

(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 2019**

	Current Quarter Ended 30.06.2019 (Unaudited) RM'000	Corresponding Quarter Ended 30.06.2018 (Unaudited) RM'000	Current Year-To-Date Ended 30.06.2019 (Unaudited) RM'000	Corresponding Year-To-Date Ended 30.06.2018 (Unaudited) RM'000
Revenue	69,716	51,516	136,628	122,448
Operating profit	3,936	6,742	8,256	8,455
Operating expenses	(5,240)	(3,823)	(10,497)	(5,963)
Finance expenses	(202)	(82)	(335)	(104)
(Loss)/Profit before tax	(1,506)	2,837	(2,576)	2,388
Income tax (expense)/credit	(46)	(39)	81	(59)
(Loss)/Profit after tax	(1,552)	2,798	(2,495)	2,329
Other comprehensive income net of tax <i>Items that may be reclassified subsequently to profit or loss</i>				
Foreign currency translation	11	3	369	6
	11	3	369	6
Total comprehensive (expense)/income	(1,541)	2,801	(2,126)	2,335
(Loss)/Profit after tax attributable to:				
Equity holders of the company	(1,303)	2,580	(2,264)	2,171
Non-controlling interests	(249)	218	(231)	158
	(1,552)	2,798	(2,495)	2,329
Total comprehensive (expense)/income attributable to:				
Equity holders of the company	(1,298)	2,583	(2,044)	2,177
Non-controlling interests	(243)	218	(82)	158
	(1,541)	2,801	(2,126)	2,335
(Loss)/profit per ordinary share (sen) attributable to equity holders of the company				
- Basic	(0.25)	0.53	(0.43)	0.45
- Diluted	(0.25)	0.52	(0.43)	0.44

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 2018 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 2019

	As At Financial Year End 30.06.2019 (Unaudited) RM'000	As At Financial Year End 31.12.2018 (Audited) RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	72,280	61,530
Investment property	3,864	1,860
Deferred tax assets	-	580
Product development expenditure	-	-
Intangible asset	122	141
	<u>76,266</u>	<u>64,111</u>
Current assets		
Inventories	13,513	14,452
Trade receivables	24,153	21,416
Other receivables, deposits and prepayments	3,732	3,725
Tax recoverable	2,073	2,357
Fixed and short term deposits with licensed banks	21,475	15,499
Cash and bank balances with licensed banks and other financial institution	12,706	26,014
	<u>77,652</u>	<u>83,463</u>
TOTAL ASSETS	<u>153,918</u>	<u>147,574</u>
EQUITY		
Share capital	76,524	75,547
Treasury shares	(855)	(336)
Warrants Reserve	10,909	10,909
Retained profits	11,480	13,744
Revaluation reserve	15,790	15,790
Merger deficit	(8,397)	(8,397)
Currency translation reserve	(97)	(317)
Total equity attributable to equity holders of the Company	<u>105,354</u>	<u>106,940</u>
Non-controlling interests	7,619	7,701
TOTAL EQUITY	<u>112,973</u>	<u>114,641</u>
LIABILITIES		
Non-current liabilities		
Deferred tax liabilities	2,727	3,451
Hire purchase payables	1,034	934
Term loans	14,792	3,550
	<u>18,553</u>	<u>7,935</u>
Current liabilities		
Trade payables	12,759	12,637
Other payables and accruals	6,598	9,196
Hire purchase payables	333	420
Term loans	841	521
Bank overdraft	1,430	1,410
Tax payable	431	814
	<u>22,392</u>	<u>24,998</u>
TOTAL LIABILITIES	<u>40,945</u>	<u>32,933</u>
TOTAL EQUITY AND LIABILITIES	<u>153,918</u>	<u>147,574</u>
Net assets per ordinary share (RM) attributable to equity holders of the Company	<u>0.20</u>	<u>0.20</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 2018 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 529,504,488 (2018: 524,097,917) 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 2019**

	Attributable to equity holders of the Company										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	Total RM'000	Non- Controlling Interests RM'000		
Quarter ended 30 June 2019 (Unaudited)												
Balance at 1 January 2019	75,547	-	(336)	10,909	15,790	(8,397)	(317)	13,744	106,940	7,701	114,641	
Loss after tax for the financial period	-	-	-	-	-	-	-	(2,264)	(2,264)	(231)	(2,495)	
Other comprehensive income, net of tax for the financial period:												
- Foreign currency translation	-	-	-	-	220	-	220	-	220	149	369	
Total comprehensive income/(expense) for the financial period	-	-	-	-	220	-	220	(2,264)	(2,044)	(82)	(2,126)	
Purchase of treasury shares	-	-	(519)	-	-	-	-	-	(519)	-	(519)	
Issuance of shares	977	-	-	-	-	-	-	-	977	-	977	
Balance at 30 June 2019	76,524	-	(855)	10,909	15,790	(8,397)	(97)	11,480	105,354	7,619	112,973	
Quarter ended 30 June 2018 (Unaudited)												
Balance at 1 January 2018	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, 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	
Issued of shares pursuant to acquisition of a subsidiary	12,050	-	-	-	-	-	-	-	12,050	-	12,050	
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	6,848	6,848	
Issuance of shares	26	-	-	-	-	-	-	-	26	-	26	
Balance at 30 June 2018	75,362	-	(242)	10,909	13,369	(8,397)	(128)	22,834	113,707	7,272	120,979	

Note:

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 2018 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 2019

	Current Year To Date Ended 30.06.2019 (Unaudited) RM'000	Corresponding Year To Date Ended 30.06.2018 (Unaudited) RM'000
Cash flows from/(for) operating activities		
(Loss)/Profit before tax	(2,577)	2,388
Adjustments for:-		
Depreciation of property, plant and equipment	1,623	800
Amortisation of intangible assets	19	3
Bargain purchase arising from acquisition of a subsidiary	-	(3,625)
Interest expense	268	89
Bad debt written off	18	-
Inventories written off	118	-
(Write back)/Write down of inventories	(292)	280
Reversal of allowance for impairment on trade receivables	(481)	-
Reversal of allowance for impairment on property, plant and equipment	(660)	-
Loss/(Gain) on disposal of property, plant and equipment	879	(30)
Interest income	(185)	(329)
Allowance for member point redemption	24	-
Unrealised loss on derivative financial instrument	-	9
Unrealised gain on foreign exchange	(35)	(32)
Operating loss before working capital changes	(1,281)	(447)
Decrease in inventories	1,113	1,062
(Increase)/Decrease in trade and other receivables	(2,276)	15,019
Decrease in trade and other payables	(2,500)	(13,301)
Cash (for)/from operations	(4,944)	2,333
Tax paid	(1,192)	(488)
Tax refunded	1,030	-
Interest paid	(226)	(89)
Net cash (for)/from operating activities	(5,332)	1,756
Cash flows (for)/from investing activities		
Interest received	185	329
Proceeds from disposal of property, plant and equipment	126	30
Purchase of property, plant and equipment	(2,617)	(1,229)
Purchase of investment property	(241)	-
Acquisition of subsidiaries	-	(2,185)
Net cash for investing activities	(2,547)	(3,055)
Cash flows (for)/from financing activities		
Drawdown of term loan	104	-
Repayment of term loans	(347)	(201)
Repayment of hire purchase obligations	(87)	(67)
Repayment to Directors	-	(22)
Purchase of treasury shares	(519)	-
Proceeds from issuance of shares	977	26
Net cash from/(for) financing activities	128	(264)
Net decrease in cash and cash equivalents	(7,751)	(1,563)
Cash and cash equivalents at beginning of the financial period	40,103	47,400
Foreign exchange difference	399	25
Cash and cash equivalents at end of the financial period	32,751	45,862
Cash and cash equivalents comprise:		
Fixed and short term deposits with licensed banks	21,475	15,230
Cash and bank balances with licensed banks and other financial institution	11,276	30,632
	32,751	45,862

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 2018 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 2019

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 2018.

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

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 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 2018 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 commodity price fluctuation and external factors.

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

In the current quarter, a total of 6,357,543 warrants 2014/2019 were exercised, the total number of ordinary shares in issue as at 30 June 2019 has increased to 535,046,088. In addition, there were 4,183,600 ordinary shares repurchased from the open market, bringing the total number of treasury shares to 5,541,600 as at 30 June 2019.

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

	Current Quarter Ended 30 June 2019 RM'000	Corresponding Quarter Ended 30 June 2018 RM'000	Current Year-To-Date Ended 30 June 2019 RM'000	Corresponding Year-To-Date Ended 30 June 2018 RM'000
Revenue				
Manufacturing and trading of animal health products ("AH")	2,024	4,983	3,921	11,673
Trading of crude palm oil and related products ("CPO")	52,041	39,987	104,149	104,229
Traditional Chinese medicine, herbal health foods and beverages, bird nest ("TCM")	14,239	5,829	25,444	5,829
Food ingredients products	1,412	717	3,114	717
Total	69,716	51,516	136,628	122,448

Revenue from AH segment has dipped 59.38% in the current quarter compared to the corresponding quarter, while for year to date, it posted a 66.41% decrease in revenue compared to the corresponding year mainly due to decrease in revenue from fat powder products and the decrease in export sales of Orgacids products where demand was partly impacted by African Swine Fever in export market.

CPO segment posted a 30.14% increase in revenue for the current quarter compared to the corresponding quarter, however for year to date, it posted a marginal decrease of 0.08% in revenue.

TCM segment reported a higher revenue in the current quarter compared to the corresponding period because comparing to only a single month of June 2018 when the business was first acquired by Sunzen. For current year to date, the segment contributed total revenue of RM25.44 million.

Food ingredients products segment posted a higher revenue in the current quarter compared to the corresponding quarter due to comparing to just 2 months since the business was acquired in May 2018. For current year to date, it achieved RM3.11 million in revenue versus RM0.72 million a year ago.

SUNZEN BIOTECH BERHAD

(Company No: 680889-W)

(Incorporated in Malaysia)

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 2018.

A10. Capital commitments

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

	30 June 2019 RM'000	30 June 2018 RM'000
Approved and contracted for:		
- acquisition of plant and equipment	2,590	5,476
- purchase of CPO and raw materials	6,768	-

The outstanding balance for acquisition of plant and equipment as at 30 June 2019 is made up of balance brought forward from the previous years.

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 except the following.

On 4 July 2019, Sunzen Biotech has announced to Bursa Securities on the disposal of its 70% shareholding in Amplio Ingredients Sdn. Bhd. with the signing of Settlement Agreements between the Company and the purchaser, Mr. Low Yuan Heng on even date.

Sunzen will incur a loss of RM0.50 million since Sale Shares were purchased for a total consideration of RM2.8 million with RM0.8 million withheld will be waived pursuant to the settlement terms and is now being disposed to the purchaser for RM1.5 million.

A12. Changes in the Composition of the Group

There were no changes in the corporate structure of the Group up to 30 June 2019. The disposal of 70% shareholding in Amplio Ingredients Sdn. Bhd. was effected on 4 July 2019.

A13. Contingent Liabilities

	30 June 2019 RM'000	30 June 2018 RM'000
Unsecured corporate guarantee given to bank for banking facilities to subsidiaries	711	1,089
Bank guarantee to vendor for purchase of CPO by a subsidiary	1,000	-
	<u>1,711</u>	<u>1,089</u>

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

	Current Quarter Ended 30 June 2019 RM'000	Corresponding Quarter Ended 30 June 2018 RM'000	Current Year-To-Date Ended 30 June 2019 RM'000	Corresponding Year-To-Date Ended 30 June 2018 RM'000
Revenue	69,716	51,516	136,628	122,448
(Loss)/Profit before tax	(1,506)	2,837	(2,576)	2,388

The Group registered a loss before tax of approximately RM1.51 million over a revenue of RM69.72 million in the current quarter under review, while for year to date ended 30 June, 2019, the Group recorded a total loss of RM2.58 million on the back of revenue for RM136.63 million, mainly due to lower profit margin contribution from foods and beverages and export sales of bird nest because of stiff competition and the one-off loss on closure of three units of retail outlet ("TCM") segment and lower profit margin in trading of crude palm oil ("CPO") in the current year.

Profit before tax of RM2.84 million in corresponding quarter and RM2.39 million in corresponding year to date included RM3.63 million as bargain purchase arising from acquisition of a subsidiary, if such item excluded, the Group would have reported a loss of RM0.79 million and RM1.24 million, respectively.

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

	Current Quarter Ended 30 June 2019 RM'000	Corresponding Quarter Ended 30 June 2018 RM'000	Current Year-To-Date Ended 30 June 2019 RM'000	Corresponding Year-To-Date Ended 30 June 2018 RM'000
Revenue				
Manufacturing and trading of animal health products ("AH")	2,024	4,983	3,921	11,673
Trading of crude palm oil and related products ("CPO")	52,041	39,987	104,149	104,229
Traditional Chinese medicines, herbal foods and beverages, bird nest ("TCM")	14,239	5,829	25,444	5,829
Food ingredients products	1,412	717	3,114	717
Total revenue	69,716	51,516	136,628	122,448
Results				
Manufacturing and trading of animal health products	(615)	(790)	(1,230)	(1,418)
Trading of crude palm oil and related products	(286)	(207)	(563)	(28)
Traditional Chinese medicines, herbal foods and beverages, bird nest	(762)	703	(768)	703
Food ingredients products	157	(133)	(15)	(133)
Others *		3,264	-	3,264
(Loss)/Profit before tax	(1,506)	2,837	(2,576)	2,388

* includes RM3.625 million being bargain purchase arising from acquisition of TCM segment and related expense of professional fee for RM0.361 million.

For the current quarter under review, the Group reported a loss before tax of RM1.51 million on the back of revenue amounting to RM69.72 million, while for year to date ended 30 June 2019, the Group recorded a loss before tax of RM2.58 million over total revenue of RM136.63 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 (Cont'd)

AH segment's loss has reduced by 22.15% in the current quarter compared to the corresponding quarter, while for current year to date, the loss has decreased by 13.26% mainly due to the decrease in operating expenses.

CPO segment's loss surged by 38.16% in the current quarter compared to 2018, while for current year to date, the loss has climbed to RM0.56 million from RM0.03 million in 2018 mainly due to lower profit margin on palm oil commodity.

TCM segment registered a loss of RM0.76 million in the current quarter and year to date's loss of RM0.77 million compared to the preceding year mainly due to lower profit margin contribution from foods and beverages and export sales of bird nest facing stiff competition from Indonesia and the one-off loss on closure of three units of retail outlet in the current quarter.

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

B3. (Loss)/profit before tax

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

	Current Quarter Ended 30 June 2019 RM'000	Corresponding Quarter Ended 30 June 2018 RM'000	Current Year-To-Date Ended 30 June 2019 RM'000	Corresponding Year-To-Date Ended 30 June 2018 RM'000
Interest income	86	140	185	329
Interest expense	(179)	(70)	(268)	(89)
Depreciation	(826)	(541)	(1,623)	(800)
Amortisation	(10)	(3)	(19)	(3)
Bad debt written off	(18)	-	(18)	-
Inventories written off	(75)	-	(118)	-
Write back/(Write down) of inventories	155	(168)	292	(280)
Bargain purchase arising from acquisition of a subsidiary	-	3,625	-	3,625
Allowance for member point redemption	(24)	-	(24)	-
Reversal of allowance for impairment loss on property, plant and equipment	660	-	660	-
Reversal of allowance for impairment loss on trade receivables	252	-	481	-
(Loss)/Gain on disposal of property, plant and equipment	(922)	30	(879)	30
Gain/(Loss) on derivative financial instrument:				
- realised	(110)	2	(111)	2
- unrealised	56	(9)	-	(9)
Gain/(Loss) on foreign exchange:				
- realised	(14)	5	(19)	11
- unrealised	42	94	35	32

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

	Current Quarter Ended 30 June 2019 RM'000	Preceding Quarter Ended 31 March 2019 RM'000	Variance	
			RM'000	%
Revenue	69,716	66,912	2,804	4.19
Loss before tax	(1,506)	(1,070)	(436)	40.75

Group's revenue posted 4.19% increase in revenue compared to preceding quarter mainly due to contribution from bird nest business.

Group posted a bigger loss before tax compared to the preceding quarter mainly attributed to lower profit margin contribution from foods and beverages and bird nest business as well as the one-off loss on closure of three units of retail outlet in the current quarter and the reversal of impairment loss on receivable posed lower operating expenses in the preceding quarter.

B5. Prospects

Based on normal sales trend for foods and beverages, sale order is expected to pick up in the second half of the year because of year end festive season. In addition, the closure of loss making retail outlets would help reduce the operating costs, thus improving the financial performance of the segment.

For animal health business, new products including functional products are expected to be launched soon not only for livestock but also for companion animal as well as aquaculture. There are also ongoing discussions on partnership for distribution of products, including product registration for overseas market. The Company strives to continuously improve operational efficiency of its existing plant in achieving optimal production capacity. Fractionating plant and another production line for fat powder are expected to be commissioning by end of third quarter 2019.

B6. Profit forecast and profit guarantee

No profit forecast or profit guarantee has been issued by the Group in the current quarter since Sunzen has disposed of 70% shareholding in Amplio Ingredients Sdn. Bhd. to purchaser, Mr. Low Yuan Heng on 4 July 2019.

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

B7. Income tax (credit)/expense

	Current Quarter Ended 30 June 2019 RM'000	Corresponding Quarter Ended 30 June 2018 RM'000	Current Year-To-Date Ended 30 June 2019 RM'000	Corresponding Year-To-Date Ended 30 June 2018 RM'000
<u>Income tax expense</u>				
Current financial year	-	181	62	201
Under/(Over) provision in prior financial year	-	-	-	-
	-	181	62	201
<u>Deferred tax expense</u>				
Current financial year	46	(142)	(143)	(142)
	46	-	(143)	-
Total	46	39	(81)	59

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.

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 2019 as follows:

Description	Expiry date	Exercise price (RM)	Number of Warrants listed	Number of Warrants exercised	Number of warrants expired*	Number of Warrants to be exercised
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 30 June 2019 were as follows:

	Secured RM'000	Unsecured RM'000	Total RM'000
<u>Short-term borrowings</u>			
Hire purchases	333	-	333
Term loans	841	-	841
Bank overdraft	1,430	-	1,430
	<u>2,604</u>	<u>-</u>	<u>2,604</u>
	Secured RM'000	Unsecured RM'000	Total RM'000
<u>Long-term borrowings</u>			
Hire purchases	1,034	-	1,034
Term loans	14,792	-	14,792
	<u>15,826</u>	<u>-</u>	<u>15,826</u>
Total	<u>18,430</u>	<u>-</u>	<u>18,430</u>

Sunzen Biotech secured a term loan facility of RM10 million to part finance the purchase of a unit of 3 storey terrace factory at Kota Kemuning, Shah Alam, with a repayment period of 300 months at prescribed rate of BLR minus 2.39% per annum and a monthly instalment of approximately RM55,000.

Amplio Ingredients Sdn. Bhd. committed a term loan facility of RM1.76 Million to part finance the purchase of a unit of 3 storey shop office at Sunway Mentari, Petaling Jaya, with a repayment period of 300 months at prescribed rate of IFR minus 2.39% per annum and a monthly instalment of approximately RM10,000.

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

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.

B14. (Loss)/Profit per ordinary share

Basic (loss)/profit 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 30 June 2019	Corresponding Quarter Ended 30 June 2018	Current Year-To-Date Ended 30 June 2019	Corresponding Year-To-Date Ended 30 June 2018
(Loss)/profit after tax attributable to equity holders of the Company	(1,302,950)	2,580,575	(2,264,193)	2,171,714
Weighted average number of ordinary shares in issue excluding treasury shares	524,818,191	485,031,301	524,818,191	485,031,301
Basic (loss)/profit per ordinary share (sen)	(0.25)	0.53	(0.43)	0.45

SUNZEN BIOTECH BERHAD

(Company No: 680889-W)

(Incorporated in Malaysia)

B14. (Loss)/Profit per ordinary share (Cont'd)

Diluted (loss)/profit 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 524,818,191 (2018: 497,856,322).

This quarterly report for the financial period ended 30 June 2019 has been reviewed and approved by the Board of Directors of Sunzen Biotech for release to Bursa Securities.

Date: 22 August 2019