

SUNZEN BIOTECH BERHAD
(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2021**

	Note	Current Quarter Ended 30.09.2021 (Unaudited) RM'000	Corresponding Quarter Ended 30.09.2020 (Unaudited) RM'000	Current Year-To-Date Ended 30.09.2021 (Unaudited) RM'000	Corresponding Year-To-Date Ended 30.09.2020 (Unaudited) RM'000
Revenue	A8	17,445	20,358	61,449	54,378
Operating profit		5,494	3,862	15,575	7,324
Operating expenses		(4,923)	(3,602)	(13,714)	(11,717)
Finance costs		(51)	(129)	(226)	(486)
Profit/(Loss) before tax	B2, B3	520	131	1,635	(4,879)
Income tax (expense)/credit	B7	(362)	(78)	(827)	57
Profit/(Loss) for the financial period		158	53	808	(4,822)
Other comprehensive income/(expense), net of tax					
<i>Items that may be reclassified subsequently to profit or loss</i>					
Foreign currency translation		6	(10)	56	(47)
		6	(10)	56	(47)
Total comprehensive income/(expense)		164	43	864	(4,869)
Profit/(Loss) attributable to:					
Equity holders of the company		71	(383)	31	(4,647)
Non-controlling interests		87	436	777	(175)
		158	53	808	(4,822)
Total comprehensive income/(expense) attributable to:					
Equity holders of the company		75	(385)	85	(4,673)
Non-controlling interests		89	428	779	(196)
		164	43	864	(4,869)
Earnings/(Loss) per ordinary share (sen)					
-Basic/Diluted	B14	0.01	(0.07)	0.01	(0.88)

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 2020 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 30 SEPTEMBER 2021

	Note	As At Financial Year End 30.09.2021 (Unaudited) RM'000	As At Financial Year End 31.12.2020 (Audited) RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		47,634	47,278
Right-of-use assets		82	140
Deferred tax assets		235	162
Financing receivables		14,712	-
Investment property		491	-
Goodwill		2,853	-
Intangible asset		38	66
		<u>66,045</u>	<u>47,646</u>
Current assets			
Inventories		16,447	12,269
Trade receivables		9,368	7,662
Financing receivables		3,781	-
Other receivables, deposits and prepayments		2,585	2,463
Tax recoverable		715	1,384
Fixed and short term deposits with licensed banks		5,731	15,532
Cash and bank balances with licensed banks and other financial institution		20,704	23,204
		<u>59,331</u>	<u>62,514</u>
Assets classified as held for sales		-	13,372
Total current assets		<u>59,331</u>	<u>75,886</u>
TOTAL ASSETS		<u>125,376</u>	<u>123,532</u>
EQUITY			
Share capital	A6	84,139	76,524
Treasury shares	A6	(956)	(956)
Warrants reserve		-	10,909
Share option reserve		9,089	9,415
Accumulated losses		(4,725)	(15,664)
Revaluation reserve		15,719	15,719
Merger deficit		(8,397)	(8,397)
Currency translation reserve		(24)	(78)
Total equity attributable to equity holders of the Company		<u>94,845</u>	<u>87,472</u>
Non-controlling interests		6,840	6,012
TOTAL EQUITY		<u>101,685</u>	<u>93,484</u>
LIABILITIES			
Non-current liabilities			
Lease Liabilities		18	68
Deferred tax liabilities		3,565	3,206
Hire purchase payables	B9	256	428
Term loans	B9	4,645	4,742
		<u>8,484</u>	<u>8,444</u>
Current liabilities			
Trade payables		10,587	5,875
Other payables and accruals		4,302	5,512
Lease Liabilities		68	76
Hire purchase payables	B9	85	121
Term loans	B9	133	10,012
Tax payable		32	8
		<u>15,207</u>	<u>21,604</u>
TOTAL LIABILITIES		<u>23,691</u>	<u>30,048</u>
TOTAL EQUITY AND LIABILITIES		<u>125,376</u>	<u>123,532</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 2020 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 573,471,459 (2020: 528,764,688) excluding treasury shares held.

SUNZEN BIOTECH BERHAD
(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2021**

	← 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	(Accumulated Losses) RM'000	Total RM'000	Non- Controlling Interests RM'000	Total Equity RM'000
Quarter ended 30 September 2021 (Unaudited)											
Balance at 1 January 2021	76,524	(956)	10,909	9,415	15,719	(8,397)	(78)	(15,664)	87,472	6,012	93,484
Profit for the financial period	-	-	-	-	-	-	-	31	31	777	808
Other comprehensive income, net of tax for the financial period:											
- Foreign currency translation	-	-	-	-	-	-	54	-	54	2	56
Total comprehensive income for the financial period	-	-	-	-	-	-	54	31	85	779	864
Transfer of warrants reserve to accumulated losses upon expiry	-	-	(10,908)	-	-	-	-	10,908	-	-	-
Issuance of shares pursuant to:											
- acquisition of a subsidiary through shares exchange	6,800	-	-	-	-	-	-	-	6,800	-	6,800
- Warrants exercised	2	-	(1)	-	-	-	-	-	1	-	1
- Share option	813	-	-	(326)	-	-	-	-	487	-	487
Issuance of shares to non-controlling interest	-	-	-	-	-	-	-	-	-	49	49
Balance at 30 September 2021	84,139	(956)	-	9,089	15,719	(8,397)	(24)	(4,725)	94,845	6,840	101,685
Quarter ended 30 September 2020 (Unaudited)											
Balance at 1 January 2020	76,524	(956)	10,909	-	15,754	(8,397)	3	(2,471)	91,366	5,812	97,178
Loss for the financial period	-	-	-	-	-	-	-	(4,647)	(4,647)	(175)	(4,822)
Other comprehensive expense, net of tax for the financial period:											
- Foreign currency translation	-	-	-	-	-	-	(26)	-	(26)	(21)	(47)
Total comprehensive expense for the financial period	-	-	-	-	-	-	(26)	(4,647)	(4,673)	(196)	(4,869)
Balance at 30 September 2020	76,524	(956)	10,909	-	15,754	(8,397)	(23)	(7,118)	86,693	5,616	92,309

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 2020 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 PERIOD ENDED 30 SEPTEMBER 2021

Note	Current Year To Date Ended 30.09.2021 (Unaudited) RM'000	Corresponding Year To Date Ended 30.09.2020 (Unaudited) RM'000
Cash flows from/(for) operating activities		
Profit/(Loss) before tax	1,635	(4,879)
Adjustments for:-		
Amortisation of intangible assets	28	28
Bad debt written off	-	124
Depreciation of property, plant and equipment	1,747	2,203
Depreciation of right-of-use assets	57	60
Gain on disposal of property, plant and equipment	(952)	(80)
Reversal of impairment loss on other receivables	(2,275)	(714)
Reversal of impairment loss on trade receivables	-	(920)
Reversal of impairment loss on property, plant and equipment	-	(49)
Reversal of inventories written down	(942)	-
Impairment loss on trade receivables	5	-
Impairment loss on property, plant and equipment	731	-
Interest income	(171)	(361)
Interest expense	212	473
Inventories written off	341	302
Inventories written down	-	582
Unrealised (gain)/loss on foreign exchange	(2)	112
Operating profit/(loss) before working capital changes	<u>414</u>	<u>(3,119)</u>
Increase in inventories	(3,462)	(3,077)
Decrease in trade and other receivables	438	10,097
Increase in financing receivables	(12,708)	-
(Decrease)/Increase in trade and other payables	<u>(2,296)</u>	<u>330</u>
Cash (for)/from operations	(17,614)	4,231
Net income tax refunded/(paid)	183	(452)
Interest paid	<u>(209)</u>	<u>(486)</u>
Net cash (for)/from operating activities	(17,640)	3,293
Cash flows from/(for) investing activities		
Interest received	171	361
Proceeds from disposal of property, plant and equipment	13,975	71
Proceeds from disposal of asset held for sale	350	1,550
Purchase of property, plant and equipment	(2,599)	(1,287)
Acquisition of a subsidiary	** 2,875	-
Net cash from investing activities	<u>14,772</u>	<u>695</u>
Cash flows (for)/from financing activities		
Drawdown of term loans	-	-
Repayment of term loans	(9,974)	(598)
Repayment of hire purchase obligations	(209)	(141)
Repayment of lease liabilities	(62)	(60)
Proceeds from issuance of shares to non-controlling interest	49	-
Proceeds from issuance of shares	488	-
Net cash for financing activities	<u>(9,708)</u>	<u>(799)</u>
Net (decrease)/increase in cash and cash equivalents	(12,576)	3,189
Cash and cash equivalents at beginning of the financial period	38,931	32,757
Foreign exchange difference	80	(162)
Cash and cash equivalents at end of the financial period	<u>26,435</u>	<u>35,784</u>
Cash and cash equivalents comprise:		
Fixed and short term deposits with licensed banks	5,731	15,453
Cash and bank balances with licensed banks and other financial institution	<u>20,704</u>	<u>20,331</u>
	26,435	35,784

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 2020 and the accompanying explanatory notes attached to the interim financial statements.

**** Acquisition of Finsource Solution Sdn Bhd (formerly known as Save Solution Sdn Bhd)**
for a purchase consideration of RM 6.8 million, on 1 June 2021

Net assets acquired were as follows:

	RM'000
Property, plant and equipment	234
Investment property	493
Financing receivables	5,787
Deposit	28
Tax recoverable	31
Cash and bank balances	2,875
Other payable and accruals	(5,500)
Deferred tax liabilities	(1)
Net assets acquired	<u>3,947</u>
Goodwill	2,853
Purchase consideration	6,800
Less: Issuance and allotment of 41,212,121 ordinary shares at RM0.165 each	(6,800)
Add: Cash and bank balances	2,875
Cash flow on acquisition, net of cash and cash equivalents acquired	<u>2,875</u>

SUNZEN BIOTECH BERHAD

[Registration No. 200501003843 (680889-W)]

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NOTES TO THE INTERIM STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2021

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 2020.

The following MFRS, amendments and Interpretations that have been 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.

MFRSs, Amendments to MFRSs and Interpretations effective for financial periods beginning on or after 1 January 2021

- Amendments to MFRS 9 Financial Instruments, MFRS 139 Financial Instruments: Recognition and Measurement, MFRS 7 Financial Instruments: Disclosures, MFRS 4 Insurance Contracts and MFRS 16 Leases - Interest Rate Benchmark Reform Phase 2

MFRSs, Amendments to MFRSs and Interpretations effective for financial periods beginning on or after 1 April 2021

- Amendment to MFRS 16 Leases - Covid-19-Related Rent Concessions beyond 30 June 2021

MFRSs, Amendments to MFRSs and Interpretations effective for financial periods beginning on or after 1 January 2022

- Amendments to MFRS 3 Business Combinations - Reference to the Conceptual Framework
- Amendments to MFRS 116 Property, Plant and Equipment - Proceeds before Intended Use
- Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts - Cost of Fulfilling a Contract
- Annual Improvements to MFRS Standards 2018-2020

A1. Basis of reporting preparation (Cont'd)

MFRSs, Amendments to MFRSs and Interpretations effective for financial periods beginning on or after 1 January 2023

- Amendments to MFRS 101 Presentation of Financial Statements - Classification of Liabilities as Current or Non-Current
- Amendments to MFRS 101 Presentation of Financial Statements - Disclosure of Accounting Policies
- Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates

MFRSs, Amendments to MFRSs and Interpretations effective date yet to be confirmed

- 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 2020 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 edible bird's nest, is partly 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

In the current quarter ended 30 September 2021, there were 496,000 shares option exercised, the total number of ordinary shares in issue has increased to 579,752,859, which comprised 6,281,400 treasury shares.

A7. Dividend paid

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

A8. Segmental information

	Current Quarter Ended 30 September 2021 RM'000	Corresponding Quarter Ended 30 September 2020 RM'000	Current Year-To-Date Ended 30 September 2021 RM'000	Corresponding Year-To-Date Ended 30 September 2020 RM'000
Revenue				
Manufacturing and trading of animal health products ("AH")	2,921	6,105	10,291	12,827
Trading of crude palm oil products ("CPO")	-	1,621	432	13,764
Traditional Chinese medicine, herbal health foods and beverages, bird's nest ("TCM")	14,083	12,632	50,171	27,787
Loan financing**	441	-	555	-
Total	17,445	20,358	61,449	54,378

** acquisition of Finsource Solution Sdn Bhd on 1 June 2021

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 financial year ended 31 December 2020.

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A10. Capital commitments

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

	30 September 2021 RM'000	30 September 2020 RM'000
Acquisition of property, plant and equipment	1,358	1,245

The outstanding balance of RM1.36 million as at 30 September 2021, out of which RM1.14 million relating to machineries was brought forward from the previous financial years.

A11. Recurrent Related Party Transaction

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

A12. 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.

A13. Changes in the Composition of the Group

Save for the following, there were no changes in the corporate structure of the Group since the previous reporting date.

The Yanwo Sdn Bhd, a 51% owned subsidiary of Sunzen Biotech, incorporated on 8 September 2021, with business activities involving manufacturing, trading, marketing, e-commerce and sales of food and beverage nutrition.

A14. Contingent Liabilities

	30 September 2021 RM'000	30 September 2020 RM'000
Unsecured Corporate Guarantee to financial institutions for banking facilities granted to subsidiaries	4,778	5,165
Total	4,778	5,165

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 2021 RM'000	Corresponding Quarter Ended 30 September 2020 RM'000	Current Year-To-Date Ended 30 September 2021 RM'000	Corresponding Year-To-Date Ended 30 September 2020 RM'000
Revenue	17,445	20,358	61,449	54,378
Profit/(Loss) before tax	520	131	1,635	(4,879)

Group's pre-tax profit for the current quarter surged by 296.95% to RM0.52 million from pre-tax profit of RM0.13 million a year ago, primarily due to improved product margin of animal health products year-on-year and profit contribution from loan financing segment. Operating expenses in the current quarter were 36.67% higher year-on-year to RM4.92 million, attributable to inventories written off/written down and impairment loss on plant and machineries. Group's revenue in the current quarter recorded 14.31% lower to RM17.45 million from RM20.36 million previously, mainly attributed to lower sales of Fat Powder products as a result of higher raw material cost.

Year-to-date, Group's pre-tax profit for the current year increased by 133.51% to RM1.64 million from a pre-tax loss of RM4.88 million in the corresponding year, primarily due to higher profit contribution from TCM segment in tandem with higher sales orders for contract manufacturing services, the reversals of impairment loss on other receivables and inventories written down, the recognition of a one-off gain on the disposal of property and interest income from loan financing business. Operating expenses for the current year increased by 17.04% year-on-year to RM13.71 million attributable to impairment loss on plant and machineries, advertising and promotional expense, inventories written down and corporate exercise expenses. Group's revenue for the current year up by 11.51% to RM61.45 million from RM54.38 million a year ago, mainly driven by a significant increase in contract manufacturing orders for TCM products.

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 2021 RM'000	Corresponding Quarter Ended 30 September 2020 RM'000	Current Year-To-Date Ended 30 September 2021 RM'000	Corresponding Year-To-Date Ended 30 September 2020 RM'000
Revenue				
Manufacturing and trading of animal health products (“AH”)	2,921	6,105	10,291	12,827
Trading of crude palm oil products (“CPO”)	-	1,621	432	13,764
Traditional Chinese medicines, herbal foods and beverages, bird’s nest (“TCM”)	14,083	12,632	50,171	27,787
Loan financing**	441	-	555	-
Total revenue	17,445	20,358	61,449	54,378
Results				
Manufacturing and trading of animal health products	(734)	(1,507)	(1,536)	(4,105)
Trading of crude palm oil products	(7)	587	(48)	(243)
Traditional Chinese medicines, herbal foods and beverages, bird’s nest	876	1,051	2,792	(531)
Loan financing**	385	-	427	-
Profit/(Loss) before tax	520	131	1,635	(4,879)

** acquisition of Finsource Solution Sdn Bhd on 1 June 2021

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, revenue for the current quarter decreased by 52.15% year-on-year to RM2.92 million, however, pre-tax loss has narrowed by 51.29% to RM0.73 million, mainly attributed to better products margin. Year-to-date, revenue dipped by 19.77% year-on-year to RM10.29 million, mainly due to fewer sales orders for Fat Powder products as a consequence of the sharp rising of raw material cost. Year-to-date's pre-tax loss has reduced by 62.58% to RM1.54 million from pre-tax loss of RM4.11 million in the preceding year, primarily attributable to the reversals of inventories written down and impairment loss on other receivables of RM1.72 million and RM2.28 million respectively, as well as the one-off gain of RM0.95 million on disposal of property, thus offsetting higher operating expenses and expenses related to corporate exercise amounting to RM0.36 million in the current year.

CPO segment, posted a pre-tax loss of RM0.007 million in the current quarter against a pre-tax profit of RM0.59 million a year ago. Year-to-date, revenue reduced to RM0.43 million from RM13.76 million previously, attributable to more cautious trading in view of the volatility of the commodity prices and uncertainty. Year-to-date's pre-tax loss has reduced by 80.25% to RM0.05 million from RM0.24 million a year ago.

TCM segment, revenue in the current quarter posted 11.49% higher to RM14.08 million compared to the corresponding quarter, primarily due to sales orders increased for contract manufacturing services, however, the pre-tax profit was comparatively lower by 16.65% mainly due to the corresponding quarter accounted for the reversal of impairment loss on trade receivables of RM0.63 million as other income. Year-to-date, revenue increased by 80.56% year-on-year to RM50.17 million, primarily bolstered by the increase in sales orders for contract manufacturing services, while pre-tax profit has surged 625.80% to RM2.79 million from pre-tax loss of RM0.53 million in the previous year, attributable to better product margin and operational efficiency in tandem with higher sales orders for contract manufacturing services.

Loan financing segment, delivered a pre-tax profit of RM0.39 million inclusive of gain on disposal of quoted shares amounting to RM0.18 million, on the back of revenue of RM0.44 million in the current quarter. Year-to-date, pre-tax profit has accumulated to RM0.43 million on the back of revenue of RM0.56 million since the acquisition date.

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B3. Profit/(Loss) before tax

Profit/(loss) before tax is arrived after (charging)/crediting:

	Current Quarter Ended 30 September 2021 RM'000	Corresponding Quarter Ended 30 September 2020 RM'000	Current Year-To-Date Ended 30 September 2021 RM'000	Corresponding Year-To-Date Ended 30 September 2020 RM'000
Interest income	48	75	171	361
Interest expense	(48)	(126)	(212)	(473)
Depreciation of property, plant and equipment	(674)	(738)	(1,747)	(2,203)
Depreciation of right-of- use assets	(16)	(20)	(57)	(60)
Amortisation of intangible assets	(9)	(9)	(28)	(28)
Bad debt written off	-	(124)	-	(124)
Inventories:				
- written off	(265)	(50)	(341)	(302)
- written down	(58)	(14)	(808)	(628)
Impairment loss on property, plant and equipment	(731)	-	(731)	-
Impairment loss on trade receivables	(3)	-	(11)	(372)
Reversal of inventories written down	614	-	1,750	46
Reversal of impairment loss on property, plant and equipment	-	49	-	49
Reversal of impairment loss:				
- other receivables	965	579	2,275	714
- trade receivables	-	1,232	6	1,292
Gain on disposal of quoted shares	179	-	179	-
Gain on disposal of property, plant and equipment	-	54	952	80
Gain/(Loss) on foreign exchange:				
- realised	54	(5)	107	234
- unrealised	(7)	(11)	2	(112)

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

	Current Quarter Ended 30 September 2021 RM’000	Preceding Quarter Ended 30 June 2021 RM’000	Variance	
			RM’000	%
Revenue	17,445	20,354	(2,909)	(14.29)
Profit before tax	520	738	(218)	(29.54)

Group’s revenue for the current quarter recorded 14.29% lower to RM17.45 million from RM20.35 million in the preceding quarter on lower sales orders from overseas for edible bird’s nest. Group’s pre-tax profit posted a 29.54% quarter-on-quarter decrease to RM0.52 million from RM0.74 million in the preceding quarter, mainly attributed to the preceding quarter included a one-off gain on disposal of property as other income.

B5. Prospects

AH segment will continue to promote Functional Red Palm oil products and also focus on new viral control product in the coming quarter. TCM segment is expected to ramp up production capacity in view of the coming festive seasons where sales orders from customers usually pick up during the final quarter of the year. Loan financing business is expected to grow as applications for business loans from small medium enterprises (“SME”) have been increasing and the proceeds to be raised from Private Placement will fund the business expansion, thus increasing the profitability to the Group.

B6. Profit forecast and profit guarantee

In accordance with share sale agreement dated 12 January 2021 between Finsource Solution Sdn Bhd (“Finsource”) and the Company (“purchaser”), the guarantors have given a guaranteed profit of not less than RM2 million based on audited profit after tax (“PAT”) of Finsource for the financial years ending (“FYE”) 31 December 2021 and 31 December 2022. As security for the performance of the guaranteed profit, the guarantors have placed with the stakeholder an amount of Consideration Shares of value equivalent to the guaranteed profit.

In the event, the aggregate of audited PAT for FYE 2021 and FYE2022 is lower than the guaranteed profit, the guarantors shall compensate the purchaser of the deficiency. The guarantors and the purchaser agreed that the stakeholder shall be entitled to offset the deficiency by disposing into the open market the equivalent value of the consideration shares held as security, not later than 14 business days from the certified accounts for FYE 2022.

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B7. Income tax expense/(credit)

	Current Quarter Ended 30 September 2021 RM'000	Corresponding Quarter Ended 30 September 2020 RM'000	Current Year-To-Date Ended 30 September 2021 RM'000	Corresponding Year-To-Date Ended 30 September 2020 RM'000
Income tax expense/(credit):				
Current financial year	219	57	535	73
Underprovision of previous year	-	-	2	-
	<u>219</u>	<u>57</u>	<u>537</u>	<u>73</u>
Deferred tax expense/(credit):				
Current financial year	143	21	290	(130)
	<u>143</u>	<u>21</u>	<u>290</u>	<u>(130)</u>
Total	<u>362</u>	<u>78</u>	<u>827</u>	<u>(57)</u>

B8. Status of Corporate Proposal

Save for the following, there were no corporate proposals which have already announced but not yet completed as at the reporting date.

Proposed Private Placement of up to 20% of the total number of issued shares (“Proposed Private Placement”)

The Company made announced on 27 September 2021 in relation to the Proposed Private Placement. Bursa Securities had, vide its letter dated 1 November 2021, approved the listing of and quotation for up to 134,114,200 new ordinary shares to be issued subject to the following conditions:-

1. Sunzen and M&A Securities must fully comply with the relevant provisions under the Bursa Securities ACE Market Listing requirements pertaining to the implementation of the Proposed Private Placement,
2. Sunzen and M&A Securities to inform Bursa Securities upon the completion of the Proposed Private Placement; and
3. Sunzen to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities’ approval once the Proposed Private Placement is completed.

B8. Status of Corporate Proposal (Cont'd)

Proposed Private Placement of up to 20% of the total number of issued shares (“Proposed Private Placement”)(Cont'd)

On 15 November 2021, announced that the Company has fixed the issue price of the first tranche of the Placement Shares at RM0.175 per Placement Share to be issued pursuant to the Private Placement, a discount of approximately RM0.0179 or 9.28% from the 5-day volume weighed average market price (“5DVWAP”) of RM0.1929 per share. Subsequently, on 22 November 2021, the Company announced the listing and quotation of 31,000,000 Placement Shares on 23 November 2021.

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

The total number of share option vested at an exercise price of RM0.1395 each and total number of share option exercised as at the reporting date were as follows.

	No. of share option vested ‘000	No. of share option exercised ‘000	Balance share option unexercised ‘000
Directors	94,000	-	94,000
Employees	6,588	3,828	2,760

B9. Loans and borrowings

The Group’s loans and borrowings as at 30 September 2021 were as follows:

	Secured RM'000	Unsecured RM'000	Total RM'000
<u>Current portion</u>			
Hire purchase payables	85	-	85
Term loans	133	-	133
	218	-	218
<u>Non-current portion</u>			
Hire purchases payables	256	-	256
Term loans	4,645	-	4,645
	4,901	-	4,901
Total	5,119	-	5,119

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. Earnings/(Loss) per ordinary share

Basic earnings/(loss) per ordinary share is calculated based on consolidated profit/(loss) for the financial period attributable to equity holders of the Company over the weighted average number of ordinary shares in issue excluding treasury shares during the financial period.

	Current Quarter Ended 30 September 2021	Corresponding Quarter Ended 30 September 2020	Current Year-To-Date Ended 30 September 2021	Corresponding Year-To-Date Ended 30 September 2020
Profit/(Loss) attributable to equity holders of the Company (RM'000)	71	(383)	31	(4,647)
Weighted average number of ordinary shares in issue excluding treasury shares ('000)	544,320	528,826	544,320	528,826
Basic earnings/(loss) per ordinary share (sen)	0.01	(0.07)	0.01	(0.88)

Diluted earnings/(loss) per ordinary share will be the same as basic earnings/(loss) per share due to anti-dilutive effect since diluted earnings/(loss) per share should not be higher than basic earnings/(loss) per share.

This quarterly report for the financial period ended 30 September 2021 has been reviewed and approved by the Board of Directors of Sunzen Biotech for release to Bursa Securities.

Date: 24 November 2021