

SUNZEN BIOTECH BERHAD
(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021**

		Current Quarter Ended 31.12.2021 (Unaudited) RM'000	Corresponding Quarter Ended 31.12.2020 (Unaudited) RM'000	Current Year-To-Date Ended 31.12.2021 (Unaudited) RM'000	Corresponding Year-To-Date Ended 31.12.2020 (Audited) RM'000
Revenue	A8	<u>28,995</u>	27,855	<u>90,444</u>	82,233
Operating profit		8,057	5,420	23,632	13,141
Operating expenses		(5,908)	(13,107)	(19,622)	(25,239)
Finance costs		(54)	(138)	(280)	(604)
Profit/(Loss) before tax	B2, B3	<u>2,095</u>	(7,825)	<u>3,730</u>	(12,702)
Income tax expense	B7	(938)	(266)	(1,765)	(208)
Profit/(Loss) for the financial year		<u>1,157</u>	(8,091)	<u>1,965</u>	(12,910)
Other comprehensive income/(expense), net of tax <i>Items that may be reclassified subsequently to profit or loss</i>					
Foreign currency translation		-	(152)	56	(199)
		-	(152)	56	(199)
Total comprehensive income/(expense)		<u>1,157</u>	(8,243)	<u>2,021</u>	(13,109)
Profit/(Loss) attributable to:					
Equity holders of the company		667	(8,584)	698	(13,228)
Non-controlling interests		490	493	1,267	318
		<u>1,157</u>	(8,091)	<u>1,965</u>	(12,910)
Total comprehensive income/(expense) attributable to:					
Equity holders of the company		669	(8,698)	754	(13,309)
Non-controlling interests		488	455	1,267	200
		<u>1,157</u>	(8,243)	<u>2,021</u>	(13,109)
Earnings/(Loss) per ordinary share (sen)					
-Basic	B14	0.12	(1.62)	0.12	(2.50)
-Diluted		0.10	(1.62)	0.11	(2.50)

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
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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	As At Financial Year End 31.12.2021 (Unaudited)	As At Financial Year End 31.12.2020 (Audited)
Note	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	47,424	47,278
Right-of-use assets	64	140
Deferred tax assets	235	162
Financing receivables	21,782	-
Investment property	490	-
Goodwill	2,853	-
Intangible asset	28	66
	<u>72,876</u>	<u>47,646</u>
Current assets		
Inventories	14,052	12,269
Trade receivables	8,483	7,662
Financing receivables	3,330	-
Other receivables, deposits and prepayments	2,088	2,463
Tax recoverable	612	1,384
Fixed and short term deposits with licensed banks	3,752	15,532
Cash and bank balances with licensed banks and other financial institution	43,470	23,204
	<u>75,787</u>	<u>62,514</u>
Assets classified as held for sales	-	13,372
Total current assets	<u>75,787</u>	<u>75,886</u>
TOTAL ASSETS	<u>148,663</u>	<u>123,532</u>
EQUITY		
Share capital	A6 108,177	76,524
Treasury shares	A6 (956)	(956)
Warrants reserve	-	10,909
Share option reserve	7,675	9,415
Accumulated losses	(3,986)	(15,664)
Revaluation reserve	15,684	15,719
Merger deficit	(8,397)	(8,397)
Currency translation reserve	(22)	(78)
Total equity attributable to equity holders of the Company	<u>118,175</u>	<u>87,472</u>
Non-controlling interests	7,298	6,012
TOTAL EQUITY	<u>125,473</u>	<u>93,484</u>
LIABILITIES		
Non-current liabilities		
Lease Liabilities	7	68
Deferred tax liabilities	3,780	3,206
Hire purchase payables	328	428
Term loans	B9 4,614	4,742
	<u>8,729</u>	<u>8,444</u>
Current liabilities		
Trade payables	9,763	5,875
Other payables and accruals	3,905	5,512
Lease Liabilities	68	76
Hire purchase payables	B9 105	121
Term loans	B9 133	10,012
Tax payable	487	8
	<u>14,461</u>	<u>21,604</u>
TOTAL LIABILITIES	<u>23,190</u>	<u>30,048</u>
TOTAL EQUITY AND LIABILITIES	<u>148,663</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 705,817,459 (2020: 528,764,688) excluding 6,281,400 treasury shares held.

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021**

	←	Attributable to equity holders of the Company								Total RM'000	Non- Controlling Interests RM'000	Total Equity RM'000
		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			
Quarter ended 31 December 2021 (Unaudited)												
Balance at 1 January 2021	Note	76,524	(956)	10,909	9,415	15,719	(8,397)	(78)	(15,664)	87,472	6,012	93,484
Profit for the financial year		-	-	-	-	-	-	-	698	698	1,267	1,965
Other comprehensive income, net of tax for the financial year:												
- Foreign currency translation		-	-	-	-	-	-	56	-	56	-	56
Total comprehensive income for the financial year		-	-	-	-	-	-	56	698	754	1,267	2,021
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 options exercised		4,242	-	-	(1,703)	-	-	-	-	2,539	-	2,539
- private placement	(i)	20,609	-	-	-	-	-	-	-	20,609	-	20,609
Reversal of share options granted under Share Issuance Scheme		-	-	-	(37)	-	-	-	37	-	-	-
Amortisation on revaluation reserve		-	-	-	-	(35)	-	-	35	-	-	-
Issuance of shares to non-controlling interest		-	-	-	-	-	-	-	-	-	49	49
Transfer of shares from non-controlling interest		-	-	-	-	-	-	-	-	-	(30)	(30)
Balance at 31 December 2021		108,177	(956)	-	7,675	15,684	(8,397)	(22)	(3,986)	118,175	7,298	125,473
Quarter ended 31 December 2020 (Audited)												
Balance at 1 January 2020		76,524	(956)	10,909	-	15,754	(8,397)	3	(2,471)	91,366	5,812	97,178
(Loss)/profit for the financial year		-	-	-	-	-	-	-	(13,228)	(13,228)	318	(12,910)
Other comprehensive (expense)/income, net of tax for the financial year:												
- foreign currency translation		-	-	-	-	-	-	(81)	-	(81)	(118)	(199)
Total comprehensive (expense)/income for the financial year		-	-	-	-	-	-	(81)	(13,228)	(13,309)	200	(13,109)
Amortisation on revaluation reserve		-	-	-	-	(35)	-	-	35	-	-	-
Share options granted under Share issuance Scheme		-	-	-	9,415	-	-	-	-	9,415	-	9,415
Balance at 31 December 2020		76,524	(956)	10,909	9,415	15,719	(8,397)	(78)	(15,664)	87,472	6,012	93,484

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.

(i) After the deduction of the expenses attributable to the issuance of private placement amounted to RM168,418

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

Note	Current Year To Date Ended 31.12.2021 (Unaudited) RM'000	Corresponding Year To Date Ended 31.12.2020 (Audited) RM'000
Cash flows from/(for) operating activities		
Profit/(Loss) before tax	3,730	(12,702)
Adjustments for:-		
Amortisation of intangible assets	38	38
Bad debt written off:		
- trade receivables	2	33
- financing receivables	324	-
Depreciation of:		
- property, plant and equipment	2,448	2,542
- right-of-use assets	75	80
Fair value loss on investment property	-	20
Gain from disposal of:		
- property, plant and equipment	(882)	(95)
- investment property	-	(60)
- quoted shares	(179)	-
Gain from the transfer of shares from non-controlling interest	(30)	-
Reversal of impairment loss of:		
- other receivables	(2,275)	(1,785)
- trade receivables	(4)	(1,267)
- financing receivables	(145)	-
Reversal of inventories written down	(2,707)	(538)
Share Issuance Scheme - employee benefit expenses	-	9,415
Impairment loss of:		
- trade receivables	21	42
- other receivables	720	-
- property, plant and equipment	11	117
Interest income	(191)	(434)
Interest expense	261	604
Write off:		
- inventories	443	877
- property, plant and equipment	26	32
Inventories written down	1,674	231
Unrealised loss on foreign exchange	-	124
Operating profit/(loss) before working capital changes	<u>3,360</u>	<u>(2,726)</u>
Increase in inventories	(1,078)	(355)
Decrease in trade and other receivables	1,135	10,557
Increase in financing receivables	(19,357)	-
(Decrease)/Increase in trade and other payables	<u>(3,523)</u>	<u>39</u>
Cash (for)/from operations	<u>(19,463)</u>	<u>7,515</u>
Income tax paid	(853)	(535)
Income tax refunded	997	219
Real property gain tax paid	(127)	-
Interest paid	<u>(257)</u>	<u>(598)</u>
Net cash (for)/from operating activities	<u>(19,703)</u>	<u>6,601</u>
Cash flows from/(for) investing activities		
Interest received	191	434
Proceeds from disposal of:		
- property, plant and equipment	13,975	112
- investment property	350	1,550
- quoted shares	179	-
Purchase of property, plant and equipment	(2,464)	(1,159)
Acquisition of a subsidiary	(i) <u>2,875</u>	<u>-</u>
Net cash from investing activities	<u>15,106</u>	<u>937</u>
Cash flows from/(for) financing activities		
Repayment of:		
- term loans	(10,005)	(822)
- hire purchase obligations	(116)	(340)
Payment of lease liabilities	(74)	(85)
Proceeds from issuance of shares to non-controlling interest	49	-
Proceeds from issuance of shares pursuant to:		
- private placement	(ii) <u>20,609</u>	<u>-</u>
- exercise of warrants	1	-
- share options	<u>2,539</u>	<u>-</u>
Net cash from/(for) financing activities	<u>13,003</u>	<u>(1,247)</u>
Net increase in cash and cash equivalents	8,406	6,291
Cash and cash equivalents at beginning of the financial year	38,736	32,757
Foreign exchange difference	80	(312)
Cash and cash equivalents at end of the financial year	<u>47,222</u>	<u>38,736</u>
Cash and cash equivalents comprise:		
Fixed and short term deposits with licensed banks	3,752	15,532
Cash and bank balances with licensed banks and other financial institution	<u>43,470</u>	<u>23,204</u>
	<u>47,222</u>	<u>38,736</u>

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 (CONT'D)**

Note:

- (i) **Acquisition of Finsource Credit (M) Sdn Bhd (formerly known as Finsource Solution Sdn Bhd) by Sunzen Biotech 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	<u>2,853</u>
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><u>2,875</u></u>

- (ii) After the deduction of the expenses attributable to the issuance of private placement amounted to RM168,418

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.

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NOTES TO THE INTERIM STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 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 31 December 2021, a total of 14,710,000 shares option were exercised and issued 117,636,000 new shares pursuant to private placement completed, bringing the total number of ordinary shares in issue to 712,098,859, of which 6,281,400 shares are held as treasury shares.

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A7. Dividend paid

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

A8. Segmental information

	Current Quarter Ended 31 December 2021 RM'000	Corresponding Quarter Ended 31 December 2020 RM'000	Current Year-To-Date Ended 31 December 2021 RM'000	Corresponding Year-To-Date Ended 31 December 2020 RM'000
Revenue				
Manufacturing and trading of animal health products (“AH”)	1,757	3,635	12,048	16,462
Trading of crude palm oil products (“CPO”)	-	631	432	14,395
Traditional Chinese medicine, herbal health foods and beverages, bird’s nest (“TCM”)	26,046	23,589	76,217	51,376
Loan financing	1,192	-	1,747 ^(a)	-
Total	28,995	27,855	90,444	82,233

Note:

(a) A seven-month period, since Finsource Credit (M) Sdn Bhd was acquired 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:

	31 December 2021 RM'000	31 December 2020 RM'000
Acquisition of property, plant and equipment	548	2,318

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.

On 30 December 2021, Sunzen Biotech transferred its 51% shareholding in The Yanwo Sdn Bhd to its 70% owned subsidiary, Ecolite Biotech Manufacturing Sdn Bhd (“Ecolite”). On the even date, Ecolite acquired another 10% stake in The Yanwo Sdn Bhd, which has now become a 60% owned subsidiary.

On 28 September 2021, Sunzen Feedtech Sdn Bhd, a wholly owned subsidiary of Sunzen Biotech, had acquired the remaining 30% shareholding in Sunzen Palma Sdn Bhd from Mohd Shafiq Bin Abdullah at the purchase consideration of RM1.00.

A14. Contingent Liabilities

	31 December 2021 RM'000	31 December 2020 RM'000
Unsecured Corporate Guarantee to financial institutions for banking facilities granted to subsidiaries	4,747	5,157
Total	<u>4,747</u>	<u>5,157</u>

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 2021 RM'000	Corresponding Quarter Ended 31 December 2020 RM'000	Current Year-To-Date Ended 31 December 2021 RM'000	Corresponding Year-To-Date Ended 31 December 2020 RM'000
Revenue	28,995	27,855	90,444	82,233
Profit/(Loss) before tax	2,095	(7,825)	3,730	(12,702)

For the current quarter under review, Group's revenue increased by 4.09% to RM29.00 million, mainly due to the increase in sales orders for TCM products range as well as the income from loan financing business.

The Group registered a pre-tax profit of RM2.10 million in the current quarter compared to pre-tax loss of RM7.83 million in the corresponding quarter mainly attributed to lower operating expenses of AH segment, higher profit margin generated from TCM segment as well as the new stream of income from loan financing segment, which was acquired on 1 June 2021.

The Group achieved an overall 9.99% increase in revenue for the current year-to-date compared to the preceding year mainly due to the higher sales orders for TCM products range as well as the new stream of income from loan financing business.

The Group registered a pre-tax profit of RM3.73 million in the current year-to-date compared to pre-tax loss of RM12.70 million a year ago. Profitability has improved mainly attributed to higher profit margin in tandem with higher revenue achieved by TCM segment, new stream of income from loan financing segment, lower operating expenses, the reversals of other receivables and inventories written down due to better control measure put in place as well as the one-off gain from disposal of factory building 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

	Current Quarter Ended 31 December 2021 RM'000	Corresponding Quarter Ended 31 December 2020 RM'000	Current Year-To-Date Ended 31 December 2021 RM'000	Corresponding Year-To-Date Ended 31 December 2020 RM'000
Revenue				
Manufacturing and trading of animal health products ("AH")	1,757	3,635	12,048	16,462
Trading of crude palm oil products ("CPO")	-	631	432	14,395
Traditional Chinese medicines, herbal foods and beverages, bird's nest ("TCM")	26,046	23,589	76,217	51,376
Loan financing	1,192	-	1,747 ^(a)	-
Total revenue	28,995	27,855	90,444	82,233
Results				
Manufacturing and trading of animal health products	(1,549)	(9,375) ^(b)	(3,085)	(13,478) ^(b)
Trading of crude palm oil products	(24)	500	(72)	257
Traditional Chinese medicines, herbal foods and beverages, bird's nest	2,906	1,050 ^(c)	5,698	519 ^(c)
Loan financing	762	-	1,189 ^(a)	-
Profit/(Loss) before tax	2,095	7,825	3,730	(12,702)

Notes:

- (a) A seven-month period since Finsource Credit (M) Sdn Bhd was acquired on 1 June 2021
- (b) Includes the fair value of RM9.10 million for share options granted
- (c) Includes the fair value of RM0.315 million for share options granted

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 was 51.66% lower compared to the corresponding quarter, while revenue for the current year-to-date, showed 26.81% decrease. Pre-tax loss for the current quarter reduced significantly to RM1.55 million mainly due to lower operating expenses, while for the current year-to-date, pre-tax loss reduced by 77.11% to RM3.09 million from RM13.48 million a year ago mainly due to lower operating expenses and the reversals of other receivables and inventories written down as a consequence of better control measure put in place as well the recognition of one-off gain from the disposal of factory building in the current year.

TCM segment, revenue posted 10.42% higher to RM26.05 million for the current quarter compared to the corresponding quarter, while revenue for the current year-to-date, showed an increase of 48.35% to RM76.22 million from RM51.38 million in the previous year, mainly bolstered by the increase in sales orders. Pre-tax profit for the current quarter increased 2.77 times compared previously, while for the current year-to-date, pre-tax profit increased 10.98 times as compared to a year ago, attributable to higher product margin and operational efficiency in tandem with higher sales orders for contract manufacturing services.

Loan financing segment, achieved RM1.19 million in revenue for the current quarter and RM1.75 million for the current year-to-date of a seven-month period from 1 June 2021. The segment registered a pre-tax profit of RM0.76 million for the current quarter and RM1.19 million for the current year-to-date.

B3. Profit/(Loss) before tax

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

	Current Quarter Ended 31 December 2021 RM'000	Corresponding Quarter Ended 31 December 2020 RM'000	Current Year-To-Date Ended 31 December 2021 RM'000	Corresponding Year-To-Date Ended 31 December 2020 RM'000
Interest income	20	73	191	434
Interest expense	(49)	(130)	(261)	(604)
Depreciation of property, plant and equipment	(701)	(340)	(2,448)	(2,542)
Depreciation of right-of-use assets	(18)	(20)	(75)	(80)
Amortisation of intangible assets	(10)	(9)	(38)	(38)

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B3. Profit/(Loss) before tax (Cont'd)

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

	Current Quarter Ended 31 December 2021 RM'000	Corresponding Quarter Ended 31 December 2020 RM'000	Current Year-To-Date Ended 31 December 2021 RM'000	Corresponding Year-To-Date Ended 31 December 2020 RM'000
Bad debt written off:				
- trade receivable	(2)	(34)	(2)	(33)
- financing receivable	(324)	-	(324)	-
Inventories:				
- written off	(102)	(575)	(443)	(877)
- written down	(866)	-	(1,674)	(231)
Property, plant and equipment written off	(26)	-	(26)	(32)
Impairment loss of:				
- trade receivables	(12)	-	(21)	(42)
- other receivables	(720)	-	(720)	-
- property, plant and equipment	-	(142)	(11)	(117)
Reversal of inventories written down	957	889	2,707	538
Reversal of impairment Loss of :				
- other receivables	-	1,060	2,275	1,785
- trade receivables	-	442	4	1,267
- financing receivables	145	-	145	-
Share Issuance Scheme - employee benefit expenses	-	(9,415)	-	(9,415)
Gain from the transfer of shares from non-controlling interest	30	-	30	-
Gain/(Loss) from disposal of:				
- property, plant and equipment	(70)	(2)	882	95
- investment property	-	-	-	60
- quoted shares	-	-	179	-
Gain/(Loss) from foreign exchange:				
- realised	126	163	233	397
- unrealised	(2)	24	-	(124)

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

	Current Quarter Ended 31 December 2021 RM'000	Preceding Quarter Ended 30 September 2021 RM'000	Variance	
			RM'000	%
Revenue	28,995	17,445	11,550	66.21
Profit before tax	2,095	520	1,575	302.88

For the current quarter under review, the Group recorded 66.21% higher in revenue to RM29.00 million from RM17.45 million in the preceding quarter on increased sales orders of TCM segment as well as higher release of loan financing in the current quarter. Group's pre-tax profit posted a 302.88% increase to RM2.10 million from RM0.52 million in the preceding quarter, mainly attributed to the increase in profit contribution from TCM and loan financing segments.

B5. Prospects

AH segment will launch viral control product, Optishield in the first quarter 2022. This product is aimed to combat the recent outbreak of virus facing by some of the local farms. The segment will continue to strengthen export market by promoting the existing Feed Biosecurity product, Orgacids and introducing more existing products namely Mamimune, Tomofat and Optishields to overseas business partners.

TCM segment, the export volume of bird's nest to China is expected to recover to pre-pandemic level this year in view of the increasing sales orders received. The segment is expected to launch pouch packaging products in the second and third quarters of this year in order to increase the existing market share.

Loan financing business is expected to generate more revenue moving forward, as applications for business loans from small medium enterprises ("SME") have been increasing and more loans to be released with the proceeds raised from private placement which was completed on 31 December 2021.

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.

B7. Income tax expense

	Current Quarter Ended 31 December 2021 RM’000	Corresponding Quarter Ended 31 December 2020 RM’000	Current Year-To-Date Ended 31 December 2021 RM’000	Corresponding Year-To-Date Ended 31 December 2020 RM’000
Income tax expense:				
Current financial year	767	14	1,302	144
Under/(Over)- provision of the previous year	127	16	129	(41)
	894	30	1,431	103
Deferred tax expense:				
Current financial year	44	236	334	351
Over-provision of the previous year	-	-	-	(246)
	44	236	334	105
Total	938	266	1,765	208

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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 Bonus Issue of Warrants

On 16 February 2022, the Company announced the undertaking of Proposed Bonus Issue of Warrants on the basis of 1 Warrant for every 2 existing ordinary shares held by the entitled shareholders on an entitlement date to be determined and announced later.

Utilisation of proceeds raised from Private Placement

The Company had completed the Private Placement on 31 December 2021 with the listing of 117,636,000 new shares, the proceeds raised was amounted to RM20.78 million. The status of the utilisation as at 31 December 2021 is set out below:

Proposed utilisation	Proceeds RM'000	Utilised RM'000	Unutilised RM'000	Intended timeframe from the listing date (no. of month)
Expansion of money lending business	17,252	-	17,252	Within 9 months
Expenses for new animal health products	863	-	863	Within 18 months
Working capital	2,465	-	2,465	Within 12 months
Estimated expenses	197	197	-	immediate
Total	20,777	197	20,580	

Share Issuance Scheme, expiring on 15 April 2026

The details of the total number of share options vested, cancelled, exercised and the outstanding balances as at the reporting date are as follows.

	Share options	Exercise price RM	No. of share options vested '000	No. of share options vested but cancelled '000	No. of share options exercised '000	Balance of share options unexercised '000
Directors	A	0.1395	94,000	-	14,330	79,670
Employees	A	0.1395	6,588	480	3,868	2,240
Employees	B	0.1772	1,652	-	356	1,296
Total			102,240	480	18,554	83,206

A total of 28,488,000 share options have yet to vest over the options tenure, subject to certain performance criteria to be achieved by employees.

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B9. Loans and borrowings

The Group's loans and borrowings as at 31 December 2021 are as follows:

	Secured	Unsecured	Total
	RM'000	RM'000	RM'000
<u>Current portion</u>			
Hire purchase payables	105	-	105
Term loans	133	-	133
	<u>238</u>	<u>-</u>	<u>238</u>
<u>Non-current portion</u>			
Hire purchases payables	328	-	328
Term loans	4,614	-	4,614
	<u>4,942</u>	<u>-</u>	<u>4,942</u>
Total	<u>5,180</u>	<u>-</u>	<u>5,180</u>

B10. Material Litigation

As at the date of this announcement, neither the Company nor any of its subsidiaries is engaged in any material litigation and arbitration either as plaintiff or defendant, which has a material effect on the financial position of the Company or its subsidiaries and the Directors are not aware of any proceedings pending or threatened or of any facts likely to give rise to any proceedings which might materially and adversely affect the financial position or business of the Company or its subsidiaries, save for the following legal action.

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.

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B14. Earnings/(Loss) per ordinary share

Basic earnings/(loss) per ordinary share is calculated based on consolidated profit/(loss) for the financial year attributable to equity holders of the Company over the weighted average number of ordinary shares in issue excluding 6,281,400 treasury shares during the financial year.

	Current Quarter Ended 31 December 2021	Corresponding Quarter Ended 31 December 2020	Current Year-To-Date Ended 31 December 2021	Corresponding Year-To-Date Ended 31 December 2020
Profit/(Loss) attributable to equity holders of the Company (RM'000)	667	(8,584)	698	(13,229)
Weighted average number of ordinary shares in issue excluding treasury shares ('000)	570,347	528,765	570,347	528,765
Basic earnings/(loss) per ordinary share (sen)	0.12	(1.62)	0.12	(2.50)

Diluted earnings per ordinary share is calculated based on consolidated profit for the financial year attributable to equity holders of the Company over the weighted average of ordinary shares in issue excluding treasury shares, and the weighted average of share options vested but not exercised yet during the financial year. While for diluted loss per share, it would be the same as basic loss per share due to anti-dilutive effect as diluted loss per share should not be lower than basic loss per share.

This quarterly report for the financial year ended 31 December 2021 has been reviewed and approved by the Board of Directors of Sunzen Biotech for release to Bursa Securities.

Date: 25 February 2022