

(Company No : 680889-W)

SUNZEN BIOTECH BERHAD
(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

	Current Quarter Ended 31.12.2018 (Unaudited) RM'000	Corresponding Quarter Ended 31.12.2017 (Unaudited) RM'000	Current Year-To-Date Ended 31.12.2018 (Unaudited) RM'000	Corresponding Year-To-Date Ended 31.12.2017 (Audited) RM'000
Revenue	76,354	103,091	300,429	303,451
Operating profit	7,349	2,698	19,488	12,953
Operating expenses	(15,005)	(2,549)	(26,085)	(8,845)
Finance expenses	(118)	(24)	(344)	(96)
(Loss)/Profit before tax	(7,774)	125	(6,941)	4,012
Income tax (expense)/credit	(51)	(16)	4	(372)
(Loss)/Profit after tax	(7,825)	109	(6,937)	3,640
Other comprehensive income/(expense), net of tax <i>Items that may be reclassified subsequently to profit or loss</i>				
Surplus on revaluation of property	2,445	-	2,445	-
Foreign currency translation	(349)	(73)	(359)	(129)
	2,096	(73)	2,086	(129)
Total comprehensive (expense)/income	(5,729)	36	(4,851)	3,511
(Loss)/Profit after tax attributable to:				
Equity holders of the company	(7,847)	109	(6,870)	3,474
Non-controlling interests	22	-	(67)	166
	(7,825)	109	(6,937)	3,640
Total comprehensive (expense)/income attributable to:				
Equity holders of the company	(5,586)	36	(4,609)	3,345
Non-controlling interests	(143)	-	(242)	166
	(5,729)	36	(4,851)	3,511
(Loss)/Earnings per ordinary share (sen) attributable to equity holders of the company				
- Basic	(1.55)	0.02	(1.36)	0.72
- Diluted	(1.52)	0.02	(1.33)	0.65

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.

SUNZEN BIOTECH BERHAD
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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	As At Financial Year End 31.12.2018 (Unaudited) RM'000	As At Financial Year End 31.12.2017 (Audited) RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	61,530	37,671
Investment property	1,860	-
Product development expenditure	-	-
Business ownership and rights	141	-
Goodwill	-	-
	<u>63,531</u>	<u>37,671</u>
Current assets		
Derivative financial instrument	235	-
Inventories	14,452	6,086
Trade receivables	21,541	22,669
Other receivables, deposits and prepayments	3,007	3,799
Tax recoverable	1,552	1,526
Fixed and short term deposits with licensed banks	15,499	19,624
Cash and bank balances with licensed banks and other financial institution	25,844	27,776
	<u>82,130</u>	<u>81,480</u>
TOTAL ASSETS	<u>145,661</u>	<u>119,151</u>
EQUITY		
Share capital	75,547	63,286
Share premium	-	-
Treasury shares	(336)	(242)
Warrants Reserve	10,909	10,909
Retained profits	13,813	20,663
Revaluation reserve	15,790	13,369
Merger deficit	(8,397)	(8,397)
Currency translation reserve	(493)	(134)
Total equity attributable to equity holders of the Company	<u>106,833</u>	<u>99,454</u>
Non-controlling interests	7,808	266
TOTAL EQUITY	<u>114,641</u>	<u>99,720</u>
LIABILITIES		
Non-current liabilities		
Deferred tax liabilities	2,871	898
Hire purchase payables	1,014	150
Term loans	3,548	900
	<u>7,433</u>	<u>1,948</u>
Current liabilities		
Trade payables	12,906	14,919
Other payables and accruals	8,239	2,015
Amount owing to Directors	36	22
Hire purchase payables	464	59
Term loans	523	370
Bank overdraft	1,410	-
Tax payable	9	98
	<u>23,587</u>	<u>17,483</u>
TOTAL LIABILITIES	<u>31,020</u>	<u>19,431</u>
TOTAL EQUITY AND LIABILITIES	<u>145,661</u>	<u>119,151</u>
Net assets per ordinary share (RM) attributable to equity holders of the Company	<u>0.20</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 524,097,917 (2017: 481,620,347) excluding treasury shares held.

(Company No. : 680889-0)

SUNZEN BIOTECH BERHAD
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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

	Attributable to equity holders of the Company										
	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	Total RM'000	Non-Controlling Interests RM'000	Total Equity RM'000
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 year	-	-	-	-	-	-	-	(6,870)	(6,870)	(67)	(6,937)
Other comprehensive income, net of tax for the financial year:											
- revaluation surplus on property	-	-	-	-	2,445 [^]	-	-	-	2,445	-	2,445
- Foreign currency translation	-	-	-	-	-	-	(359)	-	(359)	-	(359)
Total comprehensive expense for the financial year	-	-	-	-	2,445	-	(359)	(6,870)	(4,784)	(67)	(4,851)
Net assets of subsidiaries acquired via:											
- shares exchange	12,050	-	-	-	-	-	-	-	12,050	7,322	19,372
- cash consideration	-	-	-	-	-	-	-	-	-	283	283
- transfer of shares	*	-	-	-	-	-	-	(4)	(4)	4	-
Purchase of treasury shares	-	-	(94)	-	-	-	-	-	(94)	-	(94)
Realisation of revaluation reserves	-	-	-	-	(24)	-	-	24	-	-	-
Issuance of shares	211	-	-	-	-	-	-	-	211	-	211
Balance at 31 December 2018	75,547	-	(336)	10,909	15,790	(8,397)	(493)	13,813	106,833	7,808	114,641

**Quarter ended 31 December 2017
(Audited)**

Balance at 1 January 2017	47,912	15,055	(242)	10,909	13,393	(8,397)	(4)	18,610	97,236	100	97,336
Profit after tax for the financial year	-	-	-	-	-	-	-	3,474	3,474	166	3,640
Other comprehensive income, net of tax for the financial year:											
- Foreign currency translation	-	-	-	-	-	-	(130)	-	(130)	-	(130)
Total comprehensive income for the financial year	-	-	-	-	-	-	(130)	3,474	3,344	166	3,510
Interim dividend	-	-	-	-	-	-	-	(1,445)	(1,445)	-	(1,445)
Realisation of revaluation reserves	-	-	-	-	(24)	-	-	24	-	-	-
Transfer in accordance with Section 618(2) of the Company Act 2016	15,055	(15,055)	-	-	-	-	-	-	-	-	-
Issuance of shares	319	-	-	-	-	-	-	-	319	-	319
Balance at 31 December 2017	63,286	-	(242)	10,909	13,369	(8,397)	(134)	20,663	99,454	266	99,720

Note:

* On 16 October 2018, Sunzen Feedtech Sdn Bhd acquired the remaining 49 ordinary shares representing 49% shareholding of its 51% owned subsidiary, Sunzen Agritechology (Northern) Sdn Bhd for cash consideration of RM49,000.
^ Included deferred tax adjustment for RM645,532 due to increase in PGT from 5% to 10% on land portion of previous revaluations.

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 YEAR ENDED 31 DECEMBER 2018

	Current Year To Date Ended 31.12.2018 (Unaudited) RM'000	Corresponding Year To Date Ended 31.12.2017 (Audited) RM'000
Cash flows from/(for) operating activities		
(Loss)/Profit before tax	(6,941)	4,012
Adjustments for:-		
Depreciation of property, plant and equipment	2,383	989
Amortisation	22	-
Impairment of goodwill	2,139	-
Negative goodwill on acquisition of subsidiary	(5,383)	-
Interest expense	278	95
Inventories written off	272	382
Write down/(write back) of inventories	766	(449)
Allowance for doubtful debts	511	-
Allowance for impairment on trade receivables	-	6
Allowance for impairment on machines	6,021	-
Allowance for outlet's restoration cost and members points	37	-
Allowance for loss on return of goods	34	-
Gain on disposal of property, plant and equipment	(66)	-
Interest income	(585)	(855)
Unrealised (gain)/loss on foreign exchange	(44)	204
Operating (loss)/profit before working capital changes	<u>(556)</u>	<u>4,384</u>
Decrease in inventories	1,532	4,968
Decrease/(Increase) in trade and other receivables	14,176	(18,491)
(Decrease)/Increase in trade and other payables	<u>(16,719)</u>	<u>13,714</u>
Cash (for)/from operations	<u>(1,567)</u>	<u>4,575</u>
Net tax paid	(1,729)	(460)
Interest paid	<u>(279)</u>	<u>(95)</u>
Net cash (for)/from operating activities	<u>(3,575)</u>	<u>4,020</u>
Cash flows (for)/from investing activities		
Interest received	585	855
Proceeds from disposal of property, plant and equipment	691	-
Purchase of property, plant and equipment	(1,851)	(3,417)
Acquisition of subsidiary	<u>(2,178)</u>	<u>-</u>
Net cash for investing activities	<u>(2,753)</u>	<u>(2,562)</u>
Cash flows (for)/from financing activities		
Repayment of term loans	(446)	(351)
Repayment of bills payable	-	(2,783)
Advance/(Repayment) to Directors	13	-
Repayment of hire purchase obligations	(516)	(64)
Interim dividend	-	(1,445)
Purchase of treasury shares	(94)	-
Proceeds from issuance of shares	211	319
Net cash for financing activities	<u>(832)</u>	<u>(4,324)</u>
Net decrease in cash and cash equivalents	(7,160)	(2,866)
Cash and cash equivalents at beginning of the financial year	47,400	50,553
Foreign exchange difference	<u>(307)</u>	<u>(287)</u>
Cash and cash equivalents at end of the financial year	<u>39,933</u>	<u>47,400</u>
Cash and cash equivalents comprise:		
Fixed and short term deposits with licensed banks	15,499	19,624
Cash and bank balances with licensed banks and other financial institution	<u>24,434</u>	<u>27,776</u>
	<u>39,933</u>	<u>47,400</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 YEAR ENDED 31 DECEMBER 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 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)
- 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

Amendments effective for financial periods beginning on or after 1 January 2020

- Amendments to References to the Conceptual Framework in MFRS Standards
- Amendments to MFRS 3 Business Combination - Definition of a Business
- Amendments to MFRS 101 Presentation of Financial Statements and MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material

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A1. Basis of reporting preparation (Cont'd)

**Amendments effective for financial periods beginning on or after 1 January 2020
(Cont'd)**

- Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

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 in the current quarter was impacted by price fluctuation 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

A total of 1,645,292 warrants 2014/2019 were exercised in the current quarter, the total number of ordinary shares in issue as at 31 December 2018 has increased to 525,270,917. Total number of treasury shares as at 31 December 2018 remains at 1,173,000.

A7. Dividend paid

No dividend paid in the current quarter under review.

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A8. Segmental information

	Current Quarter Ended 31 December 2018 RM'000	Corresponding Quarter Ended 31 December 2017 RM'000	Current Year-To-Date Ended 31 December 2018 RM'000	Corresponding Year-To-Date Ended 31 December 2017 RM'000
Revenue				
Manufacturing and trading of animal health products	1,956	12,080	15,302	41,221
Trading of crude palm oil and related products ("CPO")	61,038	91,011	254,551	262,030
Traditional Chinese medicine, herbal health foods and beverages ("TCM")	11,450	-	26,306	-
Food ingredients products	1,910	-	4,270	-
Others	-	-	-	200
Total	<u>76,354</u>	<u>103,091</u>	<u>300,429</u>	<u>303,451</u>

Trading of CPO posted 32.93% decrease in revenue for the current quarter as compared to the corresponding quarter, while current year-to-date recorded 2.85% lower. Animal health products revenue reported 83.81% lower in the current quarter in comparison to the corresponding quarter, while current year-to-date recorded 62.88% lower.

A9. Valuation of property, plant and equipment

Freehold land and factory buildings of the Group have been revalued on 27 December 2018 by an independent firm of professional valuers. The valuation reflects the market values with reference to recent transactions and sale evidences involving other similar properties in the vicinity and adjustments are being made as to differences in location, size and shapes, accessibility, infrastructure available, improvements made on the site and other value considerations.

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A10. Capital commitments

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

	31 December 2018	31 December 2017
	RM'000	RM'000
Approved and contracted for:		
- acquisition of plant and equipment	3,606	4,172
- purchase of CPO and raw materials	7,922	-

The outstanding balance as at 31 December 2018 is made up of balance brought forward from the previous years and outstanding purchase orders for trading of CPO 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

On 16 October 2018, Sunzen Feedtech Sdn Bhd acquired the remaining 49 ordinary shares of its 51% owned subsidiary company, Sunzen Agritechnology (Northern) Sdn Bhd from Arah Kawasan Sdn Bhd for cash consideration of RM49.00

A13. Contingent Liabilities

	31 December 2018	31 December 2017
	RM'000	RM'000
Unsecured corporate guarantee given to bank for banking facilities extended to subsidiaries	903	1,270
Bank guarantee to vendor for purchase of CPO by a subsidiary	1,000	-
	<u>1,903</u>	<u>1,270</u>

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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 December 2018 RM'000	Corresponding Quarter Ended 31 December 2017 RM'000	Current Year-To-Date Ended 31 December 2018 RM'000	Corresponding Year-To-Date Ended 31 December 2017 RM'000
Revenue	76,354	103,091	300,429	303,451
(Loss)/Profit before tax	(7,774)	125	(6,941)	4,012

In the current quarter under review, the Group recorded a loss before tax of RM7.78 million on the back of RM76.35 million in revenue. This was mainly due to the provision of impairment on machines and goodwill, allowance for doubtful debts and write down of inventories in the current quarter. However, if both the impairments were to exclude, it would have reported a profit before tax of approximately RM0.39 million in the current quarter.

Year-to-date, the Group posted a loss before tax of RM6.94 million in the current year in contrast to a profit before tax of RM4.01 million in the corresponding year. Likewise, if above provision on impairments were to exclude, the current year would have reported a profit before tax of approximately RM1.22 million.

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 December 2018 RM'000	Corresponding Quarter Ended 31 December 2017 RM'000	Current Year-To-Date Ended 31 December 2018 RM'000	Corresponding Year-To-Date Ended 31 December 2017 RM'000
<u>Revenue</u>				
Manufacturing and trading of animal health products	1,956	12,080	15,302	41,221
Trading of crude palm oil and related products ("CPO")	61,038	91,011	254,551	262,030
Traditional Chinese medicines, herbal foods and beverages ("TCM")	11,450	-	26,306	-
Food ingredients products	1,910	-	4,270	-
Others	-	-	-	200
Total revenue	76,354	103,091	300,429	303,451
<u>Results</u>				
Manufacturing and trading of animal health products	(5,335)	(700)	(8,205)	(65)
Trading of crude palm oil and related products	(2,300)	385	(2,584)	2,916
Traditional Chinese medicines, herbal foods and beverages	(541)	-	(363)	-
Food ingredients products	86	-	(1)	-
Others	316	440	4,212	1,161
(Loss)/Profit before tax	(7,774)	125	(6,941)	4,012

Animal health products reported a loss before tax of RM5.34 million for the current quarter while current year-to-date reported a loss before tax of RM8.21 million mainly due to the provision of impairment on machines and write down of inventories. Trading of CPO recorded a loss before tax of RM2.30 million in the current quarter while current year-to-date reported a loss before tax of RM2.58 million mainly due to impairment of a machine related to palm oil related products. TCM products reported a loss in the current quarter mainly due to allowance for doubtful debts and write down of inventories.

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B3. (Loss)/Profit before tax

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

	Current Quarter Ended 31 December 2018 RM'000	Corresponding Quarter Ended 31 December 2017 RM'000	Current Year-To-Date Ended 31 December 2018 RM'000	Corresponding Year-To-Date Ended 31 December 2017 RM'000
Interest income	146	252	585	855
Interest expense	(100)	(20)	(278)	(95)
Depreciation	(772)	(272)	(2,383)	(989)
Amortisation	(9)	-	(22)	-
Negative goodwill	1,758	-	5,383	-
Inventories written off	(213)	(382)	(272)	(382)
Write back/(Write down) of inventories	(660)	332	(766)	449
Allowance for doubtful debts	(515)	-	(511)	-
Allowance for impairment on trade receivables	-	(6)	-	(6)
Allowance for impairment on machine	(6,021)	-	(6,021)	-
Impairment of goodwill	(2,139)	-	(2,139)	-
Allowance for outlet's restoration cost and members points	(37)	-	(37)	-
Allowance for loss on return of goods	(34)	-	(34)	-
(Loss)/Gain on disposal of property, plant and equipment	(2)	-	66	-
(Loss)/Gain on derivative financial instrument:				
- realised	(129)	-	(246)	-
- unrealised	142	-	-	-
(Loss)/Gain on foreign exchange:				
- realised	(8)	46	(53)	55
- unrealised	(8)	(165)	44	(204)

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

	Current Quarter Ended 31 December 2018 RM'000	Preceding Quarter Ended 30 September 2018 RM'000	Variance	
			RM'000	%
Revenue	76,354	101,627	(25,273)	(24.87)
Loss before tax	(7,774)	(1,555)	(6,219)	399.94

Group's revenue for the current quarter declined by 24.87% compared to preceding quarter mainly due to the decrease in sales revenue from trading of CPO.

Group posted a loss before tax of RM7.77 million in the current quarter mainly due to the provision of impairment on machines and goodwill, write down of inventories and allowance for doubtful debts in the current quarter. However, if the impairment were to exclude, it would have reported a profit before tax of approximately RM0.39 million in the current quarter.

B5. Prospects

The Board remains cautious in view of current challenges ahead and sign of economy slowdown in both local and overseas markets. Sunzen is planning to have a greater commitment and focus in reviving the animal health business segment by recruiting a team of qualified and experienced professionals to lead the division. A wider range of animal health products is expected to be distributed in the near future, the Company is in the process of negotiation with potential vendors for distributorship. Ecolite will focus on expanding its existing market in China and also planning to appoint a distributor in Singapore for its Food and Beverages. Online store's business is expected to receive more sales orders. Ecolite is also planning to step in wholesale for its bird nest business in China.

In view of above restructuring exercise especially for animal health division, the financial performance of the Group for 2019 is expected to see improvement.

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 in the first year upon completion of the agreement, RM1 million in the second year and RM1.2 million in the third year.

Based on 8-month financial results of Amplio since acquisition, the company reported a profit after tax of approximately RM25,000.

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B7. Income tax expense/(credit)

	Current Quarter Ended 31 December 2018 RM'000	Corresponding Quarter Ended 31 December 2017 RM'000	Current Year-To-Date Ended 31 December 2018 RM'000	Corresponding Year-To-Date Ended 31 December 2017 RM'000
<u>Income tax expense</u>				
Current financial year	65	85	170	429
Under/(Over) provision in prior financial year	35	-	59	-
	100	85	229	429
<u>Deferred tax expense</u>				
Current financial year	(49)	(69)	(233)	(57)
	(49)	(69)	-	(57)
Total	51	16	(4)	372

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.

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 December 2018 as follows:

Description	Expiry date	Exercise price (RM)	Number of Warrants listed	Number of Warrants exercised	Number of Warrants to be exercised
Warrants 2014/2019	12.04.2019	0.10	65,092,198	43,874,038	19,572,868
Warrants 2016/2021	25.02.2021	0.25	179,423,296	-	179,423,296

B9. Group borrowings and debt securities

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

	Secured RM'000	Unsecured RM'000	Total RM'000
<u>Short-term borrowings</u>			
Hire purchases	464	-	464
Term loans	523	-	523
Bank overdraft	1,410	-	1,410
	<u>2,397</u>	<u>-</u>	<u>2,397</u>
	Secured RM'000	Unsecured RM'000	Total RM'000
<u>Long-term borrowings</u>			
Hire purchases	1,014	-	1,014
Term loans	3,548	-	3,548
	<u>4,562</u>	<u>-</u>	<u>4,562</u>
Total	<u>6,959</u>	<u>-</u>	<u>6,959</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 year over the weighted average number of ordinary shares in issue during the financial year excluding treasury shares.

	Current Quarter Ended 31 December 2018	Corresponding Quarter Ended 31 December 2017	Current Year-To-Date Ended 31 December 2018	Corresponding Year-To-Date Ended 31 December 2017
(Loss)/Profit after tax attributable to equity holders of the Company	(7,846,821)	108,550	(6,870,224)	3,474,044
Weighted average number of ordinary shares in issue excluding treasury shares	505,742,033	480,177,826	505,742,033	480,177,826
Basic (loss)/earnings per ordinary share (sen)	(1.55)	0.02	(1.36)	0.72

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 year over the weighted average number of ordinary shares in issue during the financial year and adjustment for assumed exercise of Warrants of 517,312,469 (2017: 534,711,128).

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

Date: 28 February 2019