

(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 JUNE 2018**

	Current Quarter Ended 30.06.2018 (Unaudited) RM'000	Corresponding Quarter Ended 30.06.2017 (Unaudited) RM'000	Current Year-To-Date Ended 30.06.2018 (Unaudited) RM'000	Corresponding Year-To-Date Ended 30.06.2017 (Unaudited) RM'000
Revenue	51,516	75,876	122,448	121,621
<b>Operating profit</b>	<b>6,742</b>	<b>3,865</b>	<b>8,455</b>	<b>6,874</b>
Operating expenses	(3,823)	(2,413)	(5,963)	(4,330)
Finance expenses	(82)	(26)	(104)	(60)
<b>Profit before tax</b>	<b>2,837</b>	<b>1,426</b>	<b>2,388</b>	<b>2,484</b>
Income tax (expense)/credit	(39)	101	(59)	94
<b>Profit after tax</b>	<b>2,798</b>	<b>1,527</b>	<b>2,329</b>	<b>2,578</b>
<b>Other comprehensive income/(expense), net of tax</b> <i>Items that may be reclassified subsequently to profit or loss</i>				
Foreign currency translation	3	(24)	6	(20)
	3	(24)	6	(20)
<b>Total comprehensive income</b>	<b>2,801</b>	<b>1,503</b>	<b>2,335</b>	<b>2,558</b>
Profit after tax attributable to:				
Equity holders of the company	2,580	1,472	2,171	2,491
Non-controlling interests	218	55	158	87
	<b>2,798</b>	<b>1,527</b>	<b>2,329</b>	<b>2,578</b>
Total comprehensive income attributable to:				
Equity holders of the company	2,583	1,448	2,177	2,471
Non-controlling interests	218	55	158	87
	<b>2,801</b>	<b>1,503</b>	<b>2,335</b>	<b>2,558</b>
Earnings per ordinary share (sen) attributable to equity holders of the company				
- Basic	0.53	0.31	0.45	0.52
- Diluted	0.52	0.28	0.44	0.47

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 30 JUNE 2018**

	As At Financial Year Quarter 30.06.2018 (Unaudited) RM'000	As At Financial Year End 31.12.2017 (Audited) RM'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	61,564	37,671
Investment property	2,200	-
Product development expenditure	-	-
Business ownership and rights	159	-
Goodwill	3,908	-
	<u>67,831</u>	<u>37,671</u>
<b>Current assets</b>		
Derivative financial instrument	496	-
Inventories	15,152	6,086
Trade receivables	20,472	22,669
Other receivables, deposits and prepayments	3,671	3,799
Tax recoverable	1,875	1,526
Fixed and short term deposits with licensed banks	15,230	19,624
Cash and bank balances with licensed banks and other financial institution	32,348	27,776
	<u>89,244</u>	<u>81,480</u>
<b>TOTAL ASSETS</b>	<u>157,075</u>	<u>119,151</u>
<b>EQUITY</b>		
Share capital	75,362	63,286
Share premium	-	-
Treasury shares	(242)	(242)
Warrants Reserve	10,909	10,909
Retained profits	22,834	20,663
Revaluation reserve	13,369	13,369
Merger deficit	(8,397)	(8,397)
Currency translation reserve	(128)	(134)
<b>Total equity attributable to equity holders of the Company</b>	<u>113,707</u>	<u>99,454</u>
Non-controlling interests	7,272	266
<b>TOTAL EQUITY</b>	<u>120,979</u>	<u>99,720</u>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Deferred tax liabilities	1,362	898
Hire purchase payables	1,453	150
Term loans	3,820	900
	<u>6,635</u>	<u>1,948</u>
<b>Current Liabilities</b>		
Trade payables	11,257	14,919
Other payables and accruals	15,021	2,015
Amount owing to Directors	-	22
Hire purchase payables	139	59
Term loans	497	370
Bank overdraft	1,716	-
Tax payable	831	98
	<u>29,461</u>	<u>17,483</u>
<b>TOTAL LIABILITIES</b>	<u>36,096</u>	<u>19,431</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>157,075</u>	<u>119,151</u>
<b>Net assets per ordinary share (RM) attributable to equity holders of the Company</b>	<u>0.22</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 iss at the end of the reporting period of 522,723,325 (2017: 481,620,347) excluding treasury shares held.

(Company No : 680889-W)

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

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018**

	←----- Attributable to equity holders of the Company -----→								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	Retained Profits RM'000			
<b>Quarter ended 30 June 2018</b> (Unaudited)											
<b>Balance at 1 January 2018</b>	63,286	-	(242)	10,909	13,369	(8,397)	(134)	20,663	99,454	266	99,720
Profit after tax for the financial period	-	-	-	-	-	-	-	2,171	2,171	158	2,329
Other comprehensive income/(expense), net of tax for the financial period:											
- Foreign currency translation	-	-	-	-	-	-	6	-	6	-	6
Total comprehensive income for the financial period	-	-	-	-	-	-	6	2,171	2,177	158	2,335
Net assets of subsidiaries acquired via:											
- shares exchange	12,050	-	-	-	-	-	-	-	12,050	6,563	18,613
- cash consideration	-	-	-	-	-	-	-	-	-	285	285
Issuance of shares	26	-	-	-	-	-	-	-	26	-	26
<b>Balance at 30 June 2018</b>	<b>75,362</b>	<b>-</b>	<b>(242)</b>	<b>10,909</b>	<b>13,369</b>	<b>(8,397)</b>	<b>(128)</b>	<b>22,834</b>	<b>113,707</b>	<b>7,272</b>	<b>120,979</b>
<b>Quarter ended 30 June 2017</b> (Unaudited)											
<b>Balance at 1 January 2017</b>	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	-	-	-	-	-	-	-	2,491	2,491	87	2,578
Other comprehensive income/(expense), net of tax for the financial period:											
- Foreign currency translation	-	-	-	-	-	-	(20)	-	(20)	-	(20)
Total comprehensive income/(expense) for the financial period	-	-	-	-	-	-	(20)	2,491	2,471	87	2,558
Issuance of shares	268	-	-	-	-	-	-	-	268	-	268
<b>Balance at 30 June 2017</b>	<b>48,180</b>	<b>15,054</b>	<b>(242)</b>	<b>10,909</b>	<b>13,393</b>	<b>(8,397)</b>	<b>(24)</b>	<b>21,101</b>	<b>99,974</b>	<b>187</b>	<b>100,161</b>

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.

(Company No : 680889-W)

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

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018**

	Current Year To Date Ended 30.06.2018 (Unaudited) RM'000	Corresponding Year To Date Ended 30.06.2017 (Unaudited) RM'000
<b>Cash flows from/(for) operating activities</b>		
Profit before tax	2,388	2,484
<b>Adjustments for:-</b>		
Depreciation of property, plant and equipment	800	478
Amortisation	3	-
Negative goodwill on acquisition of subsidiary	(3,625)	-
Interest expense	89	53
Write down/(write back) of inventories	280	(116)
Gain on disposal of property, plant and equipment	(30)	-
Interest income	(329)	(307)
Unrealised loss on derivative financial instrument	9	-
Unrealised (gain)/loss on foreign exchange	(32)	119
Operating (loss)/profit before working capital changes	<u>(447)</u>	<u>2,711</u>
Decrease/(Increase) in inventories	1,062	(2,242)
Decrease/(Increase) in trade and other receivables	15,019	(9,205)
(Decrease)/Increase in trade and other payables	<u>(13,301)</u>	<u>17,089</u>
<b>Cash from operations</b>	2,333	8,353
Net tax paid	(488)	(162)
Interest paid	(89)	(54)
<b>Net cash from operating activities</b>	<u>1,756</u>	<u>8,137</u>
<b>Cash flows (for)/from investing activities</b>		
Interest received	329	307
Proceeds from disposal of property, plant and equipment	30	-
Purchase of property, plant and equipment	(1,229)	(1,809)
Acquisition of subsidiary	<u>(2,185)</u>	<u>-</u>
<b>Net cash for investing activities</b>	<u>(3,055)</u>	<u>(1,502)</u>
<b>Cash flows (for)/from financing activities</b>		
Repayment of term loans	(201)	(173)
Repayment of bills payable	-	(2,783)
Repayment to Directors	(22)	-
Repayment of hire purchase obligations	(67)	(36)
Proceeds from issuance of shares	26	268
<b>Net cash for financing activities</b>	<u>(264)</u>	<u>(2,724)</u>
Net (decrease)/increase in cash and cash equivalents	(1,563)	3,911
Cash and cash equivalents at beginning of the financial period	47,400	50,553
Foreign exchange difference	25	(97)
<b>Cash and cash equivalents at end of the financial period</b>	<u>45,862</u>	<u>54,367</u>
<b>Cash and cash equivalents comprise:</b>		
Fixed and short term deposits with licensed banks	15,230	31,144
Cash and bank balances with licensed banks and other financial institution	<u>30,632</u>	<u>23,223</u>
	<u>45,862</u>	<u>54,367</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.

# **SUNZEN BIOTECH BERHAD**

(Company No: 680889-W)

(Incorporated in Malaysia)

## **NOTES TO THE INTERIM STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 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)

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

**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**

Trading of crude palm oil and related products segment for the current quarter was impacted by seasonal crop production, fluctuating commodity prices and external market conditions.

**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**

As at 30 June 2018, total number of ordinary shares in issue increased to 523,421,325 upon the issuance of 40,848,678 ordinary shares for the acquisition of 70% shareholding in Ecolite Biotech Manufacturing Sdn Bhd and the conversion of 114,300 Warrants 2014/2019 during the current quarter. Number of treasury share as at 30 June 2018 remains as 698,000.

**A7. Dividend paid**

No dividend paid in the current quarter under review.

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

**A8. Segmental information**

The business segments of the Group have expanded for the current quarter to include manufacturing and trading of traditional Chinese Medicine, herbal health foods and beverages as well as trading of food ingredients products with the acquisition of Ecolite Biotech Manufacturing Sdn Bhd (“Ecolite”) and Amplio Ingredients Sdn Bhd (“Amplio”).

	<b>Current Quarter Ended 30 June 2018 RM’000</b>	<b>Corresponding Quarter Ended 30 June 2017 RM’000</b>	<b>Current Year-To-Date Ended 30 June 2018 RM’000</b>	<b>Corresponding Year-To-Date Ended 30 June 2017 RM’000</b>
<b>Revenue</b>				
Manufacturing and trading of animal health products	4,983	8,551	11,673	17,864
Trading of crude palm oil and related products	39,987	67,325	104,229	103,557
Traditional Chinese medicine, herbal health foods and beverages (“TCM”)	5,829	-	5,829	-
Food ingredients products	717	-	717	-
Others	-	-	-	200
<b>Total</b>	<b>51,516</b>	<b>75,876</b>	<b>122,448</b>	<b>121,621</b>

Revenue from trading of crude palm oil and related products decreased by 40.61% as compared to the corresponding quarter, while for year-to-date, increased marginally by 0.65%. Manufacturing and trading of animal health products posted a decrease of 41.73% in revenue for the current quarter and a decrease of 34.66% for year-to-date as compared to the corresponding period.

**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.

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

**A10. Capital commitments**

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

	<b>30 June 2018</b>	<b>30 June 2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Property, Plant and Equipment		
- Contracted for	5,476	3,964

The outstanding balance as at 30 June 2018 is made up of balance brought forward from the previous quarter and outstanding orders for packaging materials and raw materials.

**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, both Ecolite and Amplio have become the subsidiaries of the Group.

**A13. Contingent Liabilities**

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

	<b>30 June 2018</b>	<b>30 June 2017</b>
	<b>RM'000</b>	<b>RM'000</b>
<b><u>Banking facilities</u></b>		
Term loans	1,089	1,448
Bills payable	-	-
	<hr/> 1,089	<hr/> 1,448



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

**B. ADDITIONAL INFORMATION REQUIRED UNDER THE ACE LR**

**B1. Review of performance of the Company and its principal subsidiaries for the current quarter and financial year-to-date**

	<b>Current Quarter Ended 30 June 2018 RM'000</b>	<b>Corresponding Quarter Ended 30 June 2017 RM'000</b>	<b>Current Year-To-Date Ended 30 June 2018 RM'000</b>	<b>Corresponding Year-To-Date Ended 30 June 2017 RM'000</b>
Revenue	51,516	75,876	122,448	121,621
Profit before tax	2,837	1,426	2,388	2,484

Group's revenue for the current quarter under review, decreased by 32.11% compared to the corresponding quarter mainly due to the decrease in trading of crude palm oil and related products for the current quarter. For year-to-date, Group's revenue reported a marginal increase of 0.68% as compared to the corresponding year.

Group reported a profit before tax of approximately RM2.80 million for the current quarter mainly due to recognition of negative goodwill of 3.63 million arising from the acquisition of Ecolite, however, if negative goodwill excluded, the Group incurred a loss before tax of RM0.79 million in the current quarter and year-to-date reported a loss of RM1.24 million.

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

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

	<b>Current Quarter Ended 30 June 2018 RM'000</b>	<b>Corresponding Quarter Ended 30 June 2017 RM'000</b>	<b>Current Year-To-Date Ended 30 June 2018 RM'000</b>	<b>Corresponding Year-To-Date Ended 30 June 2017 RM'000</b>
<b><u>Revenue</u></b>				
Manufacturing and trading of animal health products	4,983	8,551	11,673	17,864
Trading of crude palm oil and related products	39,987	67,325	104,229	103,557
Traditional Chinese medicines, herbal foods and beverages ("TCM")	5,829	-	5,829	-
Food ingredients products	717	-	717	-
Others	-	-	-	200
<b>Total revenue</b>	<b>51,516</b>	<b>75,876</b>	<b>122,448</b>	<b>121,621</b>
<b><u>Results</u></b>				
Manufacturing and trading of animal health products	(1,159)	(1,030)	(1,989)	(629)
Trading of crude palm oil and related products	(207)	2,512	(28)	2,927
Traditional Chinese medicines, herbal foods and beverages	694	-	694	-
Food ingredients products	(135)	-	(135)	-
Others	3,644	(56)	3,846	186
<b>Profit before tax</b>	<b>2,837</b>	<b>1,426</b>	<b>2,388</b>	<b>2,484</b>

Manufacturing and trading of animal health products posted 41.73% decrease in revenue for the current quarter and 34.66% decrease for year-to-date as compared to the corresponding period. Revenue from trading of crude palm oil and related products decreased by 40.61% as compared to the corresponding quarter, while for year-to-date, increased marginally by 0.65%. TCM reported revenue of approximately RM5.83 million for June 2018. Food ingredients products posted RM0.71 million in revenue for May and June 2018.

**SUNZEN BIOTECH BERHAD**

(Company No: 680889-W)

(Incorporated in Malaysia)

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

Animal health products and crude palm oil products posted a loss of RM1.16 million and RM0.21 million respectively for the current quarter while for year-to-date, a respective loss of RM1.99 million and RM0.028 million compared to corresponding year. TCM contributed a post-acquisition profit of RM0.69 million while food ingredients products recorded a post-acquisition loss of RM0.14 million. Other segments comprise negative goodwill of RM3.63 million, interest income and miscellaneous incomes.

**B3. (Loss)/Profit before tax**

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

	Current Quarter Ended 30 June 2018 RM'000	Corresponding Quarter Ended 30 June 2017 RM'000	Current Year-To-Date Ended 30 June 2018 RM'000	Corresponding Year-To-Date Ended 30 June 2017 RM'000
Interest income	140	239	329	307
Interest expense	(70)	(23)	(89)	(53)
Depreciation	(541)	(220)	(800)	(478)
Amortisation	(3)	-	(3)	-
Negative goodwill (Write down)/Write back of inventories	3,625 (168)	- 2	3,625 (280)	- 116
Gain on disposal of property, plant and equipment	30	-	30	-
Loss on derivative financial instrument:				
- realised	2	-	2	-
- unrealised	(9)	-	(9)	-
(Loss)/Gain on foreign exchange:				
- realised	5	46	11	73
- unrealised	94	(53)	32	(119)

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

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

	<b>Current Quarter Ended 30 June 2018 RM'000</b>	<b>Preceding Quarter Ended 31 March 2018 RM'000</b>	<b>Variance</b>	
			<b>RM'000</b>	<b>%</b>
Revenue	51,516	70,932	(19,416)	(27.37)
Profit/(Loss) before tax	2,837	(449)	3,286	(731.85)

Group's revenue for the current quarter decreased by 27.37% compared to preceding quarter mainly due to the decrease in the trading of crude palm oil and related products.

Group reported a profit before tax of approximately RM2.80 million in the current quarter as compared to loss before tax of RM0.45 million in the preceding quarter mainly due to the recognition of negative goodwill in the current quarter.

**B5. Prospects**

The Group intends to penetrate into new market segment for bird nest business and has appointed an agent in China to promote and market the product. Meanwhile for food ingredients products, more products range are expected to be launched in coming quarters. Moving forward, the Group will take every opportunity to increase its products range and strengthen its position in both local and overseas markets. However, the outlook of the global economy remains challenging and uncertain, nevertheless, the Board is of opinion that the prospects of the Group remain positive.

**B6. Profit forecast and profit guarantee**

Amplio has issued a three-year profit guarantee as one of the conditions in the sale of shares agreement dated 8 May 2018, with a net profit of RM0.8 million for the first year upon completion of the agreement, RM1 million for the second year and RM1.2 million in the final year.

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

**B7. Income tax expense**

	<b>Current Quarter Ended</b>	<b>Corresponding Quarter Ended</b>	<b>Current Year-To-Date Ended</b>	<b>Corresponding Year-To-Date Ended</b>
	<b>30 June 2018</b>	<b>30 June 2017</b>	<b>30 June 2018</b>	<b>30 June 2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b><u>Income tax expense</u></b>				
Current financial year	181	57	201	91
	<u>181</u>	<u>57</u>	<u>201</u>	<u>91</u>
<b><u>Deferred tax expense</u></b>				
Current financial year	(142)	(158)	(142)	(185)
	<u>-</u>	<u>(158)</u>	<u>-</u>	<u>(185)</u>
<b><u>Total</u></b>	<u>39</u>	<u>(101)</u>	<u>59</u>	<u>(94)</u>

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.

**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.

The acquisition of Amplio has been duly completed with the execution of shareholder's agreement and sale of shares agreement on 8 May 2018. In the case of Ecolite, the acquisition was completed with an announcement released to Bursa Securities on 13 June 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.

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

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

**Warrants**

The total number of respective Warrants exercised and Warrants yet to be exercised as at 30 June 2018 as follows:

Description	Maturity date	Exercise price (RM)	Number of Warrants listed	Number of Warrants exercised	Number of Warrants to be exercised
Warrants 2014/2019	14.04.2019	0.10	65,092,198	43,669,738	21,422,460
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 <sup>^</sup> 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 <sup>(2)</sup>
Upgrade of building	2,800	(300)	2,404	96	6 <sup>(2)</sup>
Working capital	24,405	6,160 <sup>(3)</sup>	30,269 <sup>(1)</sup>	-	12
Estimated listing expenses	650	-	946 <sup>(1)</sup>	-	0.5
Total	44,855	-	41,377	3,478	

Notes:

\* Listing date of Rights Shares on 4 March 2016.

<sup>^</sup> 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.

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

**B9. Group borrowings and debt securities**

The Group's borrowings as at 30 June 2018 were as follows:

	<b>Secured RM'000</b>	<b>Unsecured RM'000</b>	<b>Total RM'000</b>
<b><u>Short-term borrowings</u></b>			
Hire purchases	139	-	139
Term loans	497	-	497
Bank overdraft	1,716	-	1,716
	<u>2,352</u>	<u>-</u>	<u>2,352</u>
	<b>Secured RM'000</b>	<b>Unsecured RM'000</b>	<b>Total RM'000</b>
<b><u>Long-term borrowings</u></b>			
Hire purchases	1,453	-	1,453
Term loans	3,820	-	3,820
	<u>5,273</u>	<u>-</u>	<u>5,273</u>
<b>Total</b>	<u>7,625</u>	<u>-</u>	<u>7,625</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.

**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.

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

**B14. Earnings per ordinary share**

Basic Earnings per ordinary share is calculated based on Group's 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.

	<b>Current Quarter Ended 30 June 2018</b>	<b>Corresponding Quarter Ended 30 June 2017</b>	<b>Current Year-To-Date Ended 30 June 2018</b>	<b>Corresponding Year-To-Date Ended 30 June 2017</b>
Profit after tax attributable to equity holders of the Company	2,580,576	1,472,138	2,171,714	2,491,121
Weighted average number of ordinary shares in issue excluding treasury shares	485,031,301	478,682,443	485,031,301	478,682,443
Basic earnings per ordinary share (sen)	0.53	0.31	0.45	0.52

Diluted earnings per ordinary share is calculated based on Group's 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 497,856,322 (2017: 526,794,477).

This quarterly report for the financial period ended 30 June 2018 has been reviewed and approved by the Board of Directors of Sunzen Biotech for release to Bursa Securities.

Date: 24 August 2018