

Sunzen Biotech Berhad  
(680889-W)

ANNUAL  
REPORT  
2014

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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

**Tan Sri Haji Musa Bin Tan Sri Haji Hassan**  
*Senior Independent Non-Executive Chairman*

**Hong Choon Hau**  
*Executive Director  
Chief Executive Officer*

**Lim Eng Chai**  
*Executive Director  
Chief Operating Officer*

**Dr. Kok Poe Chu**  
*Executive Director  
Chief R&D Officer*

**Dato' Dr. Mhd Nordin Bin Mohd Nor**  
*Independent Non-Executive Director*

**Khoo Kien Hoe**  
*Independent Non-Executive Director*

### AUDIT COMMITTEE

**Khoo Kien Hoe**  
*Chairman*

**Tan Sri Haji Musa Bin Tan Sri Haji Hassan**  
*Member*

**Dato' Dr. Mhd Nordin Bin Mohd Nor**  
*Member*

### NOMINATION COMMITTEE

**Tan Sri Haji Musa Bin Tan Sri Haji Hassan**  
*Chairman*

**Dato' Dr. Mhd Nordin Bin Mohd Nor**  
*Member*

**Khoo Kien Hoe**  
*Member*

### REMUNERATION COMMITTEE

**Tan Sri Haji Musa Bin Tan Sri Haji Hassan**  
*Chairman*

**Dr. Kok Poe Chu**  
*Member*

**Khoo Kien Hoe**  
*Member*

### PRINCIPAL BANKER

Malayan Banking Berhad

### COMPANY SECRETARIES

**Lim Lee Kuan (MAICSA 7017753)**  
**Teo Mee Hui (MAICSA 7050642)**

### REGISTERED OFFICE

10<sup>th</sup> Floor, Menara Hap Seng  
No. 1 & 3, Jalan P. Ramlee  
50250 Kuala Lumpur  
Tel : 03-2382 4288  
Fax : 03-2382 4170

### SHARE REGISTRAR

Symphony Share Registrars Sdn. Bhd.  
Level 6 Symphony House  
Block D13, Pusat Dagangan Dana 1  
Jalan PJU 1A/46  
47301 Petaling Jaya  
Selangor Darul Ehsan  
Tel : 03-7841 8000  
Fax : 03-7841 8151/52

### AUDITORS

Ecovis AHL PLT (AF 001825)  
Chartered Accountants  
No. 9-3, Jalan 109F  
Plaza Danau 2  
Taman Danau Desa  
58100 Kuala Lumpur

### STOCK EXCHANGE LISTING

ACE Market of Bursa Malaysia  
Securities Berhad  
Stock Name : SUNZEN  
Stock Code : 0148 (shares)  
0148WA (warrants)

## CORPORATE STRUCTURE

(as at 21 May 2015)



**Sunzen Biotech Berhad**  
(680889-W)



## DIRECTORS' PROFILE

### TAN SRI HAJI MUSA BIN TAN SRI HAJI HASSAN

*(Senior Independent Non-Executive  
Chairman)*

Tan Sri Haji Musa Bin Tan Sri Haji Hassan, a Malaysian, aged 63, was appointed to the Board as an Independent Non-Executive Chairman on 21 July 2014. He is also the Chairman of the Remuneration Committee and Nomination Committee, and a member of the Audit Committee. He was identified as the Senior Independent Non-Executive Director on 25 November 2014.

Tan Sri Haji Musa served as an Inspector General of Police from 2006 to 2010, Deputy Inspector General of Police from 2005 to 2006, Director of Criminal Investigation Department since 2004, Chief Police Officer of Johore from 2003 to 2004, Deputy Director CID from 2001 to 2003, Deputy Director CID II from 2000 to 2001, Head of Legal Section CID from 1995 to 2000, Head of Police Law Examination Syndicate from 1991 to 1995, Law Lecturer and Head of Law School at Police College from 1986 to 1991, Intel and Ops Officer Drug Enforcement Branch Bkt Aman from 1975 to 1986, Investigation Officer & Area Inspector Alor Gajah Malacca from 1973 to 1975 and Investigation & Prosecution Officer in Malacca from 1970 to 1973.

At present, he is being invited to lecture and give talks at various universities in Malaysia and also Government Departments pertaining to security development in Malaysia, leadership, management and integrity.

He holds School Certificate and Malaysian Certificate of Education in 1968, Diploma in Law, University College of Wales Aberystwyth, United Kingdom in 1985, Ijazah Kehormat Doktor Falsafah (Pengurusan Teknologi) in 2010 and Advanced Management Program Templeton College University Oxford, United Kingdom in 2002.

He does not have any family relationship with any Director and/ or major shareholder of the Company, nor does he have any conflict of interest with the Company. He has not been convicted of offences within the past ten (10) years other than traffic offences.

He has attended one (1) Board of Directors' Meeting of the Company held during the financial year ended 31 December 2014.

He does not hold any directorship in other public companies.

### HONG CHOON HAU

*(Executive Director/  
Chief Executive Officer)*

Mr Hong Choon Hau, a Malaysian, aged 38, was first appointed to the Board as an Independent Non-Executive Director on 1 July 2014, and was subsequently re-designated to Executive Director on 21 July 2014. He was appointed as the Chief Executive Officer on 21 July 2014.

He holds a Diploma in Computer Science/ Information Technology.

Mr Hong holds many positions with years of experience in corporate companies and has been practicing good reputation in corporate finance and ICT industry. He was an Executive Director of MBI Mobile Marketing from 2011 to 2012, and an Executive Director of Gameview Sdn. Bhd. from 2012 to 2013. Currently, he is a Director of Play4fun Sdn. Bhd. and a Group Executive Director and Financial Controller for Myworld Holdings Berhad.

He does not have any family relationship with any Director and/ or major shareholder of the Company, nor does he have any conflict of interest with the Company. He has not been convicted of offences within the past ten (10) years other than traffic offences.

He has attended two (2) Board of Directors' Meetings of the Company held during the financial year ended 31 December 2014.

## DIRECTORS' PROFILE (Cont'd)

### LIM ENG CHAI

*(Executive Director/  
Chief Operating Officer)*

Mr Lim Eng Chai, a Malaysian, aged 44, was first appointed to the Board as an Independent Non-Executive Director on 1 July 2014, and was subsequently re-designated to Executive Director on 21 July 2014. He was appointed as the Chief Operating Officer on 21 July 2014.

Mr Lim holds a Diploma in Art & Design. He has been a Director of Excelcity Hi-Tech Sdn. Bhd. since 2004 and a Director of Angsana Edar Sdn. Bhd. and Angsana Venture Sdn. Bhd. since 2012. He was also appointed as a Chief Operating Officer of Ninetology (Southern) Sdn. Bhd. in 2014.

He does not have any family relationship with any Director and/ or major shareholder of the Company, nor does he have any conflict of interest with the Company. He has not been convicted of offences within the past ten (10) years other than traffic offences.

He has attended two (2) Board of Directors' Meetings of the Company held during the financial year ended 31 December 2014.

He does not hold any directorship in other public companies.

### DR. KOK POE CHU

*(Executive Director/  
Chief R&D Officer)*

Dr. Kok Poe Chu, a Malaysian, aged 54, is a co-founder of the Company. He was appointed to the Board as an Executive Director on 25 April 2008. He is also a member of the Remuneration Committee. He is responsible for Research and Development.

He holds a Doctor of Veterinary Medicine degree from University Putra Malaysia in 1987.

Dr. Kok has twenty seven (27) years of industry experience. He has worked for Gold Coin Feedmills (Singapore) Pte. Ltd. in Singapore and Ciba-Geigy Sdn. Bhd. dealing in livestock farming and animal nutrition. He was the Regional Product Manager for Pfizer Asean region from 1993 to 1997. In 1998, Dr. Kok together with other colleagues established Sunzen Corporation Sdn. Bhd. ("Sunzen Corporation") to undertake a management buy out of Pfizer's local distribution and marketing operations. Dr. Kok was then appointed as a Director of Sunzen Corporation since its inception.

Dr. Kok was a member of the Malaysia Veterinary Council from 1997 to 2000. He held the post of Honorary Treasurer for the Veterinary Association of Malaysia in 1998 and was a volunteer veterinary officer of the National Nipah Virus Eradication Campaign for the DVS of the Ministry of Agriculture in 1999.

Dr. Kok is currently an adviser to the Technical Advisory Committee of the Federal Livestock Farmers Association of Malaysia.

Dr. Kok was awarded the Cochrane Scholarship by the United States government to study biotechnology developments in the field of food animal production in July 2005.

In 2007, Dr. Kok was awarded the "Excellence Veterinarian Award 2007" by Veterinary Association of Malaysia for his outstanding contribution to the veterinary profession.

In 2011, Dr. Kok was invited as an expert panel by Agensi Inovasi Malaysia.

He does not have any family relationship with any Director and/ or major shareholder of the Company, nor does he have any conflict of interest with the Company. He has not been convicted of offences within the past ten (10) years other than traffic offences.

He has attended six (6) Board of Directors' Meetings of the Company held during the financial year ended 31 December 2014.

He does not hold any directorship in other public companies.

## DIRECTORS' PROFILE (Cont'd)

### DATO' DR. MHD NORDIN BIN MOHD NOR

*(Independent Non-Executive Director)*

Dato' Dr. Mhd Nordin Bin Mohd Nor, a Malaysian, aged 68, was appointed to the Board as an Independent Non-Executive Director on 25 April 2008. He is also a member of the Nomination Committee and Audit Committee.

He graduated with a Bachelor in Veterinary Science from University of Queensland, Australia.

Upon graduation, Dato' Dr. Mhd Nordin joined the Department of Agriculture in Adelaide, South Australia as a veterinary officer from 1971 to 1972. He later joined the DVS in Malaysia in 1972 where he started as a veterinary officer and retired as the Director General of DVS in 2002. Presently, he is an adviser to Prima Export Foods Sdn. Bhd.

He is a Director of Dutch Lady Milk Industries Berhad and the Chairman of the Malaysian National Animal Welfare Foundation and Patron of the Malaysia Feline Society. He is also a member of the Veterinary Association of Malaysia.

He does not have any family relationship with any Director and/ or major shareholder of the Company, nor does he have any conflict of interest with the Company. He has not been convicted of offences within the past ten (10) years other than traffic offences.

He has attended five (5) Board of Directors' Meetings of the Company held during the financial year ended 31 December 2014.

### KHOO KIEN HOE

*(Independent Non-Executive Director)*

Mr Khoo Kien Hoe, a Malaysian, aged 44, was appointed to the Board as an Independent Non-Executive Director on 22 July 2014. He is also the Chairman of the Audit Committee and a member of the Remuneration Committee and Nomination Committee.

He graduated with a Diploma in Commerce (Financial Accounting) from TAR College in 1995, and obtained a professional qualification in accounting from the Association of Certified Chartered Accountants ("ACCA"). He is the fellow member of ACCA and a member of Malaysia Institute of Accountants.

Mr Khoo served as Audit Senior at Peter Chong & Co. from December 1995 to March 1997, and Audit Senior at KPMG from April 1997 to January 2000. He was a Finance Manager at Ins Enterprise Sdn. Bhd. from 2001 to 2003. Currently, he is a Managing Director of Bizguide Corporate Services Sdn. Bhd.

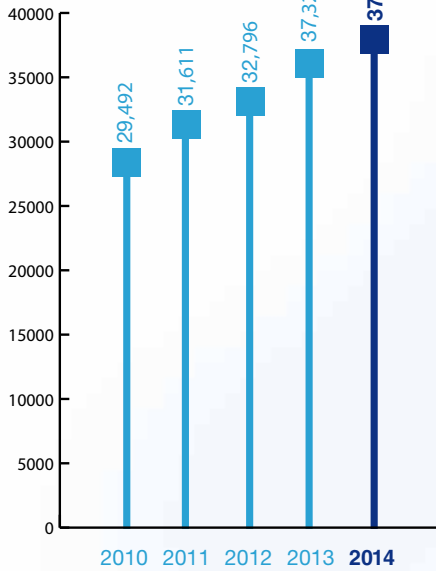
He does not have any family relationship with any Director and/ or major shareholder of the Company, nor does he have any conflict of interest with the Company. He has not been convicted of offences within the past ten (10) years other than traffic offences.

He has attended two (2) Board of Directors' Meetings of the Company held during the financial year ended 31 December 2014.

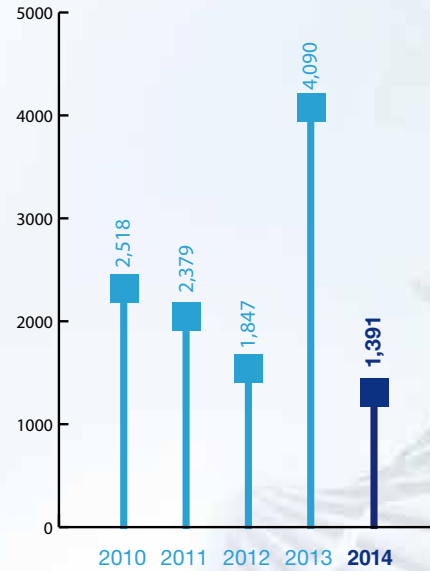
He does not hold any directorship in other public companies.

## 5-YEAR FINANCIAL HIGHLIGHTS

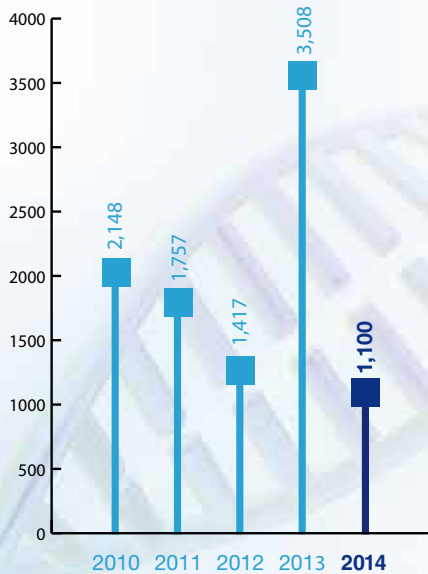
REVENUE  
(RM'000)



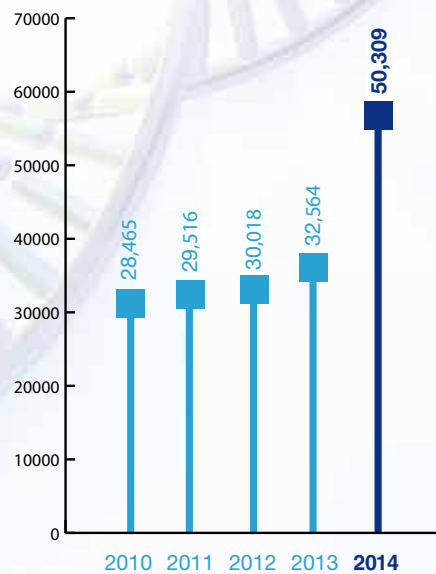
PROFIT BEFORE TAXATION  
(RM'000)



PROFIT AFTER TAXATION  
(RM'000)



TOTAL SHAREHOLDERS' EQUITY  
(RM'000)



YEAR ENDED 31 DECEMBER	2010 (RM'000)	2011 (RM'000)	2012 (RM'000)	2013 (RM'000)	2014 (RM'000)
REVENUE	29,492	31,611	32,796	37,326	37,339
PROFIT BEFORE TAXATION	2,518	2,379	1,847	4,090	1,391
PROFIT AFTER TAXATION	2,148	1,757	1,417	3,508	1,100
TOTAL SHAREHOLDERS' EQUITY	28,465	29,516	30,018	32,564	50,309



# CHAIRMAN'S STATEMENT

## Dear Valued Shareholder,

On behalf of the Board of Directors ("Board"), I am pleased to present the Annual Report and Financial Statements of Sunzen Biotech Berhad ("Sunzen" or "the Company") for the financial year ended 31 December 2014.

### FINANCIAL REVIEW

For the financial year ended 31 December 2014, the Group presented the following highlights of the financial results:-

- Group revenue of RM37.34 million
- Profit before taxation of RM1.39 million
- Net earnings of RM1.10 million
- Basic earnings per share of 0.7 sen

The Group's revenue increased marginally by 0.03% (2013: RM37.33 million), net earnings dipped by 68.66% due to provision for impairment of inventories and provision for write off of receivables. Overseas markets accounted for 26.34% of the Group's total revenue with key countries namely Vietnam, Singapore, Philippines, China, Iran and Thailand.

### INDUSTRY REVIEW

Animal health market includes pharmaceuticals, vaccines and medicinal feed additives. Pharmaceuticals contribute significantly to the health and well-being of food-producing and companion animals. Food producing animals are the species that provide animal protein including cattle (both beef and dairy), swine, poultry, sheep and fish. The Increasing global consumption of meat and milk is escalating the demand for the animal healthcare market. Whereas companion animals are the animals that are kept by people for companionship, protection and enjoyment such as dogs, cats, and horses among others. However, increasing trend of pet adoption is driving the market for animal healthcare.

Economic development and the corresponding increases in the disposable income, particularly in the emerging markets of India, China, Indonesia, Thailand, Malaysia, and Taiwan; increasing pet ownership; rising demand for improved nutrition, mainly animal protein; intensifying consumer focus on food safety and the escalating need for greater livestock production efficiency are among the major factors driving the animal health market. The market is projected to further grow in years to come and become more specialised due to economic, social and demographic trends.

Restrictions imposed by regulatory authorities has been affecting antibiotic sales in the animal healthcare market, but it also created a new vision of the production of non-antibiotic animal health products to enhanced the safety and health of producing food.

Declining veterinarian population is a major concern area for the animal healthcare market. We hope that the industry to actively cultivate more industry talents, and provide

incentives to encourage more investment in new blood to become excellent veterinary.

### PROSPECT

In August 2014, a group of experienced corporate figures undertook an equity takeover exercise on Sunzen, consequently emerged as its new substantial shareholders and directors, bringing Sunzen to the new milestone. The strategies of the new management team, will focus on the strengthening of Sunzen's professional management, a strong professional team formed by veterinarian, who will be involved in research and development, market support and professional consultation services. Meanwhile, the management, administration and business operations will be taken care by professional. At the same time, Sunzen adopted dual marketing strategies of its in house green products and agent products, to cater the market demand, expand its existing business rapidly, and increase market share.

The new management is not only strengthening its original brand quality and reputation, but also putting in more efforts in the research and development work, to promote its new products in the local market and overseas market. At the same time, marketing and promotional works will also be strengthened, in a move to expand its existing sales networks gradually. At the moment, we have successfully made the brand name of Sunzen to penetrate into the major farm animal markets.

We believe, successful efforts to exploit the growing importance of complex interactions could well generate durable competitive advantages.

### ACKNOWLEDGEMENT

I would like to extend my sincere appreciation to fellow Board members, the management and staff for their commitment and support towards the growth of the Company.

I have also not forgotten our shareholders, financiers, business associates, institutional researchers and the regulatory authorities for their continued support and confidence in our Company.

Thank you.

Tan Sri Haji Musa Bin Tan Sri Haji Hassan  
Chairman

# AUDIT COMMITTEE REPORT

The Board is pleased to present the Audit Committee Report for the financial year ended 31 December 2014. The Audit Committee ("AC") conducted five (5) meetings during the financial year. The composition and details of the attendance of the AC members are set out as follows:

## COMPOSITION OF THE AC

Name	Attendance
<i>Chairman</i>	
Khoo Kien Hoe (appointed on 22 July 2014) (Independent Non-Executive Director)	2/2
S. Gunaseharan A/L P. Subramaniam (resigned on 21 July 2014) (Senior Independent Non-Executive Director)	3/3
<i>Members</i>	
Tan Sri Haji Musa Bin Tan Sri Haji Hassan (appointed on 22 July 2014) (Senior Independent Non-Executive Chairman)	1/2
Dato' Dr. Mhd Nordin Bin Mohd Nor (Independent Non-Executive Director)	4/5
Emeritus Professor Dato' Dr. Omar @ S. Omar Bin Abdul Rahman (resigned on 22 July 2014) (Independent Non-Executive Director)	3/3

## TERMS OF REFERENCE

The AC is governed by the following terms of reference:

### 1. Composition

The Committee shall be appointed by the Board from among the Directors of the Company (except alternate director) and shall consist of not fewer than three (3) members. All the AC members must be Non-Executive Directors with a majority of whom shall be Independent Directors and at least one (1) member must be a member of the Malaysian Institute of Accountants or possess such other qualifications and/or experience as approved by Bursa Malaysia Securities Berhad ("Bursa Securities").

In the event of any vacancy resulting that the number of members below three, the vacancy shall be filled within two (2) months but in any case not later than three (3) months. Therefore, a member of the AC who wishes to retire or resign should provide sufficient written notice to the Company so that a replacement may be appointed before he leaves.

The Board must review the term of office and performance of the AC and each of its members at least once every three (3) years to determine whether the AC and its members have carried out their duties in accordance with their terms of reference.

### 2. Chairman

The Chairman shall be elected by the AC from among their members who shall be an Independent Non-Executive Director.

### 3. Meetings

The AC shall meet at least four (4) times in each financial year. The quorum for a meeting shall be two (2) members, provided that the majority of members present at the meeting shall be independent.

The AC may call for a meeting as and when required with reasonable notice as the AC members deem fit. The AC members may participate in a meeting by electronics means of which all persons participating in the meeting can hear each other. Such participation in a meeting shall constitute presence in person at such meeting.

## AUDIT COMMITTEE REPORT (Cont'd)

### 3. Meetings (Cont'd)

All decisions at such meeting shall be decided on a show of hands on a majority of votes.

The internal auditors and the external auditors may appear at any meeting at the invitation of the AC and shall appear before the AC when required to do so by the AC. The internal auditors and the external auditors may also request a meeting if they consider it is necessary.

### 4. Rights

The AC shall:

- (a) have authority to investigate any matter within its terms of reference;
- (b) have the resources which are required to perform its duties;
- (c) have full and unrestricted access to any information pertaining to the Group;
- (d) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;
- (e) have the right to obtain independent professional or other advice at the Company's expense;
- (f) have the right to convene meetings with the internal auditors and the external auditors, excluding the attendance of the other directors or employees of the Group, whenever deemed necessary;
- (g) promptly report to Bursa Securities, or such other name(s) as may be adopted by Bursa Securities, matters which have not been satisfactorily resolved by the Board resulting in non-compliance of the listing requirements;
- (h) have the right to pass resolutions by a simple majority vote from the AC and that the Chairman shall have the casting vote should a tie arise;
- (i) meet as and when required on a reasonable notice; and
- (j) the Chairman shall call for a meeting upon the request of the internal and the external auditors.

### 5. Duties and responsibilities

The AC shall carry out the following key matters in accordance with its terms of reference:

- (a) To review the adequacy and effectiveness of the Company's risk management process and recommend such measures to the Board;
- (b) To evaluate the quality and effectiveness of the Company's internal control system and management information system, including compliance with the applicable rules and regulations;
- (c) To review the quarterly results and annual financial statements before recommending to the Board for approval and release to Bursa Securities;
- (d) To review with the external auditors on the nature and scope of the audit plan, evaluation of accounting policies and system of internal accounting controls within the Group, audit reports and the assistance given by the officers of the Company to the external auditors;
- (e) To review the adequacy of the scope, functions, competency, and resources of the internal audit function, and the internal audit programme and results of the internal audit processes or investigation undertaken to ensure that appropriate actions are taken on the recommendations of the internal audit functions;
- (f) To review any related party transactions and conflict of interest situations that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity;
- (g) To review and report to the Board of the state of the systems of internal control of the Group; and
- (h) To review the appointment, resignation, conduct and audit plans of the internal and external auditors.

### SUMMARY OF ACTIVITIES OF THE AC

The activities undertaken by the AC during the financial year were summarised as follows:

- (a) Reviewed the unaudited quarterly financial results, cash flows and financial positions for each financial quarter prior to submission to the Board for consideration and approval for announcement to the public;
- (b) Reviewed the external auditors' audit review memorandum for the financial year ended 31 December 2013;
- (c) Reviewed the external auditors' audit planning memorandum for the financial year ended 31 December 2014;
- (d) Reviewed the annual audited financial statement, Directors' and Auditors' Reports and other significant accounting issues arising from the financial year ended 31 December 2013 audit;

## AUDIT COMMITTEE REPORT (Cont'd)

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### SUMMARY OF ACTIVITIES OF THE AC (CONT'D)

- (e) Reviewed the internal audit plan and reports presented by the internal auditors;
- (f) Met with the external auditors without the presence of the Executive Directors and Management;
- (g) Reviewed the external auditors' suitability, resources, competency and independence and considered their re-appointment;
- (h) Reviewed and assessed the performance of services provided by the internal auditors and considered their re-appointment;
- (i) Reviewed the quarterly status of recurrent related party transactions; and
- (j) Reviewed the AC Report and Statement on Internal Control prior to submission to the Board for consideration and approval for inclusion in the annual report.

### INTERNAL AUDIT FUNCTION

The internal audit function was outsourced to an external service provider firm to assist the AC in discharging its duties and responsibilities in respect of reviewing the adequacy and effectiveness of the Group's risk management and internal control system.

During the financial year ended 31 December 2014, the internal audit carried out duties in areas covering internal controls review of inventory management, and review of risk management. The Internal Audit reports were issued to the AC regularly and tabled at the AC meetings. All audit findings are reported to the AC and areas of improvement and audit recommendations identified are communicated to Management for further action.

The cost incurred for the internal audit function in respect of the financial year ended 31 December 2014 was approximately RM15,900.

Further details of the Internal Audit Function are set out in the Statement on Risk Management and Internal Control on page 25 of the Annual Report 2014.

# STATEMENT ON CORPORATE GOVERNANCE

The Board of Sunzen is committed in cultivating a responsible organisation by instilling corporate conscience through excellence in corporate governance (“CG”) standards at all times, including accountability and transparency are observed throughout the Group as a fundamental part of building a sustainable business and discharging its responsibilities to protect and enhance shareholder value and financial performance of the Group. This statement provides an insight into the CG practices of the Company pursuant to the Principles and Recommendations as set out in the Malaysian Code on Corporate Governance 2012 (“MCCG 2012”).

## 1. Establish clear roles and responsibilities

### 1.1 Clear functions of the Board and those delegated to Management

The Board is responsible for formulating and reviewing the strategic plans and key policies of the Company, and charting the course of the Group’s business operations whilst providing effective oversight of Management’s performance, risk assessment and controls over business operations.

The Board delegates and confers some of its authorities and discretion on the Chairman, Executive Directors, and Management as well as on properly constituted Board Committees comprising mainly/exclusively Non-Executive Directors.

There is a clear division of responsibilities between the Chairman of the Board and the Chief Executive Officer (“CEO”). The Chairman ensures the smooth and effective functioning of the Board and leads strategic planning at the Board level. The CEO is responsible for the vision and strategic directions of the Group as well as initiating innovative ideas to create competitive edge and development of business and corporate strategies. He is assisted by the Chief Operating Officer and General Manager for implementing the policies and decisions of the Board and overseeing the day-to-day operations of the Group.

The role of Management is to support the Executive Directors and implement the running of the general operations and financial business of the Company, in accordance with the delegated authority of the Board.

The Board Committees made up of AC, Nomination Committee (“NC”) and Remuneration Committee (“RC”); and are entrusted with specific responsibilities to oversee the Group’s affairs, with authority to act on behalf of the Board in accordance with their respective Terms of Reference. The Chairman of the relevant Board Committees report to the Board on key issues deliberated by the Board Committees at their respective meetings.

The Non-Executive Directors are independent of Management. Their roles are to constructively challenge Management and monitor the success of Management in delivering the approved targets and business plans within the risk appetite set by the Board. They have free and open contact with Management at all levels, and they engage with the external and internal auditors to address matters concerning Management and oversight of the Company’s business and operations.

Key matters reserved for the Board’s approval include the business plan and budget, capital management and investment policies, authority limits/levels, risk management policies, declaration of dividends, business continuity plan, issuance of new securities, business restructuring, expenditure above a certain limit, material acquisitions and disposition of assets.

### 1.2 Clear roles and responsibilities in discharging fiduciary and leadership functions

The Board has discharged its responsibilities in the best interests of the Company. The following are among the key responsibilities of the Board:

(a) Reviewing and adopting the Company’s strategic plans

The Board has in place a strategy planning process, whereby the CEO presents to the Board its recommended strategy, together with the proposed business plans for the Board’s review and approval. The Board will deliberate both Management’s and its own perspectives, and challenge the Management’s views and assumptions to ensure the best outcome.

(b) Overseeing the conduct of the Company’s business

The CEO is responsible for the day-to-day management of the business and operations of the Group in respect of both its regulatory and commercial functions. He is supported by Management and the Executive Directors.

Management’s performance, under the leadership of CEO, is assessed by the Board through monitoring the success in delivering the approved targets and business plans against the performance of the Group.

# STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

## 1. Establish clear roles and responsibilities (Cont'd)

### 1.2 Clear roles and responsibilities in discharging fiduciary and leadership functions (Cont'd)

- (c) Identifying principal risks and ensuring the implementation of appropriate internal controls and mitigation measures

The AC, through guidance by the internal auditors, advises the Board on areas of high risk faced by the Group and the adequacy of compliance and control throughout the organisation. The AC reviews the action plan implemented and makes relevant recommendations to the Board to manage risks.

- (d) Succession Planning

The Board has entrusted the NC and RC with the responsibility to review candidates for the Board and key management positions and to determine remuneration packages for these appointments, and to formulate nomination, selection, remuneration and succession policies for the Group.

The NC also undertakes yearly evaluation of the performance of the Chief Financial Officer ("CFO"). The performance evaluation for the year 2014 of the CFO was reviewed by the NC in February 2014.

- (e) Overseeing the development and implementation of a shareholder communications policy for the Company

The Company strongly believes that effective and timely communication is essential in maintaining good relations with the shareholders, investors and investment community. To that end, the Board strives to provide shareholders and investors accurate, useful and timely information about the Company, its businesses and its activities via the timely release of quarterly financial results, press releases and announcements. Whilst the Company endeavours to provide as much information as possible, it is aware of the legal and regulatory framework governing the release of material and price sensitive information.

The Company has identified Tan Sri Haji Musa Bin Tan Sri Haji Hassan as the Senior Independent Non-Executive Director to whom concerns of shareholders and other stakeholders may be conveyed.

In addition to the above, shareholders and investors can make inquiries about investor relations matters with designated management personnel directly responsible for investor relations, via dedicated e-mail addresses available on the corporate website.

- (f) Reviewing the adequacy and integrity of management information and internal control systems of the Company

The Board is ultimately responsible for the adequacy and integrity of the Company's internal control systems. Details pertaining to the Company's internal control systems and the reviews of its effectiveness are set out in the Statement on Risk Management and Internal Control of this Annual Report.

### 1.3 Formalised ethical standards through Code of Ethics

The Group is committed to achieving and monitoring high standards pertaining to behaviour at work.

The Board is strictly adhered to the Company Directors' Code of Ethics established by the Companies Commission of Malaysia in discharging its oversight role effectively. The Code of Ethics require all Directors to observe high ethical business standards, and to apply these values to all aspects of the Group's business and professional practice and act in good faith in the best interests of the Group and its shareholders. A summary of the Code of Ethics has been published on the corporate website.

In addition, all employees are encouraged to report genuine concerns about unethical behaviour or malpractices. Any such concern should be raised with senior management, and an appropriate action will be taken by the Company. If for any reason, it is believed that this is not possible or appropriate, then the concern should be reported to the Senior Independent Non-Executive Director of the Company.

## STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

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### 1. Establish clear roles and responsibilities (Cont'd)

#### 1.4 Strategies promoting sustainability

The Board regularly reviews the strategic direction of the Company and the progress of the Company's operations, taking into account changes in the business and political environment and risk factors such as level of competition.

The Board promotes good corporate governance in the application of sustainability practices throughout the Company, the benefits of which are believed to translate into better corporate performance. Accordingly, the Company takes cognisance of the global environmental, social, governance and sustainability agenda.

The Company recognises the value of a diversified and skilled workforce and is committed to creating and maintaining an inclusive and collaborative workplace culture that will provide sustainability for the Company into the future. The Company is committed to leveraging the diverse backgrounds in terms of gender, ethnicity and age, experiences and perspectives of our workforce, to provide good customer service to an equally diverse customer base. The Company's commitment to recognising the importance of diversity extends to all areas of our business including recruitment, skills, enhancement, appointment to roles, retention of employees, succession planning and training and development.

#### 1.5 Access to information and advice

The Directors have individual and independent access to the advice and dedicated support services of the Company Secretaries in ensuring the effective functioning of the Board. The Directors may seek advice from Management on issues under their respective purview. The Directors may also interact directly with Management, or request further explanation, information or updates on any aspect of the Company's operations or business concerns from them.

In addition, the Board may seek independent professional advice at the Company's expense on specific issues to enable it to discharge its duties in relation to matters being deliberated.

#### 1.6 Qualified and competent company secretaries

The Board is regularly updated and apprised by the Company Secretary on new regulation issued by the regulatory authorities. The Company Secretary also serves notice to the Directors and Principal Officers to notify them of closed periods for trading in Sunzen securities.

The Company Secretary attends and ensures that all Board meetings are properly convened, and that accurate and proper records of the proceedings and resolutions passed are taken and maintained in the statutory register of the Company.

The Company Secretary works closely with Management to ensure that there are timely and appropriate information flows within and to the Board and Board Committees.

#### 1.7 Board Charter

In discharging its duties, the Board is constantly mindful of the need to safeguard the interests of the Group's stakeholders. In order to facilitate the effective discharge of its duties, the Board is guided by the Board Charter which was adopted on 22 November 2012 and the same has been published on the corporate website.

The Board Charter serves to ensure that all Board members acting on the Group's behalf are aware of their expanding roles and responsibilities. It sets out the strategic intent and specific responsibilities to be discharged by the Board members collectively and individually. It also regulates on how the Board conducts business in accordance with CG principles.

# STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

## 2.0 Strengthen Composition

### 2.1 NC

The NC comprises exclusively Independent Non-Executive Directors.

The NC is guided by specific terms of reference and the NC's duties are as follows:

- To recommend candidates for all directorships to be filled by shareholders or the Board;
- To recommend candidates to fill the seats on Board Committees;
- To assess the contribution of each individual Director;
- To review annually the Board structure, size, composition and the balance between Executive Directors, Non-Executive Directors and Independent Directors to ensure that the Board has the appropriate mix of skills and experience including core competencies which Directors should bring to the Board and other qualities to function effectively and efficiently;
- To take the necessary steps to ensure that women candidates are sought as part of the Company's recruitment exercise to meet its gender diversity policy;
- To review annually the independence of Independent Directors;
- To ensure existence of an appropriate framework and succession plan for the Executive Director and senior management of the Company;
- To identify suitable orientation, educational and training programmes for continuous development of Directors;
- To establish and implement processes for assessing the effectiveness of the Board as a whole, the Committees of the Board and assessing the contribution of each Director; and
- To consider other matters as referred to the Committee by the Board.

### 2.2 Senior Independent Non-Executive Directors

The Chairman of the NC, Tan Sri Haji Musa Bin Tan Sri Haji Hassan has been identified by the Board as the Senior Independent Non-Executive Director to whom concerns of shareholders and other stakeholders may be conveyed, pursuant to Recommendation 2.1 of the MCCG 2012. He can be contacted at [chairman@sunzen.com.my](mailto:chairman@sunzen.com.my).

### 2.3 Develop, maintain and review criteria for recruitment and annual assessment of Directors

#### Board appointment process

The NC is responsible for identifying and recommending suitable candidates for Board membership and also for assessing the performance of the Directors on an ongoing basis. The Board will have the ultimate responsibility and final decision on the appointment. This process shall ensure that the Board membership accurately reflects the long-term strategic direction and needs of the Company and determine skills matrix to support strategic direction and needs of the Company.

Management shall then engage broadly to develop a pool of interested potential candidates meeting the skills, expertise, personal qualities and diversity requirements for both the Board and the Committee appointments.

The NC evaluates and matches the criteria of the candidate, and will consider diversity, including gender, where appropriate, and recommends to the Board for appointment.

Consideration will be given to those individuals possessing the identified skill, talent and experience.

The NC will contact those persons identified to determine interest in serving the Company. This communication will ensure that prospective Board members have clarity regarding the nominating process as well as Director/Board profiles, roles and responsibilities, expectations of time commitments and other information as required.

According to the Articles of Association of the Company, all Directors are required to submit themselves for re-election at intervals of not more than three (3) years. The Articles of Association also state that one-third (1/3) of the Board members shall retire from office at the Annual General Meeting ("AGM") and shall be eligible for re-election at the same AGM.

The new Director(s) duly appointed by the Board are then recommended for re-election at the AGM.



## STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

### 2.0 Strengthen Composition (Cont'd)

#### 2.3 Develop, maintain and review criteria for recruitment and annual assessment of Directors (Cont'd)

The Company shall then provide orientation and on-going education to the Board.

In making the selection, the Board is assisted by the NC to consider the following aspects:

- Probity, personal integrity and reputation – the person must have the personal qualities such as honesty, integrity, diligence and independence of mind and fairness.
- Competence and capability – the person must have the necessary skills, ability and commitment to carry out the role.

##### **Annual Assessment**

The Board reviews and evaluates its own performance and the performance of its Committees on an annual basis. The Board evaluation comprises a Board Assessment, an Individual Assessment and an Assessment of Independence of Independent Directors.

The assessment of the Board is based on specific criteria, covering areas such as the Board structure, Board operations, roles and responsibilities of the Board, the Board Committee and the Chairman's role and responsibilities.

For Individual Assessment, the assessment criteria include contribution to interaction, quality of inputs, and understanding of role.

The results of the assessment would form the basis of the NC's recommendation to the Board for the re-election of Directors at the next AGM.

In addition, the NC has reviewed and evaluated the performance of CFO during the financial year.

##### **Diversity in Gender, Ethnicity and Age**

The Board acknowledges the importance of boardroom diversity and the recommendation of the Code pertaining to the establishment of a gender diversity policy. The Group strictly adhered to the practice of non-discrimination of any form, whether based on race, age, religion and gender throughout the organisation, which including the selection of Board members. The Board encourages a dynamic and diverse composition by nurturing suitable and potential candidates equipped with competency, skills, experience, character, time commitment, integrity and other qualities in meeting the future needs of the Company.

Nevertheless, the Company will endeavour to achieve 30% female directors by 2018 subject to review by the Board from time to time.

#### 2.4 Remuneration Policies and Procedures

The RC and the Board ensure that the Company's remuneration policy remains supportive of the Company's corporate objectives and is aligned with the interest of shareholders, and further that the remuneration packages of Directors and key Senior Management Officers are sufficiently attractive to attract and to retain persons of high calibre.

The RC reviews annually the performance of the Executive Directors and submits recommendations to the Board on specific adjustments in remuneration and/or reward payments that reflect their respective contributions for the year, and which are depend on the performance of the Group, achievement of the goals and/or quantified organisational targets as well as strategic initiatives set at the beginning of each year.

The Board as a whole determines the remuneration of Non-Executive Directors and recommends the same for shareholders' approval.

The remuneration package of the Executive Directors consists of monthly salary, bonus and benefits-in-kind such as company car and the benefit of Directors and Officers Liability Insurance in respect of any liabilities arising from acts committed in their capacity as Directors and Officers of the Company. The Directors and principal officers are required to contribute jointly towards the premium of the said policy.

## STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

### 2.0 Strengthen Composition (Cont'd)

#### 2.4 Remuneration Policies and Procedures (Cont'd)

Details of the Directors' remuneration (including benefits-in-kind) of each Director during the financial year 2014 are as follows:

	Salaries and Bonus (RM)	EPF and SOCSO (RM)	Fees (RM)	Total (RM)
Executive Directors	1,090,590	165,618	-	1,256,208
Non-Executive Director	-	-	86,490	86,490

The number of Directors whose remuneration falls within the following bands is tabulated as below:

Range of Remuneration (RM)	Executive Directors	Non-Executive Directors
50,000 and below	-	3
50,001 to 100,000	-	-
101,000 to 150,000	-	-
150,001 to 300,000	-	-
300,001 to 350,000	4	-
350,001 to 400,000	-	-
400,001 to 450,000	-	-

### 3.0 Reinforce Independence

#### 3.1 Annual Assessment of Independence

The Board, through the NC, assesses the independence of Independent Directors annually. The criteria for assessing the independence of an Independent Director include the relationship between the Independent Director and the Company and his involvement in any significant transaction with the Company.

Based on the above assessment in 2014, the Board is generally satisfied with the level of independence demonstrated by all the Independent Directors, and their ability to bring independent and objective judgement to board deliberations.

#### 3.2 Tenure of Independent Directors

The Board has adopted a nine-year policy for Independent Non-Executive Directors. An Independent Director may continue to serve on the Board subject to the director's re-designation as a Non-Independent Director. Otherwise, the Board will justify and seek shareholders' approval at the AGM in the event it retains the director as an Independent Director.

None of the Independent Non-Executive Directors served more than nine (9) years in the Company.

#### 3.3 Shareholders' approval for the Continuance Office as Independent Directors

The Board would seek shareholders' approval at the AGM if an Independent Director who has served in that capacity for more than nine (9) years shall remain as an Independent Director.

The NC will assess the independence of the Independent Director based on the assessment criteria developed by the NC, and recommend to the Board for recommendation to shareholders for approval. Justification for the Board's recommendation would be provided to shareholders.

## STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

### 3.0 Reinforce Independence (Cont'd)

#### 3.4 Separation of the Positions of the Chairman and the CEO

The positions of the Chairman and the CEO are held by two different individuals. The Chairman of the Board is Tan Sri Haji Musa Bin Tan Sri Haji Hassan, an Independent Non-Executive Director whilst the CEO is Mr Hong Choon Hau, the Executive Director.

The distinct and separate roles of the Chairman and CEO, with a clear division of responsibilities, ensure a balance of power and authority, such that no one individual has unfettered powers of decision-making.

#### 3.5 Composition of the Board

The Board of Directors currently comprises six (6) members, of whom three (3) are Independent Non-Executive Directors, and three (3) Executive Directors. The three (3) Independent Non-executive Directors fulfilled the criteria of independence as defined in the ACE Market Listing Requirements ("AMLR"). The Independent Non-Executive Directors do not participate in the day-to-day management of the Company and do not involve themselves in business transactions or relationships with the Company, in order not to compromise their objectivity. In staying clear of any potential conflict of interest, the Independent Non-Executive Directors remain in a position to fulfill their responsibility to provide check and balance to the Board.

The Board composition has met the AMLR and the MCGG 2012 for a balance board is fulfilled with Independent Directors constituting more than one-third of the Board.

The Independent Non-Executive Directors are of the calibre necessary to provide an independent judgment on the issues of strategy, performance and resource allocation. They carry sufficient weight in Board decisions to ensure long-term interest of the shareholders, employees, customers and other stakeholders.

The six (6) members of the Board are persons of high calibre and integrity, and they possess the appropriate skills and provide a wealth of knowledge, experience and skills in the key areas of accountancy, business operations and development, finance and risk management, amongst others.

The CEO is accountable to the Board over the daily management and development of the Company.

The profile of each of the Member of the Board is presented on the pages 4 to 6 of this Annual Report.

### 4.0 Foster Commitment

#### 4.1 Time Commitment

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of Sunzen. This is evidenced by the attendance record of the Directors at Board Meetings, as set out in the table below.

Name of Director	Attendance (As at 31/12/2014)
Tan Sri Haji Musa Bin Tan Sri Haji Hassan ( <i>appointed on 21 July 2014</i> )	1/2
Hong Choon Hau ( <i>appointed on 1 July 2014</i> )	2/2
Lim Eng Chai ( <i>appointed on 1 July 2014</i> )	2/2
Dr. Kok Poe Chu	6/6
Dato' Dr. Mhd Nordin Bin Mohd Nor	5/6
Khoo Kien Hoe ( <i>appointed on 22 July 2014</i> )	2/2
Dr. Tan Kim Sing ( <i>resigned on 21 July 2014</i> )	4/4
Dr. Teo Kim Lai ( <i>resigned on 17 July 2014</i> )	4/4
Dr. Fong Chan Seng ( <i>resigned on 18 July 2014</i> )	4/4
S. Gunaseharan A/L P. Subramaniam ( <i>resigned on 21 July 2014</i> )	4/4
Emeritus Professor Dato' Dr. Omar @ S. Omar Bin Abdul Rahman ( <i>resigned on 22 July 2014</i> )	4/4

There were six (6) Board meetings held during the financial year ended 31 December 2014.

## STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

### 4.0 Foster Commitment (Cont'd)

#### 4.1 Time Commitment (Cont'd)

To ensure that the Directors have the time to focus and fulfil their roles and responsibilities effectively, the Directors must not hold directorships at more than five (5) public listed companies and shall notify the Chairman before accepting any new directorship.

To facilitate the Directors' time planning, an annual meeting schedule is prepared and circulated at the beginning of every year, as well as the tentative closed periods for dealings in securities by Directors based on the targeted date of announcements of the Group's quarterly results.

#### 4.2 Training

During the financial year ended 31 December 2014, the Directors have attended the following training, seminars, conferences and exhibitions which they considered vital in keeping abreast with changes in laws and regulation, business environment, and corporate government development:-

No.	Name of Director	Course Attended/ Participated	Date
1.	Tan Sri Haji Musa Bin Tan Sri Haji Hassan	<ul style="list-style-type: none"> <li>Mandatory Accreditation Programme</li> </ul>	8 & 9 October 2014
2.	Hong Choon Hau	<ul style="list-style-type: none"> <li>Mandatory Accreditation Programme</li> <li>Seminar on Orgacids® Matrix Value</li> </ul>	8 & 9 October 2014 20 November 2014
3.	Lim Eng Chai	<ul style="list-style-type: none"> <li>Mandatory Accreditation Programme</li> <li>Seminar on Orgacids® Matrix Value</li> </ul>	8 & 9 October 2014 20 November 2014
4.	Dr. Kok Poe Chu	<ul style="list-style-type: none"> <li>Seminar on Veterinary Product Registration and Feed Act</li> <li>Aqua Feed Horizon Asia</li> </ul>	20 March 2014 8 April 2014
5.	Dato' Dr. Mhd Nordin Bin Mohd Nor	<ul style="list-style-type: none"> <li>Directors Continuing Education Programme</li> <li>PNB Investment Series: Global Competitiveness and the Malaysia Experience</li> <li>Nomination Committee Programme</li> </ul>	27 June 2014 8 September 2014 16 October 2014
6.	Khoo Kien Hoe	<ul style="list-style-type: none"> <li>Special Course on Goods and Services Tax ("GST") for Tax Agent</li> <li>GST Training Course</li> <li>Mandatory Accreditation Programme</li> <li>2015 Budget Seminar</li> </ul>	24 January 2014 – 15 February 2014 20 – 22 February 2014 8 & 9 October 2014 2 December 2014

The Company will continue to identify suitable training for the Directors to equip and update themselves with the necessary knowledge in discharging their duty and responsibilities as Directors.

The Directors are encouraged to attend briefing, conferences, forums, trade fairs (locally and internationally), seminars and training to keep abreast with the latest developments in the industry and to enhance their skills and knowledge.

### 5.0 Uphold Integrity in Financial Reporting

#### 5.1 Compliance with applicable financial reporting standards

The Board is committed to provide a balanced, clear and meaningful assessment of the financial performance and prospects of the Company via all disclosures and announcements made.

The Board is assisted by the AC to oversee and scrutinise the process and quality of the financial reporting, includes reviewing and monitoring the integrity of the financial statements and the appropriateness of the Company's accounting policies to ensure accuracy, adequacy and completeness of the report, as well as in compliance with the relevant accounting standards.

## STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

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### 5.0 Uphold Integrity in Financial Reporting (Cont'd)

#### 5.2 Assessment of suitability and independence of external auditors

The AC is responsible for reviewing audit, recurring audit-related and non-audit services provided by the external auditors. These recurring audit-related and non-audit services comprise regulatory reviews and reporting, interim reviews, tax advisory and compliance services.

The terms of engagement for services provided by the external auditors are reviewed by the AC prior to submission to the Board for approval.

The AC has reviewed the provision of non-audit services by the external auditors during the year and concluded that the provision of these services did not compromise the external auditors' independence and objectivity as the amount of the fees paid for these services was not significant when compared to the total fees paid to the external auditors. The external auditors had provided a confirmation of their independence to the AC that they are and have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

Having satisfied itself with Messrs. Ecovis AHL PLT's performance, the AC recommended their re-appointment to the Board, upon which the shareholders' approval will be sought at the AGM.

### 6.0 Recognise and manage risks

#### 6.1 Sound framework to manage risks

The Board oversees, reviews and monitors the operation, adequacy and effectiveness of the Group's system of internal controls.

The Board defines the level of risk appetite, approving and overseeing the operation of the Group's Risk Management Framework, assessing its effectiveness and reviewing any major/ significant risk facing the Group.

The AC oversees the risk management framework of the Group and advises the Board on areas of high risk faced by the Group and the adequacy of compliance and control throughout the organisation. The AC also reviews the action plan implemented and makes relevant recommendations to the Board to manage residual risks.

The Company continues to maintain and review its internal control procedures to ensure the protection of its assets and its shareholders' investment.

#### 6.2 Internal Audit Function

The Company has outsourced its Internal audit function to a professional services firm, namely Ace Consulting Group Sdn. Bhd. to assist the AC in discharging its duties and responsibilities in respect of reviewing the adequacy and effectiveness of the Group's risk management and internal control systems.

The Statement on Risk Management and Internal Control as included on page 25 of this Annual Report provides the overview of the internal control framework adopted by the Company during the financial year ended 31 December 2014.

### 7.0 Ensure timely and high quality disclosure

#### 7.1 Corporate Disclosure Policy and Procedures

The Company has put in place a Corporate Disclosure Policy with the objective to ensure communications to the public are timely, factual, accurate, complete, broadly disseminated and where necessary, filed with regulators in accordance with applicable laws.

The CEO is responsible for determining materiality of information and ensuring timely, complete and accurate disclosure of material information to the investing public in accordance with securities laws and stock exchange rules and regulations, monitoring compliance with this policy and overseeing the disclosure controls and procedures.

# STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

## 7.0 Ensure timely and high quality disclosure (Cont'd)

### 7.1 Corporate Disclosure Policy and Procedures (Cont'd)

Sufficient information would be provided to the Company Secretary for drafting of necessary announcement.

The Board is mindful that information which is expected to be material must be announced immediately, and that the confidential information should be handled properly to avoid leakage and improper use of such information.

### 7.2 Leverage on information technology for effective dissemination of information

Sunzen's website provides all relevant corporate information and it is accessible by the public. The Company's website includes share price information, all announcements made by Sunzen, Annual Reports, financial results, Chairman's statement of Sunzen, etc.

Through the Company's website, the stakeholders are able to direct queries to the Company.

## 8.0 Strengthen relationship between Company and Shareholders

### 8.1 Encourage shareholder participation at general meetings

In an effort to encourage greater shareholders' participation at AGMs, the Board takes cognisance in serving longer than the required minimum notice period for AGMs, when possible. The Chairman together with the Senior Independent Director ensure that the Board is accessible to shareholders and an open channel of communication is cultivated.

Sunzen encloses the Annual Report together with the Share Buy-Back statement and notice of AGM with regard to, amongst others, details of the AGM, their entitlement to attend the AGM, the right to appoint proxy and also qualification of proxy.

The Company allows a shareholder to appoint a proxy who may not be a member of the Company. If the proxy is not a member of the Company, he/she need not be an advocate, an approved company auditors or a person approved by the Registrar of Companies.

To further promote participation of members through proxies, which in line with the AMLR, the Company had amended its Articles of Association to include explicitly the right of proxies to speak at general meetings.

### 8.2 Encourage poll voting

At the 9th AGM of the Company held on 12 June 2014, all resolutions put forth for shareholders' approval at the meeting were voted on by show of hands.

The Chairman would ensure that shareholders were informed of their rights to demand a poll vote at the commencement of the AGM.

### 8.3 Effective communication and proactive engagement

At the 9th AGM, Directors were present in person to engage directly with, and be accountable to the shareholders for their stewardship of the Company. The Directors, Management and external auditors were in attendance to respond to the shareholders' queries.

From the Company's perspective, the AGM also serves as a forum for Directors and Management to engage with the shareholders personally to understand their needs and seek their feedback. The Board welcomes questions and feedback from shareholders during and at the end of shareholders' meeting and ensures their queries are responded in a proper and systematic manner.

## COMPLIANCE STATEMENT

The Board is satisfied that the Company has in 2014 complied with the principles and recommendations of the MCGG 2012.

This CG statement is made in accordance with the resolution of the Board dated 23 April 2015.

## DIRECTORS' RESPONSIBILITY STATEMENT

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The Directors are responsible for ensuring that:

- i. The annual audited financial statements of the Group and of the Company are drawn up in accordance with applicable approved accounting standards in Malaysia, the provisions of the Companies Act, 1965 and the AMLR of Bursa Securities so as to give a true and fair view of the state of affairs of the Group and the Company for the financial year; and
- ii. Proper accounting and other records are kept which enable the preparation of the financial statements with reasonable accuracy and taking reasonable steps to ensure that appropriate systems are in place to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

In the preparation of the financial statements for the financial year ended 31 December 2014, the Directors have adopted appropriate accounting policies and have applied them consistently in the financial statements with reasonable and prudent judgements and estimates. The Directors are also satisfied that all relevant approved accounting standards have been followed in the preparation of the financial statements.

## ADDITIONAL COMPLIANCE INFORMATION

The following is presented in compliance with the AMLR of Bursa Securities:-

### 1) Utilisation of Proceeds raised from Corporate Proposal

As at 31 December 2014, the gross proceeds of approximately RM5.356 million raised by the Company from the private placement have been utilised as follows:-

Purpose	Proposed Utilisation RM'000	Actual Utilisation RM'000	Intended timeframe for utilisation from the listing date of 14 November 2014 (month)
Upgrading/ purchase of plant and machinery	5,181	680	24
Estimated expenses related to private placement <sup>(1)</sup>	175	112	0.5
<b>Total</b>	<b>5,356</b>	<b>792</b>	

Notes:

<sup>(1)</sup> The surplus amount of listing expenses incurred has been adjusted to the upgrading/ purchase of plant and machinery.

### 2) Shares Buy-back

During the financial year ended 31 December 2014, the Company has purchased 78,000 of its issued shares from the open market of Bursa Securities for RM24,338.65. The details of the shares bought back and held as treasury shares during the financial year are as follows:

Month	No. of Shares	Purchased Price per share (RM)		Average Price (RM)	Total Cost (RM)
		Lowest	Highest		
March	50,000	0.275	0.280	0.278	13,761.50
November	28,000	0.375	0.375	0.375	10,577.15

None of the treasury shares were resold/cancelled during the financial year.

### 3) Options or Convertible Securities

On 21 April 2014, the Company issued 49,756,260 units of warrants 2014/2019 to the shareholders of the Company on the basis of one (1) free warrant for every three (3) existing ordinary shares of RM0.10 each held in the Company. A total of 1,496,166 warrants were exercised during the financial year.

As at the end of financial year, 48,260,094 warrants remained unexercised.

Save for the above, there were no options or convertible securities issue to any parties during the financial year ended 31 December 2014.

### 4) Depository Receipts Programme

The Company did not sponsor any depository receipt programme for the financial year ended 31 December 2014.

### 5) Sanctions and/or Penalties Imposed

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or Management by the relevant regulatory authorities during the financial year under review.



## ADDITIONAL COMPLIANCE INFORMATION (Cont'd)

### 6) Non-audit Fees

The non-audit fees paid to the external auditors or a firm or company affiliated to the auditors' firm by the Group for the financial year ended 31 December 2014, were as follows:

Name	RM	Purpose
Ecovis AHL Tax Services Sdn. Bhd.	8,710	Tax computation and submission of tax return to the tax authority

### 7) Profit Guarantee

There were no profit guarantees received by the Company during the financial year under review.

### 8) Variation in Results

There was no variation of ten (10) per cent or more from any profit estimate/ forecast/ projection/ unaudited results announced for the financial year ended 31 December 2014.

### 9) Material Contract involving Directors and Major Shareholder's Interest

There were no material contracts entered into by the Company and its subsidiaries that involve Directors' and Major Shareholder's interests.

### 10) Recurrent Related Party Transactions ("RRPT") of a Revenue or Trading Nature

There was no shareholders' mandate obtained in respect of RRPT of a revenue or trading nature during the financial year ended 31 December 2014.

### 11) Corporate Social Responsibilities

The Company organised for employees a 3-day 2-night family day trip to Laguna Redang Island Resort in Trengganu on 8 June 2014. Among the events were long service awards to employees, lucky draws and sport activities.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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## INTRODUCTION

The MCGG 2012 and the Companies (Amendment) Act 2007 requires the directors of listed companies to maintain a sound system of internal control to safeguard the Group's assets and shareholders investments. Pursuant to Rule 15.26(b) of the AMLR of Bursa Securities, the Board is required to present the Statement on Risk Management and Internal Control in its annual report which outlines the state, nature, the process and scope of risk management and internal controls carried out during the current financial year.

## RESPONSIBILITY

The Board is ultimately responsible for the Group's system of risk management and internal control which includes the establishment of an appropriate control environment and framework to ensure effective risk management policies are in place to safeguard the interest of shareholders and all major stakeholders as well as the assets of the Group. The Board regularly appraises the Group's system of risk management and internal control by reviewing the adequacy and integrity of the system in place and identifying, evaluating, monitoring and managing significant risks that may affect the achievement of business objectives throughout the year.

However, such system is designed to reduce rather than eliminate the risk of failure in achieving its business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

## RISK MANAGEMENT

The Board and management implements a systematic and proactive significant risks identification on a quarterly basis or earlier as appropriate, particularly when there are any major changes in the nature of activities and/or operating environment, or venture into new operating environment which may entail different sets of risk profiles.

The Group has put in place an appropriate risk response strategies and controls to mitigate or maintain such risks at a level acceptable to the Board.

## INTERNAL AUDIT

The Group currently relies on its existing internal control framework and this is enhanced by an independent professional firm acting as the Group's Internal Auditors to ensure that the internal control system is robust and is continuously improved.

The outsourced internal audit function adopts a risk-based approach in developing its audit plan which addresses the key risk areas. This audit plan is reviewed and approved by the Board and Audit Committee on an annual basis. Scheduled internal audits are to be conducted and reported to Audit Committee on areas for improvement and Internal Auditors will subsequently follow up to determine the extent of their recommendations that have been implemented by the Company. All Internal Audit reports issued are deliberated by the Audit Committee and reported to the Board for clarification and subsequently, remedial actions thereon taken by the management are evaluated and monitored at each quarter to ensure compliance to recommendation made by the Internal Auditors.

## CONCLUSION

For the financial year under review and up to the date of approval of this statement for inclusion in the annual report, based on inquiry, information and assurance provided by the CEO and COO, the Board is of the opinion that the risk management and internal control system was generally satisfactory and adequate for their purpose. There will be continual focus on measures to protect and enhance shareholders' value and business sustainability.

## REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required by Rule 15.23 of Bursa Securities' AMLR, the external auditors have reviewed this Statement on Risk Management and Internal Control. Their limited assurance review was performed in accordance with Recommended Practice Guide (RPG) 5 (Revised) issued by the Malaysian Institute of Accountants. RPG 5 (Revised) does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.

This statement is made in accordance with the resolution of the Board of Directors dated on 23 April 2015.

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# DIRECTORS' REPORT

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 2014.

## 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 5 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
Net profit/(loss) for the financial year	1,100,107	(196,144)
Attributable to: Owners of the Company	1,100,107	(196,144)

## DIVIDENDS

During the financial year, the Company paid a single-tier interim dividend of RM0.008 per ordinary share of RM0.10 each on 22 May 2014 amounting to RM1,194,164 in respect of the current financial year.

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

## RESERVES AND PROVISIONS

All material transfers to or from reserves or provisions during the financial year have been disclosed in the financial statements.

## ISSUES OF SHARES AND DEBENTURES

During the financial year,

- (a) There were no changes in the authorized share capital of the Company;
- (b) the Company increased its issued and paid up share capital by way of:-
  - i) private placements of 14,880,000 new ordinary shares of RM0.10 each at an issue price of RM0.36 each; and
  - ii) exercise of Warrants 2014/2019. A total of 1,496,166 units of Warrants 2014/2019 have been exercised and converted into ordinary shares at an issue price of RM0.10 each;

The new ordinary shares were issued for cash consideration. The new ordinary shares issued rank pari passu in all respects with the existing shares of the Company.

- (c) there were no issue of debentures by the Company.

## DIRECTORS' REPORT (Cont'd)

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### TREASURY SHARES

During the financial year, the Company purchased from the open market, 78,000 units of its own shares on the ACE Market of Bursa Malaysia Securities Berhad at an average buy-back price of RM0.31 per ordinary share. The total consideration paid for acquisition of the shares was RM24,440 and was financed by internally generated funds. The repurchased shares were held as treasury shares in accordance with Section 67A of the Companies Act 1965 in Malaysia.

As at 31 December 2014, the Company held 148,000 repurchased shares as treasury shares out of its total issued and paid-up share capital of 165,766,666 ordinary shares of RM0.10 each. The carrying amount of the Treasury Shares is RM39,000.

### WARRANTS 2014/2019

On 21 April 2014, the Company issued 49,756,260 units of Warrants 2014/2019 to the shareholders of the Company on the basis of one (1) free Warrant 2014/2019 for every three (3) existing ordinary shares of RM0.10 each held in the Company. The Warrants 2014/2019 were listed on the ACE Market of Bursa Malaysia Securities Berhad. The Main features of the Warrants 2014/2019 are disclosed in Note 30 to the financial statements.

As at the end of the financial year, 48,260,094 Warrants remained unexercised.

### 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 impairment losses on receivables, and satisfied themselves that all known bad debts had been written off and adequate allowance has been made for impairment losses on receivables.

At the date of this report, the Directors are not aware of any circumstances that would render the amount written off of bad debts and the allowance for impairment losses on receivables inadequate to any substantial extent 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, 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.

### 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

The contingent liability is disclosed in Note 35 to the financial statements. 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.

## DIRECTORS' REPORT (Cont'd)

### CONTINGENT AND OTHER LIABILITIES (CONT'D)

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 their 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 UNUSUAL NATURE

The results of the operations 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 results of the operations of the Group and of the Company for the financial year.

### DIRECTORS

The Directors who served since the date of the last report and at the date of this report are as follows:-

KOK POE CHU	
DATO' DR MOHD NORDIN BIN MOHD NOR	
HONG CHOON HAU	(Appointed on 1 July 2014)
LIM ENG CHAI	(Appointed on 1 July 2014)
TAN SRI HAJI MUSA BIN TAN SRI HAJI HASSAN	(Appointed on 21 July 2014)
KHOO KIEN HOE	(Appointed on 22 July 2014)
TEO KIM LAI	(Resigned on 17 July 2014)
FONG CHAN SENG	(Resigned on 18 July 2014)
S. GUNASEHARAN A/L P. SUBRAMANIAM	(Resigned on 21 July 2014)
TAN KIM SING	(Resigned on 21 July 2014)
EMERITUS PROFESSOR DATO' DR OMAR @ S. OMAR BIN ABDUL RAHMAN	(Resigned on 22 July 2014)

### 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 and its related corporations during the financial year are as follows:-

	NUMBER OF ORDINARY SHARES OF RM0.10 EACH			
	AT 1.1.2014	BOUGHT	SOLD	AT 31.12.2014
<u>DIRECT INTEREST:</u>				
KOK POE CHU	18,955,710	-	16,576,600	2,379,110
HONG CHOON HAU	-	41,046,000	-	41,046,000
LIM ENG CHAI	-	6,000,000	-	6,000,000
TAN SRI HAJI MUSA BIN TAN SRI HAJI HASSAN	-	2,000,000	-	2,000,000
DATO' DR MOHD NORDIN BIN MOHD NOR	80,000	-	-	80,000
<u>INDIRECT INTEREST:</u>				
HONG CHOON HAU*	-	92,000	-	92,000

## DIRECTORS' REPORT (Cont'd)

### DIRECTORS' INTERESTS (CONT'D)

	AT 1.1.2014	NUMBER OF WARRANTS 2014/2019		AT 31.12.2014
		ALLOTTED**	SOLD	
<u>DIRECT INTEREST:</u>				
KOK POE CHU	-	6,318,569	5,135,298	1,183,271
HONG CHOON HAU	-	12,000,000	-	12,000,000
LIM ENG CHAI	-	2,000,000	-	2,000,000
TAN SRI HAJI MUSA BIN TAN SRI HAJI HASSAN	-	650,000	-	650,000
DATO' DR MOHD NORDIN BIN MOHD NOR	-	26,666	-	26,666

\* Deemed interested by virtue of the shareholdings held by his spouse pursuant to Section 134(12)(c) of the Companies Act, 1965.

\*\* Free warrants allotted

By virtue of their interest in shares in the Company, the Directors are deemed to have interests in shares in its subsidiaries to the extent that the Company has interests, pursuant to Section 6A of the Companies Act 1965 in Malaysia.

Other than as disclosed above, none of the other Directors of the Company has interest in shares of the Company and its related corporations.

### 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 or the fixed salary of a full-time employee of the Company as shown in Note 31 to the financial statements) 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.

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 EVENTS DURING THE FINANCIAL YEAR

The significant events during the financial year are disclosed in Note 37 to the financial statements.

### SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

The significant events occurring after the reporting period are disclosed in Note 38 to the financial statements.

### SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS DATED 23 APRIL 2015

**Hong Choon Hau**

**Lim Eng Chai**

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## STATEMENT BY DIRECTORS

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We, Hong Choon Hau and Lim Eng Chai, being two of the Directors of Sunzen Biotech Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 34 to 78 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of 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 2014 and of their results and cash flows for the financial year ended on that date.

The supplementary information set out in Note 39, which is not part of the financial statements, is prepared in all material respects, in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

**SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS  
DATED 23 APRIL 2015**

**Hong Choon Hau**

**Lim Eng Chai**

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## STATUTORY DECLARATION

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I, Phang Tong Eng, 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 34 to 78 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, at Klang in the  
state of Selangor Darul Ehsan  
on this 23 April 2015

**Phang Tong Eng**

Before Me  
**Goh Cheng Teak (No. B 204)**  
Commissioner Of Oaths



# INDEPENDENT AUDITORS' REPORT

## To The Members Of Sunzen Biotech Berhad

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### Report on the Financial Statements

We have audited the financial statements of Sunzen Biotech Berhad, which comprise the statements of financial position as at 31 December 2014 of the Group and of the Company, and the statements of profit and loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 34 to 78.

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

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *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 about 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 judgement, 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 entity's preparation of financial statements that give a true and fair view 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 entity'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.

#### *Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2014 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

### 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 have considered the financial statements and the auditors' report of the subsidiary of which we have not acted as auditors, which is indicated in Note 5 to the financial statements;
- (c) 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
- (d) The 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.

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## INDEPENDENT AUDITORS' REPORT (Cont'd)

### To The Members Of Sunzen Biotech Berhad

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#### Other Reporting Responsibilities

The supplementary information set out in Note 39 on page 79 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

#### 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.

#### ECOVIS AHL PLT

Firm No : AF 001825  
Chartered Accountants

Kuala Lumpur  
23 April 2015

#### Chua Kah Chun

Approval No : 2696/09/15 (J)  
Chartered Accountant

## STATEMENTS OF FINANCIAL POSITION

As At 31 December 2014

	NOTE	THE GROUP		THE COMPANY	
		2014 RM	2013 RM	2014 RM	2013 RM
<b>ASSETS</b>					
<b>NON-CURRENT ASSETS</b>					
Investments in subsidiaries	5	-	-	10,897,548	10,897,548
Property, plant and equipment	6	29,450,811	16,053,874	148,167	249,417
Product development expenditure	7	-	72,602	-	-
		29,450,811	16,126,476	11,045,715	11,146,965
<b>CURRENT ASSETS</b>					
Inventories	8	8,415,880	11,973,020	1,927,413	2,345,678
Trade receivables	9	6,578,241	9,238,323	2,572,582	2,814,266
Other receivables and deposits	10	960,225	290,279	43,571	3,646
Amount owing by subsidiaries	11	-	-	446,692	2,756,791
Tax refundable		607,617	156,918	340,227	156,918
Deposits with licensed banks and financial institutions	12	6,304,481	3,252,324	4,461,271	1,461,542
Cash and bank balances		8,934,384	4,708,639	4,304,094	1,606,786
		31,800,828	29,619,503	14,095,850	11,145,627
<b>TOTAL ASSETS</b>		61,251,639	45,745,979	25,141,565	22,292,592

The annexed notes form an integral part of these financial statements.

## STATEMENTS OF FINANCIAL POSITION (Cont'd)

As At 31 December 2014

	NOTE	THE GROUP		THE COMPANY	
		2014 RM	2013 RM	2014 RM	2013 RM
<b>EQUITY AND LIABILITIES</b>					
<b>EQUITY</b>					
Share capital	13	16,576,667	14,939,050	16,576,667	14,939,050
Treasury shares	14	(39,000)	(14,560)	(39,000)	(14,560)
Reserves	15	33,771,026	17,639,836	7,726,170	5,482,267
<b>TOTAL EQUITY</b>		<b>50,308,693</b>	<b>32,564,326</b>	<b>24,263,837</b>	<b>20,406,757</b>
<b>NON-CURRENT LIABILITIES</b>					
Bank borrowings	16	3,945,935	4,390,217	-	-
Deferred taxation	17	1,494,224	448,901	33,554	35,582
		5,440,159	4,839,118	33,554	35,582
<b>CURRENT LIABILITIES</b>					
Trade payables	18	3,384,459	3,714,645	581,100	410,074
Other payables and accruals	19	1,083,361	1,133,663	263,074	214,096
Amount owing to Directors	20	-	8,819	-	-
Bank borrowings	16	1,034,035	3,291,174	-	1,226,083
Tax liability		932	194,234	-	-
		5,502,787	8,342,535	844,174	1,850,253
<b>TOTAL LIABILITIES</b>		<b>10,942,946</b>	<b>13,181,653</b>	<b>877,728</b>	<b>1,885,835</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>61,251,639</b>	<b>45,745,979</b>	<b>25,141,565</b>	<b>22,292,592</b>
<b>NET ASSETS PER SHARE</b>	21	<b>30.38 sen</b>	<b>21.81 sen</b>		

The annexed notes form an integral part of these financial statements.

## STATEMENTS OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

For The Financial Year Ended 31 December 2014

	NOTE	THE GROUP		THE COMPANY	
		2014 RM	2013 RM	2014 RM	2013 RM
REVENUE	22	37,338,915	37,325,958	12,704,178	11,601,397
COST OF SALES		(25,457,981)	(24,501,837)	(10,428,513)	(9,252,719)
GROSS PROFIT		11,880,934	12,824,121	2,275,665	2,348,678
OTHER INCOME		442,893	484,051	112,921	1,008,164
		12,323,827	13,308,172	2,388,586	3,356,842
MARKETING AND DISTRIBUTION EXPENSES		(4,764,741)	(4,520,023)	(1,990,735)	(1,865,384)
ADMINISTRATIVE EXPENSES		(2,713,910)	(2,695,168)	(281,738)	(246,906)
OTHER OPERATING EXPENSES		(3,146,924)	(1,644,959)	(312,814)	(1,008,138)
FINANCE EXPENSES		(306,883)	(358,187)	(4,781)	(19,156)
PROFIT/(LOSS) BEFORE TAXATION	23	1,391,369	4,089,835	(201,482)	217,258
INCOME TAX (EXPENSE)/CREDIT	24	(291,262)	(582,132)	5,338	(75,108)
PROFIT/(LOSS) AFTER TAXATION		1,100,107	3,507,703	(196,144)	142,150
OTHER COMPREHENSIVE INCOME/(EXPENSE)					
<u>Items that will not be reclassified subsequently to profit or loss</u>					
Revaluation surplus on property, plant and equipment, net of tax		12,523,027	-	-	-
<u>Items that may be reclassified subsequently to profit or loss</u>					
Foreign currency translation		68,009	(62,925)	-	-
	25	12,591,036	(62,925)	-	-
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE FINANCIAL YEAR		13,691,143	3,444,778	(196,144)	142,150
PROFIT/(LOSS) AFTER TAXATION ATTRIBUTABLE TO OWNERS OF THE COMPANY		1,100,107	3,507,703	(196,144)	142,150
TOTAL COMPREHENSIVE INCOME/(EXPENSE) ATTRIBUTABLE TO OWNERS OF THE COMPANY		13,691,143	3,444,778	(196,144)	142,150
EARNINGS PER SHARE					
- Basic	26	0.7 sen	2.3 sen		
- Diluted	26	0.6 sen	N/A		

The annexed notes form an integral part of these financial statements.

## STATEMENTS OF CHANGES IN EQUITY

For The Financial Year Ended 31 December 2014

THE GROUP	NOTE	← NON-DISTRIBUTABLE →					→ DISTRIBUTABLE		TOTAL EQUITY RM
		SHARE CAPITAL RM	SHARE PREMIUM RM	TREASURY SHARES RM	REVALUATION RESERVE RM	MERGER DEFICIT RM	CURRENCY TRANSLATION RESERVE RM	RETAINED PROFITS RM	
Balance at 1.1.2013		14,939,050	3,520,345	(12,217)	3,176,639	(8,397,548)	(35,207)	16,826,752	30,017,814
Profit after taxation for the financial year		-	-	-	-	-	-	3,507,703	3,507,703
Other comprehensive income for the financial year, net of tax:									
- Foreign currency translation		-	-	-	-	-	(62,925)	-	(62,925)
Total comprehensive income for the financial year		-	-	-	-	-	(62,925)	3,507,703	3,444,778
Amortisation on revaluation reserve		-	-	-	(1,095)	-	-	1,095	-
Dividend paid	27	-	-	-	-	-	-	(895,923)	(895,923)
Purchase of own shares		-	-	(2,343)	-	-	-	-	(2,343)
Balance at 31.12.2013/ 1.1.2014		14,939,050	3,520,345	(14,560)	3,175,544	(8,397,548)	(98,132)	19,439,627	32,564,326
Profit after taxation for the financial year		-	-	-	-	-	-	1,100,107	1,100,107
Other comprehensive income for the financial year, net of tax:									
- Revaluation surplus on property, plant and equipment		-	-	-	12,523,027	-	-	-	12,523,027
- Foreign currency translation		-	-	-	-	-	68,009	-	68,009
Total comprehensive income for the financial year		-	-	-	12,523,027	-	68,009	1,100,107	13,691,143
Amortisation on revaluation reserve		-	-	-	(47,982)	-	-	47,982	-
Dividend paid	27	-	-	-	-	-	-	(1,194,164)	(1,194,164)
Purchase of own shares		-	-	(24,440)	-	-	-	-	(24,440)
Issuance of shares		1,637,617	3,634,211	-	-	-	-	-	5,271,828
Balance at 31.12.2014		16,576,667	7,154,556	(39,000)	15,650,589	(8,397,548)	(30,123)	19,393,552	50,308,693

The annexed notes form an integral part of these financial statements.

## STATEMENTS OF CHANGES IN EQUITY (Cont'd)

For The Financial Year Ended 31 December 2014

THE COMPANY	NOTE	SHARE CAPITAL RM	SHARE PREMIUM RM	TREASURY SHARES RM	RETAINED PROFITS RM	TOTAL EQUITY RM
Balance at 1.1.2013		14,939,050	3,520,345	(12,217)	2,715,695	21,162,873
Total comprehensive income for the financial year		-	-	-	142,150	142,150
Dividend paid	27	-	-	-	(895,923)	(895,923)
Purchase of own shares		-	-	(2,343)	-	(2,343)
Balance at 31.12.2013/1.1.2014		14,939,050	3,520,345	(14,560)	1,961,922	20,406,757
Total comprehensive expense for the financial year		-	-	-	(196,144)	(196,144)
Dividend paid	27	-	-	-	(1,194,164)	(1,194,164)
Purchase of own shares		-	-	(24,440)	-	(24,440)
Issuance of shares		1,637,617	3,634,211	-	-	5,271,828
Balance at 31.12.2014		16,576,667	7,154,556	(39,000)	571,614	24,263,837

The annexed notes form an integral part of these financial statements.

## STATEMENTS OF CASH FLOW

### For The Financial Year Ended 31 December 2014

	THE GROUP		THE COMPANY	
	2014 RM	2013 RM	2014 RM	2013 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit/(Loss) before taxation	1,391,369	4,089,835	(201,482)	217,258
Adjustments for:-				
Amortisation of product development expenditure	72,602	248,687	-	-
Bad debts written off	-	18,222	-	1,222
Depreciation of property, plant and equipment	657,439	536,866	113,348	114,762
Impairment loss on amount owing by a subsidiary	-	-	14,911	766,870
Impairment of goodwill	-	57,958	-	-
Impairment of investment in a subsidiary	-	-	-	100,000
Interest expense	289,640	340,791	1,105	15,217
Inventories written off	360,004	118,186	32,438	-
Dividend income	-	-	-	(900,000)
Gain on disposal of plant and equipment	-	(157,880)	-	-
Interest income	(88,239)	(89,771)	(3,934)	(45,264)
Income from unit trust deposit with a financial institution	(123)	(103)	-	-
Provision for doubtful debts	424,003	-	100,331	-
Provision for inventories written off	719,964	-	-	-
Unrealised loss/(gain) on foreign exchange	4,475	(33,556)	(33,393)	1,428
Operating profit before working capital changes	3,831,134	5,129,235	23,324	271,493
Decrease/(Increase) in inventories	2,477,172	(2,847,279)	385,827	300,524
Decrease/(Increase) in trade and other receivables	1,573,770	(1,942,873)	118,276	245,728
(Decrease)/Increase in trade and other payables (Inclusive of bills payable in Note 16)	(2,694,187)	2,425,298	(1,006,080)	1,228,633
<b>CASH FROM/(USED IN) OPERATIONS</b>	<b>5,187,889</b>	<b>2,764,381</b>	<b>(478,653)</b>	<b>2,046,378</b>
Interest paid	(291,162)	(343,064)	(1,105)	(15,217)
Net tax paid	(913,036)	(521,956)	(180,000)	(180,000)
<b>NET CASH FROM/(USED IN) OPERATING ACTIVITIES</b>	<b>3,983,691</b>	<b>1,899,361</b>	<b>(659,758)</b>	<b>1,851,161</b>

The annexed notes form an integral part of these financial statements.



## STATEMENTS OF CASH FLOW (Cont'd)

For The Financial Year Ended 31 December 2014

	NOTE	THE GROUP		THE COMPANY	
		2014 RM	2013 RM	2014 RM	2013 RM
CASH FLOWS (USED IN)/FROM					
INVESTING ACTIVITIES					
Dividend received		-	-	-	900,000
Interest received		88,239	89,771	3,934	45,264
Income from unit trust deposit with a other financial institution		123	103	-	-
Proceeds from disposal of property, plant and equipment		-	158,600	-	-
Purchase of property, plant and equipment	28	(249,304)	(189,661)	(12,098)	(8,060)
NET CASH (USED IN)/FROM INVESTING ACTIVITIES		(160,942)	58,813	(8,164)	937,204
CASH FLOWS FROM/(USED IN)					
FINANCING ACTIVITIES					
Net repayment from/(advances to) subsidiaries (Repayment to)/Advances from Directors		-	-	2,294,897	(2,634,239)
Repayment of hire purchase obligations		(8,819)	7,345	-	-
Proceeds from issuance of shares		(109,927)	(136,047)	-	-
Purchases of own shares		5,271,828	-	5,271,828	-
Repayment of term loans		(24,440)	(2,343)	(24,440)	(2,343)
Dividend paid		(548,444)	(524,561)	-	-
		(1,194,164)	(895,923)	(1,194,164)	(895,923)
NET CASH FROM/(USED IN) FINANCING ACTIVITIES		3,386,034	(1,551,529)	6,348,121	(3,532,505)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		7,208,783	406,645	5,680,199	(744,140)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		7,960,963	7,569,129	3,068,328	3,813,166
FOREIGN EXCHANGE DIFFERENCE		69,119	(14,811)	16,838	(698)
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	29	15,238,865	7,960,963	8,765,365	3,068,328

The annexed notes form an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

The Company is a public company limited by shares and incorporated under the Companies Act, 1965 in Malaysia. The domicile of the Company is in Malaysia. The registered office and principal place of business are as follows:

Registered office: 10th Floor, Menara Hap Seng, No. 1 & 3, Jalan P. Ramlee, 50250 Kuala Lumpur.

Principal place of business: 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 23 April 2015.

## 2. 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 5 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

## 3. BASIS OF PREPARATION

The financial statements of the Group 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 Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The Group has not applied in advance the following accounting standards and interpretations (including the consequential amendments) that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the current financial year:-

### ***Effective for financial periods beginning on or after 1 July 2014***

- Amendments to MFRS 119, Defined Benefit Plans: Employee Contributions
- Annual improvements to MFRSs 2010 - 2012 Cycle
- Annual improvements to MFRSs 2011 - 2013 Cycle

### ***Effective for financial periods beginning on or after 1 January 2016***

- MFRS 14, Regulatory Deferral Accounts
- Amendments to MFRS 11, Accounting for Acquisitions of Interest in Joint Operations
- Amendments to MFRS 10 and 128, Sales or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to MFRS 10, 12 and 128, Investment Entities: Applying the Consolidation Exception
- Amendments to MFRS 101, Presentation of Financial Statements: Disclosure Initiative
- Amendments to MFRS 116 and MFRS 138, Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to MFRS 116 and MFRS 141, Agriculture: Bearer Plants
- Amendments to MFRS 127 Separate Financial Statements
- Annual Improvements to MFRSs 2012 - 2014 Cycle

### ***Effective for financial periods beginning on or after 1 January 2017***

- MFRS 15, Revenue from Contract with Customers

### ***Effective for financial periods beginning on or after 1 January 2018***

- MFRS 9, Financial Instruments (IFRS 9 issued by IASB in July 2014)
- Amendments to MFRS 7, Financial Instruments: Mandatory Effective Date of MFRS 9 and Transition Disclosures

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

The above accounting standards and interpretations (including the consequential amendments) are not expected to have any material impacts to the financial statements of the Group and the Company except as follows:-

(a) *MFRS 15 Revenue from Contracts with Customers*

MFRS 15 Revenue from Contracts with Customers was issued in September 2014 and establishes a new five-step model that will apply to recognition of revenue arising from contracts with customers. Under this Standard, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principle of this Standard is to provide a more structured approach to measuring and recognising revenue.

This Standard is applicable to all entities and will supersede all current revenue recognition requirements under MFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Group is currently assessing the impact of this Standard and plans to adopt this Standard on the required effective date.

(b) *MFRS 9 Financial Instruments*

In November 2014, the MASB issued the final version of MFRS 9 Financial Instruments, replacing MFRS 139. This Standard made changes to the requirements for classification and measurement, impairment, and hedge accounting. The adoption of this Standard will have an effect on the classification and measurement of the Group's and the Company's financial assets, but no impact on the classification and measurement of the Group's and the Company's financial liabilities.

MFRS 9 Financial Instruments also requires impairment assessments to be based on an expected loss model, replacing the MFRS 139 incurred loss model. Finally, MFRS 9 Financial Instruments aligns hedge accounting more closely with risk management, establish a more principle-based approach to hedge accounting and address inconsistencies and weaknesses in the previous model.

This Standard will come into effect on or after 1 January 2018 with early adoption permitted. Retrospective application is required, but comparative information is not compulsory. The Group is currently assessing the impact of the adoption of this Standard in relation to the new requirements for classification and measurement and impairment, but the requirements for hedge accounting is not relevant to the Group.

### 4. 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 property, 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. 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.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

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

##### (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 Non-Financial 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 and therefore, future amortisation charges could be revised.

##### (v) *Write-down of 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.

##### (vi) *Impairment of Trade and Other Receivables*

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. Management specifically reviews its loan and receivables financial assets and analyses historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in the customer payment terms when making a judgment to evaluate the adequacy of the allowance for impairment losses. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experienced for assets with similar credit risk characteristics. If the expectation is different from the estimation, such difference will impact the carrying value of receivables.

##### (vii) *Revaluation of Properties*

Certain properties of the Group are reported at valuation which is based on valuations performed by independent professional valuers.

The independent professional valuers have exercised judgement in determining discount rates, estimates of future cash flows, capitalisation rate, terminal year value, market freehold rental and other factors used in the valuation process. Also, judgement has been applied in estimating prices for less readily observable external parameters. Other factors such as model assumptions, market dislocations and unexpected correlations can also materially affect these estimates and the resulting valuation estimates.

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

The Group may carry 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/or equity.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

#### (b) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December 2014.

Subsidiaries are entities, including unincorporated entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Control is achieved when the Group is exposed to, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In assessing control, potential voting rights that presently are exercisable are taken into account.

Intragroup transactions, balances, income and expenses are eliminated on consolidation. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

#### (a) Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Group at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss when incurred.

Business combinations involving entities under common control are accounted for by applying the pooling of interest method. The assets and liabilities of the combining entities are reflected at their carrying amounts reported in the consolidated financial statements of the controlling holding company. Any difference between the consideration paid and the share capital of the "acquired" entity is reflected within equity as merger reserve or merger deficit.

In a business combination achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

#### (b) Non-Controlling Interests

Non-controlling interests are presented within equity in the consolidated statement of financial position, separately from the equity attributable to owners of the Company. Transactions with non-controlling interests are accounted for as transactions with owners and are recognised directly in equity. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

At the end of each reporting period, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

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

#### (c) Acquisitions of Non-Controlling Interests

All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity and attributed to owners of the parent.

Upon loss of control of a subsidiary, the profit or loss on disposal is calculated as the difference between:-

- (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary; and
- (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the former subsidiary and any non-controlling interests.

#### (d) Loss of Control

Amounts previously recognised in other comprehensive income in relation to the former subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained profits) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 139 or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

#### (c) Goodwill

Goodwill is measured at cost less accumulated impairment losses, if any. The carrying value of goodwill is reviewed for impairment annually. The impairment value of goodwill is recognised immediately in profit or loss. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Under the acquisition method, any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interests recognised and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities at the date of acquisition is recorded as goodwill.

Where the latter amount exceeds the former, after reassessment, the excess represents a bargain purchase gain and is recognised as a gain in profit or loss.

#### (d) Investments in Subsidiaries

Investments in subsidiaries are stated at cost in the statement of financial position of the Company, and are reviewed for impairment at the end of the reporting period 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 the carrying amount of the investment is recognised in profit or loss.

#### (e) Functional and Foreign Currencies

##### (i) Functional and Presentation Currencies

The functional currency of the Group is the currency of the primary economic environment in which the Group operates.

The financial statements of the Group are presented in Ringgit Malaysia, which is the functional and presentation currency.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

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

##### (ii) Transactions and Balances

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities at the end of the reporting period 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 recognised in profit or loss.

##### (iii) Foreign Operations

Assets and liabilities of foreign operations are translated to Ringgit Malaysia at the rates of exchange ruling at the end of the reporting period. Revenues and expenses of foreign operations are translated at exchange rates ruling at the dates of the transactions. All exchange differences arising from translation are taken directly to other comprehensive income and accumulated in equity under the translation reserve. On the disposal of a foreign operation, the cumulative amount recognised in other comprehensive income relating to that particular foreign operation is reclassified from equity to profit or loss.

Goodwill and fair value adjustments arising from the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the end of the reporting period.

MFRS 121 requires an entity:

- (a) to recognise some translation differences in other comprehensive income and accumulate these in a separate component of equity; and
- (b) on disposal of a foreign operation, to reclassify the cumulative translation difference for that foreign operation (including, if applicable, gains and losses on related hedges) from equity to profit or loss as part of the gain or loss on disposal.

#### (f) Financial Instruments

Financial instruments are recognised in the statements of financial position 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.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

Financial instruments recognised in the statements of financial position are disclosed in the individual policy statement associated with each item.

##### (i) Financial Assets

On initial recognition, financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables financial assets, or available-for-sale financial assets, as appropriate.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

#### (f) Financial Instruments (Cont'd)

##### (i) Financial Assets (Cont'd)

- *Financial Assets at Fair Value Through Profit or Loss*

As at the end of the reporting period, there were no financial assets classified under this category.

- *Held-to-maturity Investments*

As at the end of the reporting period, there were no financial assets classified under this category.

- *Loans and Receivables*

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables financial assets. Loans and receivables financial assets are measured at amortised cost using the effective interest method, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

- *Available-for-sale Financial Assets*

As at the end of the reporting period, there were no financial assets classified under this category.

##### (ii) Financial Liabilities

All financial liabilities are initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges.

##### (iii) Equity Instruments

Instruments classified as equity are measured at cost and are not remeasured subsequently.

- *Ordinary Shares*

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.

- *Treasury Shares*

When the Company's own shares recognised as equity are bought back, the amount of the consideration paid, including all costs directly attributable, are recognised as a deduction from equity. Own shares purchased that are not subsequently cancelled are classified as treasury shares and are presented as a deduction from total equity.

Where such shares are subsequently sold or reissued, any consideration received, net of any direct costs, is included in equity.



## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

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

Plant and equipment, other than freehold land and factory buildings, are stated at cost less accumulated depreciation and impairment losses, if any.

Freehold land is stated at valuation recognised after the date of the revaluation. Freehold land is not depreciated. Factory buildings are stated at revalued amount less accumulated depreciation and impairment losses, if any, recognised after the date of the revaluation.

Freehold land and factory buildings are revalued periodically, at least once in every 5 years. Surpluses arising from the revaluation are recognised in other comprehensive income and accumulated in equity under the revaluation reserve. Deficits arising from the revaluation, to the extent that they are not supported by any previous revaluation surpluses, are recognised in profit or loss.

Depreciation is calculated under the straight-line method to write down 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%
Furniture, fittings and office equipment	10% - 33.3%
Motor vehicles	20%
Plant and machinery	14%

The depreciation method, useful life and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period 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 property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group is obligated to incur when the asset is acquired, if applicable.

An item of property, 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 recognised in profit or loss.

Fully depreciated property, 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 property, plant and equipment.

#### (h) Impairment

##### (i) Impairment of Financial Assets

All financial assets (other than those categorised at fair value through profit or loss), are assessed at the end of each reporting period whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset.

An impairment loss in respect of held-to-maturity investments and loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

With the exception of available-for-sale financial assets, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. In respect of available-for-sale financial assets, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss made is recognised in other comprehensive income.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

#### (h) Impairment (Cont'd)

##### (ii) *Impairment of Non-Financial Assets*

The carrying values of assets, other than those to which MFRS 136 - Impairment of Assets does not apply, are reviewed at the end of each reporting period 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 assets' fair value less costs to sell and their value-in-use, which is measured by reference to discounted future cash flow.

An impairment loss is recognised in profit or loss 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 profit or loss immediately, unless the asset is carried at its revalued amount. A reversal of an impairment loss on a revalued asset is credited to other comprehensive income. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the profit and loss, a reversal of that impairment loss is recognised as income in profit and loss.

#### (i) **Assets under Hire Purchase**

Assets acquired under hire purchase are capitalised in the financial statements and are depreciated in accordance with the policy set out in Note 4(g) 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 recognised in profit or loss over the period of the respective hire purchase agreements.

#### (j) **Government Grant**

Government grant which relate to the cost of development expenditure and pre-commercialisation of a new organic acid blend are recognised on a receivable basis, and are set off against the related property, plant and equipment acquired for that purpose.

#### (k) **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 down product development expenditure over the remaining period of the product's estimated economic useful life from the date of the initial product launch. In the event that the expected future economic benefits are no longer probable of being recovered, the development expenditure is written down to its recoverable amount.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

#### (l) 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. The Group writes down its obsolete or slow moving inventories based on assessment of the condition and the future demand for the inventories. These inventories are written down when events or changes in circumstances indicate that the carrying amounts may not be recovered.

#### (m) Income Taxes

Income taxes for the financial 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 end of the reporting period.

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 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. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period 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.

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 substantively enacted at the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transactions either in other comprehensive income or directly in equity.

#### (n) Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, deposits, 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.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

#### (o) Employee Benefits

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

Wages, salaries, paid annual leave and sick 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 recognised in profit or loss 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.

#### (p) Related Parties

A party is related to an entity if:-

##### (a) A person or a close member of that person's family is related to a reporting entity if that person:-

- (i) has control or joint control over the reporting entity;
- (ii) has significant influence over the reporting entity; or
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

##### (b) An entity is related to a reporting entity if any of the following conditions applies:-

- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- (vi) The entity is controlled or jointly controlled by a person identified in (a) above.
- (vii) A person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

#### (q) Operating Segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

#### (r) Contingent Liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

#### (s) 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 is recognised on an accrual basis.

### 5. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2014 RM	2013 RM
Unquoted shares in Malaysia, at cost		
At 1 January	10,997,548	10,997,548
Less: Impairment	(100,000)	(100,000)
At 31 December	10,897,548	10,897,548

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Details of the subsidiaries are as follows:-

Name of Company	Principal place of business	Effective Equity Interest		Principal Activities
		2014 %	2013 %	
Sunzen Corporation Sdn. Bhd.	Malaysia	100	100	Biotechnology research and development, manufacturing and marketing of veterinary and animal health products.
Sunzen Lifesciences Sdn. Bhd.	Malaysia	100	100	R & D and commercialisation of in-feed anti bacterial products and supplements for animal health products.
Sunzen Feedtech Sdn. Bhd.	Malaysia	100	100	Investment holding, biotechnology research and development and trading of veterinary and animal health products.
PT Sunzen Indonesia*#	Indonesia	100	100	Wholesaling and trading of animal health care products.

\* held 70% and 30% through Sunzen Lifesciences Sdn. Bhd. and Sunzen Feedtech Sdn. Bhd. respectively.

# not audited by Messrs. Ecovis AHL PLT

### 6. PROPERTY, PLANT AND EQUIPMENT

THE GROUP NET CARRYING AMOUNT	AT	ADDITIONS	REVALUATION	WRITTEN OFF/ DISPOSAL	DEPRECIATION CHARGE	FOREIGN CURRENCY TRANSLATION	AT
	1.1.2014					RESERVES	31.12.2014
	RM	RM	RM	RM	RM	RM	RM
Freehold land	7,670,000	-	11,806,000	-	-	-	19,476,000
Factory buildings	6,553,101	-	1,743,105	-	(179,277)	-	8,116,929
Furniture, fittings and office equipment	360,648	101,352	-	-	(156,833)	138	305,305
Motor vehicles	383,179	400,728	-	-	(234,997)	829	549,739
Plant and machinery	1,086,946	2,224	-	-	(86,332)	-	1,002,838
Total	16,053,874	504,304	13,549,105	-	(657,439)	967	29,450,811

THE GROUP NET CARRYING AMOUNT	AT	ADDITIONS	RECLASSI- FICATION	WRITTEN OFF/ DISPOSAL	DEPRECIATION CHARGE	FOREIGN CURRENCY TRANSLATION	AT
	1.1.2013					RESERVES	31.12.2013
	RM	RM	RM	RM	RM	RM	RM
Freehold land	7,670,000	-	-	-	-	-	7,670,000
Factory buildings	6,757,694	-	(66,864)	-	(137,729)	-	6,553,101
Furniture, fittings and office equipment	470,866	40,107	-	(720)	(148,962)	(643)	360,648
Motor vehicles	299,869	242,474	-	-	(155,285)	(3,879)	383,179
Plant and machinery	1,180,156	1,680	-	-	(94,890)	-	1,086,946
Total	16,378,585	284,261	(66,864)	(720)	(536,866)	(4,522)	16,053,874

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

THE GROUP AT 31.12.2014	AT COST RM	AT VALUATION RM	GOVERNMENT GRANT RM	ACCUMULATED DEPRECIATION RM	NET CARRYING AMOUNT RM
Freehold land	-	19,476,000	-	-	19,476,000
Factory buildings	3,424,113	5,539,743	-	(846,927)	8,116,929
Furniture, fittings and office equipment	1,540,820	-	-	(1,235,515)	305,305
Motor vehicles	1,373,545	-	-	(823,806)	549,739
Plant and machinery	2,266,093	-	-	(1,263,255)	1,002,838
<b>Total</b>	<b>8,604,571</b>	<b>25,015,743</b>	<b>-</b>	<b>(4,169,503)</b>	<b>29,450,811</b>

#### AT 31.12.2013

Freehold land	-	7,670,000	-	-	7,670,000
Factory buildings	3,424,113	3,796,638	-	(667,650)	6,553,101
Furniture, fittings and office equipment	1,439,468	-	-	(1,078,820)	360,648
Motor vehicles	972,817	-	-	(589,638)	383,179
Plant and machinery	3,113,869	-	(850,000)	(1,176,923)	1,086,946
<b>Total</b>	<b>8,950,267</b>	<b>11,466,638</b>	<b>(850,000)</b>	<b>(3,513,031)</b>	<b>16,053,874</b>

THE COMPANY NET CARRYING AMOUNT	AT 1.1.2014 RM	ADDITIONS RM	DEPRECIATION CHARGE RM	AT 31.12.2014 RM
Furniture, fittings and office equipment	32,978	12,098	(11,841)	33,235
Motor vehicles	34,400	-	(17,200)	17,200
Plant and machinery	182,039	-	(84,307)	97,732
<b>Total</b>	<b>249,417</b>	<b>12,098</b>	<b>(113,348)</b>	<b>148,167</b>

THE COMPANY NET CARRYING AMOUNT	AT 1.1.2013 RM	ADDITIONS RM	DEPRECIATION CHARGE RM	AT 31.12.2013 RM
Furniture, fittings and office equipment	37,222	6,380	(10,624)	32,978
Motor vehicles	51,600	-	(17,200)	34,400
Plant and machinery	267,297	1,680	(86,938)	182,039
<b>Total</b>	<b>356,119</b>	<b>8,060</b>	<b>(114,762)</b>	<b>249,417</b>

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

	COST RM	ACCUMULATED DEPRECIATION RM	NET CARRYING AMOUNT RM
<b>AS AT 31.12.2014</b>			
Furniture, fittings and office equipment	86,063	(52,828)	33,235
Motor vehicles	86,000	(68,800)	17,200
Plant and machinery	745,094	(647,362)	97,732
Total	917,157	(768,990)	148,167
<b>AS AT 31.12.2013</b>			
Furniture, fittings and office equipment	73,965	(40,987)	32,978
Motor vehicles	86,000	(51,600)	34,400
Plant and machinery	745,094	(563,055)	182,039
Total	905,059	(655,642)	249,417

#### Revaluation of freehold land and factory buildings

Freehold land and factory buildings have been revalued based on a valuation performed by an independent firm of professional valuers. The valuation is based on the market value comparison method that market value of comparable land and building in close proximity are adjusted for differences in location, size and shapes, accessibility, infrastructure available, improvements made on the side and other value considerations.

If the factory buildings were measured using the cost model, the net carrying amount would be as follows:-

	THE GROUP	
	2014 RM	2013 RM
Factory buildings, at 31 December:-		
Cost	7,147,727	7,147,727
Accumulated depreciation	(804,759)	(661,805)
Net carrying amount	6,342,968	6,485,922

#### Assets held under hire purchase

Included in the property, plant and equipment of the Group at the end of the reporting period are motor vehicles with a total net carrying amount of RM493,611 (2013: RM296,877) acquired under hire purchase.

#### Assets pledged as security

The freehold land and factory buildings of the Group have been pledged as security for banking facilities granted to the Group as disclosed in Note 16 to the financial statements as follows:-

	THE GROUP	
	2014 RM	2013 RM
<u>At net carrying amount:-</u>		
Freehold land	19,476,000	7,670,000
Factory buildings	8,116,929	6,553,101



## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 7. PRODUCT DEVELOPMENT EXPENDITURE

	THE GROUP	
	2014 RM	2013 RM
<u>Cost</u>		
At 1 January/31 December	1,988,442	1,988,442
<u>Accumulated amortisation</u>		
At 1 January	(1,915,840)	(1,667,153)
Addition during the financial year	(72,602)	(248,687)
At 31 December	(1,988,442)	(1,915,840)
Net carrying amount	-	72,602

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.

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.

### 8. INVENTORIES

	THE GROUP		THE COMPANY	
	2014 RM	2013 RM	2014 RM	2013 RM
At cost:-				
Raw materials	1,991,683	2,879,335	1,386,705	1,743,656
Finished goods	6,167,473	8,796,347	354,212	416,316
Packing materials	256,724	297,338	186,496	185,706
	8,415,880	11,973,020	1,927,413	2,345,678

None of the inventories is carried at net realisable value. Cost of inventories included in cost of sales is RM8,415,880 (2013: RM11,973,020) and RM1,927,413 (2013: RM2,345,678) for both Group and Company respectively.

During the financial year, inventories written off and provision for inventories written off amounted to RM1,079,968 (2013: RM118,186) and RM32,438 (2013: Nil) for Group and Company respectively.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 9. TRADE RECEIVABLES

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

	THE GROUP		THE COMPANY	
	2014 RM	2013 RM	2014 RM	2013 RM
Third parties	6,970,616	9,214,331	2,656,065	2,814,266
Add: Unrealised gain on foreign exchange	31,628	23,992	16,848	-
Less: Provision for doubtful debts	(424,003)	-	(100,331)	-
	<u>6,578,241</u>	<u>9,238,323</u>	<u>2,572,582</u>	<u>2,814,266</u>

### 10. OTHER RECEIVABLES AND DEPOSITS

	THE GROUP		THE COMPANY	
	2014 RM	2013 RM	2014 RM	2013 RM
Other receivables	36,086	174,215	691	731
Deposits	924,139	116,064	42,880	2,915
	<u>960,225</u>	<u>290,279</u>	<u>43,571</u>	<u>3,646</u>

### 11. AMOUNT OWING BY SUBSIDIARIES

	THE COMPANY	
	2014 RM	2013 RM
Amount owing by - trade	601,414	339,254
Amount owing by - non-trade	1,541,464	3,184,407
Less: Allowance for impairment loss - non-trade	(781,781)	(766,870)
	<u>1,361,097</u>	<u>2,756,791</u>
Amount owing to - non-trade	(914,405)	-
	<u>446,692</u>	<u>2,756,791</u>

Trade balances are owing by/(to) subsidiaries are subject to the normal trade credit terms. Amounts owing by/(to) subsidiaries are to be settled in cash.

The non-trade balances represent unsecured interest-free advances and payments made on behalf. The amounts owing are repayable on demand and are to be settled in cash.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 12. DEPOSITS WITH LICENSED BANKS AND FINANCIAL INSTITUTIONS

	THE GROUP		THE COMPANY	
	2014 RM	2013 RM	2014 RM	2013 RM
Fixed deposits with licensed banks	708,729	687,266	451,932	438,244
Short terms funds	5,595,752	2,565,058	4,009,339	1,023,298
	<u>6,304,481</u>	<u>3,252,324</u>	<u>4,461,271</u>	<u>1,461,542</u>

Included in fixed deposits with licensed banks of the Group is an amount of RM708,729 (2013: RM687,266) which has been pledged as collateral to a licensed bank to secure banking facilities granted to the Group.

The interest rates of the fixed deposits of the Group and of the Company at the end of the reporting period ranged from 2.68% to 3.20% (2013: 2.68% to 3.10%) per annum. The maturity period ranged from 1 month to 6 months (2013: 1 month to 6 months).

Short term funds amounting to RM5,595,752 (2013: RM2,565,058) and RM4,009,339 (2013: RM1,023,298) for the Group and the Company respectively represent investments in a highly liquid market. This investment is convertible into cash in the short term period and has insignificant risk of changes in value.

### 13. SHARE CAPITAL

	THE COMPANY			
	2014 NUMBER OF SHARES	2013	2014 RM	2013 RM
ORDINARY SHARES OF RM0.10 EACH:-				
AUTHORISED	250,000,000	250,000,000	25,000,000	25,000,000
ISSUED AND FULLY PAID-UP:-				
At 1 January	149,390,500	149,390,500	14,939,050	14,939,050
Issued during the year				
- Private placement	14,880,000	-	1,488,000	-
- Warrants converted	1,496,166	-	149,617	-
At 31 December	<u>165,766,666</u>	<u>149,390,500</u>	<u>16,576,667</u>	<u>14,939,050</u>

During the financial year, the Company increased its issued and paid up share capital by way of:-

- Private placements of 14,880,000 new ordinary shares of RM0.10 each at an issue price of RM0.36 each; and
- exercise of Warrants 2014/2019. A total of 1,496,166 of Warrants have been exercised and converted into ordinary shares at an issue price of RM0.10 each.

The new ordinary shares were issued for cash consideration. The new ordinary shares issued rank pari passu in all respects with the existing shares of the Company.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 14. TREASURY SHARES

During the financial year, the Company purchased from the open market, 78,000 units of its own shares on the ACE Market of Bursa Malaysia Securities Berhad at an average buy-back price of RM0.31 per ordinary share. The total consideration paid for acquisition of the shares was RM24,440 and was financed by internally generated funds. The repurchased shares were held as treasury shares in accordance with Section 67A of the Companies Act, 1965 in Malaysia.

As at 31 December 2014, the Company held 148,000 repurchased shares as treasury shares out of its total issued and paid-up share capital of 165,766,666 ordinary shares of RM0.10 each. The carrying amount of the treasury shares is RM39,000.

### 15. RESERVES

#### (a) Share Premium

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.

#### (b) Revaluation Reserve

The asset revaluation reserve represents increases in the fair value of freehold land and factory buildings, net of tax, and decreases to the extent that such decreases relate to an increase on the same asset previously recognised in other comprehensive income and is not distributable by way of dividends.

#### (c) Merger Deficit

The merger deficit of RM8,397,548 (2013: RM8,397,548) resulted from the difference between the carrying value of the investments in a subsidiary and the nominal value of the shares of the Company's subsidiary upon consolidation under the merger accounting principle.

#### (d) Currency Translation Reserve

The currency translation reserve arose from the translation of the financial statements of a foreign subsidiary and is not distributable by way of dividends.

#### (e) Retained Profits

Under the single tier system which came into effect from the year of assessment 2008, companies are not required to have tax credit under Section 108 of the Income Tax Act, 1967 for the dividend payment purposes. Under this system, tax on the Company's profits is the final tax and accordingly, any dividends to the shareholders are not subject to tax.

### 16. BANK BORROWINGS

	THE GROUP		THE COMPANY	
	2014 RM	2013 RM	2014 RM	2013 RM
Total bank borrowings:-				
Bills payable	360,000	2,656,745	-	1,226,083
Hire purchase payables	320,960	175,669	-	-
Term loans	4,299,010	4,848,977	-	-
	<u>4,979,970</u>	<u>7,681,391</u>	<u>-</u>	<u>1,226,083</u>

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 16. BANK BORROWINGS (CONT'D)

	THE GROUP		THE COMPANY	
	2014 RM	2013 RM	2014 RM	2013 RM
Current liabilities:-				
Bills payable	360,000	2,656,745	-	1,226,083
Hire purchase payables	99,633	79,261	-	-
Term loans	574,402	555,168	-	-
	<u>1,034,035</u>	<u>3,291,174</u>	<u>-</u>	<u>1,226,083</u>

	THE GROUP	
	2014 RM	2013 RM
Non-current liabilities:-		
Hire purchase payables	221,327	96,408
Term loans	3,724,608	4,293,809
	<u>3,945,935</u>	<u>4,390,217</u>

The bills payable and term loans are secured by the following:-

- pledge of certain fixed deposits belonging to the Group as disclosed in note 12 to the financial statements;
- legal charge over the properties belonging to a subsidiary as per disclosure in note 6 to the financial statements; and
- negative pledge.

Details of the hire purchase payables outstanding at the end of the reporting period were as follows:-

	THE GROUP	
	2014 RM	2013 RM
Minimum hire purchase payments:		
- not later than one year	113,053	85,922
- later than one year and not later than five years	238,169	104,036
	<u>351,222</u>	<u>189,958</u>
Less: Future finance charges	(30,262)	(14,289)
Present value of hire purchase payables	<u>320,960</u>	<u>175,669</u>
Current portion:		
- not later than one year	99,633	79,261
Non-current portion:		
- later than one year and not later tha five years	221,327	96,408
	<u>320,960</u>	<u>175,669</u>

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 16. BANK BORROWINGS (CONT'D)

	THE GROUP	
	2014 RM	2013 RM
The term loans are repayable as follows:-		
Current portion:		
- not later than one year	574,402	555,168
Non-current portion:		
- later than one year and not later than 2 years	606,756	585,026
- later than 2 years and not later than 5 years	2,033,603	1,950,672
- more than 5 years	1,084,249	1,758,111
Total non-current portion	3,724,608	4,293,809
	<u>4,299,010</u>	<u>4,848,977</u>

The repayment terms of the term loans are as follows:-

- Term loan 1      Repayable in 120 monthly instalments of RM30,660 each, effective from November 2010.
- Term loan 2      Repayable in 120 monthly instalments of RM10,220 each, effective from November 2010.
- Term loan 3      Repayable in 120 monthly instalments of RM25,488 each, effective from November 2011.

### 17. DEFERRED TAXATION

	THE GROUP		THE COMPANY	
	2014 RM	2013 RM	2014 RM	2013 RM
At 1 January	448,901	524,109	35,582	35,356
Recognised in profit or loss (Note 24)	22,478	(84,634)	(2,028)	226
Foreign currency translation reserves	(3,233)	9,426	-	-
Surplus on revaluation of property (Note 25)	1,026,078	-	-	-
At 31 December	<u>1,494,224</u>	<u>448,901</u>	<u>33,554</u>	<u>35,582</u>

The components of deferred tax liabilities are as follows:-

	THE GROUP		THE COMPANY	
	2014 RM	2013 RM	2014 RM	2013 RM
Product development expenditure	-	4,792	-	-
Accelerated capital allowances	471,379	253,406	33,554	35,582
Foreign currency translation reserves	(3,233)	9,426	-	-
Revaluation reserve	1,026,078	181,277	-	-
	<u>1,494,224</u>	<u>448,901</u>	<u>33,554</u>	<u>35,582</u>

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 18. TRADE PAYABLES

The normal credit terms granted to the Group range from 30 to 90 days.(2013: 30 to 90 days).

### 19. OTHER PAYABLES AND ACCRUALS

	THE GROUP		THE COMPANY	
	2014 RM	2013 RM	2014 RM	2013 RM
Other payables	316,776	437,615	62,535	48,496
Accruals	766,585	696,048	200,539	165,600
	<u>1,083,361</u>	<u>1,133,663</u>	<u>263,074</u>	<u>214,096</u>

### 20. AMOUNT OWING TO DIRECTORS

In the prior financial year, the amount owing is unsecured, and in respect of interest-free advances and payments made on behalf. The amount owing was repayable within the next twelve months in cash.

### 21. NET ASSETS PER SHARE

The net assets per share of the Group is calculated based on the net assets value of RM50,308,693 (2013: RM32,564,326) divided by the number of ordinary shares in issue at the end of the reporting period of 165,618,666 (2013: 149,320,500).

### 22. REVENUE

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

### 23. PROFIT/(LOSS) BEFORE TAXATION

Profit/(Loss) before taxation is arrived at after charging/(crediting):-

	THE GROUP		THE COMPANY	
	2014 RM	2013 RM	2014 RM	2013 RM
Amortisation of product development expenditure	72,602	248,687	-	-
Auditors' remunerations:				
- current year	43,024	43,643	18,500	18,500
- over provision in prior years	(820)	-	-	-
Bad debts written off	-	18,222	-	1,222
Depreciation of property, plant and equipment	657,439	536,866	113,348	114,762
Directors' remuneration:				
- fee	86,490	71,940	86,490	68,940
- other emoluments	1,256,208	1,428,275	-	-
Impairment loss on amount owing by a subsidiary	-	-	14,911	766,870
Impairment of goodwill	-	57,958	-	-
Impairment of investment in a subsidiary	-	-	-	100,000

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 23. PROFIT/(LOSS) BEFORE TAXATION (CONT'D)

Profit/(Loss) before taxation is arrived at after charging/(crediting):-

	THE GROUP		THE COMPANY	
	2014 RM	2013 RM	2014 RM	2013 RM
Interest expense:				
- bank overdraft	1,084	1,022	-	-
- bills payable	30,253	61,222	1,105	15,217
- hire purchase	11,854	8,965	-	-
- term loans	246,449	269,582	-	-
Inventories written off	360,004	118,186	32,438	-
Provision for doubtful debts	424,003	-	100,331	-
Provision for inventories written off	719,964	-	-	-
Rental of office equipment	7,980	7,780	3,180	3,180
Rental of premises	63,394	55,265	13,300	52,200
Staff costs:				
- salaries, wages, bonuses and allowances	3,377,534	2,938,861	816,136	639,015
- defined contribution plan	514,222	454,514	99,762	77,181
Dividend income	-	-	-	(900,000)
Gain on disposal of property, plant and equipment	-	(157,880)	-	-
(Gain)/Loss on foreign exchange:				
- realised	(265,365)	(164,700)	(41,926)	(60,800)
- unrealised	4,475	(33,556)	(33,393)	1,428
Income from unit trust deposit with a financial institution	(123)	(103)	-	-
Interest income	(88,239)	(89,771)	(3,934)	(45,264)

### 24. INCOME TAX EXPENSE/(CREDIT)

	THE GROUP		THE COMPANY	
	2014 RM	2013 RM	2014 RM	2013 RM
Income tax expense:				
- for current financial year	270,610	684,276	5,574	74,333
- (over)/underprovision in the previous financial year	(1,826)	(17,510)	(8,884)	549
	268,784	666,766	(3,310)	74,882
Deferred taxation (Note 17):				
- for current financial year	13,819	(84,269)	(2,028)	226
- reversal of deferred tax liability arising from revaluation reserve	8,659	(365)	-	-
	22,478	(84,634)	(2,028)	226
Income tax expense/(credit)	291,262	582,132	(5,338)	75,108



## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 24. INCOME TAX EXPENSE/(CREDIT) (CONT'D)

A reconciliation of income tax expense applicable to the profit/(loss) 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	
	2014 RM	2013 RM	2014 RM	2013 RM
Profit/(Loss) before taxation	1,391,369	4,089,835	(201,482)	217,258
Tax at the statutory tax rate of 25%	347,842	1,022,458	(50,370)	54,314
Tax effects of:-				
Non-deductible expenses	343,121	128,408	67,243	244,888
Non-taxable gain	(9,416)	(35,444)	(13,327)	357
Tax exemption	(478,455)	(472,072)	-	(225,000)
(Over)/Underprovision in the previous financial year:				
- income tax	(1,826)	(17,510)	(8,884)	549
Reversal of deferred tax liability arising from revaluation reserve	8,659	(365)	-	-
Deferred tax asset	8,015	(85,119)	-	-
Differential in tax rate of a subsidiary in oversea	37,447	11,779	-	-
Tax credit arising from tax loss	35,875	29,997	-	-
Income tax expense/(credit) for the financial year	291,262	582,132	(5,338)	75,108

The Company's wholly-owned subsidiary, Sunzen Lifesciences Sdn. Bhd. was awarded the Bionexus status incentive under the Promotion of Investments Act, 1986 by the Minister of Finance, with the recommendation made by Malaysian Biotechnology Corporation Sdn Bhd on 23 July 2007. Accordingly, the said subsidiary is granted 100% tax exemption from its statutory income derived from the production of in-feed anti bacterial products and supplements for animal health products for a period of 10 years from 1 January 2010.

### 25. OTHER COMPREHENSIVE INCOME/(EXPENSE)

	THE GROUP	
	2014 RM	2013 RM
<b>Items that may be reclassified subsequently to profit or loss</b>		
Foreign currency translation	68,009	(62,925)
<b>Items that will not be reclassified subsequently to profit or loss</b>		
Revaluation surplus on property, plant and equipment	13,549,105	-
Tax effects (Note 17)	(1,026,078)	-
	12,523,027	-
	12,591,036	(62,925)

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 26. EARNINGS PER SHARE

The basic earnings per share for the financial year has been calculated by dividing the consolidated profit attributable to the owners of the Company of RM1,100,107 (2013: RM3,507,703) over the weighted average number of ordinary shares in issue during the financial year of 152,000,333 (2013: 149,320,500).

The diluted earnings per shares for the financial year has been calculated by dividing the consolidated profit attributable to the owners of RM1,100,107 over the weighted average number of ordinary shares and adjustment for assumed exercise of Warrants 2014/2019 of 180,956,389. There is no diluted earnings per share for the previous financial year as there are no potential dilutive ordinary shares.

### 27. DIVIDEND PAID

	THE GROUP/THE COMPANY	
	2014 RM	2013 RM
Interim dividend of RM0.008 per ordinary share of RM0.10 each less income tax of 25%	-	895,923
Interim single-tier dividend of RM0.008 per ordinary share of RM0.10	1,194,164	-
	<u>1,194,164</u>	<u>895,923</u>

### 28. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	THE GROUP		THE COMPANY	
	2014 RM	2013 RM	2014 RM	2013 RM
Cost of property, plant and equipment purchased	504,304	284,261	12,098	8,060
Amount financed through hire purchase	(255,000)	(94,600)	-	-
	<u>249,304</u>	<u>189,661</u>	<u>12,098</u>	<u>8,060</u>

### 29. CASH AND CASH EQUIVALENTS

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

	THE GROUP		THE COMPANY	
	2014 RM	2013 RM	2014 RM	2013 RM
Deposits with licensed banks and financial institutions	708,729	687,266	451,932	438,244
Short-term funds	5,595,752	2,565,058	4,009,339	1,023,298
	<u>6,304,481</u>	<u>3,252,324</u>	<u>4,461,271</u>	<u>1,461,542</u>
Cash and bank balances	8,894,853	4,673,952	4,287,956	1,607,484
Unrealised gain on foreign exchange	39,531	34,687	16,138	(698)
	<u>15,238,865</u>	<u>7,960,963</u>	<u>8,765,365</u>	<u>3,068,328</u>

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 30. WARRANT 2014/2019

The movement in warrants is as follows:-

	NUMBER OF WARRANTS			At 31.12.2014
	At 1.1.2014	Granted	Exercised	
Warrants 2014/2019	-	49,756,260	(1,496,166)	48,260,094

On 28 March 2014, the Company executed a deed poll ("Deed Poll") pertaining to the creation and issuance of up to 49,796,833 free warrants on the basis of one (1) warrant for every three (3) existing ordinary shares held in the Company.

The Warrants were listed on the ACE Market of Bursa Malaysia Securities Berhad.

The main features of the Warrants 2014/2019 are as follows:-

- Each warrant will entitle the registered holder to subscribe for one (1) new ordinary share of par value of RM0.10 each in the Company at an exercise price of RM0.10 each subject to adjustment in accordance with the conditions stipulated in the Deed Poll;
- The warrants may be exercised at any time within five (5) years beginning on the date of issuance on 21 April 2014. Warrants not exercised within the exercise period will thereafter lapse and cease to be valid;
- The new shares to be issued pursuant to the exercise of the warrants shall, upon allotment and issue, rank pari passu in all respect with the existing ordinary shares of the Company in issue except that they will not be entitled to any dividend, rights, allotment or other distributions, the entitlement date of which is before the allotment and issuance of the new shares; and
- The persons to whom the warrants have been granted have no rights to participate in any distribution and/on offer of further securities in the Company until/and unless warrants holders exercise their warrant for new shares.

### 31. 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 2014	NO. OF DIRECTORS*	SALARIES AND BONUS RM	EPF & SOCSO RM	FEE RM	TOTAL RM
Executive					
- Between RM300,001 and RM350,000	4	1,090,590	165,618	-	1,256,208
Non-executive					
- Less than or equal to RM50,000	3	-	-	86,490	86,490
	7	1,090,590	165,618	86,490	1,342,698

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

THE GROUP 2013	NO. OF DIRECTORS*	SALARIES AND BONUS RM	EPF & SOCSO RM	FEE RM	TOTAL RM
Executive					
- Between RM300,001 and RM350,000	3	885,190	133,417	2,000	1,020,607
- Between RM400,001 and RM450,000	1	356,235	53,433	1,000	410,668
	4	1,241,425	186,850	3,000	1,431,275
Non-executive					
- Less than or equal to RM50,000	3	-	-	68,940	68,940
	7	1,241,425	186,850	71,940	1,500,215
<b>THE COMPANY 2014</b>					
Non-executive					
- Less than or equal to RM50,000	3	-	-	86,490	86,490
<b>2013</b>					
Non-executive					
- Less than or equal to RM50,000	3	-	-	68,940	68,940

\* There were changes to the composition of the Board during the financial year as follows:-

- (a) resignation of three (3) Executive Directors and two (2) Independent Non-Executive Directors; and
- (b) appointment of two (2) Executive Directors and two (2) Independent Non-Executive Directors.

As at reporting date, the Board comprises six (6) members, of whom three (3) are Executive Directors and three (3) are Independent Non-Executive Directors.

### 32. SIGNIFICANT RELATED PARTY DISCLOSURES

- (a) Identity of related parties

The Company has related party relationships with:-

- (i) its subsidiaries as disclosed in Note 5 to the financial statements; and
- (ii) the Directors who are the key management personnel.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 32. SIGNIFICANT 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 related parties during the financial year:-

	THE COMPANY	
	2014 RM	2013 RM
Sales to subsidiaries	401,064	586,319
Handling costs charged by a subsidiary	-	51,527
Purchases from subsidiaries	4,125,374	3,438,771
Rental paid to a subsidiary	-	45,600
Share of overhead recovery from a subsidiary	389,318	373,614

	THE GROUP		THE COMPANY	
	2014 RM	2013 RM	2014 RM	2013 RM
Key management personnel compensation:				
- short-term employee benefits	1,482,716	1,500,215	226,508	68,940

### 33. FOREIGN CURRENCY RATES

The principal closing foreign exchange rates used (expressed on the basis of one unit of foreign currency to RM equivalent) for the translation of the foreign currency balances at the end of the reporting period are as follows:-

	THE GROUP AND THE COMPANY	
	2014 RM	2013 RM
Indonesian Rupiah	0.0003	0.0003
Singapore Dollar	2.68	2.63
United States Dollar	3.54	3.23

### 34. OPERATING SEGMENTS

As the principal activity of the Group is manufacturing and trading in animal health products and its operations are principally located in Malaysia. One of the subsidiaries which principally located in Indonesia, as its operation is insignificant to the Group, no segmental analysis is provided.

### 35. CONTINGENT LIABILITY

	THE COMPANY	
	2014 RM	2013 RM
Unsecured:		
Corporate guarantee given to banks in respect of banking facilities extended to a subsidiary	17,131,000	17,131,000

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 36. FINANCIAL INSTRUMENTS

The Group's activities are exposed to a variety of market risks (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall financial risk management policies focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the Group's financial performance.

#### (a) Financial Risk Management Policies

The Group's policies in respect of the major areas of treasury activities are as follows:-

##### (i) Market Risks

###### (i) Foreign Currency Risk

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than Ringgit Malaysia. The currencies giving rise to this risk are primarily United States Dollar, Indonesian Rupiah and Singapore Dollar. Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

The Group's exposure to foreign currency risk is as follows:-

THE GROUP 2014	SINGAPORE DOLLAR RM	UNITED STATES DOLLAR RM	INDONESIAN RUPIAH RM	RINGGIT MALAYSIA RM	TOTAL RM
<b>Financial assets</b>					
Trade receivables	-	444,503	209,924	5,923,814	6,578,241
Other receivables and deposits	-	-	24,061	936,164	960,225
Deposits with licensed banks and financial institutions	-	-	-	6,304,481	6,304,481
Cash and bank balances	4,400	1,697,293	173,910	7,058,781	8,934,384
	4,400	2,141,796	407,895	20,223,240	22,777,331
<b>Financial liabilities</b>					
Trade payables	-	470,346	-	2,914,113	3,384,459
Other payables and accruals	-	-	15,692	1,067,669	1,083,361
Bills payable	-	-	-	360,000	360,000
Hire purchase payables	-	-	-	320,960	320,960
Tem loans	-	-	-	4,299,010	4,299,010
	-	470,346	15,692	8,961,752	9,447,790
Net financial assets	4,400	1,671,450	392,203	11,261,488	13,329,541
Less: Net financial assets denominated in the entity's functional currency	-	-	(392,203)	(11,261,488)	(11,653,691)
<b>Currency exposure</b>	4,400	1,671,450	-	-	1,675,850

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 36. FINANCIAL INSTRUMENTS (CONT'D)

#### (a) Financial Risk Management Policies (Cont'd)

##### (i) Market Risks (Cont'd)

##### (i) Foreign Currency Risk (Cont'd)

THE GROUP 2013	SINGAPORE DOLLAR RM	UNITED STATES DOLLAR RM	INDONESIAN RUPIAH RM	RINGGIT MALAYSIA RM	TOTAL RM
<b>Financial assets</b>					
Trade receivables	-	1,098,898	285,554	7,853,871	9,238,323
Other receivables and deposits	-	66,433	82,628	141,218	290,279
Deposits with licensed banks and financial institutions	-	-	-	3,252,324	3,252,324
Cash and bank balances	4,317	575,444	117,839	4,011,039	4,708,639
	4,317	1,740,775	486,021	15,258,452	17,489,565
<b>Financial liabilities</b>					
Trade payables	-	107,060	-	3,607,585	3,714,645
Other payables and accruals	-	-	16,561	1,117,102	1,133,663
Amount owing to Directors	-	-	-	8,819	8,819
Bills payable	-	-	-	2,656,745	2,656,745
Hire purchase payables	-	-	4,870	170,799	175,669
Tem loans	-	-	-	4,848,977	4,848,977
	-	107,060	21,431	12,410,027	12,538,518
Net financial assets	4,317	1,633,715	464,590	2,848,425	4,951,047
Less: Net financial assets denominated in the entity's functional currency	-	-	(464,590)	(2,848,425)	(3,313,015)
<b>Currency exposure</b>	4,317	1,633,715	-	-	1,638,032

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 36. FINANCIAL INSTRUMENTS (CONT'D)

#### (a) Financial Risk Management Policies (Cont'd)

##### (i) Market Risks (Cont'd)

###### (i) Foreign Currency Risk (Cont'd)

THE COMPANY 2014	UNITED STATES DOLLAR RM	RINGGIT MALAYSIA RM	TOTAL RM
<b>Financial assets</b>			
Trade receivables	16,848	2,555,734	2,572,582
Other receivables and deposits	-	43,571	43,571
Amount owing by subsidiaries	-	446,692	446,692
Deposits with licensed banks and financial institutions	-	4,461,271	4,461,271
Cash and bank balances	775,868	3,528,226	4,304,094
	792,716	11,035,494	11,828,210
<b>Financial liabilities</b>			
Trade payables	86,910	494,190	581,100
Other payables and accruals	-	263,074	263,074
	86,910	757,264	844,174
Net financial assets	705,806	10,278,230	10,984,036
Less: Net financial assets denominated in the Company's functional currency	-	(10,278,230)	(10,278,230)
<b>Currency exposure</b>	705,806	-	705,806
<b>2013</b>			
<b>Financial assets</b>			
Trade receivables	-	2,814,266	2,814,266
Other receivables and deposits	-	3,646	3,646
Amount owing by subsidiaries	9,318	2,747,473	2,756,791
Deposits with licensed banks and financial institutions	-	1,461,542	1,461,542
Cash and bank balances	233,302	1,373,484	1,606,786
	242,620	8,400,411	8,643,031
<b>Financial liabilities</b>			
Trade payables	-	410,074	410,074
Other payables and accruals	-	214,096	214,096
Bills payable	-	1,226,083	1,226,083
	-	1,850,253	1,850,253
Net financial assets	242,620	6,550,158	6,792,778
Less: Net financial assets denominated in the Company's functional currency	-	(6,550,158)	(6,550,158)
<b>Currency exposure</b>	242,620	-	242,620



## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 36. FINANCIAL INSTRUMENTS (CONT'D)

#### (a) Financial Risk Management Policies (Cont'd)

##### (i) Market Risks (Cont'd)

###### (i) Foreign Currency Risk (Cont'd)

###### Foreign currency risk sensitivity analysis

The following table details the sensitivity analysis to a reasonably possible change in the foreign currencies as at the end of the reporting period, with all other variables held constant:-

	THE GROUP		THE COMPANY	
	2014 Increase/ (Decrease) RM	2013 Increase/ (Decrease) RM	2014 Increase/ (Decrease) RM	2013 Increase/ (Decrease) RM
Effects on profit after taxation				
Singapore Dollar:				
- strengthened by 5%	220	216	-	-
- weakened by 5%	(220)	(216)	-	-
United States Dollar:				
- strengthened by 5%	83,572	81,686	35,290	12,131
- weakened by 5%	(83,572)	(81,686)	(35,290)	(12,131)
Effects on equity				
Singapore Dollar:				
- strengthened by 5%	220	216	-	-
- weakened by 5%	(220)	(216)	-	-
United States Dollar:				
- strengthened by 5%	83,572	81,686	35,290	12,131
- weakened by 5%	(83,572)	(81,686)	(35,290)	(12,131)
Indonesian Rupiah:				
- strengthened by 5%	(4,497)	1,971	-	-
- weakened by 5%	4,497	(1,971)	-	-

###### (ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from its interest-bearing borrowings. The Group's policy is to obtain the most favourable interest rate available.

Information relating to the Group's exposure to the interest rate risk of financial liabilities is disclosed in Note 36(a)(iii) to the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 36. FINANCIAL INSTRUMENTS (CONT'D)

#### (a) Financial Risk Management Policies (Cont'd)

##### (i) Market Risks (Cont'd)

###### (ii) Interest Rate Risk (Cont'd)

###### Interest rate risk sensitivity analysis

The following table details the sensitivity analysis to a reasonably possible change in the interest rates as at the end of the reporting period, with all other variables held constant:-

	The Group	
	2014	2013
	(Decrease)/ Increase	(Decrease)/ Increase
	RM	RM
<b>Effects on profit after taxation</b>		
Increase of 100 basis points ("bp")	(49,800)	(76,814)
Decrease of 100 bp	49,800	76,814
<b>Effects of equity</b>		
Increase of 100 bp	(49,800)	(76,814)
Decrease of 100 bp	49,800	76,814

###### (iii) Equity Price Risk

The Group does not have any quoted investments and hence is not exposed to equity price risk.

##### (ii) Credit Risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables, deposits with licensed banks or financial institutions and cash and bank balances. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis.

###### (1) Trade receivables

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of the trade and other receivables as appropriate. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. Impairment is estimated by management based on prior experience and the current economic environment.

###### Credit risk concentration profile

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

###### Exposure to credit risk

As the Group does not hold any collateral, the maximum exposure to credit risk is represented by the carrying amount of financial assets as at the end of the reporting period.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 36. FINANCIAL INSTRUMENTS (CONT'D)

#### (a) Financial Risk Management Policies (Cont'd)

#### (ii) Credit Risk (Cont'd)

##### (1) Trade receivables (Cont'd)

The exposure of credit risk for trade receivables by geographical region is as follows:-

	THE GROUP		THE COMPANY	
	2014 RM	2013 RM	2014 RM	2013 RM
Hong Kong	26,977	106,342	-	17,396
Indonesia	209,924	285,554	-	9,028
Malaysia	6,347,816	7,241,488	2,656,065	2,787,842
Philippines	-	471,424	-	-
Singapore	-	658,463	-	-
Thailand	99,389	91,555	-	-
Vietnam	286,510	359,505	-	-
	<b>6,970,616</b>	<b>9,214,331</b>	<b>2,656,065</b>	<b>2,814,266</b>
Unrealised gain on foreign exchange	31,628	23,992	16,848	-
Provision for doubtful debts	(424,003)	-	(100,331)	-
	<b>6,578,241</b>	<b>9,238,323</b>	<b>2,572,582</b>	<b>2,814,266</b>

The ageing analysis of the Group's trade receivables is as follows:-

	THE GROUP		THE COMPANY	
	2014 RM	2013 RM	2014 RM	2013 RM
Not past due	3,288,550	4,118,617	1,045,808	876,434
Past due and not impaired:				
- less than 3 months	2,411,746	3,301,323	1,002,165	1,257,858
- 3 to 6 months	636,588	1,528,351	287,969	639,027
- over 6 months	633,732	266,040	320,123	40,947
	<b>6,970,616</b>	<b>9,214,331</b>	<b>2,656,065</b>	<b>2,814,266</b>

#### *Trade receivables that are past due but not impaired*

The Group and the Company believes that no impairment allowance is necessary in respect of these trade receivables. They are substantially companies with good collection track record and no recent history of default.

#### *Trade receivables that are neither past due nor impaired*

A significant portion of trade receivables that are neither past due nor impaired are regular customers that have been transacting with the Group and the Company. The Group and the Company use ageing analysis to monitor the credit quality of the trade receivables. Any receivables having significant balances past due, which are deemed to have higher credit risk, are monitored individually.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 36. FINANCIAL INSTRUMENTS (CONT'D)

#### (a) Financial Risk Management Policies (Cont'd)

##### (ii) Credit Risk (Cont'd)

###### (2) Investments and other financial instruments

For other financial assets (including deposits with licensed banks and financial institutions and cash and bank balances), the Group and the Company minimise credit risk by dealing exclusively with high credit rating financial institutions.

Short-term funds are made only in liquid securities and only with financial institutions that are reputable and have a strong credit rating.

###### (3) Financial guarantees

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to a subsidiary. The Company monitors on an ongoing basis the results of the subsidiary and repayments made by the subsidiary.

As at the end of the reporting period, there was no indication that the subsidiary would default on repayment.

##### (iii) Liquidity Risk

Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):-

THE GROUP	WEIGHTED AVERAGE EFFECTIVE RATE %	CARRYING AMOUNT RM	CONTRACTUAL UNDISCOUNTED CASH FLOWS RM	WITHIN 1 YEAR RM	1 - 5 YEARS RM	MORE THAN 5 YEARS RM
Trade payables	-	3,384,459	3,384,459	3,384,459	-	-
Other payables and accruals	-	1,083,361	1,083,361	1,083,361	-	-
Bills payable	5.23	360,000	360,000	360,000	-	-
Hire purchase payables	3.88	320,960	351,222	113,053	238,169	-
Term loans	4.87	4,299,010	5,112,720	796,416	3,185,664	1,130,640
		9,447,790	10,291,762	5,737,289	3,423,833	1,130,640
<b>2013</b>						
Trade payables	-	3,714,645	3,714,645	3,714,645	-	-
Other payables and accruals	-	1,133,663	1,133,663	1,133,663	-	-
Amount owing to Directors	-	8,819	8,819	8,819	-	-
Bills payable	3.36	2,656,745	2,656,745	2,656,745	-	-
Hire purchase payables	3.69	175,669	189,958	85,922	104,036	-
Term loans	4.72	4,848,977	5,855,601	796,416	3,185,664	1,873,521
		12,538,518	13,559,431	8,396,210	3,289,700	1,873,521

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 36. FINANCIAL INSTRUMENTS (CONT'D)

#### (a) Financial Risk Management Policies (Cont'd)

##### (iii) Liquidity Risk (Cont'd)

THE COMPANY 2014	WEIGHTED AVERAGE EFFECTIVE RATE %	CARRYING AMOUNT RM	CONTRACTUAL UNDISCOUNTED CASH FLOWS RM	WITHIN 1 YEAR RM	1 - 5 YEARS RM	MORE THAN 5 YEARS RM
Trade payables	-	581,100	581,100	581,100	-	-
Other payables and accruals	-	263,074	263,074	263,074	-	-
		844,174	844,174	844,174	-	-
<b>2013</b>						
Trade payables	-	410,074	410,074	410,074	-	-
Other payables and accruals	-	214,096	214,096	214,096	-	-
Bills payable	3.36	1,226,083	1,226,083	1,226,083	-	-
		1,850,253	1,850,253	1,850,253	-	-

#### (b) Capital Risk Management

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support its businesses and maximise shareholder value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to its shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio. The Group's strategies were unchanged from the previous financial year. The debt-to-equity ratio is calculated as net debt divided by total equity. Net debt is calculated as borrowings plus trade and other payables less cash and cash equivalents.

The debt-to-equity ratio of the Group as at the end of the reporting period was as follows:-

	THE GROUP	
	2014 RM	2013 RM
Trade payables	3,384,459	3,714,645
Other payables and accruals	1,083,361	1,133,663
Bills payable	360,000	2,656,745
Hire purchase payables	320,960	175,669
Term loans	4,299,010	4,848,977
	9,447,790	12,529,699
Less: Deposits with licensed banks and financial institutions	(6,304,481)	(3,252,324)
Less: Cash and bank balances	(8,934,384)	(4,708,639)
Net debt	(5,791,075)	4,568,736
Total equity	50,308,693	32,564,326
Net debt-to-equity ratio	N/A	0.14

Under the requirements of Bursa Malaysia Guidance Note No. 3/2006, the Company is required to maintain its shareholders' equity equal to or not less than the 25% of the issued and paid-up share capital (excluding treasury shares) of the Company. The Company has complied with this requirement.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 36. FINANCIAL INSTRUMENTS (CONT'D)

#### (c) Classification of Financial Instruments

	THE GROUP		THE COMPANY	
	2014 RM	2013 RM	2014 RM	2013 RM
<b>Financial Assets</b>				
<u>Loans and receivables</u>				
Trade receivables	6,578,241	9,238,323	2,572,582	2,814,266
Other receivables and deposits	960,225	290,279	43,571	3,646
Amount owing by subsidiaries	-	-	446,692	2,756,791
Deposits with licensed banks and financial institutions	6,304,481	3,252,324	4,461,271	1,461,542
Cash and bank balances	8,934,384	4,708,639	4,304,094	1,606,786
	<u>22,777,331</u>	<u>17,489,565</u>	<u>11,828,210</u>	<u>8,643,031</u>
<b>Financial Liabilities</b>				
<u>Other financial liabilities</u>				
Trade payables	3,384,459	3,714,645	581,100	410,074
Other payables and accruals	1,083,361	1,133,663	263,074	214,096
Amount owing to Directors	-	8,819	-	-
Bills payable	360,000	2,656,745	-	1,226,083
Hire purchase payables	320,960	175,669	-	-
Term loans	4,299,010	4,848,977	-	-
	<u>9,447,790</u>	<u>12,538,518</u>	<u>844,174</u>	<u>1,850,253</u>

#### (d) Fair Values of Financial Instruments

The carrying amounts of the financial assets and financial liabilities reported in the financial statements approximated their fair values.

The following summarises the methods used to determine the fair values of the financial instruments:-

- (i) The financial assets and financial liabilities maturing within the next 12 months approximated their fair values due to the relatively short-term maturity of the financial instruments.
- (ii) The fair value of quoted investments is estimated based on their quoted market prices as at the end of the reporting period.
- (iii) The fair value of hire purchase payables is determined by discounting the relevant cash flows using current interest rates for similar instruments as at the end of the reporting period.
- (iv) The carrying amounts of the term loans approximated their fair values as these instruments bear interest at variable rates.

#### (e) Fair Value Hierarchy

As at 31 December 2014, there were no financial instruments carried at fair values.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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### 37. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

On 21 April 2014, the Company issued 49,756,260 Warrants 2014/2019 on the basis of one (1) warrant for every three (3) existing ordinary shares of RM0.10 each held in the Company. The Warrants 2014/2019 were listed on the ACE Market of Bursa Malaysia Securities Berhad.

### 38. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

- (a) On 6 January 2015, the Company had acquired a wholly owned subsidiary, Sunzen Eservices Sdn Bhd, for a total consideration of RM10.

On 23 January 2015, Sunzen Venture Sdn Bhd (formerly known as Sunzen Eservices Sdn Bhd) acquired a wholly owned subsidiary, Sunzen International Investment Limited, incorporated as a limited company in Hong Kong, for a total consideration of HKD100.

- (b) The Company has placed a corporate guarantee in favour of Zuellig Pharma Sdn Bhd as guarantee for its subsidiary, Sunzen Corporation Sdn Bhd, for due payment, all liabilities and obligation in respect of the supply of goods, and subject to the terms and conditions as stipulated in respect of the Letter of Corporate Guarantee for credit limits of up to RM2,500,000 dated 27 January 2015.

- (c) On 15 April 2015, an Extraordinary General Meeting was held, in which shareholders of the Company had granted the approval to the Board for the following:-

- (i) a bonus issue of up to 109,523,280 new ordinary shares to the shareholders of the Company on the basis of one (1) bonus share for every two (2) existing ordinary shares of RM0.10 each held at book closure date on 5 May 2015, 5pm; and
- (ii) proposed increase in authorised share capital of the Company from RM25,000,000 to RM50,000,000 comprising 250,000,000 ordinary shares and 500,000,000 ordinary shares respectively.

## SUPPLEMENTARY INFORMATION

### 39. DISCLOSURE OF REALISED AND UNREALISED PROFITS/(LOSSES)

The breakdown of the retained profits of the Group and of the Company as at the end of the reporting period into realised and unrealised profits/(losses) are presented in accordance with the directive issued by Bursa Malaysia Securities Berhad and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants, as follows:-

	THE GROUP		THE COMPANY	
	2014 RM	2013 RM	2014 RM	2013 RM
Total retained profits:				
- realised	20,836,143	19,832,421	572,181	1,997,912
- unrealised	(1,442,591)	(392,794)	(567)	(35,990)
At 31 December	19,393,552	19,439,627	571,614	1,961,922



## LIST OF PROPERTIES

Location	Description	Date of Acquisition (A)/ Revaluation (R)	Gross Land Area (L) / Build- Up Area (B)	Tenure	Age of Buildings (years)	Net Carrying Amount As At 31.12.2014 (RM)
<b>Sunzen Corporation Sdn Bhd</b>	3 storey office cum factory building held under H.S.(D) 54897, No. 11, Jalan Anggerik Mokara 31/47, Kota Kemuning, 40460 Shah Alam Selangor	17.01.2002 (A) 25.06.2014 (R)	47,000 sq ft (L) 30,830 sq ft (B)	Freehold	7 years	11,949,188
<b>Sunzen Corporation Sdn Bhd</b>	1½ semi-detached storey factory held under H.S.(D) 55014, No. 16, Jalan Anggerik Mokara 31/61, Kota Kemuning, 40460 Shah Alam Selangor	27.09.2005 (A) 25.06.2014 (R)	15,839 sq ft (L) 5,120 sq ft (B)	Freehold	16 years	3,691,517
<b>Sunzen Corporation Sdn Bhd</b>	3 storey factory building held under H.S.(D) 54898 No. 13, Jalan Anggerik Mokara 31/47, Kota Kemuning, 40460 Shah Alam Selangor	03.04.2006 (A) 25.06.2014 (R)	46,000 sq ft (L) 32,294 sq ft (B)	Freehold	4 years	11,952,224

## ANALYSIS OF SHAREHOLDINGS

### As At 22 April 2015

Authorised Capital	:	RM25,000,000.00 divided into 250,000,000 Ordinary Shares of RM0.10 each
Issued and fully paid up capital	:	RM18,954,183.50 divided into 189,541,835 Ordinary Shares of RM0.10 each (including treasury shares of 148,000)
Class of shares	:	Ordinary Shares of RM0.10 each
Voting Rights	:	Every member of the Company, present in person or by proxy or attorney or authorised representative, shall have on a show of hands, one (1) vote or on a poll, one (1) vote for each share he/ she holds.

Size of shareholdings	No. of shareholders	%	No. of shares	%
1 - 99	13	0.62	497	0.00
100 -1,000	857	41.16	221,953	0.12
1,001 -10,000	482	23.15	3,387,499	1.79
10,001 - 100,000	552	26.51	22,109,932	11.67
100,001 – 9,469,690*	177	8.50	110,627,954	58.41
9,469,691 and above**	1	0.05	53,046,000	28.01
<b>TOTAL</b>	<b>2,082</b>	<b>100.00</b>	<b>189,393,835</b>	<b>100.00</b>

Note:

\* Less than 5% of issued shares

\*\* 5% and above of issued shares

^ excluding treasury shares of 148,000

#### LIST OF SUBSTANTIAL SHAREHOLDERS AS PER THE REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 22 APRIL 2015

No.	Name	Direct		Indirect	
		No. of Shares Held	%	No. of Shares Held	%
1.	Hong Choon Hau	53,046,000	28.01	-	-

#### LIST OF DIRECTORS' SHAREHOLDINGS AS PER THE REGISTER OF DIRECTORS' SHAREHOLDINGS AS AT 22 APRIL 2015

No.	Name	Direct		Indirect	
		No. of Shares Held	%	No. of Shares Held	%
1.	Hong Choon Hau	53,046,000	28.01	92,000 <sup>(1)</sup>	0.05
2.	Lim Eng Chai	8,000,000	4.22	-	-
3.	Dr. Kok Poe Chu	3,562,381	1.88	-	-
4.	Tan Sri Haji Musa Bin Tan Sri Haji Hassan	2,000,000	1.06	-	-
5.	Dato' Dr. Mhd Nordin Bin Mohd Nor	80,000	0.04	-	-
6.	Khoo Kien Hoe	-	-	-	-

<sup>(1)</sup> Deemed interested by virtue of the shareholdings held by his spouse pursuant to Section 134(12)(c) of the Companies Act, 1965.

## ANALYSIS OF SHAREHOLDINGS (Cont'd)

As At 22 April 2015

### TOP THIRTY (30) SECURITIES ACCOUNTS HOLDERS AS AT 22 APRIL 2015

(Without aggregating the securities from different securities account belonging to the same Depositor)

No.	Name	No. of Shares Held	%
1.	Maybank Securities Nominees (Tempatan) Sdn. Bhd. Exempt AN for Maybank Kim Eng Securities Pte Ltd	53,046,000	28.01
2.	Lim Eng Chai	8,000,000	4.22
3.	Liew Boon Kiat	4,500,000	2.38
4.	Tan Boon Yew	4,151,000	2.19
5.	Teow Mooi Leng	4,000,000	2.11
6.	Teow Chee Chow	3,800,000	2.01
7.	Lim Wei Foon	3,585,000	1.89
8.	Tan Kim Hee	3,512,900	1.85
9.	Kok Poe Chu	3,283,086	1.73
10.	Ooi Bee Hoon	3,000,000	1.58
11.	Wong Pei Fern	2,769,000	1.46
12.	Benny Lee Joo Chai	2,600,000	1.37
13.	Choong Lye Fong	2,563,900	1.35
14.	Low Han Pial	2,340,000	1.24
15.	Ng Chee Chau	2,300,000	1.21
16.	Ha Chan Kuan	2,050,000	1.08
17.	Musa Bin Hassan	2,000,000	1.06
18.	Cheong Yit Cheng	1,684,090	0.89
19.	Tan Hoo Kim @ Tan Hoe Kim	1,577,000	0.83
20.	Chong Siew Kim	1,336,800	0.71
21.	Ooi Bee Chuan	1,151,700	0.61
22.	Heng Teik Teow	1,145,030	0.60
23.	Chan Soon Lee	1,100,000	0.58
24.	Thai Kok Sum	1,044,800	0.55
25.	Wong Kin Heng	1,000,000	0.53
26.	Tan Sok Ing	948,190	0.50
27.	Public Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Looi Ai Woon (E-BPT)	892,600	0.47
28.	Lim Chew Yit	871,000	0.46
29.	Lim Pei Ling	800,000	0.42
30.	Robert Tan	800,000	0.42

## ANALYSIS OF WARRANT HOLDINGS

### As At 22 April 2015

Type of Securities	: Warrants 2014/2019
Date of Expiry	: 14 April 2019
Exercise Right	: Each warrant carries the entitlement to subscribe for one (1) new ordinary share of RM0.10 each in the Company at an exercise price of RM0.10
Voting Rights	: The holder of warrants is not entitled to any voting rights

Size of warrant holdings	No. of Holders	%	No. of warrants	%
1 - 99	752	60.50	35,886	0.15
100 -1,000	194	15.61	69,960	0.29
1,001 -10,000	136	10.94	651,695	2.66
10,001 - 100,000	109	8.77	4,112,286	16.80
100,001 – 1,224,245*	49	3.94	14,396,098	58.80
1,224,246 and above**	3	0.24	5,219,000	21.32
<b>TOTAL</b>	<b>1,243</b>	<b>100.00</b>	<b>24,484,925</b>	<b>100.00</b>

Note:

\* Less than 5% of issued warrants

\*\* 5% and above of issued warrants

#### LIST OF DIRECTORS' WARRANT HOLDINGS AS PER THE REGISTER OF DIRECTORS' WARRANTS HOLDINGS AS AT 22 APRIL 2015

No.	Name	Direct		Indirect	
		No. of Warrants Held	%	No. of Warrants Held	%
1.	Hong Choon Hau	-	-	-	-
2.	Lim Eng Chai	-	-	-	-
3.	Dr. Kok Poe Chu	-	-	-	-
4.	Tan Sri Haji Musa Bin Tan Sri Haji Hassan	650,000	2.65	-	-
5.	Dato' Dr. Mhd Nordin Bin Mohd Nor	26,666	0.11	-	-
6.	Khoo Kien Hoe	-	-	-	-

## ANALYSIS OF WARRANT HOLDINGS (Cont'd)

As At 22 April 2015

### TOP THIRTY (30) SECURITIES ACCOUNTS HOLDERS AS AT 22 APRIL 2015

(Without aggregating the securities from different securities account belonging to the same Depositor)

No.	Name	No. of Warrants Held	%
1.	Benny Lee Joo Chai	2,300,000	9.39
2.	Ng Chee Chau	1,500,000	6.13
3.	Tan Hoo Kim @ Tan Hoe Kim	1,419,000	5.80
4.	Lim Phee Lin	830,000	3.39
5.	Chan Soon Lee	800,000	3.27
6.	Musa Bin Hassan	650,000	2.65
7.	Lim Chew Yit	615,000	2.51
8.	Maybank Nominees (Tempatan) Sdn. Bhd. (Low Wui Li)	593,000	2.42
9.	Tan Chooi Ho	541,300	2.21
10.	Ong Chai Lun	523,500	2.14
11.	Public Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Looi Ai Woon (E-BPT)	500,200	2.04
12.	Kan Yoon Keong	500,000	2.04
13.	Hong Cheng Hoo	470,000	1.92
14.	Ham Pow Kam	380,000	1.55
15.	Maybank Nominees (Tempatan) Sdn. Bhd. (Low Leong Hock)	357,000	1.46
16.	Ong Ba @ Ong Boon Kooi	350,000	1.43
17.	Chan Kock On	330,000	1.35
18.	Lim Chew Ming	330,000	1.35
19.	Liaw Ah Koon	300,000	1.23
20.	Liew Boon Kiat	300,000	1.23
21.	Lim Peng Hong	300,000	1.23
22.	Lim Kong Yow	286,666	1.17
23.	Maybank Nominees (Tempatan) Sdn. Bhd. (Hong Cheng Hoo)	280,000	1.14
24.	Lim Seok Chein	276,000	1.13
25.	Robert Tan	266,666	1.09
26.	Maybank Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Lim Teng Chuan	250,000	1.02
27.	Oon Kee Koon	250,000	1.02
28.	Cheah Chee Leng	236,666	0.97
29.	Tan Chee Hiang	230,300	0.94
30.	Chan Yew Fee	230,000	0.94

# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Tenth Annual General Meeting of Sunzen Biotech Berhad will be held at Holiday Inn Kuala Lumpur Glenmarie, Ballroom B, Ground Floor, No. 1, Jalan Usahawan U1/8, 40250 Shah Alam, Selangor Darul Ehsan on Monday, 15 June 2015 at 11.30 a.m. for the purpose of considering the following businesses:

## AGENDA

### ORDINARY BUSINESS

- |      |  |   |
|------|--|---|
| 1.   | To receive the Directors' Report, Audited Financial Statements and the Auditors' Report for the financial year ended 31 December 2014.   | <i>Please refer to Explanatory Note 1</i> |
| 2.   | To approve the payment of additional Directors' fees of RM14,490 for the financial year ended 31 December 2014.  | <i>Ordinary Resolution 1</i>              |
| 3.   | To approve the payment of Directors' fees of RM112,000 for the financial year ending 31 December 2015.   | <i>Ordinary Resolution 2</i>              |
| 4.   | To re-elect Dr. Kok Poe Chu who retires in accordance with Article 69 of the Articles of Association of the Company and being eligible, offer himself for re-election.           | <i>Ordinary Resolution 3</i>              |
| 5.   | To re-elect the following Directors who retire in accordance with Article 74 of the Articles of Association of the Company and being eligible, offer themselves for re-election: |   |
| i.   | Tan Sri Haji Musa Bin Tan Sri Haji Hassan  | <i>Ordinary Resolution 4</i>              |
| ii.  | Hong Choon Hau   | <i>Ordinary Resolution 5</i>              |
| iii. | Lim Eng Chai   | <i>Ordinary Resolution 6</i>              |
| iv.  | Khoo Kien Hoe  | <i>Ordinary Resolution 7</i>              |
| 6.   | To re-appoint Messrs. Ecovis AHL PLT as auditors of the Company and authorise the Directors to fix their remuneration.   | <i>Ordinary Resolution 8</i>              |

### SPECIAL BUSINESS

7. To consider and if thought fit, pass the following Ordinary Resolution, with or without modification:

#### Authority to Issue Shares

"THAT subject always to the Companies Act, 1965, Articles of Association of the Company and approvals from Bursa Malaysia Securities Berhad and any other governmental/regulatory bodies, where such approval is necessary, authority be and is hereby given to the Directors pursuant to Section 132D of the Companies Act, 1965 to issue and allot not more than ten percent (10%) of the issued capital of the Company at any time upon any such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit or in pursuance of offers, agreements or options to be made or granted by the Directors while this approval is in force until the conclusion of the next Annual General Meeting of the Company and that the Directors be and are hereby further authorised to make or grant offers, agreements or options which would or might require shares to be issued after the expiration of the approval hereof."

*Ordinary Resolution 9*

8. To consider and if thought fit, pass the following Ordinary Resolution, with or without modification:

#### Proposed Renewal of Authority for purchase of own shares by the Company

"THAT, subject always to the Companies Act, 1965, the provisions of the Memorandum and Articles of Association of the Company, the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and all other applicable laws, guidelines, rules and regulations, the Company be and is hereby authorised, to the fullest extent permitted by law, to purchase such amount of ordinary shares of RM0.10 each in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that:-

## NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

- (i) the aggregate number of shares purchased does not exceed ten per centum (10%) of the total issued and paid-up share capital of the Company as quoted on Bursa Securities as at the point of purchase;
- (ii) the maximum fund to be allocated by the Company for the purpose of purchasing the shares shall be backed by an equivalent amount of retained profits and/or share premium; and
- (iii) the Directors of the Company may decide either to retain the shares purchased as treasury shares or cancel the shares or retain part of the shares so purchased as treasury shares and cancel the remainder or to resell the shares or distribute the shares as dividends.

THAT the authority conferred by this resolution will commence after the passing of this ordinary resolution and will continue to be in force until:-

- (i) the conclusion of the next Annual General Meeting ("AGM") at which time it shall lapse unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions; or
- (ii) the expiration of the period within which the next AGM after that date is required by law to be held; or
- (iii) revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting;

whichever occurs first.

AND THAT authority be and is hereby given unconditionally and generally to the Directors of the Company to take all such steps as are necessary or expedient (including without limitation, the opening and maintaining of central depository account(s) under the Securities Industry (Central Depositories) Act 1991 of Malaysia, and the entering into all other agreements, arrangements and guarantee with any party or parties) to implement, finalise and give full effect to the aforesaid purchase with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities and with the fullest power to do all such acts and things thereafter (including without limitation, the cancellation or retention as treasury shares of all or any part of the purchased shares or to resell the shares or distribute the shares as dividends) in accordance with the Memorandum and Articles of Association of the Company and the requirements and/or guidelines of ACE Market Listing Requirements of Bursa Securities and all other relevant governmental and/or regulatory authorities."

**Ordinary Resolution 10**

9. To transact any other ordinary business of which due notice shall have been given.

BY ORDER OF THE BOARD

LIM LEE KUAN (MAICSA 7017753)  
TEO MEE HUI (MAICSA 7050642)  
Company Secretaries

Kuala Lumpur  
Dated this 22nd day of May, 2015

## NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

### NOTES:

1. For the purpose of determining a member who shall be entitled to attend this Tenth Annual General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. in accordance with Article 50(f) of the Company's Articles of Association to issue a General Meeting Record of Depositors as at 8 June 2015. Only a depositor whose name appears on the Record of Depositors as at 8 June 2015 shall be entitled to attend the said meeting and to speak or vote thereat.
2. Every member entitled to attend and vote at the meeting is entitled to appoint a proxy / proxies to attend and vote for him/her. The member may attend and vote in person at the meeting after lodging the proxy form but however such attendance shall automatically revoke the proxy's authority. A proxy may but need not be a member of the Company. If the proxy is not a member of the Company, he need not be an advocate, an approved company auditor or a person approved by the Registrar of Companies. There shall be no restriction as to the qualification of the proxy.
3. A member shall be entitled to appoint at least one (1) and up to two (2) proxies to attend at the meeting. Where a member appoints more than one (1) proxy, the proxies shall not be valid unless he/she specifies the proportion of his/her shareholdings to be represented by each proxy.
4. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
5. The instrument appointing a proxy shall be in writing (in common or usual form) under the hand of the appointer or of his attorney duly authorised in writing or, if the appointor is a corporation, either under the seal or under the hand of an officer or attorney duly authorised.
6. The instrument appointing a proxy or the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the Registered Office of the Company at 10th Floor, Menara Hap Seng, No. 1 & 3 Jalan P. Ramlee, 50250 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.

### EXPLANATORY NOTE

1. Item 1 of the Agenda - Directors' Report, Audited Financial Statements and the Auditors' Report for the financial year ended 31 December 2014

The Audited Financial Statements under this agenda item is meant for discussion only as the provision of Section 169(1) of the Companies Act 1965 does not require a formal approval of the shareholders and hence this item is not put forward for voting.

2. Item 7 of the Agenda – Ordinary Resolution 9

The proposed resolution, if passed, will give flexibility to the Directors to issue shares to such persons at any time in their absolute discretion without convening a general meeting. This authorisation will expire at the conclusion of next Annual General Meeting of the Company.

This is the renewal of the mandate obtained from the members at the last Annual General Meeting ("the Previous Mandate"). The Previous Mandate had been utilised for the private placement of up to 10 % of the issued share capital of the Company. For further information, please refer to the Statement Accompanying Notice of Annual General Meeting on page 88 in the Annual Report 2014.

The purpose of this general mandate is for possible fund raising exercises including but not limited to further placement of shares for purpose of funding current and/or future investment projects, working capital, repayment of borrowings and/or acquisitions.

3. Item 8 of the Agenda – Ordinary Resolution 10

The proposed resolution, if passed, will allow the Company to purchase its own shares up to 10% of the total issued and paid-up capital of the Company by utilising the funds allocated which shall not exceed the retained profits and/or share premium of the Company.

For further information, please refer to the Share Buy-Back statement of the Company dated 22 May 2015.



## STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

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### Pursuant to Rule 8.29 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad

- **General Mandate for issue of securities in accordance with Rule 6.04(3) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad**

The Company has obtained the mandate from the members at the last Annual General Meeting held on 12 June 2014 (“the Previous Mandate”). The Previous Mandate had been utilised for the private placement of up to 10% of the issued share capital of the Company (“Private Placement”). Bursa Malaysia Securities Berhad had on 7 November 2014 granted its approval for the Private Placement. The Company had issued 14,880,000 ordinary shares of RM0.10 each at an issue price of RM0.36 each. The Private Placement had raised gross proceeds of approximately RM5.356 million which would be utilised for upgrading/purchase of plant and machinery. As at 31 December 2014, the Company has utilised the proceeds of RM680,000 for upgrading of plant and machinery and RM112,000 for the listing expenses of the Private Placement.



# FORM OF PROXY

Number of Shares Held

## Sunzen Biotech Berhad

(Company No. 680889-W)  
(Incorporated in Malaysia)

I/We ..... \*NRIC/ Passport/ Company No.....

of .....  
being a member(s) of **SUNZEN BIOTECH BERHAD (680889-W)** hereby appoints

Name	Address	NRIC/ Passport No.	Proportion of Shareholdings (%)
<b>*And/or (delete as appropriate)</b>			

NOTICE IS HEREBY GIVEN that the Tenth Annual General Meeting of Sunzen Biotech Berhad will be held at Holiday Inn Kuala Lumpur Glenmarie, Ballroom B, Ground Floor, No. 1, Jalan Usahawan U1/8, 40250 Shah Alam, Selangor Darul Ehsan on Monday, 15 June 2015 at 11.30 a.m. for the purpose of considering the following businesses:

*# If you wish to appoint other person / persons to be your proxy / proxies, kindly delete the words "or failing him / her, #THE CHAIRMAN OF THE MEETING" and insert the name / names of the person / persons desired.*

Mark either box if you wish to direct the proxy how to vote. If no mark is made the proxy may vote on the resolution or abstain from voting as the proxy thinks fit. If you appoint two (2) proxies and wish them to vote differently this should be specified.

\*My/our \*proxy/proxies \*is/are to vote as indicated below:

Ordinary Resolutions		For	Against
<b>Ordinary Business</b>			
1.	To approve the additional Directors' Fees of RM14,490 for the financial year ended 31 December 2014		
2.	To approve the Directors' Fees of RM112,000 for the financial year ending 31 December 2015		
3.	To re-elect Dr. Kok Poe Chu as Director pursuant to Article 69 of the Company's Articles of Association		
4.	To re-elect Tan Sri Haji Musa Bin Tan Sri Haji Hassan as Director pursuant to Article 74 of the Company's Articles of Association		
5.	To re-elect Hong Choon Hau as Director pursuant to Article 74 of the Company's Articles of Association		
6.	To re-elect Lim Eng Chai as Director pursuant to Article 74 of the Company's Articles of Association		
7.	To re-elect Khoo Kien Hoe as Director pursuant to Article 74 of the Company's Articles of Association		
8.	To re-appoint Messrs Ecovis AHL PLT as the Auditors of the Company and authorise the Directors to fix their remuneration		
<b>Special Business</b>			
9.	To approve the Authority to Issue Shares		
10.	To approve the Proposed Renewal of Authority for purchase of own shares by the Company		

\* Delete if not applicable.

Signature/Common Seal of Shareholder 

Tel No.	
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Signed this ..... day of ..... 2015

### Notes:

- For the purpose of determining a member who shall be entitled to attend this Tenth Annual General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. in accordance with Article 50(f) of the Company's Articles of Association to issue a General Meeting Record of Depositors as at 8 June 2015. Only a depositor whose name appears on the Record of Depositors as at 8 June 2015 shall be entitled to attend the said meeting and to speak or vote thereat.
- Every member entitled to attend and vote at the meeting is entitled to appoint a proxy / proxies to attend and vote for him/her. The member may attend and vote in person at the meeting after lodging the proxy form but however such attendance shall automatically revoke the proxy's authority. A proxy may but need not be a member of the Company. If the proxy is not a member of the Company, he need not be an advocate, an approved company auditor or a person approved by the Registrar of Companies. There shall be no restriction as to the qualification of the proxy.
- A member shall be entitled to appoint at least one (1) and up to two (2) proxies to attend at the meeting. Where a member appoints more than one (1) proxy, the proxies shall not be valid unless he/she specifies the proportion of his/her shareholdings to be represented by each proxy.
- Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- The instrument appointing a proxy shall be in writing (in common or usual form) under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under the seal or under the hand of an officer or attorney duly authorised.
- The instrument appointing a proxy or the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the Registered Office of the Company at 10th Floor, Menara Hap Seng, No. 1 & 3 Jalan P. Ramlee, 50250 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.



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AFFIX  
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The Company Secretary

**Sunzen Biotech Berhad**

10th Floor, Menara Hap Seng  
No. 1 & 3 Jalan P. Ramlee  
50250 Kuala Lumpur

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