribution with lower revenue from animal health products in the current quarter.

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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

| | Current Quarter Ended 31 March 2018 RM'000 | Corresponding Quarter Ended 31 March 2017 RM'000 | Current Year-To-Date Ended 31 March 2018 RM'000 | Corresponding Year-To-Date Ended 31 March 2017 RM'000 |
|---|---|---|--|--|
| <u>Revenue</u> | | | | |
| Manufacturing and trading of animal health products | 6,690 | 9,313 | 6,690 | 9,313 |
| Trading of crude palm oil and derivative products | 64,242 | 36,232 | 64,242 | 36,232 |
| Others | - | 200 | - | 200 |
| Total revenue | 70,932 | 45,745 | 70,932 | 45,745 |
| <u>Results</u> | | | | |
| Manufacturing and trading of animal health products | (830) | 401 | (830) | 401 |
| Trading of crude palm oil and derivative products | 179 | 415 | 179 | 415 |
| Others | 202 | 242 | 202 | 242 |
| (Loss)/Profit before tax | (449) | 1,058 | (449) | 1,058 |

For the current quarter under review, animal health products segment reported 28.16% lower in revenue contribution compared to the corresponding quarter while revenue from crude palm oil and derivative products segment showed 77.31% higher compared to the same period of the previous year.

Animal health products segment posted a loss before tax of RM830,000 for the current quarter under review as compared to profit before tax of RM401,000 in the corresponding quarter of the previous year while trading of crude palm oil and derivative products segment delivered a profit before tax of RM179,000 in the current quarter versus a profit before tax of RM415,000 in the previous year.

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B3. (Loss)/Profit before tax

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

| | Current Quarter Ended 31 March 2018 RM'000 | Corresponding Quarter Ended 31 March 2017 RM'000 | Current Year-To-Date Ended 31 March 2018 RM'000 | Corresponding Year-To-Date Ended 31 March 2017 RM'000 |
|---|---|---|--|--|
| Interest income | 189 | 68 | 189 | 68 |
| Interest expense | (19) | (30) | (19) | (30) |
| Depreciation | (259) | (258) | (259) | (258) |
| (Write down)/Write back of inventories | (112) | 114 | (112) | 114 |
| Gain on disposal of property, plant and equipment | 30 | - | 30 | - |
| (Loss)/Gain on foreign exchange: | | | | |
| - realised | 6 | 27 | 6 | 27 |
| - unrealised | (62) | (66) | (62) | (66) |

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

| | Current Quarter Ended 31 March 2018 RM'000 | Preceding Quarter Ended 31 December 2017 RM'000 | Variance | |
|-----------------------------|---|--|-----------------|----------|
| | | | RM'000 | % |
| Revenue | 70,932 | 103,091 | (32,159) | (31.19) |
| (Loss)/Profit before tax | (449) | 125 | (574) | (459.20) |

For the current quarter under review, Group's revenue decreased by 31.19% relative to preceding quarter mainly due to the decrease in the trading of crude palm oil and derivative products as well as animal health products in the current quarter. Seasonal less active market condition due to festive season has slowed down sales volume in the current quarter compared to the preceding quarter.

Group reported a loss before tax of RM449,000 in the current quarter as compared to profit before tax of RM125,000 in the preceding quarter ended 31 December 2017, mainly due to the decrease in profit contribution on lower sales volume achieved as compared to the preceding quarter.

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B5. Prospects

Moving forward, the Board is of the opinion that the financial performance of the Group is expected to improve further in view of proposed diversification of its business through proposed acquisition of Amplio Ingredients Sdn. Bhd., which is involved in trading and distribution of personal care product, food product and Food Ingredient and proposed acquisition of Ecolite Biotech Manufacturing Sdn Bhd, which is involved in the manufacturing and trading of traditional Chinese medicines and herbal health foods and beverages.

B6. Profit forecast and profit guarantee

No profit forecast or profit guarantee has been issued by the Company and its subsidiaries in the current quarter.

B7. Income tax expense

| | Current Quarter Ended 31 March 2018 RM'000 | Corresponding Quarter Ended 31 March 2017 RM'000 | Current Year-To-Date Ended 31 March 2018 RM'000 | Corresponding Year-To-Date Ended 31 March 2017 RM'000 |
|------------------------------------|---|---|--|--|
| <u>Income tax expense</u> | | | | |
| Current financial year | 20 | 34 | 20 | 34 |
| | 20 | 34 | 20 | 34 |
| <u>Deferred tax expense</u> | | | | |
| Current financial year | - | (27) | - | (27) |
| | - | (27) | - | (27) |
| Total | 20 | 7 | 20 | 7 |

The Company's wholly-owned subsidiary, Sunzen LifeSciences Sdn. Bhd. is awarded with BioNexus status and granted a 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 spanning from 1 January 2010 to 31 December 2019.

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B8. Status of Corporate Proposal

Proposed acquisition of 5,250,000 ordinary shares in Ecolite Biotech Manufacturing Sdn Bhd (“Ecolite”), representing 70% equity interest in Ecolite for a total purchase consideration of RM12,050,360 to be wholly satisfied by the issuance and allotment of 40,848,678 new ordinary shares in Sunzen at an issue price of RM0.295 per Sunzen share.

The proposed acquisition will be tabled to the shareholders for approval at the forthcoming Extraordinary General Meeting to be held on 30 May 2018.

Proposed acquisition of 700,000 ordinary shares in Amplio Ingredients Sdn. Bhd. (“Amplio”), representing 70% equity interest in Amplio for a total purchase consideration of RM2,800,000 to be funded from internally generated fund.

The proposed acquisition is not subject to the approval of shareholders and the relevant government authorities. Announced on 8 May 2018 that the Company had entered into a Sales of Shares Agreement (“SSA”) and Shareholders’ Agreement (“SA”) with Cheong Wai Loon and Low Yuan Heng, the vendors for the proposed acquisition. Pursuant to the SA, the Company agrees to advance within 1 month from the date of the SSA, a loan of RM2,000,000 to Amplio for working capital purpose. The proposed acquisition is expected to be completed by 2nd quarter of 2018.

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.

SIS is subject to any adjustments in accordance with the by-laws, the Subscription Price shall be the higher of the following:

- (i) the Five-day volume weight average market price (5D-VWAP) of the Company’s Shares immediately preceding the date of offer of the SIS Option, as quoted on Bursa Securities, with discount of not more than 10%; or
- (ii) the par value of the Company’s Shares.

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B8. Status of Corporate Proposal (Cont'd)**Warrants**

The total number of respective Warrants exercised and Warrants yet to be exercised as at 31 March 2018 as follows:

| Description | Maturity date | Exercise price (RM) | Total number of Warrants listed | Total number of Warrants exercised | Total number of Warrants to be exercised |
|--------------------|---------------|---------------------|---------------------------------|------------------------------------|--|
| Warrants 2014/2019 | 14.04.2019 | 0.10 | 65,092,198 | 43,555,438 | 21,536,760 |
| 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

The current status of utilisation of the gross proceeds of approximately RM44.855 million raised from the Rights Issue of 176,423,296 new ordinary shares together with 179,423,296 free detachable warrants as follows:

| Description | Proposed utilisation RM'000 | Proposed revision [^] RM'000 | Actual utilisation RM'000 | Balance yet to be utilised RM'000 | Intended timeframe from the listing date* Months |
|----------------------------|-----------------------------|---------------------------------------|---------------------------|-----------------------------------|--|
| Purchase of machineries | 17,000 | (5,860) | 7,758 | 3,382 | 6 ⁽²⁾ |
| Upgrade of building | 2,800 | (300) | 2,273 | 227 | 6 ⁽²⁾ |
| Working capital | 24,405 | 6,160 | 24,109 ⁽¹⁾ | 6,160 ⁽³⁾ | 12 |
| Estimated listing expenses | 650 | - | 946 ⁽¹⁾ | - | 0.5 |
| Total | 44,855 | - | 35,086 | 9,769 | |

B8. Status of Corporate Proposal (Cont'd)

Utilisation of Proceeds from Rights Issue of 179,423,296 ordinary shares (Cont'd)

Notes:

* Listing date of Rights Shares on 4 March 2016.

^ The Company had on 18 April 2018 announced the proposed revision of the utilisation of proceeds in view of lesser units of machineries purchased and over-estimation of fund required for the renovation of the existing office.

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

(2) The Company had on 5 September 2017 announced the extension of time for the utilisation of balance proceeds up to 5 September 2018.

(3) The additional proceeds for working capital are intended to be utilised within 6 months from the date of announcement of the proposed revision, that is 17 October 2018.

B9. Group borrowings and debt securities

The Group's borrowings as at 31 March 2018 were as follows:

| | Secured RM'000 | Unsecured RM'000 | Total RM'000 |
|-------------------------------------|---------------------------|-----------------------------|-------------------------|
| <u>Short-term borrowings</u> | | | |
| Hire purchases | 60 | - | 60 |
| Term loans | 372 | - | 372 |
| | <u>432</u> | <u>-</u> | <u>432</u> |
| | | | |
| | Secured RM'000 | Unsecured RM'000 | Total RM'000 |
| <u>Long-term borrowings</u> | | | |
| Hire purchases | 134 | - | 134 |
| Term loans | 807 | - | 807 |
| | <u>941</u> | <u>-</u> | <u>941</u> |
| Total | <u>1,373</u> | <u>-</u> | <u>1,373</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

No dividend was declared for the current quarter under review.

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B12. Disclosure of nature of outstanding derivatives

There was no outstanding derivatives as at reporting period.

B13. Disclosure of gains/losses arising from fair value changes of financial liabilities

There were no gains or losses arising from fair value changes of financial liabilities as at the reporting period.

B14. (Loss)/Earnings per ordinary share

Basic (loss)/Earnings per ordinary share is calculated based on Group's (loss)/profit after tax attributable to equity holders of the Company for the financial period over the weighted average number of ordinary shares in issue during the financial period excluding treasury shares.

| | Current Quarter Ended 31 March 2018 | Corresponding Quarter Ended 31 March 2017 | Current Year-To-Date Ended 31 March 2018 | Corresponding Year-To-Date Ended 31 March 2017 |
|---|--|--|---|---|
| (Loss)/ Profit after tax attributable to equity holders of the Company | (408,862) | 1,018,983 | (408,862) | 1,018,983 |
| Weighted average number of ordinary shares in issue excluding treasury shares | 480,993,878 | 478,509,474 | 480,993,878 | 478,509,474 |
| Basic (loss)/earnings per ordinary share (sen) | (0.09) | 0.21 | (0.09) | 0.21 |

Diluted (loss)/earnings per ordinary share is calculated based on Group's (loss)/profit after tax attributable to equity holders of the Company for the financial period over the weighted average number of ordinary shares in issue during the financial period and adjustment for assumed exercise of Warrants of 509,967,958 (2017: 509,597,929).

This quarterly report for the financial period ended 31 March 2018 has been reviewed and approved by the Board of Directors of Sunzen Biotech for release to Bursa Securities.

Date: 25 May 2018