

(Company No : 680889-W)

SUNZEN BIOTECH BERHAD
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019

		Current Quarter Ended 30.09.2019 (Unaudited) RM'000	Corresponding Quarter Ended 30.09.2018 (Unaudited) RM'000	Current Year-To-Date Ended 30.09.2019 (Unaudited) RM'000	Corresponding Year-To-Date Ended 30.09.2018 (Unaudited) RM'000
Revenue	A9	62,047	99,984	195,562	221,716
Operating profit		3,383	3,129	10,292	11,307
Operating expenses		(6,373)	(4,667)	(15,672)	(10,267)
Finance expenses		(180)	(63)	(373)	(120)
(Loss)/Profit before tax	B2,B3	(3,170)	(1,601)	(5,753)	920
Income tax credit	B8	106	114	187	55
(Loss)/Profit from continuing operations		(3,064)	(1,487)	(5,566)	975
Profit/(loss) from discontinued operations	B4	(1,000)	46	685	(87)
(Loss)/Profit after tax		(4,064)	(1,441)	(4,881)	888
Other comprehensive (expense)/income net of tax <i>Items that may be reclassified subsequently to profit or loss</i>					
Revaluation surplus on property, plant and equipment		170	-	170	-
Foreign currency translation		42	(16)	411	(10)
		212	(16)	581	(10)
Total comprehensive (expense)/income		(3,852)	(1,457)	(4,300)	878
(Loss)/Profit after tax attributable to:					
Equity holders of the company					
-Continuing operations		(3,099)	(1,227)	(5,370)	1,038
-Discontinued operations		(1,000)	32	683	(61)
Non-controlling interests					
-Continuing operations		35	(260)	(196)	(63)
-Discontinued operations		-	14	2	(26)
		(4,064)	(1,441)	(4,881)	888
Total comprehensive (expense)/income attributable to:					
Equity holders of the company		(3,889)	(1,210)	(4,307)	967
Non-controlling interests		37	(247)	7	(89)
		(3,852)	(1,457)	(4,300)	878
(Loss)/profit per ordinary share (sen) attributable to equity holders of the company:					
Basic (loss)/ earnings per share (sen)					
-Continuing operations	B15	(0.59)	(0.25)	(1.02)	0.21
-Discontinued operations		(0.19)	0.01	0.13	(0.01)
Diluted (loss)/ earnings per share (sen)					
-Continuing operations	B15	(0.59)	(0.24)	(1.02)	0.20
-Discontinued operations		(0.19)	0.01	0.13	(0.01)

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.

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SUNZEN BIOTECH BERHAD
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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2019

		As At Financial Year End 30.09.2019 (Unaudited) RM'000	As At Financial Year End 31.12.2018 (Audited) RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		67,685	61,530
Investment property		1,860	1,860
Deferred tax assets		-	580
Product development expenditure		-	-
Intangible asset		113	141
		<u>69,658</u>	<u>64,111</u>
Current assets			
Inventories		13,490	14,452
Trade receivables		15,776	21,416
Other receivables, deposits and prepayments		4,706	3,725
Tax recoverable		2,006	2,357
Fixed and short term deposits with licensed banks		18,741	15,499
Cash and bank balances with licensed banks and other financial institution		23,448	26,014
		<u>78,167</u>	<u>83,463</u>
TOTAL ASSETS		<u>147,825</u>	<u>147,574</u>
EQUITY			
Share capital	A6	76,524	75,547
Treasury shares	A6	(855)	(336)
Warrants Reserve		10,909	10,909
Retained profits		9,057	13,744
Revaluation reserve		15,909	15,790
Merger deficit		(8,397)	(8,397)
Currency translation reserve		(56)	(317)
Total equity attributable to equity holders of the Company		<u>103,091</u>	<u>106,940</u>
Non-controlling interests		7,344	7,701
TOTAL EQUITY		<u>110,435</u>	<u>114,641</u>
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		2,560	3,451
Hire purchase payables	B10	756	934
Term loans	B10	15,090	3,550
		<u>18,406</u>	<u>7,935</u>
Current liabilities			
Trade payables		12,425	12,637
Other payables and accruals		5,489	9,196
Hire purchase payables	B10	211	420
Term loans	B10	638	521
Bank overdraft		-	1,410
Tax payable		221	814
		<u>18,984</u>	<u>24,998</u>
TOTAL LIABILITIES		<u>37,390</u>	<u>32,933</u>
TOTAL EQUITY AND LIABILITIES		<u>147,825</u>	<u>147,574</u>
Net assets per ordinary share (RM) attributable to equity holders of the Company		<u>0.19</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.

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SUNZEN BIOTECH BERHAD
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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 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 September 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	-	-	-	-	-	-	-	(4,687)	(4,687)	(194)	(4,881)	
Other comprehensive income, net of tax for the financial period:												
- Revaluation surplus on property, plant and equipment	-	-	-	-	119	-	-	-	119	51	170	
- Foreign currency translation	-	-	-	-	-	-	261	-	261	150	411	
Total comprehensive income/(expense) for the financial period	-	-	-	-	119	-	261	(4,687)	(4,307)	7	(4,300)	
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-	(364)	(364)	
Purchase of treasury shares	-	-	(519)	-	-	-	-	-	(519)	-	(519)	
Issuance of shares	977	-	-	-	-	-	-	-	977	-	977	
Balance at 30 September 2019	76,524	-	(855)	10,909	15,909	(8,397)	(56)	9,057	103,091	7,344	110,435	

Quarter ended 30 September 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	-	-	-	-	-	-	-	977	977	(89)	888
Other comprehensive income, net of tax for the financial period:											
- Foreign currency translation	-	-	-	-	-	-	(10)	-	(10)	-	(10)
Total comprehensive income for the financial period	-	-	-	-	-	-	(10)	977	967	(89)	878
Issued of shares pursuant to acquisition of a subsidiary	12,050	-	-	-	-	-	-	-	12,050	-	12,050
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	6,967	6,967
Purchase of treasury shares	-	-	(94)	-	-	-	-	-	(94)	-	(94)
Issuance of shares	38	-	-	-	-	-	-	-	38	-	38
Balance at 30 September 2018	75,374	-	(336)	10,909	13,369	(8,397)	(144)	21,640	112,415	7,144	119,559

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.

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SUNZEN BIOTECH BERHAD
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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019

	Current Year To Date Ended 30.09.2019 (Unaudited) RM'000	Corresponding Year To Date Ended 30.09.2018 (Unaudited) RM'000
Cash flows from/(for) operating activities		
(Loss)/Profit before tax		
-Continuing operations	(5,753)	920
-Discontinued operations	685	(87)
Adjustments for:-		
Depreciation of property, plant and equipment	2,259	1,611
Amortisation of intangible assets	28	13
Bargain purchase arising from acquisition of a subsidiary	-	(3,625)
Interest expense	279	178
Inventories written off	145	59
(Write back)/Write down of inventories	(262)	106
Reversal of impairment loss on trade receivables	(447)	(4)
Loss/(Gain) on disposal of property, plant and equipment	168	(68)
Gain on disposal of a subsidiary	(599)	-
Impairment loss on other receivables	2,000	-
Interest income	(314)	(439)
Unrealised loss on derivative financial instrument	-	142
Unrealised gain on foreign exchange	(39)	(52)
Operating loss before working capital changes	<u>(1,850)</u>	<u>(1,246)</u>
Decrease in inventories	1,079	1,933
Decrease in trade and other receivables	2,360	10,916
Decrease in trade and other payables	<u>(3,089)</u>	<u>(13,887)</u>
Cash for operations	<u>(1,500)</u>	<u>(2,284)</u>
Tax paid	(1,618)	(1,035)
Tax refunded	1,369	-
Interest paid	<u>(243)</u>	<u>(180)</u>
Net cash for operating activities	<u>(1,992)</u>	<u>(3,499)</u>
Cash flows (for)/from investing activities		
Interest received	314	439
Proceeds from disposal of property, plant and equipment	185	566
Purchase of property, plant and equipment	(2,884)	(1,805)
Purchase of investment property	-	-
Disposal/(Acquisition) of subsidiary	<u>1,107</u>	<u>(2,185)</u>
Net cash for investing activities	<u>(1,278)</u>	<u>(2,985)</u>
Cash flows (for)/from financing activities		
Drawdown of term loan	5,000	-
Repayment of term loans	(411)	(324)
Repayment of hire purchase obligations	(143)	(348)
Repayment to Directors	-	(13)
Purchase of treasury shares	(519)	(94)
Proceeds from issuance of shares	<u>977</u>	<u>38</u>
Net cash from/(for) financing activities	<u>4,904</u>	<u>(741)</u>
Net increase/(decrease) in cash and cash equivalents	1,634	(7,225)
Cash and cash equivalents at beginning of the financial period	40,103	47,400
Foreign exchange difference	<u>452</u>	<u>43</u>
Cash and cash equivalents at end of the financial period	<u>42,189</u>	<u>40,218</u>
Cash and cash equivalents comprise:		
Fixed and short term deposits with licensed banks	18,741	15,363
Cash and bank balances with licensed banks and other financial institution	<u>23,448</u>	<u>24,855</u>
	<u>42,189</u>	<u>40,218</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 2018 and the accompanying explanatory notes attached to the interim financial statements.

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NOTES TO THE INTERIM STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 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

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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 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 except for the disposal of a subsidiary as stated in note B4.

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

The total number of ordinary shares in issue as at 30 September 2019 was 535,046,088, out of which 5,541,600 as treasury shares.

A7. Dividend paid

No dividend paid in the current quarter under review.

A8. Restatement of comparative figures

The comparative figures of the Statement of Profit and Loss and other Comprehensive Income have been restated to conform to the presentation of discontinued operations in the current financial period, as a result of the disposal of 70% owned subsidiary, Amplio Ingredients Sdn. Bhd. on 4 July 2019.

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A9. Segmental information

	Current Quarter Ended 30 September 2019 RM'000	Corresponding Quarter Ended 30 September 2018 RM'000	Current Year-To-Date Ended 30 September 2019 RM'000	Corresponding Year-To-Date Ended 30 September 2018 RM'000
Revenue				
Manufacturing and trading of animal health products ("AH")	3,637	1,673	7,558	13,346
Trading of crude palm oil and related products ("CPO")	44,528	89,284	148,677	193,513
Traditional Chinese medicine, herbal health foods and beverages, bird nest ("TCM")	13,882	9,027	39,327	14,857
Total	62,047	99,984	195,562	221,716

A10. 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.

A11. Capital commitments

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

	30 September 2019 RM'000	30 September 2018 RM'000
Approved and contracted for:		
- acquisition of plant and equipment	2,590	3,606
- purchase of CPO and raw materials	8,464	9,418

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

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A12. Recurrent Related Party Transaction

	Current Quarter 30 September 2019 RM'000	Current Year-To-Date 30 September 2018 RM'000
Purchase of finished product	1,095	-

Sunzen palma Sdn Bhd, a 70% owned subsidiary of Sunzen, has entered into recurrent related party transaction with Palma Tech Product Sdn Bhd, which is owned by a Director of Sunzen Palma Sdn Bhd.

The Directors of the Company are of the opinion that above transaction is made in the ordinary course of business and is on normal commercial terms which are not more favourable to the related party than those generally available to the public.

A13. 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.

A14. Changes in the Composition of the Group

There were no changes in the corporate structure of the Group up to 30 September 2019 since the previous reporting date.

A15. Contingent Liabilities

	30 September 2019 RM'000	30 September 2018 RM'000
Unsecured corporate guarantee given to bank for banking facilities to subsidiaries	614	997
Bank guarantee to vendor for purchase of CPO by a subsidiary	1,000	1,000
	<u>1,614</u>	<u>1,997</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 30 September 2019 RM'000	Corresponding Quarter Ended 30 September 2018 RM'000	Current Year-To-Date Ended 30 September 2019 RM'000	Corresponding Year-To-Date Ended 30 September 2018 RM'000
Revenue	62,047	99,984	195,562	221,716
(Loss)/Profit before tax	(3,170)	(1,601)	(5,753)	920

Group's revenue from continuing operations reported 37.94% decrease compared to the corresponding quarter, while year-to-date revenue was down by 11.80%.

Loss before tax from continuing operations for the current quarter reported an increase mainly due to allowance of impairment loss of RM2 million on other receivable. If impairment loss excluded, the current quarter's loss should be reporting 26.92% lower to RM1.17 million. Year-to-date, Group registered a higher loss in the current year in contrast to profit reported a year ago mainly due to the impairment loss and lower profit margin contribution in current year as well as the bargain purchase of RM3.625 million arising from the acquisition of a subsidiary recognised in the corresponding year.

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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 30 September 2019 RM'000	Corresponding Quarter Ended 30 September 2018 RM'000	Current Year-To-Date Ended 30 September 2019 RM'000	Corresponding Year-To-Date Ended 30 September 2018 RM'000
<u>Revenue</u>				
Manufacturing and trading of animal health products ("AH")	3,637	1,673	7,558	13,346
Trading of crude palm oil and related products ("CPO")	44,528	89,284	148,677	193,513
Traditional Chinese medicines, herbal foods and beverages, bird nest ("TCM")	13,882	9,027 ⁺	39,327	14,857 ⁺
Total revenue	62,047	99,984	195,562	221,716
<u>Results</u>				
Manufacturing and trading of animal health products	(1,059)	(873)	(2,311)	(2,796)
Trading of crude palm oil and related products	(185)	(256)	(748)	(284)
Traditional Chinese medicines, herbal foods and beverages, bird nest	74	(516) ⁺	(694)	178 ⁺
Others	(2,000) [^]	44	(2,000) [^]	3,822*
(Loss)/Profit before tax	(3,170)	(1,601)	(5,753)	920

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

[^] allowance for impairment loss on other receivable.

⁺ a four-month period as subsidiary acquired in June 2018.

AH segment's revenue increased in the current quarter compared to the corresponding quarter, while year-to-date showed a 43.37% decrease in revenue. Incurred a higher loss in the current quarter due to higher operating expense, however year-to-date loss has improved by 17.35%.

CPO segment's revenue decreased by 50.13% in the current quarter compared to the corresponding quarter, while year to date posted revenue of 23.17%. However, loss in the current quarter has improved due to better profit margin, while year-to-date loss reported 2.63 times of the previous year's loss.

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

TCM segment's revenue in the current quarter has increased by 53.78% compared to the corresponding quarter while year-to-date revenue on average has increased. This segment reported a profit in the current quarter compared to a loss in the corresponding quarter mainly due to lower operating expenses in the current quarter, while year-to-date still reported a loss compared to a profit a year ago mainly due to lower profit margin in the current year.

B3. (Loss)/profit before tax

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

	Current Quarter Ended 30 September 2019 RM'000	Corresponding Quarter Ended 30 September 2018 RM'000	Current Year-To-Date Ended 30 September 2019 RM'000	Corresponding Year-To-Date Ended 30 September 2018 RM'000
Interest income	138	140	314	439
Interest expense	(148)	(70)	(279)	(178)
Depreciation	(776)	(541)	(2,259)	(1,611)
Amortisation	(9)	(3)	(28)	(13)
Inventories written off (Write down)/Write back of inventories	(27) (30)	- (168)	(145) 262	(59) (106)
Bargain purchase arising from acquisition of a subsidiary	-	3,625	-	3,625
Reversal of impairment loss on trade receivables	(17)	-	447	4
Impairment loss on other receivable	(2,000)	-	(2,000)	-
(Loss)/Gain on disposal of property, plant and equipment	51	30	(168)	68
Gain/(Loss) on derivative financial instrument:				
- realised	-	2	(111)	2
- unrealised	-	(9)	-	(142)
Gain/(Loss) on foreign exchange:				
- realised	(69)	5	(76)	11
- unrealised	4	94	39	52

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B4. (Loss)/profit from Discontinued Operations

On 4 July 2019, the Company announced disposal of its 70% owned subsidiary, Amplio Ingredients Sdn. Bhd. for a sale consideration of RM1.5 million. The following comparative results of the discontinued operations are computed up to the date of disposal.

	Current Year-To-Date 30.09.2019 RM'000	Corresponding Year-To-Date 30.09.2018 RM'000
Revenue	3,114	3,408
Operating profit	1,347	815
Operating expenses	(1,198)	(796)
Finance expenses	(142)	(106)
Profit/(loss) for the period	7	(87)

Effects of disposal on the financial position are as follows:

	As at 30.09.2019 (Unaudited) RM'000
Property, plant and equipment	4,308
Investment property	2,228
Inventories	1,749
Trade and other receivables	1,757
Cash and bank balances	573
Term loans	(4,762)
Hire purchase payables	(305)
Trade and other payables	(3,132)
Bank overdraft	(1,430)
Net assets disposed off	986
Sales consideration	1,500
Deferred consideration waived	800
Allowance for impairment loss	(1,000)
Non-controlling interest	364
Net assets disposed off	1,664
	(986)
	678
Profit for the period	7
Profit from discontinued operations	685

Net cash inflow arising from disposal of subsidiary is as follows:

Cash consideration received	250
Add: cash and cash equivalents, net with bank overdraft	857
	1,107

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B5. Material changes in the Current Quarter's results compared to the results of the immediate Preceding Quarter

	Current Quarter Ended 30 September 2019 RM'000	Preceding Quarter Ended 30 June 2019 RM'000	Variance	
			RM'000	%
Revenue	62,047	68,304	(6,257)	(9.16)
Loss before tax	(3,170)	(1,663)	(1,507)	90.62

Group's revenue from continuing operations for the current quarter reported a decrease compared to preceding quarter mainly due to the decrease in the contribution of trading in crude palm oil.

Group posted a higher loss before tax from continuing operations compared to the preceding quarter mainly attributed to allowance of impairment loss on other receivable recognised in the current quarter.

B6. Prospects

Sales of functional Red Palm Oil products for livestock are expected to increase due to the increasing demand from existing or new customers while for Rumen-by-Pass Fat Powder for dairy cow, which is mainly for oversea market is expected to see an increase in number of sales orders. For Food and Beverage segment, number of sales order is expected to increase in the fourth quarter which is traditionally peak season, new apps and marketing campaign to boost sales performance are expected to be launched.

B7. Profit forecast and profit guarantee

No profit forecast or profit guarantee has been issued by the Group in the current quarter.

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B8. Income tax (credit)/expense

	Current Quarter Ended 30 September 2019 RM'000	Corresponding Quarter Ended 30 September 2018 RM'000	Current Year-To-Date Ended 30 September 2019 RM'000	Corresponding Year-To-Date Ended 30 September 2018 RM'000
<u>Income tax expense</u>				
Current financial year	57	(96)	119	105
Under/(Over) provision in prior financial year	-	24	-	24
	<u>57</u>	<u>(72)</u>	<u>119</u>	<u>129</u>
<u>Deferred tax expense</u>				
Current financial year	(163)	(42)	(306)	(184)
	<u>(163)</u>	<u>(42)</u>	<u>(306)</u>	<u>-</u>
Total	<u>(106)</u>	<u>(114)</u>	<u>(187)</u>	<u>(55)</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.

B9. 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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B9. Status of Corporate Proposal (Cont'd)

Warrants

The total number of respective Warrants exercised and Warrants yet to be exercised as at 30 September 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

B10. Group borrowings and debt securities

The Group's borrowings as at 30 September 2019 were as follows:

	Secured RM'000	Unsecured RM'000	Total RM'000
<u>Short-term borrowings</u>			
Hire purchases	756	-	756
Term loans	15,090	-	15,090
	<u>15,846</u>	<u>-</u>	<u>15,846</u>
	Secured RM'000	Unsecured RM'000	Total RM'000
<u>Long-term borrowings</u>			
Hire purchases	211	-	211
Term loans	638	-	638
	<u>849</u>	<u>-</u>	<u>849</u>
Total	<u>16,695</u>	<u>-</u>	<u>16,695</u>

Ecolite Biotech secured RM10 million facility from a licensed bank, which includes RM5 million for term loan, RM0.50 million as bank overdraft and RM4.50 million for trade facility.

B11. 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.

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B12. Dividend declared or recommended

No dividend was declared for the current quarter under review.

B13. Disclosure of nature of outstanding derivatives

There was no outstanding derivatives as at reporting period.

B14. 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.

B15. (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 September 2019	Corresponding Quarter Ended 30 September 2018	Current Year-To-Date Ended 30 September 2019	Corresponding Year-To-Date Ended 30 September 2018
(Loss)/profit after tax attributable to equity holders of the Company				
-Continuing operations	(3,099,408)	(1,227,406)	(5,369,544)	1,037,829
-Discontinued operations	(1,000,000)	32,289	682,967	(61,232)
Weighted average number of ordinary shares in issue excluding treasury shares	526,609,790	495,275,948	526,609,790	495,275,948
Basic (loss)/profit per ordinary share (sen)				
-Continuing operations	(0.59)	(0.25)	(1.02)	0.21
-Discontinued operations	(0.19)	0.01	0.13	(0.01)

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 526,609,790 (2018: 507,550,301).

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

Date: 28 November 2019