

# SUNZEN BIOTECH BERHAD

(Incorporated in Malaysia)  
Company No : 680889 - W

## FINANCIAL REPORT *for the financial year ended 31 December 2009*

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# SUNZEN BIOTECH BERHAD

(Incorporated in Malaysia)  
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## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

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### 34. RELATED PARTY DISCLOSURES (CONT'D)

- (b) In addition to the information disclosed elsewhere in the financial statements, the Company carried out the following transactions with the related parties during the financial year:

	THE COMPANY			
	2009 RM	2008 RM		
<b>(i) Subsidiaries</b>				
Sales	1,710,438	6,133,217		
Handling charges	690,487	810,300		
Purchases	610,759	194,127		
Rental of premises	45,600	45,600		
Share of overhead recovery	<u>1,118,257</u>	<u>275,300</u>		
<b>(ii) Key management personnel</b>				
	THE GROUP		THE COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
Short-term employee benefits paid to the directors of the Company	<u>1,216,677</u>	<u>1,132,092</u>	<u>63,000</u>	<u>15,750</u>

Information regarding outstanding balances arising from related party transactions as at 31 December 2009 are disclosed in Notes 13 and 24 to the financial statements.

# SUNZEN BIOTECH BERHAD

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## DIRECTORS' REPORT

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The directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2009.

## PRINCIPAL ACTIVITIES

The Company is principally engaged in the businesses of biotechnology research and development, manufacturing and marketing of animal feed supplement products and investment holding. The principal activities of the subsidiaries are set out in Note 6 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

## RESULTS

	THE GROUP RM	THE COMPANY RM
Profit attributable to equity holders of the Company	<u>1,753,206</u>	<u>1,520,741</u>

## DIVIDENDS

Since the previous financial year, the Company paid a final tax-exempt dividend of RM0.012 per ordinary share of RM0.10 each amounting to RM1,792,686 in respect of the previous financial year on 24 July 2009.

The directors do not recommend the payment of any dividend for the current financial year.

## RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year except as disclosed in the financial statements.

# **SUNZEN BIOTECH BERHAD**

(Incorporated in Malaysia)  
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## **DIRECTORS' REPORT**

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### **ISSUES OF SHARES AND DEBENTURES**

During the financial year,

- (a) there were no changes in the authorised and issued and paid-up share capital of the Company; and
- (b) there were no issues of debentures by the Company.

### **OPTIONS GRANTED OVER UNISSUED SHARES**

During the financial year, no options were granted by the Company to any person to take up any unissued shares in the Company.

### **BAD AND DOUBTFUL DEBTS**

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and satisfied themselves that there are no known bad debts and that no allowance for doubtful debts is required.

At the date of this report, the directors are not aware of any circumstances that would require the writing off of bad debts, or the allowance for doubtful debts in the financial statements of the Group and of the Company.

### **CURRENT ASSETS**

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that any current assets other than debts, which were unlikely to be realised in the ordinary course of business, including their value as shown in the accounting records of the Group and of the Company, have been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements misleading.

# **SUNZEN BIOTECH BERHAD**

(Incorporated in Malaysia)  
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## **DIRECTORS' REPORT**

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### **VALUATION METHODS**

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

### **CONTINGENT AND OTHER LIABILITIES**

At the date of this report, there does not exist:-

- (i) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year which secures the liabilities of any other person; or
- (ii) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

No contingent or other liability of the Group and of the Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet its obligations when they fall due.

### **CHANGE OF CIRCUMSTANCES**

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

### **ITEMS OF AN UNUSUAL NATURE**

The financial statements of the Group and of the Company during the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the financial statements of the Group and of the Company for the financial year.

# SUNZEN BIOTECH BERHAD

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## DIRECTORS' REPORT

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### DIRECTORS

The directors who served since the date of the last report are as follows:-

TAN KIM SING  
KOK POE CHU  
TEO KIM LAI  
FONG CHAN SENG  
DATO' DR OMAR @ S. OMAR BIN ABDUL RAHMAN  
S. GUNASEHARAN A/L P. SUBRAMANIAM  
DATO' DR MHD NORDIN BIN MOHD NOR

### DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors holding office at the end of the financial year in shares in the Company during the financial year are as follows:-

	NUMBER OF ORDINARY SHARES OF RM0.10 EACH			
	AT 1.1.2009	BOUGHT	SOLD	AT 31.12.2009
TAN KIM SING	41,046,510	-	-	41,046,510
KOK POE CHU	21,494,510	-	(2,502,000)	18,992,510
TEO KIM LAI	15,636,860	-	(50,000)	15,586,860
FONG CHAN SENG	15,636,860	800,000	-	16,436,860
DATO' DR OMAR @ S. OMAR BIN ABDUL RAHMAN	80,000	-	-	80,000
S. GUNASEHARAN A/L P. SUBRAMANIAM	80,000	-	-	80,000
DATO' DR MHD NORDIN BIN MOHD NOR	80,000	-	-	80,000

By virtue of his interest in shares in the Company, Tan Kim Sing is deemed to have interests in the shares of the subsidiaries to the extent of the Company's interests, pursuant to Section 6A of the Companies Act 1965 in Malaysia.

### DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors as shown in the financial statements, or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except for any benefits which may be deemed to arise from transactions entered into in the ordinary course of business with companies in which certain directors have substantial financial interests as disclosed in Note 34 to the financial statements.

# **SUNZEN BIOTECH BERHAD**

(Incorporated in Malaysia)  
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## **DIRECTORS' REPORT**

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### **DIRECTORS' BENEFITS (CONT'D)**

Neither during nor at the end of the financial year was the Company or its subsidiaries a party to any arrangements whose object is to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

### **SIGNIFICANT EVENT DURING THE FINANCIAL YEAR**

The significant event of the Company during the financial year is disclosed in Note 37 to the financial statements.

### **AUDITORS**

The auditors, Messrs. Crowe Horwath (formerly known as Messrs. Horwath), have expressed their willingness to continue in office.

### **SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS DATED 22 APRIL 2010**

**Tan Kim Sing**

**Kok Poe Chu**

# SUNZEN BIOTECH BERHAD

(Incorporated in Malaysia)  
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## STATEMENT BY DIRECTORS

We, Tan Kim Sing and Kok Poe Chu, being two of the directors of Sunzen Biotech Berhad, state that, in the opinion of the directors, the financial statements set out on pages 9 to 58 are drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 December 2009 and of their results and cash flows for the financial year ended on that date.

## SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS DATED 22 APRIL 2010

**Tan Kim Sing**

**Kok Poe Chu**

## STATUTORY DECLARATION

I, Phang Tong Eng, I/C No. 641010-13-5663, being the officer primarily responsible for the financial management of Sunzen Biotech Berhad, do solemnly and sincerely declare that the financial statements set out on pages 9 to 58 are, to the best of my knowledge and belief, correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by  
Phang Tong Eng, I/C No. 641010-13-5663,  
at Klang in the state of Selangor  
Darul Ehsan on this 22 April 2010

**Phang Tong Eng**

Before Me  
**Goh Cheng Teak**  
Commission For Oaths

# **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SUNZEN BIOTECH BERHAD**

(Incorporated in Malaysia)  
Company No : 680889 - W

## **Report on the Financial Statements**

We have audited the financial statements of Sunzen Biotech Berhad, which comprise the balance sheets as at 31 December 2009, and the income statements, statements of changes in equity and cash flow statements for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 9 to 58.

### *Directors' Responsibility for the Financial Statements*

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate policies, and making accounting estimates that are reasonable in the circumstances.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SUNZEN BIOTECH BERHAD (CONT'D)**

(Incorporated in Malaysia)  
Company No : 680889 - W

### *Opinion*

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2009 and of their financial performance and cash flows for the financial year then ended.

### **Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report the following:-

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act;
- (b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes; and
- (c) Our audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

### **Other Matters**

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

**Crowe Horwath**  
Firm No: AF 1018  
Chartered Accountants

Kuala Lumpur  
22 April 2010

**Lee Kok Wai**  
Approval No: 2760/06/10 (J)  
Chartered Accountant

# SUNZEN BIOTECH BERHAD

(Incorporated in Malaysia)  
Company No : 680889 - W

## BALANCE SHEETS AT 31 DECEMBER 2009

	NOTE	THE GROUP		THE COMPANY	
		2009 RM	2008 RM	2009 RM	2008 RM
<b>ASSETS</b>					
<b>NON-CURRENT ASSETS</b>					
Investment in subsidiaries	6	-	-	10,497,550	10,397,554
Property, plant and equipment	7	9,534,051	9,362,670	542,702	155,297
Product development expenditure	8	1,436,480	1,221,292	-	-
Goodwill on consolidation	9	57,958	57,958	-	-
Quoted investments	10	11,094	11,094	-	-
		<u>11,039,583</u>	<u>10,653,014</u>	<u>11,040,252</u>	<u>10,552,851</u>
<b>CURRENT ASSETS</b>					
Inventories	11	10,605,126	10,711,911	2,592,749	3,234,695
Trade receivables	12	7,454,838	7,398,367	3,172,473	3,248,478
Other receivables, deposits and prepayments		174,317	65,613	15,493	100,996
Amount owing by subsidiaries	13	-	-	4,855,710	3,872,285
Tax refundable		718,347	1,120,183	469,998	669,864
Fixed deposits with licensed banks	14	5,248,922	5,159,192	3,040,345	3,001,640
Cash and bank balances with licensed banks and other financial institution	15	4,791,325	3,827,842	1,704,104	2,468,327
		<u>28,992,875</u>	<u>28,283,108</u>	<u>15,850,872</u>	<u>16,596,285</u>
<b>TOTAL ASSETS</b>		<u>40,032,458</u>	<u>38,936,122</u>	<u>26,891,124</u>	<u>27,149,136</u>

# SUNZEN BIOTECH BERHAD

(Incorporated in Malaysia)  
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## BALANCE SHEETS AT 31 DECEMBER 2009 (CONT'D)

	NOTE	THE GROUP		THE COMPANY	
		2009 RM	2008 RM	2009 RM	2008 RM
<b>EQUITY AND LIABILITIES</b>					
<b>EQUITY</b>					
Share capital	16	14,939,050	14,939,050	14,939,050	14,939,050
Share premium	17	3,520,345	3,520,345	3,520,345	3,520,345
Merger deficit	18	(8,397,548)	(8,397,548)	-	-
Retained profits	19	13,966,307	14,005,787	4,660,198	4,932,143
<b>TOTAL EQUITY</b>		<b>24,028,154</b>	<b>24,067,634</b>	<b>23,119,593</b>	<b>23,391,538</b>
<b>NON-CURRENT LIABILITIES</b>					
Hire purchase payables	20	284,440	392,601	-	-
Term loans	21	3,665,390	4,214,056	-	-
Deferred taxation	22	452,492	424,000	35,492	11,000
		<b>4,402,322</b>	<b>5,030,657</b>	<b>35,492</b>	<b>11,000</b>
<b>CURRENT LIABILITIES</b>					
Trade payables	23	5,487,537	3,699,061	763,820	588,227
Bills payable	21	2,992,000	3,138,042	1,256,000	1,422,000
Other payables and accruals		2,472,680	2,295,245	1,716,219	1,636,375
Amount owing to directors	24	27,287	165,949	-	99,996
Hire purchase payables	20	108,160	107,796	-	-
Term loans	21	514,318	431,738	-	-
		<b>11,601,982</b>	<b>9,837,831</b>	<b>3,736,039</b>	<b>3,746,598</b>
<b>TOTAL LIABILITIES</b>		<b>16,004,304</b>	<b>14,868,488</b>	<b>3,771,531</b>	<b>3,757,598</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>40,032,458</b>	<b>38,936,122</b>	<b>26,891,124</b>	<b>27,149,136</b>
<b>NET ASSETS PER SHARE</b>	25	<b>16.1 sen</b>	<b>16.1 sen</b>		

# SUNZEN BIOTECH BERHAD

(Incorporated in Malaysia)  
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## INCOME STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

	NOTE	THE GROUP		THE COMPANY	
		2009 RM	2008 RM	2009 RM	2008 RM
REVENUE	26	28,255,504	26,260,099	13,978,214	12,913,593
COST OF SALES		(20,064,643)	(18,484,724)	(9,637,419)	(9,665,324)
GROSS PROFIT		8,190,861	7,775,375	4,340,795	3,248,269
OTHER OPERATING INCOME		230,249	149,388	67,590	56,726
		8,420,110	7,924,763	4,408,385	3,304,995
MARKETING AND DISTRIBUTION EXPENSES		(3,025,651)	(3,120,714)	(2,175,169)	(1,066,155)
ADMINISTRATIVE EXPENSES		(2,068,384)	(1,519,875)	(247,624)	(100,897)
OTHER OPERATING EXPENSES		(1,031,017)	(673,448)	(286,629)	(84,664)
FINANCE EXPENSES		(416,828)	(457,523)	(57,513)	(78,689)
PROFIT BEFORE TAXATION	27	1,879,230	2,153,203	1,641,450	1,974,590
TAXATION	28	(126,024)	(258,481)	(120,709)	(166,800)
PROFIT FOR THE FINANCIAL YEAR		1,753,206	1,894,722	1,520,741	1,807,790
ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		1,753,206	1,894,722	1,520,741	1,807,790
BASIC EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	29	1.2 sen	1.4 sen		

# SUNZEN BIOTECH BERHAD

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## STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

THE GROUP	NOTE	← ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY →				TOTAL EQUITY RM
		← SHARE CAPITAL RM	NON-DISTRIBUTABLE SHARE PREMIUM RM	MERGER DEFICIT RM	DISTRIBUTABLE RETAINED PROFITS RM	
Balance at 1.1.2008		10,397,568	-	(8,397,548)	12,111,065	14,111,085
Allotment during the financial year:						
- settlement of advances		2,041,482	-	-	-	2,041,482
- public issue		2,500,000	5,500,000	-	-	8,000,000
		4,541,482	5,500,000	-	-	10,041,482
Profit for the financial year		-	-	-	1,894,722	1,894,722
Listing expenses		-	(1,979,655)	-	-	(1,979,655)
Balance at 31.12.2008/1.1.2009		14,939,050	3,520,345	(8,397,548)	14,005,787	24,067,634
Profit for the financial year		-	-	-	1,753,206	1,753,206
Dividend	30	-	-	-	(1,792,686)	(1,792,686)
Balance at 31.12.2009		14,939,050	3,520,345	(8,397,548)	13,966,307	24,028,154

# SUNZEN BIOTECH BERHAD

(Incorporated in Malaysia)  
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## STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009 (CONT'D)

THE COMPANY	NOTE	SHARE CAPITAL RM	SHARE PREMIUM RM	RETAINED PROFITS RM	TOTAL EQUITY RM
Balance at 1.1.2008		20	-	3,124,353	3,124,373
Allotment during the financial year:					
- settlement of advances		2,041,482	-	-	2,041,482
- acquisition of subsidiaries		10,397,548	-	-	10,397,548
- public issue		2,500,000	5,500,000	-	8,000,000
		14,939,030	5,500,000	-	20,439,030
Profit for the financial year		-	-	1,807,790	1,807,790
Listing expenses		-	(1,979,655)	-	(1,979,655)
Balance at 31.12.2008/ 1.1.2009		14,939,050	3,520,345	4,932,143	23,391,538
Profit for the financial year		-	-	1,520,741	1,520,741
Dividend	30	-	-	(1,792,686)	(1,792,686)
Balance at 31.12.2009		14,939,050	3,520,345	4,660,198	23,119,593

# SUNZEN BIOTECH BERHAD

(Incorporated in Malaysia)  
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## CASH FLOW STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

	THE GROUP		THE COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
<b>CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES</b>				
Profit before taxation	1,879,230	2,153,203	1,641,450	1,974,590
Adjustments for:-				
Amortisation of product development expenditure	176,086	25,496	-	-
Depreciation of property, plant and equipment	492,568	417,422	105,421	35,055
Interest expense	393,379	430,020	43,327	60,892
Gain on disposal of plant and equipment	(2,397)	-	-	-
Interest income	(113,671)	(92,594)	(62,224)	(26,469)
Income from unit trust deposit with other financial institution	-	(2,446)	-	-
Operating profit before working capital changes	2,825,195	2,931,101	1,727,974	2,044,068
Decrease/(Increase) in inventories	106,785	(1,977,458)	641,946	(1,206,923)
(Increase)/Decrease in trade and other receivables	(165,175)	(828,697)	161,508	15,897,770
Increase/(Decrease) in trade and other payables	1,819,869	1,056,696	89,437	(14,493,685)
<b>CASH FROM OPERATIONS</b>	<b>4,586,674</b>	<b>1,181,642</b>	<b>2,620,865</b>	<b>2,241,230</b>
Interest paid	(393,379)	(430,020)	(43,327)	(60,892)
Tax refunded/(paid)	304,304	80,827	103,649	(439,522)
<b>NET CASH FROM OPERATING ACTIVITIES AND BALANCE CARRIED FORWARD</b>	<b>4,497,599</b>	<b>832,449</b>	<b>2,681,187</b>	<b>1,740,816</b>

# SUNZEN BIOTECH BERHAD

(Incorporated in Malaysia)  
Company No : 680889 - W

## CASH FLOW STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009 (CONT'D)

	NOTE	THE GROUP		THE COMPANY	
		2009 RM	2008 RM	2009 RM	2008 RM
BALANCE BROUGHT FORWARD		4,497,599	832,449	2,681,187	1,740,816
<b>CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES</b>					
Interest received		113,671	92,594	62,224	26,469
Income received from unit trust with other financial institution		-	2,446	-	-
Proceeds from disposal of plant and equipment		3,998	-	-	-
Purchase of property, plant and equipment		(665,550)	(367,584)	(492,826)	(106,726)
Purchase of quoted investments		-	(6,894)	-	-
Payment for product development expenditure		(391,274)	(449,659)	-	-
Investment in a subsidiary		-	-	(99,996)	(4)
<b>NET CASH FOR INVESTING ACTIVITIES</b>		<b>(939,155)</b>	<b>(729,097)</b>	<b>(530,598)</b>	<b>(80,261)</b>
<b>CASH FLOWS (FOR)/FROM FINANCING ACTIVITIES</b>					
Proceeds from issuance of shares		-	8,000,000	-	8,000,000
Listing expenses paid		-	(1,979,655)	-	(1,979,655)
Advances to subsidiaries		-	-	(983,425)	(1,830,803)
Advances (to)/from directors		(138,662)	129,047	(99,996)	99,996
Drawdown of term loans		-	123,230	-	-
Repayment of hire purchase obligations		(107,797)	(35,570)	-	-
Repayment of term loans		(466,086)	(396,554)	-	-
Dividend paid		(1,792,686)	(1,414,526)	(1,792,686)	(680,107)
<b>NET CASH (FOR)/FROM FINANCING ACTIVITIES</b>		<b>(2,505,231)</b>	<b>4,425,972</b>	<b>(2,876,107)</b>	<b>3,609,431</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>1,053,213</b>	<b>4,529,324</b>	<b>(725,518)</b>	<b>5,269,986</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR</b>		<b>8,987,034</b>	<b>4,457,710</b>	<b>5,469,967</b>	<b>199,981</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR</b>	31	<b>10,040,247</b>	<b>8,987,034</b>	<b>4,744,449</b>	<b>5,469,967</b>

# SUNZEN BIOTECH BERHAD

(Incorporated in Malaysia)  
Company No : 680889 - W

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

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### 1. GENERAL INFORMATION

The Company is a public company limited by shares and is incorporated under the Companies Act 1965 in Malaysia. The domicile of the Company is Malaysia. The registered office, which is also the principal place of business, is at No. 11, Jalan Anggerik Mokara 31/47, Kota Kemuning, 40460 Shah Alam, Selangor Darul Ehsan.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 22 April 2010.

### 2. PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of biotechnology research and development, manufacturing and marketing of animal feed supplement products and investment holding. The principal activities of the subsidiaries are set out in Note 6 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

### 3. FINANCIAL RISK MANAGEMENT POLICIES

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's business whilst managing its currency, interest rate, market, credit, liquidity and cash flow risks. The policies in respect of the major areas of treasury activity are as follows:-

#### (a) Market Risk

##### (i) Foreign Currency Risk

The Group's exposure to foreign currency risk arises mainly from sales and purchases that are denominated in foreign currencies. The currencies giving rise to this risk are disclosed in the respective notes to the financial statements.

In respect of other monetary assets and liabilities held in foreign currencies, the Group carries out reviews periodically to ensure that the net exposure is kept at an acceptable level.

# SUNZEN BIOTECH BERHAD

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

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### 3. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

#### (a) Market Risk (Cont'd)

##### (ii) Interest Rate Risk

The Group obtains financing through bank borrowings and hire purchase arrangements. Its policy is to obtain the most favourable interest rates available.

Information relating to the interest rate exposure of the Group is disclosed in the respective notes to the financial statements.

Surplus funds are placed with reputable financial institutions at the most favourable interest rates.

##### (iii) Price Risk

The Group's principal exposure to market risks arises mainly from changes in market prices of its quoted investments. The Group manages this exposure by prudent investment policies and procedures.

#### (b) Credit Risk

The Group's exposure to credit risks, or the risk of counterparties defaulting, arises mainly from receivables. The maximum exposure to credit risks is represented by the total carrying amount of these financial assets in the balance sheet reduced by the effects of any netting arrangements with counterparties.

The Group does not have any major concentration of credit risk related to any individual customer or counterparty.

The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis.

#### (c) Liquidity and Cash Flow Risks

The Group manages its liquidity risk by maintaining sufficient cash and the availability of funding through adequate committed credit facilities to meet estimated commitments arising from operational expenditure and financial liabilities. The Group also has effective cash management to ensure that the Group can pay its dividends to shareholders at an appropriate time.

# SUNZEN BIOTECH BERHAD

(Incorporated in Malaysia)  
Company No : 680889 - W

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

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### 4. BASIS OF PREPARATION

The financial statements of the Group and of the Company are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Financial Reporting Standards ("FRS") and the Companies Act 1965 in Malaysia.

The Group and the Company have not applied in advance the following accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the current financial year.

<b>FRSs/IC Interpretations</b>	<b>Effective date</b>
Revised FRS 1 (2010) First-time Adoption of Financial Reporting Standards	1 July 2010
Revised FRS 3 (2010) Business Combinations	1 July 2010
FRS 4 Insurance Contracts	1 January 2010
FRS 7 Financial Instruments: Disclosures	1 January 2010
FRS 8 Operating Segments	1 July 2009
Revised FRS 101 (2009) Presentation of Financial Statements	1 January 2010
Revised FRS 123 (2009) Borrowing Costs	1 January 2010
Revised FRS 139 (2010) Financial Instruments: Recognition and Measurement	1 January 2010
Amendments to FRS 1 and FRS 127: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2010
Amendments to FRS 1 Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters	1 January 2011
Amendments to FRS 2: Vesting Conditions and Cancellations	1 January 2010
Amendments to FRS 2: Scope of FRS 2 and Revised FRS 3 (2010)	1 July 2010
Amendments to FRS 5: Plan to Sell the Controlling Interest in a Subsidiary	1 July 2010

# SUNZEN BIOTECH BERHAD

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

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### 4. BASIS OF PREPARATION (CONT'D)

<b>FRSs/IC Interpretations (Cont'd)</b>	<b>Effective date</b>
Amendments to FRS 7, FRS 139 and IC Interpretation 9	1 January 2010
Amendments to FRS 7: Improving Disclosures about Financial Instruments	1 January 2011
Amendments to FRS 132: Classification of Rights Issues and the Transitional Provision In Relation To Compound Instruments	1 January 2010/ 1 March 2010
Amendments to FRS 138 Consequential Amendments Arising from Revised FRS 3 (2010)	1 July 2010
IC Interpretation 9 Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation 10 Interim Financial Reporting and Impairment	1 January 2010
IC Interpretation 11 FRS 2 - Group and Treasury Share Transactions	1 January 2010
IC Interpretation 12 Service Concession Arrangements	1 July 2010
IC Interpretation 13 Customer Loyalty Programmes	1 January 2010
IC Interpretation 14 FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2010
IC Interpretation 15 Agreements for the Construction of Real Estate	1 July 2010
IC Interpretation 16 Hedges of a Net Investment in a Foreign Operation	1 July 2010
IC Interpretation 17 Distributions of Non-cash Assets to Owners	1 July 2010
Amendments to IC Interpretation 9 Scope of IC Interpretation 9 and Revised FRS 3 (2010)	1 July 2010
Annual Improvements to FRSs (2009)	1 January 2010

# SUNZEN BIOTECH BERHAD

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

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### 4. BASIS OF PREPARATION (CONT'D)

The above FRSs, IC Interpretations and amendments are not relevant to the Group's operations except as follows:-

#### Revised FRS 3 (2010)

The revised FRS 3 (2010) introduces significant changes to the accounting for business combinations, both at the acquisition date and post acquisition, and requires greater use of fair values. In addition, all transaction costs, other than share and debt issue costs, will be expensed as incurred. This revised standard will be applied prospectively and therefore there will not have any financial impact on the financial statements of the Group for the current financial year but may impact the accounting for future transactions or arrangements.

#### FRS 7, Revised FRS 139 (2010) and subsequent amendments

The possible impacts of FRS 7 (including the subsequent amendments) and the revised FRS 139 (2010) on the financial statements upon their initial applications are not disclosed by virtue of the exemptions given in these standards.

#### Revised FRS 8

FRS 8 replaces FRS 114<sub>2004</sub> Segment Reporting and requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes. The adoption of this standard only impacts the form and content of disclosures presented in the financial statements of the Group. This FRS is expected to have no material impact on the financial statements of the Group upon its initial application.

#### Revised FRS 101 (2009)

The revised FRS 101 (2009) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements. In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the reclassification of items in the financial statements. The adoption of this revised standard will only impact the form and content of the presentation of the Group's financial statements in the next financial year.

#### Revised FRS 123 (2009)

The revised FRS 123 (2009) removes the option of immediately recognising as an expense borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. In accordance with the transitional provisions, the Group will apply this revised standard to borrowing costs related to qualifying assets for which the commencement date of capitalisation is on or after 1 January 2010. This change in accounting policy will not have any financial impact on the financial statements for the current financial year but may impact the accounting for future transactions or arrangements.

# SUNZEN BIOTECH BERHAD

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

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### 4. BASIS OF PREPARATION (CONT'D)

#### Revised FRS 127 (2010)

The revised FRS 127 (2010) requires accounting for changes in ownership interests by the group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The revised standard also requires all losses attributable to the minority interest to be absorbed by the minority interest instead of by the parent. The Company will apply the major changes of the revised FRS 127 (2010) prospectively and therefore there will not have any financial impact on the financial statements of the Company for the current financial year but may impact the accounting for future transactions or arrangements.

#### Amendments to FRS 1 and FRS 127

Amendments to FRS 1 and FRS 127 remove the definition of "cost method" currently set out in FRS 127, and instead require an investor to recognise all dividend from subsidiaries, jointly controlled entities or associates as income in its separate financial statements. In addition, FRS 127 has also been amended to deal with situations where a parent reorganises its group by establishing a new entity as its new parent. Under this circumstance, the new parent shall measure the cost of its investment in the original parent at the carrying amount of its share of the equity items shown in the separate financial statements of the original parent at the reorganisation date. The amendments will be applied prospectively and therefore there will not have any financial impact on the financial statements of the Company for the current financial year but may impact the accounting for future transactions or arrangements.

#### Amendments to FRS 5

Amendments to FRS 5 requires assets and liabilities of a subsidiary to be classified as held for sale if the parent is committed to a plan involving loss of control of the subsidiary, regardless of whether the entity will retain a non-controlling interest after the sale. These amendments are expected to have no material impact on the financial statements of the Group upon their initial application.

#### IC Interpretation 9

IC Interpretation 9 requires embedded derivatives to be separated from the host contract and accounted for as a derivative on the basis of the conditions that existed at the later of the date the entity first became a party to the contract. The possible impacts of IC Interpretation 9 on the financial statements upon its initial application are not disclosed by virtue of the exemptions given under the revised FRS 139 (2010).

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

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### 4. BASIS OF PREPARATION (CONT'D)

#### Amendments to IC Interpretation 9

Amendments to IC Interpretation 9 are a consequential amendment from the revised FRS 3 (2010). These amendments are expected to have no material impact on the financial statements of the Group upon its initial application.

#### IC Interpretation 10

IC Interpretation 10 prohibits the impairment losses recognised in an interim period on goodwill, investments in equity instruments and financial assets carried at cost to be reversed at a subsequent balance sheet date. This interpretation is expected to have no material impact on the financial statements of the Group upon its initial application.

#### Annual Improvements 2009

Annual Improvements to FRSs (2009) contain amendments to 21 accounting standards that result in accounting changes for presentation, recognition or measurement purposes and terminology or editorial amendments. These amendments are expected to have no material impact on the financial statements of the Group upon their initial application.

### 5. SIGNIFICANT ACCOUNTING POLICIES

#### (a) Critical Accounting Estimates And Judgements

Estimates and judgements are continually evaluated by the directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that affect the application of the Group's accounting policies and disclosures, and have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities, income and expenses are discussed below.

##### (i) *Depreciation of Property, Plant and Equipment*

The estimates for the residual values, useful lives and related depreciation charges for the plant and equipment are based on commercial and production factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions.

# SUNZEN BIOTECH BERHAD

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

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### 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (a) Critical Accounting Estimates And Judgements (Cont'd)

##### (i) *Depreciation of Property, Plant and Equipment (Cont'd)*

The Group anticipates that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount.

Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

##### (ii) *Income Taxes*

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the current tax and deferred tax provisions in the period in which such determination is made.

##### (iii) *Impairment of Assets*

When the recoverable amount of an asset is determined based on the estimate of the value-in-use of the cash-generating unit to which the asset is allocated, the management is required to make an estimate of the expected future cash flows from the cash-generating unit and also to apply a suitable discount rate in order to determine the present value of those cash flows.

##### (iv) *Amortisation of Product Development Expenditure*

Changes in the expected level of usage and technological development could impact the economic useful lives therefore future amortisation charges could be revised.

# SUNZEN BIOTECH BERHAD

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

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### 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (a) Critical Accounting Estimates And Judgements (Cont'd)

##### (v) *Allowance for Doubtful Debts of Receivables*

The Group makes allowance for doubtful debts based on an assessment of the recoverability of receivables. Allowances are applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analyses historical bad debt, customer concentrations, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of the allowance for doubtful debts of receivables. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables.

##### (vi) *Allowance for Inventories*

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

##### (vii) *Fair Value Estimates for Certain Financial Assets and Liabilities*

The Group carries certain financial assets and liabilities at fair value, which requires extensive use of accounting estimates and judgement. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group uses different valuation methodologies. Any changes in fair value of these assets and liabilities would affect profit and equity.

#### (b) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December 2009.

A subsidiary is defined as a company in which the parent company has the power, directly or indirectly, to exercise control over the financial and operating policies so as to obtain benefits from its activities.

# SUNZEN BIOTECH BERHAD

(Incorporated in Malaysia)  
Company No : 680889 - W

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

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### 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (b) Basis of Consolidation (Cont'd)

The acquisition of Sunzen Corporation Sdn. Bhd. by the Company has been accounted for as a business combination among entities under common control. Accordingly, the subsidiary has been consolidated using the merger method of accounting.

Under the merger method of accounting, the results of the subsidiaries are presented as if the merger had been effected throughout the current and previous financial years. The assets and liabilities combined are accounted based on the carrying amounts from the perspective of common control shareholder at the date of transfer. On consolidation, the cost of the merger is cancelled with the values of the shares received. Any resulting debit or credit difference is classified as a non-distributable reserve.

All other subsidiaries are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the consolidated financial statements. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination.

Intragroup transactions, balances and unrealised gains on transactions are eliminated, unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

#### (c) Goodwill on Consolidation

Goodwill on consolidation represents the excess of the fair value of the purchase consideration over the Group's share of the fair values of the identifiable net assets of the subsidiaries at the date of acquisition.

# SUNZEN BIOTECH BERHAD

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

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### 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (c) Goodwill on Consolidation (Cont'd)

Goodwill is measured at cost less accumulated impairment loss, if any. The carrying value of goodwill is reviewed for impairment annually, and is written down for impairment where it is considered necessary. The impairment value of goodwill is recognised immediately in the consolidated income statement. An impairment loss recognised for goodwill is not reversed in a subsequent period.

If, after reassessment, the Group's interest in the fair values of the identifiable net assets of the subsidiaries exceeds the cost of the business combination, the excess is recognised immediately in the consolidated income statement.

#### (d) Financial Instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

Financial instruments recognised in the balance sheet are disclosed in the individual policy statement associated with each item.

#### (e) Investments

##### (i) *Subsidiaries*

Investments in subsidiaries are stated at cost in the balance sheet of the Company, and are reviewed for impairment at the end of the financial year if events or changes in circumstances indicate that their carrying values may not be recoverable.

On the disposal of the investment in subsidiaries, the difference between the net disposal proceeds and its carrying amount of the investment is taken to the income statement.

# SUNZEN BIOTECH BERHAD

(Incorporated in Malaysia)  
Company No : 680889 - W

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

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### 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (e) Investments (Cont'd)

##### (ii) *Other investments*

Investments are shown at cost and an allowance for diminution in value is made where, in the opinion of the directors, there is a material decline other than temporary in the value of such investments. Where there has been a material decline other than temporary in the value of an investment, such a decline is recognised as an expense in the period in which the decline is identified.

On the disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged/credited to the income statement.

#### (f) Property, Plant and Equipment

Property, plant and equipment other than freehold land is stated at cost less accumulated depreciation and impairment losses, if any. Freehold land is stated at cost less impairment losses, if any, and is not depreciated.

Depreciation is calculated under the straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:-

Factory buildings	2%
Plant and machinery	14%
Furniture, fittings and office equipment	10% - 33.3%
Motor vehicles	20%

The depreciation method, useful life and residual values are reviewed, and adjusted if appropriate, at each balance sheet date to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the equipment.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset is included in the income statement in the year the asset is derecognised.

# SUNZEN BIOTECH BERHAD

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

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### 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (f) Property, Plant and Equipment (Cont'd)

Capital work-in-progress is stated at cost, and will be transferred to the relevant category of long term assets and depreciated accordingly when the assets are completed and ready for commercial use.

Fully depreciated plant and equipment are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these plant and equipment.

#### (g) Impairment of Assets

The carrying values of assets, other than those to which FRS 136 Impairment of Assets does not apply, are reviewed at each balance sheet date for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount of the assets is the higher of the asset's net selling price and their value-in-use, which is measured by reference to discounted future cash flow.

An impairment loss is charged to the income statement immediately unless the asset is carried at its revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of a previously recognised revaluation surplus for the same asset.

In respect of assets other than goodwill, and when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately, unless the asset is carried at its revalued amount. A reversal of an impairment loss on a revalued asset is credited directly to the revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the income statement, a reversal of that impairment loss is recognised as income in the income statement

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

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### 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (h) Assets Under Hire Purchase

Plant and equipment acquired under hire purchase are capitalised in the financial statements and are depreciated in accordance with the policy set out in Note 5(f) above. Each hire purchase payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. Finance charges are allocated to the income statement over the period of the respective hire purchase agreements.

#### (i) Product Development Expenditure

Research expenditure is recognised as an expense when it is incurred.

Development expenditure is recognised as an expense except that expenditure incurred on development projects are capitalised as long-term assets to the extent that such expenditure is expected to generate future economic benefits. Development expenditure is capitalised if, and only if an entity can demonstrate all of the following:-

- (i) its ability to measure reliably the expenditure attributable to the asset under development;
- (ii) the product or process is technically and commercially feasible;
- (iii) its future economic benefits are probable;
- (iv) its ability to use or sell the developed assets; and
- (v) the availability of adequate technical, financial and other resources to complete the asset under development.

Capitalised product development expenditure is measured at cost less accumulated amortisation and impairment losses, if any. Development expenditure initially recognised as an expense is not recognised as assets in the subsequent periods.

Amortisation is calculated under the straight-line method to write off product development expenditure over the remaining period of the product's estimated economic useful life from the date of the initial product launch.

# SUNZEN BIOTECH BERHAD

(Incorporated in Malaysia)  
Company No : 680889 - W

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

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### 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (j) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis, and comprises the purchase price and incidentals incurred in bringing the inventories to their present location and condition. Cost of finished goods includes cost of materials, labour and an appropriate proportion of production overheads.

Net realisable value represents the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

Where necessary, due allowance is made for all damaged, obsolete and slow-moving items.

#### (k) Receivables

Receivables are carried at anticipated realisable value. Bad debts are written off in the period in which they are identified. An estimate is made for doubtful debts based on a review of all outstanding amounts at the balance sheet date.

#### (l) Payables

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

#### (m) Interest-bearing Borrowings

Interest-bearing borrowings are recorded at the amount of proceeds received, net of transaction costs.

All other borrowing costs are charged to the income statement as expenses in the period in which they are incurred.

# SUNZEN BIOTECH BERHAD

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

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### 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (n) Equity Instruments

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax from proceeds.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

#### (o) Income Taxes

Income taxes for the year comprise current and deferred tax.

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences other than those that arise from goodwill or the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantially enacted at the balance sheet date.

# SUNZEN BIOTECH BERHAD

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

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### 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (o) Income Taxes (Cont'd)

Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly to equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs. The carrying amounts of deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

#### (p) Segmental Information

Segment revenues and expenses are those directly attributable to the segments and include any joint revenues and expenses where a reasonable basis of allocation exists. Segment assets include all assets used by a segment and consist principally of property, plant and equipment (net of accumulated depreciation, where applicable), inventories, receivables, and cash and bank balances.

Most segment assets can be directly attributed to the segments on a reasonable basis. Segment assets and liabilities do not include income tax assets and liabilities respectively.

Segment revenues, expenses and results include transfers between segments. The prices charged on intersegment transactions are based on normal commercial terms. These transfers are eliminated on consolidation.

#### (q) Functional and Foreign Currencies

##### (i) *Functional and Presentation Currency*

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency. The consolidated financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

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### 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (q) Functional and Foreign Currencies (Cont'd)

##### (ii) *Transactions and Balances*

Transactions in foreign currencies are converted into the respective functional currencies of the Company and are recorded on initial recognition in the functional currencies, using the rates approximating those ruling at the transaction dates. Monetary assets and liabilities at the balance sheet date are translated at the rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are taken to the income statement.

##### (iii) *Foreign Operations*

Assets and liabilities of foreign operations are translated to RM at the rates of exchange ruling at the balance sheet date. Revenues and expenses of foreign operations are translated at exchange rates ruling at the dates of translations. All exchange differences arising on translation are recognised directly in equity.

#### (r) Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, deposits pledged with financial institutions, bank overdrafts and short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

#### (s) Employee Benefits

##### (i) *Short-term Benefits*

Wages, salaries, paid annual leave, bonuses, and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group.

##### (ii) *Defined Contribution Plans*

The Group's contributions to defined contribution plans are charged to the income statement in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans.

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### 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (t) Related Parties

A party is related to an entity if:-

- (i) directly, or indirectly through one or more intermediaries, the party:-
  - controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
  - has an interest in the entity that gives it significant influence over the entity; or
  - has joint control over the entity;
- (ii) the party is an associate of the entity;
- (iii) the party is a joint venture in which the entity is a venturer;
- (iv) the party is a member of the key management personnel of the entity or its parent;
- (v) the party is a close member of the family of any individual referred to in (i) or (iv);
- (vi) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
- (vii) the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

Close members of the family of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

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### 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (u) Revenue Recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably.

##### (i) Sale of Goods

Revenue is recognised upon delivery of goods and customers' acceptance and where applicable, net of sales tax, returns and trade discounts.

##### (ii) Interest Income

Interest income are recognised on an accrual basis.

### 6. INVESTMENT IN SUBSIDIARIES

	THE COMPANY	
	2009 RM	2008 RM
Unquoted shares, at cost:-		
At 1 January	10,397,554	2
Additional investment in a subsidiary	99,996	-
Acquisition of a subsidiary	-	10,397,552
At 31 December	<u>10,497,550</u>	<u>10,397,554</u>

Details of the subsidiaries are as follows:-

Name of Company	Country of Incorporation	Effective Equity Interest		Principal Activities
		2009 %	2008 %	
Sunzen Corporation Sdn. Bhd.	Malaysia	100	100	Biotechnology research and development, manufacturing and marketing of veterinary and animal health products.

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### 6. INVESTMENT IN SUBSIDIARIES (CONT'D)

Details of the subsidiaries are as follows:-

Name of Company	Country of Incorporation	Effective Equity Interest		Principal Activities
		2009 %	2008 %	
Sunzen Lifesciences Sdn. Bhd.	Malaysia	100	100	R & D and commercialisation of in-feed anti bacterial products and supplements for animal health production.
Sunzen Feedtech Sdn. Bhd.	Malaysia	100	100	Dormant.
PT. Sunzen Indonesia*	Indonesia	100	-	Dormant.

\* held through Sunzen Lifesciences Sdn. Bhd. and Sunzen Feedtech Sdn. Bhd.

### 7. PROPERTY, PLANT AND EQUIPMENT

THE GROUP	NET CARRYING	ADDITIONS	DISPOSALS	DEPRECIATION	NET CARRYING
	AMOUNT AT				CHARGE
	1.1.2009	RM	RM	RM	31.12.2009
	RM				RM
Freehold land	4,380,362	-	-	-	4,380,362
Factory buildings	3,925,889	-	-	(80,481)	3,845,408
Plant and machinery	301,142	481,854	-	(162,780)	620,216
Furniture, fittings and office equipment	185,620	100,937	(1,600)	(72,189)	212,768
Motor vehicles	569,657	-	(1)	(177,118)	392,538
Capital work-in-progress	-	82,759	-	-	82,759
Total	9,362,670	665,550	(1,601)	(492,568)	9,534,051

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

### 7. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

THE GROUP	NET CARRYING	TRANSFER	ADDITIONS	DEPRECIATION	NET CARRYING
	AMOUNT AT				AMOUNT AT
	1.1.2008	RM	RM	CHARGE	31.12.2008
	RM			RM	RM
Freehold land	4,361,518	-	18,844	-	4,380,362
Factory buildings	404,659	3,468,123	133,588	(80,481)	3,925,889
Plant and machinery	272,880	-	123,855	(95,593)	301,142
Furniture, fittings and office equipment	217,060	-	32,789	(64,229)	185,620
Motor vehicles	223,268	-	523,508	(177,119)	569,657
Capital work-in-progress	3,468,123	(3,468,123)	-	-	-
<b>Total</b>	<b>8,947,508</b>	<b>-</b>	<b>832,584</b>	<b>(417,422)</b>	<b>9,362,670</b>

AS AT 31.12.2009	COST	ACCUMULATED	NET CARRYING
			AMOUNT
	RM	DEPRECIATION	RM
		RM	
Freehold land	4,380,362	-	4,380,362
Factory buildings	4,024,064	(178,656)	3,845,408
Plant and machinery	1,115,293	(495,077)	620,216
Furniture, fittings and office equipment	731,554	(518,786)	212,768
Motor vehicles	919,591	(527,053)	392,538
Capital work-in-progress	82,759	-	82,759
<b>Total</b>	<b>11,253,623</b>	<b>(1,719,572)</b>	<b>9,534,051</b>

AS AT 31.12.2008	COST	ACCUMULATED	NET CARRYING
			AMOUNT
	RM	DEPRECIATION	RM
		RM	
Freehold land	4,380,362	-	4,380,362
Factory buildings	4,024,064	(98,175)	3,925,889
Plant and machinery	633,439	(332,297)	301,142
Furniture, fittings and office equipment	635,417	(449,797)	185,620
Motor vehicles	939,591	(369,934)	569,657
<b>Total</b>	<b>10,612,873</b>	<b>(1,250,203)</b>	<b>9,362,670</b>

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### 7. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

THE COMPANY	NET CARRYING AMOUNT AT 1.1.2009 RM	ADDITIONS RM	DEPRECIATION CHARGE RM	NET CARRYING AMOUNT AT 31.12.2009 RM
Furniture, fittings and office equipment	8,011	10,972	(6,816)	12,167
Plant and machinery	147,286	481,854	(98,605)	530,535
	<u>155,297</u>	<u>492,826</u>	<u>(105,421)</u>	<u>542,702</u>

	NET CARRYING AMOUNT AT 1.1.2008 RM	ADDITIONS RM	DEPRECIATION CHARGE RM	NET CARRYING AMOUNT AT 31.12.2008 RM
Furniture, fittings and office equipment	-	12,016	(4,005)	8,011
Plant and machinery	83,626	94,710	(31,050)	147,286
	<u>83,626</u>	<u>106,726</u>	<u>(35,055)</u>	<u>155,297</u>

As At 31.12.2009	COST RM	ACCUMULATED DEPRECIATION RM	NET CARRYING AMOUNT RM
Furniture, fittings and office equipment	22,988	(10,821)	12,167
Plant and machinery	692,712	(162,177)	530,535
	<u>715,700</u>	<u>(172,998)</u>	<u>542,702</u>

As At 31.12.2008			
Furniture, fittings and office equipment	12,016	(4,005)	8,011
Plant and machinery	210,858	(63,572)	147,286
	<u>222,874</u>	<u>(67,577)</u>	<u>155,297</u>

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

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### 7. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Property, plant and equipment of the Group pledged as security for banking facilities granted to the Group as disclosed in Note 21 to the financial statements are as follows:-

	THE GROUP	
	2009 RM	2008 RM
<u>At net carrying amount:-</u>		
Freehold land	4,380,362	4,380,362
Factory buildings	3,845,408	3,925,889

Included in the plant and equipment of the Group at the balance sheet date are motor vehicles with a total net carrying amount of RM362,136 (2008 - RM508,856) acquired under hire purchase terms.

### 8. PRODUCT DEVELOPMENT EXPENDITURE

	THE GROUP	
	2009 RM	2008 RM
<u>Cost</u>		
At 1 January	1,966,298	1,516,639
Incurred during the financial year	391,274	449,659
At 31 December	2,357,572	1,966,298
<u>Accumulated amortisation</u>		
At 1 January	(745,006)	(719,510)
Amortised during the financial year	(176,086)	(25,496)
At 31 December	(921,092)	(745,006)
Net carrying amount	1,436,480	1,221,292

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

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### 8. PRODUCT DEVELOPMENT EXPENDITURE (CONT'D)

Expenditure capitalised included personnel costs and cost of materials consumed in development activities as well as fees paid to external researchers for product development purposes.

No impairment loss is recognised during the current financial year as the recoverable amount is higher than the carrying amount. The recoverable amount of a cash-generating unit ("CGU") is determined based on value-in-use calculations using cash flow projections prepared and approved by the management.

#### Key assumptions used in value-in-use calculations

	THE GROUP	
	2009	2008
1. Discount rate The discount rate is on a pre-tax basis that reflects current market assessment of time value of money and the risks specific to the CGU.	10%	10%
2. Growth rate This is based on the management forecasts after incorporating changes in pricing and direct costs based on past experience and the expectations of future changes in the market.	15%	15%
3. Cash flow period The cash flow projections are based on financial budgets approved by the management. The cash flow projections for the product development expenditure are based on the expected life cycle of the products respectively.	5 years	5 years
4. Gross profit margin Net cash projections for the relevant cash flow period are extrapolated based on past gross profit generated by the CGU divided by the gross revenue generated by the respective CGU.	32%	32%

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### 9. GOODWILL ON CONSOLIDATION

	THE GROUP	
	2009 RM	2008 RM
Goodwill on acquisition of a subsidiary:		
At 1 January	57,958	-
Arising during the financial year	-	57,958
At 31 December	<u>57,958</u>	<u>57,958</u>

The carrying amount of goodwill amounting to RM57,958 (2008 - RM57,958) is allocated to the cash-generating unit ("CGU").

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by the management covering a period of five years using estimated growth rates which are based on past performance and their expectations of market developments and are discounted at a pre-tax discount rate of 10%.

In assessing the value-in-use, the management is of the view that no foreseeable changes to their assumptions would cause the carrying amount of the CGU to materially exceed its recoverable amount.

### 10. QUOTED INVESTMENTS

	THE GROUP	
	2009 RM	2008 RM
Investment in quoted shares, at cost:		
At 1 January	11,094	4,200
Addition during the financial year	-	6,894
At 31 December	<u>11,094</u>	<u>11,094</u>
Market value as at 31 December	<u>8,400</u>	<u>7,160</u>

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

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### 11. INVENTORIES

	THE GROUP		THE COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
At cost:-				
Raw materials	1,635,556	2,344,512	1,565,275	2,144,791
Finished goods	8,505,419	8,021,010	588,455	774,371
Packing materials	464,151	346,389	439,019	315,533
	<u>10,605,126</u>	<u>10,711,911</u>	<u>2,592,749</u>	<u>3,234,695</u>

None of the inventories was valued at net realisable value as at the balance sheet date.

### 12. TRADE RECEIVABLES

The Group's normal trade credit terms range from 30 days to 120 days. Other credit terms are assessed and approved on a case-by-case basis.

The foreign currency profile of the trade receivables is as follows:-

	THE GROUP		THE COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
Singapore Dollar	-	507,757	-	349,352
United States Dollar	<u>1,378,639</u>	<u>495,044</u>	<u>872,473</u>	<u>22,934</u>

### 13. AMOUNT OWING BY SUBSIDIARIES

	THE COMPANY	
	2009 RM	2008 RM
Trade	13,346,295	12,803,591
Non-trade	<u>(8,490,585)</u>	<u>(8,931,306)</u>
	<u>4,855,710</u>	<u>3,872,285</u>

The trade amount is subject to the normal trade terms.

The non-trade amount owing is unsecured, interest-free and repayable upon demand. The amount owing is to be settled in cash.

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

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### 14. FIXED DEPOSITS WITH LICENSED BANKS

Included in fixed deposits with licensed banks of the Group is an amount of RM1,987,942 (2008 - RM1,941,176) which has been pledged as collateral to a licensed bank to secure for banking facilities granted to the Group.

The interest rates and maturity period of the fixed deposits of the Group and of the Company at the balance sheet date were 2.0% to 2.1% (2008 - 2.9% to 3.0%) per annum and 1 month to 3 months (2008 - 7 days to 3 months) respectively.

### 15. CASH AND BANK BALANCES WITH LICENSED BANKS AND OTHER FINANCIAL INSTITUTION

The foreign currency profile of the bank balances is as follows:-

	THE GROUP		THE COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
Singapore Dollar	132,431	199,522	75,399	-
United States Dollar	1,294,280	101,763	475,143	-

### 16. SHARE CAPITAL

	THE COMPANY		2009 RM	2008 RM
	2009 NUMBER OF SHARES	2008 NUMBER OF SHARES		
<b>Authorised:</b> Ordinary shares of RM0.10 each:-				
At 1 January	250,000,000	25,000,000	25,000,000	2,500,000
Increase during the financial year	-	225,000,000	-	22,500,000
At 31 December	250,000,000	250,000,000	25,000,000	25,000,000

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### 16. SHARE CAPITAL (CONT'D)

	THE COMPANY			
	2009 NUMBER OF SHARES	2008 NUMBER OF SHARES	2009 RM	2008 RM
<b>Issued And Fully Paid:</b>				
Ordinary shares of RM0.10 each:-				
At 1 January	149,390,500	200	14,939,050	20
Shares issued pursuant to:				
- settlement of advances	-	20,414,820	-	2,041,482
- acquisition of subsidiaries	-	103,975,480	-	10,397,548
- public issue	-	25,000,000	-	2,500,000
	-	149,390,300	-	14,939,030
At 31 December	149,390,500	149,390,500	14,939,050	14,939,050

### 17. SHARE PREMIUM

	THE GROUP AND THE COMPANY	
	2009 RM	2008 RM
At 1 January	3,520,345	-
Premium arising from public issue	-	5,500,000
Less: Listing expenses	-	(1,979,655)
	-	3,520,345
At 31 December	3,520,345	3,520,345

The share premium account is not distributable by way of cash dividends but may be utilised in the manner set out in Section 60(3) of the Companies Act 1965 in Malaysia.

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

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### 18. MERGER DEFICIT

The merger deficit relates to the difference between the nominal value of shares issued for the purchase of subsidiaries and the nominal value of the shares acquired.

### 19. RETAINED PROFITS

Subject to agreement with the tax authorities, at the balance sheet date, the Company has:-

- (i) tax-exempt income account of approximately RM2,480,000 (2008 - RM3,200,000) available for the purpose of paying tax-exempt dividends; and
- (ii) sufficient tax credits under Section 108 of the Income Tax Act, 1967 to frank the payment of dividends amounting to approximately RM1,190,000 (2008 - RM1,130,000) out of its retained profits at the balance sheet date without incurring further tax liabilities.

The balance of the retained profits if distributed as dividends, will incur additional tax payments.

At the balance sheet date, the Company has not elected for the single tier tax system. When the tax credit balance is fully utilised, or by 31 December 2013 at the latest, the Company will automatically move to the single tier tax system. Under the single tier tax system, tax on the Company's profits is a final tax, and dividends distributed to the shareholders will be exempted from tax.

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

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### 20. HIRE PURCHASE PAYABLES

	THE GROUP	
	2009 RM	2008 RM
Minimum hire purchase payments:		
- not later than one year	129,052	135,972
- later than one year and not later than five years	309,798	438,851
	<hr/>	<hr/>
	438,850	574,823
Less: Future finance charges	46,250	74,426
	<hr/>	<hr/>
Present value of hire purchase payables	392,600	500,397
	<hr/>	<hr/>
Current:		
- not later than one year	108,160	107,796
Non-current:		
- later than one year and not later than five years	284,440	392,601
	<hr/>	<hr/>
	392,600	500,397
	<hr/>	<hr/>

The hire purchase payables bore effective interest rates ranging from 4.94% to 6.16% (2008 - 4.94% to 6.16%) per annum at the balance sheet date.

### 21. BILLS PAYABLE AND TERM LOANS

The effective interest rates at the balance sheet date are as follows:-

	THE GROUP AND THE COMPANY	
	2009	2008
	%	%
	per annum	per annum
Bills payable	3.64	3.72
Term loans	6.35	7.56
	<hr/>	<hr/>

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

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### 21. BILLS PAYABLE AND TERM LOANS (CONT'D)

The bills payable and term loans are secured as follows:-

- (a) by a pledge of the fixed deposits belonging to a subsidiary of the Company;
- (b) by a subordination of advances from the directors of the Company;
- (c) by the joint and several guarantees executed by certain directors of the Company;
- (d) by a legal charge over the properties belonging to a subsidiary of the Company;  
and
- (e) by a negative pledge.

	THE GROUP	
	2009 RM	2008 RM
Details of the term loans outstanding are as follows:-		
Current portion:		
- repayable within one year	514,318	431,738
Non-current portion:		
- repayable between one to two years	531,167	462,799
- repayable between two to five years	1,322,902	1,282,691
- repayable after five years	1,811,321	2,468,566
Total non-current portion	3,665,390	4,214,056
	<u>4,179,708</u>	<u>4,645,794</u>

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

### 21. BILLS PAYABLE AND TERM LOANS (CONT'D)

Details of the repayment terms of the term loans outstanding are as follows:-

	Number of Monthly Instalments	Monthly Instalment Amount RM	Date of Commencement of Repayment	Amount Outstanding at the Balance Sheet Date	
				2009 RM	2008 RM
Term loan 1	120	11,819	August 2002	301,313	406,401
Term loan 2	180	9,117	February 2007	799,214	857,008
Term loan 3	120	16,377	July 2007	1,072,132	1,203,015
Term loan 4	120	24,069	April 2008	2,007,049	2,179,370
				<u>4,179,708</u>	<u>4,645,794</u>

### 22. DEFERRED TAXATION

	THE GROUP		THE COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
At 1 January	424,000	224,000	11,000	6,000
Transfer from income statement (Note 28)	<u>28,492</u>	<u>200,000</u>	<u>24,492</u>	<u>5,000</u>
At 31 December	<u>452,492</u>	<u>424,000</u>	<u>35,492</u>	<u>11,000</u>

The components of the deferred tax liabilities are as follows:-

	THE GROUP		THE COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
Product development expenditure	291,000	274,000	-	-
Accelerated capital allowances	<u>161,492</u>	<u>150,000</u>	<u>35,492</u>	<u>11,000</u>
	<u>452,492</u>	<u>424,000</u>	<u>35,492</u>	<u>11,000</u>

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

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### 23. TRADE PAYABLES

The normal credit terms granted to the Group range from 30 days to 90 days.

The foreign currency profile of trade payables is as follows:-

	THE GROUP	
	2009 RM	2008 RM
United States Dollar	<u>4,019,546</u>	<u>2,736,047</u>

### 24. AMOUNT OWING TO DIRECTORS

The amounts owing are unsecured, interest-free and repayable upon demand. The amount owing is to be settled in cash.

### 25. NET ASSETS PER SHARE

The net assets per share of the Group is calculated based on the net assets value of RM24,028,154 (2008 - RM24,067,634) divided by the number of ordinary shares in issue at the balance sheet date of 149,390,500 (2008 - 149,390,500).

### 26. REVENUE

Revenue represents the invoiced value of goods sold less returns and discounts.

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

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### 27. PROFIT BEFORE TAXATION

This is arrived at after charging/(crediting):-

	THE GROUP		THE COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
Amortisation of product development expenditure	176,086	25,496	-	-
Audit fee:				
- current financial year	32,400	27,600	14,000	12,000
- overprovision in previous financial year	-	(600)	-	-
Depreciation of property, plant and equipment	492,568	417,422	105,421	35,055
Directors' remuneration:				
- fee	66,000	18,750	63,000	15,750
- other emoluments	1,150,677	1,113,342	-	-
Interest expense:				
- bank overdraft	125	80	-	-
- bills payable	94,104	135,196	29,987	36,282
- hire purchase	28,176	7,123	-	-
- letter of credit	13,340	-	13,340	-
- term loans	257,634	263,011	-	-
- overdue	-	24,610	-	24,610
Rental of office equipment	6,780	6,780	-	-
Rental of premises	-	-	45,600	45,600
Staff costs	2,343,797	2,291,743	586,249	428,845
Gain on disposal of plant and equipment	(2,397)	-	-	-
Gain on foreign exchange	(104,701)	(31,900)	(5,366)	(30,257)
Interest income	(113,671)	(95,040)	(62,224)	(26,469)

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

### 28. TAXATION

	THE GROUP		THE COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
<u>Current tax</u>				
Current financial year	182,000	216,114	130,000	153,114
(Over)/Underprovision in previous financial year	(84,468)	(157,633)	(33,783)	8,686
	97,532	58,481	96,217	161,800
<u>Deferred tax expense</u> (Note 22)				
Current financial year	85,492	36,000	24,492	5,000
(Over)/Underprovision in previous financial year	(57,000)	164,000	-	-
	28,492	200,000	24,492	5,000
Tax expense for the financial year	126,024	258,481	120,709	166,800

The Company was awarded the pioneer status incentive under the Promotion of Investments Act 1986 by the Minister of International Trade and Industry on 3 November 2008. Accordingly, the Company is granted exemption from taxation in respect of 70% of its statutory income derived from the production of animal feed supplement for a period of 5 years from 1 January 2007. The balance of the 30% of the statutory income is subjected to tax at the prevailing tax rate.

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

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### 28. TAXATION (CONT'D)

A reconciliation of income tax expense applicable to the profit before taxation at the statutory tax rate to income tax expense at the effective tax rate of the Group and of the Company is as follows:-

	THE GROUP		THE COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
Profit before taxation	<u>1,879,230</u>	<u>2,153,203</u>	<u>1,641,450</u>	<u>1,974,590</u>
Tax at the statutory tax rate of 25% (2008 - 26%)	469,807	559,833	410,363	513,000
Tax effects of:-				
Non-deductible expenses	64,685	49,281	11,129	2,114
Tax exemption arising from pioneer status	(267,000)	(357,000)	(267,000)	(357,000)
(Over)/Underprovision in previous financial year:				
- current tax	(84,468)	(157,633)	(33,783)	8,686
- deferred tax	(57,000)	164,000	-	-
Tax expense for the financial year	<u>126,024</u>	<u>258,481</u>	<u>120,709</u>	<u>166,800</u>

During the current financial year, the statutory tax rate was reduced from 26% to 25%.

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### 29. EARNINGS PER SHARE

The basic earnings per share for the financial year has been calculated by dividing the consolidated profit attributable to the equity holders of the Company of RM1,753,206 (2008 - RM1,894,722) over the weighted average number of ordinary shares in issue during the financial year of 149,390,500 (2008 - 130,691,870).

There is no diluted earnings per share for the current financial year as there are no potential dilutive ordinary shares.

### 30. DIVIDEND

	THE GROUP		THE COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
Paid:-				
Final tax-exempt dividend of RM0.012 per ordinary share in respect of the previous financial year	<u>1,792,686</u>	<u>-</u>	<u>1,792,686</u>	<u>-</u>

### 31. CASH AND CASH EQUIVALENTS

For the purpose of the cash flow statements, cash and cash equivalents comprise the following:-

	THE GROUP		THE COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
Fixed deposits with licensed banks (Note 14)	5,248,922	5,159,192	3,040,345	3,001,640
Cash and bank balances with licensed banks and other financial institution	<u>4,791,325</u>	<u>3,827,842</u>	<u>1,704,104</u>	<u>2,468,327</u>
	<u>10,040,247</u>	<u>8,987,034</u>	<u>4,744,449</u>	<u>5,469,967</u>

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### 32. SUMMARY OF EFFECTS OF ACQUISITION OF A SUBSIDIARY

During the financial year, the Group subscribed 100,000 ordinary shares of USD 1 each representing a 100% equity interest of PT. Sunzen Indonesia.

The acquired subsidiary has contributed the following results to the Group:-

	THE GROUP	
	2009 RM	2008 RM
Decrease in the Group's profit attributable to shareholders	<u>(47,294)</u>	<u>(57,958)</u>

### 33. DIRECTORS' REMUNERATION

The aggregate amount of emoluments received and receivable by the directors of the Group and of the Company during the financial year was as follows:-

THE GROUP 2009	NO. OF DIRECTORS	SALARIES AND BONUS RM	EPF & SOCSO RM	FEES RM	TOTAL RM
Executive					
- Between RM250,001 and RM300,000	3	714,308	107,783	2,000	824,091
- Between RM300,001 and RM350,000	1	285,723	42,863	1,000	329,586
	4	1,000,031	150,646	3,000	1,153,677
Non-Executive					
- Less than or equal to RM50,000	3	-	-	63,000	63,000
	7	1,003,031	150,646	66,000	1,216,677

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

### 33. DIRECTORS' REMUNERATION (CONT'D)

THE GROUP 2008	NO. OF DIRECTORS	SALARIES AND BONUS RM	EPF & SOCSSO RM	FEES RM	TOTAL RM
Executive					
- Between RM250,001 and RM300,000	3	686,903	103,463	2,000	792,366
- Between RM300,001 and RM350,000	1	280,665	42,311	1,000	323,976
	4	967,568	145,774	3,000	1,116,342
Non-Executive					
- Less than or equal to RM50,000	3	-	-	15,750	15,750
	7	967,568	145,774	18,750	1,132,092
THE COMPANY 2009	NO. OF DIRECTORS	SALARIES AND BONUS RM	EPF & SOCSSO RM	FEES RM	TOTAL RM
Non-Executive					
- Less than or equal to RM50,000	3	-	-	63,000	63,000
2008					
Non-Executive					
- Less than or equal to RM50,000	3	-	-	15,750	15,750

### 34. RELATED PARTY DISCLOSURES

(a) Identities of related parties:-

- (i) the Company has related party relationships with subsidiaries; and
- (ii) the directors who are the key management personnel.

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

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### 35. FOREIGN CURRENCY RATES

The applicable foreign exchange rates used (expressed on the basis of one unit of foreign currency to RM equivalent) for the translation of foreign currency balances at the balance sheet date were as follows:-

	THE GROUP AND THE COMPANY	
	2009	2008
	RM	RM
Indonesia Rupiah	0.0004	0.0004
Singapore Dollar	2.44	2.41
United States Dollar	3.43	3.47

### 36. SEGMENTAL INFORMATION

As the principal activity of the Group is manufacturing and trading in animal health products and its operations are principally located in Malaysia, no segmental analysis is provided.

### 37. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

During the financial year, the Group subscribed 100,000 ordinary shares of USD 1 each representing a 100% equity interest of PT. Sunzen Indonesia for a total consideration of RM390,705.

### 38. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

Fair value is defined as the amount at which the financial instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced sale or liquidation.

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

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### 38. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONT'D)

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:-

**(a) Hire Purchase Obligations**

The carrying amounts approximated the fair values of the instruments. The fair values of hire purchase payables are determined by discounting the relevant cash flows using current interest rates for similar types of instruments.

**(b) Cash And Cash Equivalents, Receivables And Payables**

The carrying amounts approximated their fair values due to the relatively short-term maturity of these financial instruments.

**(c) Non-Current Liabilities**

The carrying amounts of the Group's borrowings, which are mainly variable rate borrowings, are considered to be a reasonable estimate of the fair values as the borrowings will be repriced immediately in the event of any changes to the market interest rates.

**(d) Short-Term Borrowings And Other Current Liabilities**

The carrying amounts approximate their fair values due to the relatively short-term maturity of these financial instruments.

The carrying values of all other financial assets and liabilities are not materially different from their fair values.