

SUNZEN BIOTECH BERHAD
(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

| | Note | Current Quarter Ended 31.12.2020 (Unaudited) RM'000 | Corresponding Quarter Ended 31.12.2019 (Unaudited) RM'000 | Current Year-To-Date Ended 31.12.2020 (Unaudited) RM'000 | Corresponding Year-To-Date Ended 31.12.2019 (Audited) RM'000 |
|--|--------|--|--|---|---|
| Revenue | A9 | 27,855 | 44,302 | 82,233 | 240,585 |
| Operating profit | | 5,420 | 2,164 | 12,744 | 13,512 |
| Operating expenses | | (13,107) | (16,759) | (24,824) | (32,660) |
| Finance costs | | (138) | (209) | (624) | (483) |
| Loss before tax | B2, B3 | (7,825) | (14,804) | (12,704) | (19,631) |
| Income tax expense | B7 | (266) | (221) | (209) | (34) |
| Loss after tax from continuing operations | | (8,091) | (15,025) | (12,913) | (19,665) |
| Profit after tax from discontinued operations | A8 | - | 750 | - | 1,685 |
| Loss after tax | | (8,091) | (14,275) | (12,913) | (17,980) |
| 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) | - | - |
| Foreign currency translation | | (152) | 23 | (199) | 525 |
| | | (152) | (147) | (199) | 525 |
| Total comprehensive expense | | (8,243) | (14,422) | (13,112) | (17,455) |
| (Loss)/Profit after tax attributable to: | | | | | |
| Equity holders of the company | | (8,584) | (12,773) | (13,231) | (16,250) |
| Non-controlling interests | | 493 | (1,502) | 318 | (1,730) |
| | | (8,091) | (14,275) | (12,913) | (17,980) |
| Total comprehensive (expense)/income attributable to: | | | | | |
| Equity holders of the company | | (8,698) | (12,871) | (13,371) | (15,930) |
| Non-controlling interests | | 455 | (1,551) | 259 | (1,525) |
| | | (8,243) | (14,422) | (13,112) | (17,455) |
| Basic (loss)/earnings per share (sen) | | | | | |
| -continuing operations | B14 | (1.62) | (2.56) | (2.50) | (3.40) |
| -discontinued operations | B14 | - | 0.14 | - | 0.32 |
| Diluted (loss)/earnings per share (sen) | | | | | |
| -continuing operations | B14 | (1.62) | (2.56) | (2.50) | (3.40) |
| -discontinued operations | B14 | - | 0.14 | - | 0.32 |

Note:-

The above condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial statements.

SUNZEN BIOTECH BERHAD
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

| | Note | As At Financial Year End 31.12.2020 (Unaudited) RM'000 | As At Financial Year End 31.12.2019 (Audited) RM'000 |
|---|------|---|---|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | | 47,277 | 61,850 |
| Investment property | | - | 370 |
| Right-of-use assets | | 140 | 140 |
| Deferred tax assets | | 235 | 235 |
| Intangible asset | | 66 | 103 |
| | | <u>47,718</u> | <u>62,698</u> |
| Current assets | | | |
| Inventories | | 12,384 | 12,485 |
| Trade receivables | | 7,550 | 14,183 |
| Other receivables, deposits and prepayments | | 2,112 | 3,547 |
| Tax recoverable | | 1,384 | 1,164 |
| Fixed and short term deposits with licensed banks | | 15,532 | 15,877 |
| Cash and bank balances with licensed banks and other financial institution | | 23,399 | 16,880 |
| | | <u>62,361</u> | <u>64,136</u> |
| Assets held for sales | | 13,372 | 1,490 |
| Total current assets | | <u>75,733</u> | <u>65,626</u> |
| TOTAL ASSETS | | <u>123,451</u> | <u>128,324</u> |
| EQUITY | | | |
| Share capital | A6 | 76,524 | 76,524 |
| Treasury shares | A6 | (956) | (956) |
| Warrants reserve | | 10,909 | 10,909 |
| Share option reserve | | 9,415 | - |
| Accumulated losses | | (15,666) | (2,470) |
| Revaluation reserve | | 15,719 | 15,754 |
| Merger deficit | | (8,397) | (8,397) |
| Currency translation reserve | | (137) | 3 |
| Total equity attributable to equity holders of the Company | | <u>87,411</u> | <u>91,367</u> |
| Non-controlling interests | | 6,071 | 5,812 |
| TOTAL EQUITY | | <u>93,482</u> | <u>97,179</u> |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Lease Liabilities | | 63 | 63 |
| Deferred tax liabilities | | 3,280 | 3,173 |
| Hire purchase payables | B9 | 428 | 711 |
| Term loans | B9 | 4,918 | 14,820 |
| | | <u>8,689</u> | <u>18,767</u> |
| Current liabilities | | | |
| Trade payables | | 5,913 | 6,377 |
| Other payables and accruals | | 5,322 | 4,985 |
| Lease Liabilities | | 80 | 80 |
| Hire purchase payables | B9 | 121 | 179 |
| Term loans | B9 | 9,836 | 756 |
| Tax payable | | 8 | 1 |
| | | <u>21,280</u> | <u>12,378</u> |
| TOTAL LIABILITIES | | <u>29,969</u> | <u>31,145</u> |
| TOTAL EQUITY AND LIABILITIES | | <u>123,451</u> | <u>128,324</u> |
| Net assets per ordinary share (RM) attributable to equity holders of the Company | | <u>0.17</u> | <u>0.17</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 2019 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 528,764,688 (2019: 528,764,688) excluding treasury shares held.

SUNZEN BIOTECH BERHAD
(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

| | ← Attributable to equity holders of the Company → | | | | | | | | | | |
|--|---|---------------------------|----------------------------|--------------------------------|-------------------------------|--------------------------|--|--|-----------------|-------------------------------------|------------------------|
| | Share Capital RM'000 | Treasury Shares RM'000 | Warrants Reserve RM'000 | Share Option Reserve RM'000 | Revaluation Reserve RM'000 | Merger Deficit RM'000 | Currency Translation Reserve RM'000 | Retained Earnings/ (Accumulated Losses) RM'000 | Total RM'000 | Non-Controlling Interests RM'000 | Total Equity RM'000 |
| Quarter ended 31 December 2020 (Unaudited) | | | | | | | | | | | |
| Balance at 1 January 2020 | 76,524 | (956) | 10,909 | - | 15,754 | (8,397) | 3 | (2,470) | 91,367 | 5,812 | 97,179 |
| (Loss)/profit after tax for the financial year | - | - | - | - | - | - | - | (13,231) | (13,231) | 318 | (12,913) |
| Other comprehensive (expense)/income, net of tax for the financial year: | | | | | | | | | | | |
| - Foreign currency translation | - | - | - | - | - | - | (140) | - | (140) | (59) | (199) |
| Total comprehensive (expense)/income for the financial year | - | - | - | - | - | - | (140) | (13,231) | (13,371) | 259 | (13,112) |
| Amortisation on revaluation reserve | - | - | - | - | (35) | - | - | 35 | - | - | - |
| Share-based payment transactions | - | - | - | 9,415 | - | - | - | - | 9,415 | - | 9,415 |
| Balance at 31 December 2020 | 76,524 | (956) | 10,909 | 9,415 | 15,719 | (8,397) | (137) | (15,666) | 87,411 | 6,071 | 93,482 |
| Quarter ended 31 December 2019 (Audited) | | | | | | | | | | | |
| 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 year | - | - | - | - | - | - | - | (16,250) | (16,250) | (1,730) | (17,980) |
| Other comprehensive income/(expense), net of tax for the financial year: | | | | | | | | | | | |
| - Foreign currency translation | - | - | - | - | - | - | 320 | - | 320 | 205 | 525 |
| Total comprehensive income/(expense) for the financial year | - | - | - | - | (36) | - | 320 | (16,250) | (15,930) | (1,525) | (17,455) |
| Amortisation on revaluation reserve | - | - | - | - | (36) | - | - | 36 | - | - | - |
| Disposal of a subsidiary | - | - | - | - | - | - | - | - | - | (364) | (364) |
| Purchase of treasury shares | - | (620) | - | - | - | - | - | - | (620) | - | (620) |
| Issuance of shares | 977 | - | - | - | - | - | - | - | 977 | - | 977 |
| Balance at 31 December 2019 | 76,524 | (956) | 10,909 | - | 15,754 | (8,397) | 3 | (2,470) | 91,367 | 5,812 | 97,179 |

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 2019 and the accompanying explanatory notes attached to the interim financial statements.

SUNZEN BIOTECH BERHAD

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

| | Current Year To Date Ended 31.12.2020 (Unaudited) RM'000 | Corresponding Year To Date Ended 31.12.2019 (Audited) RM'000 |
|--|--|--|
| Cash flows from/(for) operating activities | | |
| (Loss)/Profit before tax | | |
| -continuing operations | (12,704) | (19,631) |
| -discontinued operations | - | 1,685 |
| Adjustments for:- | | |
| Amortisation of intangible assets | 37 | 37 |
| (Reversal of)/Allowance for impairment loss on trade receivables | (1,362) | 1,351 |
| Bad debt written off | 158 | 29 |
| Depreciation of property, plant and equipment | 2,543 | 3,187 |
| Depreciation of right-of-use assets | 80 | 80 |
| Gain on disposal of property, plant and equipment | (78) | (66) |
| Gain on disposal of a subsidiary | - | (1,678) |
| Allowance for impairment loss on property, plant and equipment | 93 | 5,016 |
| (Reversal of)/Allowance for impairment loss on other receivables | (1,774) | 4,173 |
| Share-based payment transactions | 9,415 | - |
| Interest income | (434) | (490) |
| Interest expense | 603 | 626 |
| Inventories written off | 877 | 171 |
| Property, plant and equipment written off | - | 622 |
| Unrealised loss/(gain) on foreign exchange | 88 | (25) |
| Allowance for/(Reversal of) inventories written down | (307) | 1,047 |
| Operating loss before working capital changes | (2,765) | (3,866) |
| Increase in inventories | (470) | (1,000) |
| Decrease in trade and other receivables | 10,838 | 2,564 |
| Increase/(Decrease) in trade and other payables | 106 | (8,704) |
| Cash from/(for) operations | 7,709 | (11,006) |
| Tax paid | (316) | (617) |
| Tax refunded | - | 2,261 |
| Interest paid | (617) | (1,684) |
| Net cash from/(for) operating activities | 6,776 | (11,046) |
| Cash flows from/(for) investing activities | | |
| Interest received | 434 | 490 |
| Proceeds from disposal of property, plant and equipment | 112 | 998 |
| Proceeds from disposal of asset held for sale | 1,550 | - |
| Purchase of property, plant and equipment | (1,159) | (4,024) |
| Acquisition of investment properties | - | (67) |
| Disposal of a subsidiary | - | 1,607 |
| Net cash from/(for) investing activities | 937 | (996) |
| Cash flows (for)/from financing activities | | |
| Drawdown of term loan | - | 5,000 |
| Repayment of term loans | (808) | (596) |
| Repayment of hire purchase obligations | (340) | (520) |
| Repayment of lease liabilities | (79) | (85) |
| Purchase of treasury shares | - | (620) |
| Proceeds from issuance of shares | - | 977 |
| Net cash (for)/from financing activities | (1,227) | 4,156 |
| Net increase/(decrease) in cash and cash equivalents | 6,486 | (7,886) |
| Cash and cash equivalents at beginning of the financial year | 32,757 | 40,103 |
| Foreign exchange difference | (312) | 540 |
| Cash and cash equivalents at end of the financial year | 38,931 | 32,757 |
| Cash and cash equivalents comprise: | | |
| Fixed and short term deposits with licensed banks | 15,532 | 15,877 |
| Cash and bank balances with licensed banks and other financial institution | 23,399 | 16,880 |
| | 38,931 | 32,757 |

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 2019 and the accompanying explanatory notes attached to the interim financial statements.

SUNZEN BIOTECH BERHAD

[Registration No. 200501003843 (680889-W)]

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NOTES TO THE INTERIM STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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 2019.

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 to MFRSs 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
- Amendments to MFRS 9 Financial Instruments, MFRS 139 Financial Instruments: Recognition and Measurement and MFRS 7 Financial Instruments: Disclosures-Interest Rate Benchmark Reform

Amendments to MFRSs effective date yet to be determined

- 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 2019 were not subjected to any qualification.

A3. Seasonal or cyclical factors

Sales performance of TCM segment, which involves herbal foods and beverages, traditional Chinese medicines and bird nest, is partially influenced by seasonal factor.

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

For the current quarter ended 31 December 2020, there were no changes to the number of ordinary shares in issue and the number of treasury shares, which stood at 535,046,088, and 6,281,400 respectively.

A7. Dividend paid

There was no dividend paid in the current quarter under review.

A8. Comparative figures

The comparative figures 2019 are related to the disposal of 70% equity in Amplio Ingredients Sdn. Bhd. on 4 July 2019.

A9. Segmental information

| | Current Quarter Ended 31 December 2020 RM'000 | Corresponding Quarter Ended 31 December 2019 RM'000 | Current Year-To-Date Ended 31 December 2020 RM'000 | Corresponding Year-To-Date Ended 31 December 2019 RM'000 |
|---|--|--|---|---|
| Revenue | | | | |
| Manufacturing and trading of animal health products ("AH") | 3,635 | 4,396 | 16,462 | 11,954 |
| Trading of crude palm oil and related products ("CPO") | 631 | 25,067 | 14,395 | 173,744 |
| Traditional Chinese medicine, herbal health foods and beverages, bird nest ("TCM") | 23,589 | 14,839 | 51,376 | 54,887 |
| Total | 27,855 | 44,302 | 82,233 | 240,585 |

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(Incorporated in Malaysia)

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 financial year ended 31 December 2019.

A11. Capital commitments

Capital commitments which have been authorised but not provided for in the interim financial statements under review are as follows:

| | 31 December 2020 | 31 December 2019 |
|--|-------------------------|-----------------------------|
| | RM'000 | RM'000 |
| Acquisition of property, plant and equipment | 2,318 | 2,590 |

The outstanding balance as at 31 December 2020 is partly made up of balance brought forward from the previous years in respect of installation of plant and machinery.

A12. Recurrent Related Party Transaction

There were no recurrent related party transactions in the current quarter under review.

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 except for the disposal of one (1) unit of property as explained in note B8, the sale and purchase transaction is expected to be completed by the end of first quarter 2021.

A14. Changes in the Composition of the Group

Save for the following restructuring exercises, there were no changes in the corporate structure of the Group for the reporting period up to 25 February 2021 since the previous reporting date.

On 24 December 2020, Sunzen Agritechnology (Northern) Sdn. Bhd. ("SAN"), a wholly-owned subsidiary of Sunzen Feedtech Sdn. Bhd., which in turn is a wholly-owned subsidiary of the Company, has made an application for striking-off, to the Companies Commission of Malaysia for the approval. SAN has been dormant and ceased its operation since 1st July 2020.

On 8 February 2021, Sunzen International Sdn. Bhd. (previously known as Sunzen Asia Urethanes Sdn. Bhd.) ["SISB"], a wholly-owned subsidiary of the Company, has increased its total issued share capital and allotted an additional 999,900 ordinary shares at an issue price of RM0.10 each.

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A14. Changes in the Composition of the Group (Cont'd)

Consequent to the restructuring, the Company has reduced its shareholding in SISB to 51% while Dato' Tan Chee Hong and Mr. Gan Yew Sheng as new shareholders taking up 25% and 24% of the equity in SISB, respectively. Besides, SISB has changed its nature of business activity from an investment holding to retailing, wholesaling, distribution and trading of lifestyle drinks, health and herbal drinks, health supplements, functional foods, bird's nest, beauty and skin care products in both local and oversea markets.

SISB was incorporated on 30 September 2014 and remained dormant since then.

A15. Contingent Liabilities

| | 31 December 2020 RM'000 | 31 December 2019 RM'000 |
|--|--|--|
| Unsecured Corporate Guarantee to financial institutions for banking facilities granted to subsidiaries | 5,157 | 514 |
| Bank guarantee to vendor for purchase of CPO by a subsidiary (expired and cancelled on 31 July 2020) | - | 1,000 |
| Total | 5,157 | 1,514 |

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 2020 RM'000 | Corresponding Quarter Ended 31 December 2019 RM'000 | Current Year-To-Date Ended 31 December 2020 RM'000 | Corresponding Year-To-Date Ended 31 December 2019 RM'000 |
|--------------------|--|--|---|---|
| Revenue | 27,855 | 44,302 | 82,233 | 240,585 |
| Loss before tax | (7,825) | (14,804) | (12,704) | (19,631) |

In the current quarter under review, the Group posted a lower revenue compared to the corresponding quarter and year-to-date on the lower contribution from the trading of crude palm oil product. It is worth to note that the revenue of TCM segment in the current quarter increased by 58.97%, however year-to-date reported 6.40% lower mainly impacted by the movement restriction measure taken by the government to contain the outbreak of Covid-19 pandemic. Even though AH segment reported a 17.31% lower in revenue in the current quarter, the year-to-date's revenue reported 37.71% higher compared to the preceding year.

The Group registered a pre-tax loss of RM7.83 million in the current quarter after the recognition of the fair value of share-based payment transactions arising from share options granted, of approximately RM9.42 million in the profit and loss. However, assuming that such non-cash transactions were excluded, the Group would have reported a pre-tax profit of RM1.60 million in the current quarter compared to the loss of RM14.80 million reported a year ago. Nevertheless, the Group's pre-tax loss for current year-to-date has reduced by 35.29% year-on-year mainly attributed to the improved profit margin contribution from TCM business segment as shown in note B2, the reversal of trade and other receivables and reduction in impairment loss on property, plant and equipment.

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 2020 RM'000 | Corresponding Quarter Ended 31 December 2019 RM'000 | Current Year-To-Date Ended 31 December 2020 RM'000 | Corresponding Year-To-Date Ended 31 December 2019 RM'000 |
|--|--|--|---|---|
| Revenue | | | | |
| Manufacturing and trading of animal health products (“AH”) | 3,635 | 4,396 | 16,462 | 11,954 |
| Trading of crude palm oil and related products (“CPO”) | 631 | 25,067 | 14,395 | 173,744 |
| Traditional Chinese medicines, herbal foods and beverages, bird nest (“TCM”) | 23,589 | 14,839 | 51,376 | 54,887 |
| Total revenue | 27,855 | 44,302 | 82,233 | 240,585 |
| Results | | | | |
| Manufacturing and trading of animal health products | (9,375)^ | (8,878) | (13,480)^ | (14,241) |
| Trading of crude palm oil and related products | 500 | (3,176) | 257 | (3,237) |
| Traditional Chinese medicines, herbal foods and beverages, bird nest | 1,050+ | (2,750) | 519+ | (3,838) |
| Food ingredients products | - | - | - | 1,685* |
| Loss before tax | (7,825) | (14,804) | (12,704) | (19,631) |

Notes:

^ Included the fair value of share-based payment transactions (non-cash) of RM9.100 million arising from share options granted.

+ Included the fair value of share-based payment transactions of RM0.315 million.

* Profit from discontinued operation in relation to the disposal of entire 70% equity in Amplio Ingredients Sdn. Bhd. on 4 July 2019.

AH segment, assuming that the fair value of share-based payment transactions was not factored in, would show a pre-tax loss of only RM0.28 million in the current quarter and the year-to-date’s loss would be reduced to RM4.38 million, which was also partly due to the reversal of impairment loss on other receivables in the current year.

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)

CPO segment posted a pre-tax profit for the current quarter and year-to-date versus pre-tax loss in the corresponding quarter and year-to-date mainly due to the reversal of impairment loss on trade receivable.

TCM segment reported a pre-tax profit for the current quarter and year-to-date compared to a pre-tax loss position in the previous financial year mainly bolstered by the improved profit margin contribution and the reversal of impairment loss on trade receivable in the current year.

B3. Loss before tax

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

| | Current Quarter Ended 31 December 2020 RM'000 | Corresponding Quarter Ended 31 December 2019 RM'000 | Current Year-To-Date Ended 31 December 2020 RM'000 | Corresponding Year-To-Date Ended 31 December 2019 RM'000 |
|--|--|--|---|---|
| Interest income | 73 | 166 | 434 | 490 |
| Interest expense | (130) | (195) | (603) | (626) |
| Bad debt written off | (34) | (29) | (158) | (29) |
| Depreciation of property, plant and equipment | (340) | (787) | (2,543) | (3,187) |
| Depreciation of right-of-use assets | (20) | - | (80) | (80) |
| Amortisation of intangible assets | (9) | (89) | (37) | (37) |
| Inventories written off | (575) | (26) | (877) | (171) |
| Reversal of/(Allowance for) inventories written down | 889 | (1,216) | 307 | (1,047) |
| Allowance for impairment loss on property, plant and equipment ("PPE") | (142) | (5,117) | (93) | (5,016) |
| Reversal of/(Allowance for) impairment loss on trade receivables | 442 | (2,872) | 1,362 | (1,351) |
| Reversal of/(Allowance for) impairment loss on other receivables | 1,060 | (2,049) | 1,774 | (4,173) |
| Share-based payment transactions | (9,415) | - | (9,415) | - |
| (Loss)/Gain on disposal of property, plant and equipment | (2) | - | 78 | (66) |
| PPE written off | - | (265) | - | (622) |
| Gain/(Loss) on foreign exchange: | | | | |
| -realised | 163 | 43 | 397 | (93) |
| -unrealised | 24 | (70) | (88) | 25 |

B4. Material changes in the current quarter's results compared to the results of the immediate preceding quarter

| | Current Quarter Ended 31 December 2020 RM'000 | Preceding Quarter Ended 30 September 2020 RM'000 | Variance | |
|-----------------------------|--|---|-----------------|------------|
| | | | RM'000 | % |
| Revenue | 27,855 | 20,358 | 7,497 | 36.83 |
| (Loss)/Profit before tax | (7,825) | 131 | (7,956) | (6,073.28) |

The Group achieved a higher revenue in the current quarter compared to the preceding quarter, mainly bolstered by the increase in demand for TCM products in conjunction with the celebration of festive seasons.

Current quarter under review registered a pre-tax loss of RM7.83 million as contrast to a pre-tax profit of RM0.13 million in the preceding quarter, mainly due to the recognition of fair value of share-based payment transactions arising from shares options granted and higher marketing expenses incurred.

B5. Prospects

Animal health business segment is expected to continue its effort in expanding local and overseas networks for the distribution of its in-house products. Besides, the segment continues to promote Functional Products range through digital marketing platform, hosting of webinars and active engagement in farm trials of different animal species.

Foods and beverages division will be expanding its existing product range and production capacity by acquiring additional units of machine. The division has actively engaged in online marketing, social media platform for promoting of its products and boosting online sales.

B6. 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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B7. Income tax expense/(credit)

| | Current Quarter Ended 31 December 2020 RM'000 | Corresponding Quarter Ended 31 December 2019 RM'000 | Current Year-To-Date Ended 31 December 2020 RM'000 | Corresponding Year-To-Date Ended 31 December 2019 RM'000 |
|--|--|--|---|---|
| Income tax expense/(credit): | | | | |
| Current financial year | 14 | 83 | 87 | (225) |
| Under-provision in the previous financial year | 16 | 1 | 16 | 34 |
| | 30 | 84 | 103 | (191) |
| Deferred tax expense/(credit): | | | | |
| Current financial year | 236 | 137 | 106 | 246 |
| Over-provision in the previous financial year | - | - | - | (21) |
| | 236 | 137 | 106 | 225 |
| Total | 266 | 221 | 209 | 34 |

B8. Status of Corporate Proposal

At the announcement date of this report, save for the following Proposed Disposal of Property and the Proposed Acquisition of new business, there were no corporate proposals which were already announced but not yet completed.

Share Issuance Scheme (“SIS”), expiring on 15 April 2026

The proposed allocation of share options to the Company’s Directors pursuant to the SIS had been approved by shareholders at the virtual Extraordinary Meeting on 19 November 2020. On 26 November 2020, a total of 133,070,000 share options were offered by the Company, comprising 94,000,000 options for the Company’s Directors and 39,070,000 options for employees of the Company and its subsidiaries, at an exercise price of RM0.1395 each.

All Directors must not sell, transfer or assign shares obtained through exercise of options offered to them within one (1) year from the date of offer. While for eligible employees, 20% of the options are vested on the date of offer and the remaining balance options to be vested shall be subjected to the achievement of certain performance criteria over the next five (5) years.

The valuation of share options is done by an independent firm of professional valuers. The valuation is based on Binomial model, incorporated all the relevant variables in determining the fair value of the options at grant date. The fair value per share option is RM0.0936.

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B8. Status of Corporate Proposal (Cont'd)

As of the reporting period up to 25 February 2021, the total number of options vested at an exercise price of RM0.1395 each and total number of options exercised as follows.

| | No. of options vested '000 | No. of options exercised '000 | Balance options unexercised '000 |
|-----------|---|--|---|
| Directors | 94,000 | - | 94,000 |
| Employees | 6,588 | 1,751 | 4,837 |

Warrants, expiring on 25 February 2021

As of 25 February 2021, the total number of Warrants 2016/2021 exercised, at an exercise price of RM0.25 each as follows.

| No. of warrants 2016/2021 | No. of warrants 2016/2021 exercised | No. of warrants 2016/2021 unexercised |
|--------------------------------------|--|--|
| 179,423,296 | 6,150 | 179,417,146 |

Proposed Disposal of Property and Utilisation of Proceeds

Subsequent to the announcement on 11 November 2020 (“SPA date”) for the proposed disposal of a unit of property at no. 50, Jalan Anggerik Mokara 31/47, Kota Kemuning, 40460 Shah Alam, Selangor Darul Ehsan, for a cash consideration of RM14.20 million, the purchasers had settled approximately RM12.12 million while the remaining balance of RM2.08 million to be settled upon security documents and relevant documents being delivered to the purchasers’ solicitors, which is expected to be completed by the end of first quarter 2021.

The status of the utilisation of proceeds is as follows.

| Purpose | Proposed utilisation RM'000 | Actual utilisation RM'000 | Intended timeframe from SPA date No. of month | Variance RM'000 | Notes |
|-------------------------|--|--|--|----------------------------|--------------|
| Repayment of term loan | 9,830 | 9,916 | 4 | (86) | 1,3 |
| Office renovation costs | 900 | 793 | 4 | - | 2,3 |
| Real property gain tax | 100 | - | 4 | - | 2,3 |
| Legal fee | 60 | 31 | 4 | 29 | 3 |
| Working capital | 3,310 | 400 | 6 | - | 3 |
| Total | 14,200 | 11,140 | | | |

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B8. Status of Corporate Proposal (Cont'd)

Notes:

1. Shortfall due to redemption fee for the full settlement of term loan.
2. Actual amount has yet to be finalised.
3. Surplus or shortfall of expenses incurred is to be adjusted to/from working capital.

Proposed Acquisition of new business

On 12 January 2021, the Company announced a proposed acquisition of Finsource Solution Sdn Bhd (“FSSB”), where a conditional share sale agreement with the vendors had been entered for the proposed acquisition of entire equity in FSSB, for a purchase consideration of RM6.8 million to be satisfied by the issuance and allotment of 41,212,121 new ordinary shares in Sunzen, at an issue price of RM0.165 each.

The Company submitted the listing application on 5 February 2021 to Bursa Securities for approval.

B9. Group borrowings and debt securities

The Group’s borrowings as at 31 December 2020 were as follows:

| | Secured RM'000 | Unsecured RM'000 | Total RM'000 |
|-------------------------------------|---------------------------|-----------------------------|-------------------------|
| <u>Short-term borrowings</u> | | | |
| Hire purchases | 121 | - | 121 |
| Term loans ^ | 9,836 | - | 9,836 |
| | <u>9,957</u> | <u>-</u> | <u>9,957</u> |
| <u>Long-term borrowings</u> | | | |
| Hire purchases | 428 | - | 428 |
| Term loans | 4,918 | - | 4,918 |
| | <u>5,346</u> | <u>-</u> | <u>5,346</u> |
| Total | <u>15,303</u> | <u>-</u> | <u>15,303</u> |

Notes:

- ^ Disposal mentioned in B8, had fully redeemed one of the term loans for RM9.916 million on 29 January 2021, which is inclusive of redemption fee of RM0.255 million.

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 were 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 2020 | Corresponding Quarter Ended 31 December 2019 | Current Year-To-Date Ended 31 December 2020 | Corresponding Year-To-Date Ended 31 December 2019 |
|--|---|---|--|--|
| (Loss)/Profit after tax attributable to equity holders of the Company (RM'000) | | | | |
| -continuing operations | (8,584) | (13,523) | (13,231) | (17,935) |
| -discontinued operations | - | 750 | - | 1,685 |
| Weighted average number of ordinary shares in issue excluding treasury shares ('000) | 528,765 | 527,991 | 528,765 | 527,991 |
| Basic (loss)/earnings per ordinary share (sen) | | | | |
| -continuing operations | (1.62) | (2.56) | (2.50) | (3.40) |
| -discontinued operations | - | (0.14) | - | 0.32 |

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 528,764,688 (2019: 527,991,440).

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This quarterly report for the financial year ended 31 December 2020 has been reviewed and approved by the Board of Directors of Sunzen Biotech for release to Bursa Securities.

Date: 25 February 2021