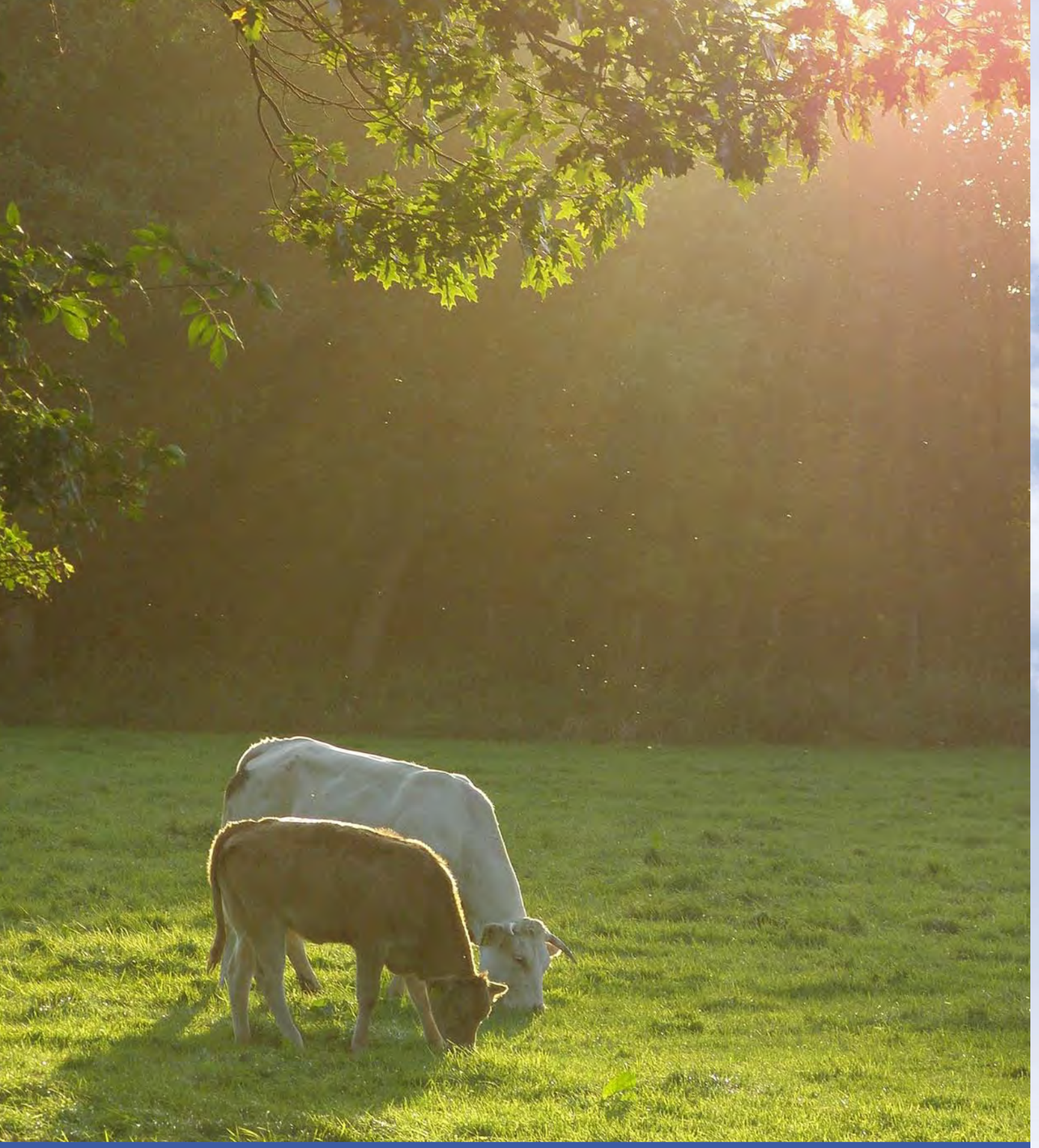

Sunzen Biotech Berhad
(680889-W)

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40460 Shah Alam, Selangor Darul Ehsan,
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Sunzen Biotech Berhad (680889-W)

Annual Report **2011**

Sunzen

Sunzen Biotech Berhad
(680889-W)

Improving **Life** with Biotechnology

2011 ANNUAL REPORT

Sunzen

Sunzen Biotech Berhad
(680889-W)

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Dr Tan Kim Sing
Chairman / Managing Director

Dr Kok Poe Chu
Executive Director

Dr Teo Kim Lai
Executive Director

Dr Fong Chan Seng
Executive Director

S. Gunaseharan A/L P. Subramaniam
Independent Non-Executive Director

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

Emeritus Professor Dato' Dr Omar @ S. Omar Bin Abdul Rahman
Independent Non-Executive Director

AUDIT COMMITTEE

S. Gunaseharan A/L P. Subramaniam *(Chairman)*

Emeritus Professor Dato' Dr Omar @ S. Omar Bin Abdul Rahman

Dato' Dr Mhd Nordin Bin Mohd Nor

NOMINATION COMMITTEE

Dato' Dr Mhd Nordin Bin Mohd Nor *(Chairman)*

Emeritus Professor Dato' Dr Omar @ S. Omar Bin Abdul Rahman

REMUNERATION COMMITTEE

Emeritus Professor Dato' Dr Omar @ S. Omar Bin Abdul Rahman *(Chairman)*

Dr Kok Poe Chu

S. Gunaseharan A/L P. Subramaniam

COMPANY SECRETARIES

Lai Chee Wah (MAICSA 7031124)
Pang Chia Tyng (MAICSA 7034545)

REGISTERED OFFICE

10th Floor Menara Hap Seng,
No. 1 & 3 Jalan P. Ramlee,
50250 Kuala Lumpur,
Wilayah Persekutuan.
Tel : 03-2382 4288
Fax : 03-2382 4170/71/72

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

PRINCIPAL BANKER

Malayan Banking Berhad

AUDITORS

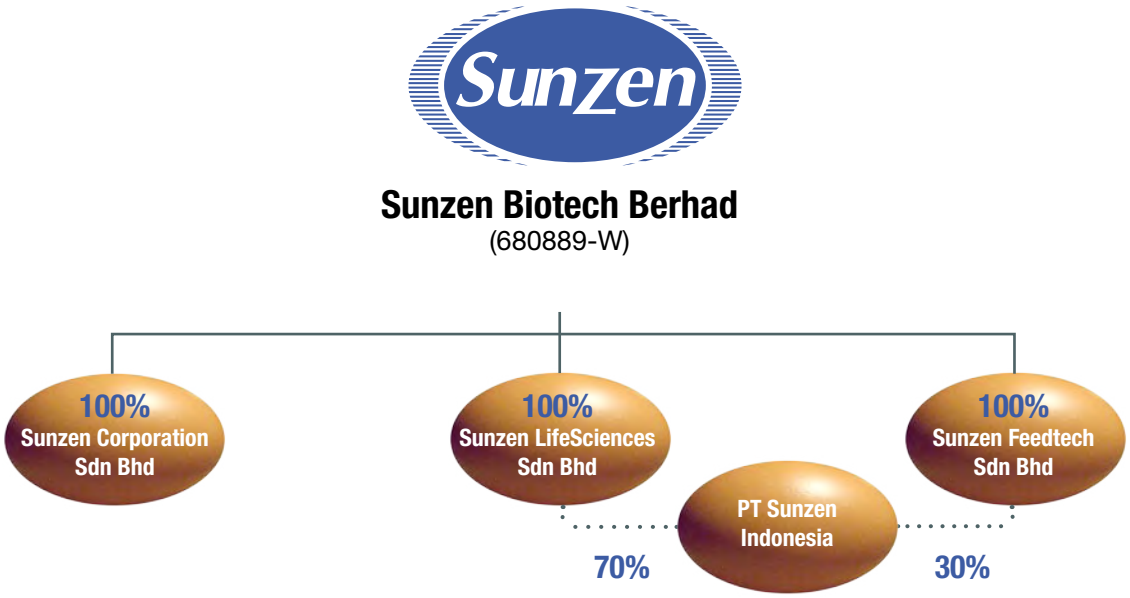
Crowe Horwath (AF1018)
Chartered Accountants
Level 16 Tower C,
Megan Avenue II,
12 Jalan Yap Kwan Seng,
50450 Kuala Lumpur,
Wilayah Persekutuan.
Tel : 03-2166 0000
Fax : 03-2166 1000

STOCK EXCHANGE LISTING

ACE Market of Bursa Malaysia Securities Berhad
Stock Short Name : SUNZEN
Stock Code : 0148

CORPORATE STRUCTURE

AS AT 2 MAY 2012



DIRECTORS' PROFILE

DR TAN KIM SING
(Chairman / Managing Director)

Dr Tan Kim Sing, a Malaysian, aged 62, is a co-founder and also the Chairman and Managing Director of Sunzen Biotech Berhad ("Sunzen Biotech" or "Company"). He was appointed to the Board of Directors of Sunzen Biotech ("Board of Directors" or "Board") on 25 April 2008. He is responsible for the management of the business operations, finance, human resources and strategic planning of Sunzen Biotech and its subsidiary companies ("Group").

He obtained his Bachelor of Veterinary Science and Animal Husbandry from Bombay Veterinary College in India in 1975 and Master of Philosophy in Veterinary Science from Massey University, New Zealand in 1979.

Dr Tan has thirty three (33) years of experiences in animal health industry, mainly involves in management, sales, marketing and technical services. Prior to forming Sunzen Corporation Sdn Bhd ("Sunzen Corporation"), he spent about twenty one (21) years with Pfizer. He gained valuable experiences from Pfizer from job rotation and training practices. He started as Technical Manager in 1979 before becoming a Sales Manager, Product Manager, Premix Manager and Division Director. In 1998, Dr Tan together with the existing management of Pfizer in Malaysia, established Sunzen Corporation to undertake a management buy-out of Pfizer's local distribution and marketing operations. Dr Tan was then appointed as the Managing Director of Sunzen Corporation since its inception.

Dr Tan is currently the Vice President of the Malaysian Animal Health & Nutrition Industries Association. In 2007, Dr Tan was awarded the "Excellence Veterinarian Award 2007" by the Veterinary Association of Malaysia for his outstanding contribution to the veterinarian profession. He is also currently a member of the Malaysian Veterinary Council.

Dr Tan does not hold any directorship in other public companies.

DR KOK POE CHU
(Executive Director)

Dr Kok Poe Chu, a Malaysian, aged 51, is a co-founder of Sunzen Biotech Berhad. He was appointed to the Board as an Executive Director on 25 April 2008. He is also a member of the Remuneration Committee of Sunzen Biotech. He is responsible for the overall Research and Development ("R&D") activities, as well as corporate affairs of the Group.

He holds a Doctor of Veterinary Medicine ("D.V.M.") degree from University Putra Malaysia ("UPM") in 1987.

Dr Kok has twenty four (24) years of industry experience. He had 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 the existing management of Pfizer in Malaysia, established 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 as a member on 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 of the Technical Advisory Committee of the Federal Livestock Farmers Association of Malaysia and a honorary treasurer of World's Poultry Science Association (Malaysian Branch) and a member of the working group on Good Animal Husbandry Practices of Standards and Industrial Research Institute of Malaysia (SIRIM).

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.

Dr Kok does not hold any directorship in other public companies.

DIRECTORS' PROFILE (CONT'D)

DR TEO KIM LAI
(Executive Director)

Dr Teo Kim Lai, a Malaysian, aged 49, is a co-founder of Sunzen Biotech Bhd. He was appointed to the Board as an Executive Director on 25 April 2008.

He is responsible for sales planning and marketing management of the company. He obtained his D.V.M degree from UPM in 1989 and was honored as an overall best student with a distinctive Royal Academic Award. He has twenty one (21) years of industry experience.

Prior to joining Sunzen Corporation Sdn Bhd, Dr Teo held the position of field veterinarian in Federal Flour Mill Berhad (FFM) from 1989 to 1990, Operational Manager in Oriental Feedmill, which under the wings of Robert Kuok's Group in Lioaning, China from 1991 to 1992, Poultry Team Leader in Pfizer from 1993 to1994, General Manager in Mallinckrodt Inc of China and Hong Kong in 1995, and General Team Leader and National Sales Manager in Pfizer from 1996 to 1998. In 1998, Dr Teo together with the existing management of Pfizer in Malaysia, established Sunzen Corporation to undertake a management buy-out of Pfizer's local distribution and marketing operations. Dr Teo was then appointed as a Director of Sunzen Corporation since its inception.

Dr Teo was the Vice President of the Malaysia Association of Food Animal (MAFAV) from 2000 to 2001 and the Vice President of the Veterinary Alumni of UPM from 2003 to 2004. Dr Teo was also a volunteer veterinary officer of the National Virus Eradication Campaign of the Department of Veterinary Services of the Ministry of Agriculture in 1999 and later became an adviser of the Technical Advisory Committee of Federation of Farmers Association Malaysia in 2000. Dr Teo is currently an Honorary Secretary of World Poultry Science Association Malaysia Branch since 2008.

He was awarded the "Excellence Veterinary Award 2009" by Veterinary Association Malaysia for his outstanding contribution to veterinary profession. He was also awarded the 'Recognition Award 2009" by MAFAV for his outstanding contribution to the food animal industry. Dr Teo was also the Honorary Secretary of Malaysia Iran Business Council (MIBC) from 2009 to 2010.

Dr Teo does not hold any directorship in other public companies.

DR FONG CHAN SENG
(Executive Director)

Dr Fong Chan Seng, a Malaysian, aged 64, is a co-founder and was appointed to the Board as an Executive Director on 25 April 2008. He is responsible for the development of product dossiers, product registration, trade mark registration and other overseas-related activities, apart from sales, marketing and business development functions of the Group. In the domestic market, he covers areas of product development, business development and manufacturing.

He graduated with a Bachelor of Veterinary Science and Animal Husbandry degree in 1975 from Bombay Veterinary College, India. He had also attended a business management course at the Asian Institute of Management, Manila in 1987.

Dr Fong has thirty five (35) years of industry experience. He has held several job portfolios during his employment with Phibro and Pfizer. Dr Fong joined Pfizer as Veterinary Promotions Manager in 1981. Throughout seven (7) years of serving the domestic market in Malaysia, he held positions as Product Manager, National Sales Manager and Feedmill Marketing Manager. Dr Fong was posted to Thailand as the Business Manager of Pfizer Thailand Ltd for three (3) years from 1988 to 1990. His responsibilities included running the animal health business of Pfizer – Thailand, and a premix plant, product formulation, product quality control, and development of product stability. He was promoted to the position of Regional Director of Sales for Association of South East Asia Nation ("ASEAN") countries in 1991. Dr Fong was also in charge of business development for Pfizer in China, Hong Kong and Sri Lanka. When Pfizer acquired the worldwide animal health business of SmithKline Beecham, he was specifically in charge of acquisition and problem solving activities in the Philippines from 1994 to 1996. In 1998, Dr Fong together with the existing management of Pfizer in Malaysia, established Sunzen Corporation to undertake a management buy-out of Pfizer's local distribution and marketing operations. In 2001, Dr Fong left Sunzen Corporation to join Phibro Animal Health Inc, USA as Regional Director for ASEAN countries and as Managing Director of their local incorporated company, Phibro Malaysia Sdn Bhd. He later rejoined Sunzen Corporation in 2002.

Dr Fong does not hold any directorship in other public companies.

DIRECTORS' PROFILE (CONT'D)

EMERITUS PROFESSOR DATO' DR OMAR @ S. OMAR BIN ABDUL RAHMAN

(Independent Non-Executive Director)

Emeritus Professor Dato' Dr Omar @ S. Omar Bin Abdul Rahman, a Malaysian, aged 65, was appointed to the Board of the Company as an Independent Non-Executive Director on 25 April 2008. He is also the Chairman of the Remuneration Committee, a member of the Audit and Nomination Committees. He is also a Biotechnology Adviser of the Group.

Emeritus Professor Dato' Dr Omar graduated with a Bachelor of Veterinary Science from the University of Queensland, Australia in 1974. In 1977, he received a Master of Science in Veterinary Pathology from the University of Saskatchewan, Canada and became a Member of the Royal College of Veterinary Surgeons (MRCVS), London.

Emeritus Professor Dato' Dr Omar joined the Faculty Veterinary Medicine, Universiti Putra Malaysia (UPM) as a lecturer in 1974 and was promoted to the position of Associate Professor in 1981 and Professor in 1993. He retired as professor and dean in 2001, but continued as a contract professor until September 2011. In March 2012, he received the highest academic award of Emeritus Professorship from UPM, in recognition of his scholarly contribution for 38 years.

Emeritus Professor Dato' Dr Omar was an Independent Non-Executive Director of Guan Chong Berhad from 1 January 2006 to 1 April 2008. Among his current positions are Fellow of the Academy Sciences Malaysia, Fellow of the Malaysian Scientific Association, Fellow of the Veterinary Association of Malaysia and President of the Malaysian College of Veterinary Specialists.

Save as disclosed above, Emeritus Professor Dato' Dr Omar does not hold any directorship in other public companies.

S. GUNASEHARAN A/L P. SUBRAMANIAM

(Independent Non-Executive Director)

S. Gunaseharan A/L P. Subramaniam, a Malaysian, aged 55, was appointed to the Board as an Independent Non-Executive Director on 25 April 2008. He is also the Chairman of the Audit Committee and a member of the Remuneration Committee of the Company.

He obtained a professional qualification in accounting from the Malaysian Institute of Certified Public Accountants in 1984.

He started his career as a qualified assistant in PricewaterhouseCoopers in 1977 and joined Ericsson Telecommunications Sdn Bhd ("Ericsson") in 1985 as an accountant. He moved to a subsidiary company of Ericsson in 1988 as a manager cum company secretary and later moved to India to join Ericsson Telecommunications Pvt. Ltd as a general manager in finance and accounting in 1993. He then moved back to Malaysia and joined Perwira Ericsson Sdn Bhd in 1995 as a finance and accounts manager before joining Ericsson Academy (M) Sdn Bhd as Financial Controller cum company secretary in 1996. Subsequently, he joined Ericsson Business Support Centre Sdn Bhd as Regional Business Controller from 2000 to 2002. He is currently the Head of Finance in the Kuala Lumpur Shared Service Centre of World Vision International, an NGO and a global IT support centre. He is a Fellow of the Malaysian Institute of Taxation, a member of the Malaysian Institute of Accountants.

Mr Gunaseharan does not hold any directorship in other public companies.

DATO' DR MHD NORDIN BIN MOHD NOR

(Independent Non-Executive Director)

Dato' Dr Mhd Nordin Bin Mohd Nor, a Malaysian, aged 65, was appointed to the Board as an Independent Non-Executive Director on 25 April 2008. He is also the Chairman of the Nomination Committee and a member of the Audit Committee of the Company.

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 Agri-Products Sdn Bhd. He is a Director of Dutch Lady Milk Industries Bhd.

Among his current positions are Chairman of the Malaysian National Animal Welfare Foundation, Patron of the Malaysia Feline Society and a member of the Veterinary Association of Malaysia and Malaysian Equine Veterinary Association

NOTES:

1) ***Family Relationship with Director and/or Substantial Shareholder***

   None of the Directors have any family relationship with any other director and/or substantial shareholder of the Company.

2) ***Conflict of Interest***

   None of the Directors have any conflict of interest with the Group.

3) ***Conviction for Offences***

   None of the Directors have been convicted for offences within the past ten (10) years, other than traffic offences, if any.

4) ***Attendance of Board Meetings***

   Details of the Directors' attendance at Board meetings are set out in the Statement on Corporate Governance on page 12 of this Annual Report.

CHAIRMAN'S STATEMENT

Dear Valued Shareholders,

On behalf of the Board of Directors, I am pleased to present the Annual Report and Financial Statements of Sunzen Biotech Berhad for the financial year ended 31 December 2011.

FINANCIAL REVIEW

For the financial year ended 31 December 2011, the Group recorded following set of financial results. The key highlights as follows:-

- Group revenue of RM31.61 million
- Profit before tax of RM2.38 million
- Net earnings of RM1.76 million
- Basic earnings per share of 1.2 sen

The year under review was under a challenging environment with rising commodity prices and inflationary pressure. Local economies fared much better than international economies which were still facing financial crisis. The animal industry in Malaysia had a good year with higher profitable prices for egg, broiler meat and porker. The Group's revenue increased by 7.20% (2010: RM29.49 million), but net earnings declined by 18.30% due to higher operating expenses incurred for developing overseas markets, lower gain on foreign exchange, increase in depreciation charge for laboratory equipments and maintenance cost for manufacturing plant. Revenue contributed from domestic and overseas markets was 83% and 17% respectively. Key overseas markets included Vietnam, Singapore, Iran and Philippines. Both new markets China and Indonesia had low sales.

OPERATIONS REVIEW

The Group has continued to increase sales volume and profit margin in domestic market with better customer focus and aggressive promotional activities. This better performance is also attributed to the fact that local market has established distribution network and more product lines. But the same is not true for the oversea markets which have a disappointed result due basically to weak distribution channel and narrow customer base as we are still new in those markets. The situation is further aggravated by the political conflict in Middle East in which the Group has just begun to have a stable business. Nevertheless, in preparing to go into new oversea markets, the Group has registered in many countries the trade mark of "Orgacids", the key exporting product.

DIVIDEND

The Board of Directors ("Board") is not proposing any dividend for forthcoming Annual General Meeting but may consider interim dividend during year 2012.

LOOKING AHEAD

The Group would continue to focus on further strengthening its business in the international market. The Group is cautiously optimistic for year 2012 as it has embarked on an aggressive field trials program of its product to large scale poultry operators in China to demonstrate the benefits they can get from using the product. It is a costly exercise but the potential future results may be very lucrative for the group in the event the chinese market accepts the products. Another new attractive market is Indonesia which has a huge potential for growth. The Group is also in the process of registering more products in Indonesia to increase product line. In short, more resources will be allocated to expand international market which is the pathway to future growth.

For the companion animal market, we have started a direct distribution strategy, that is, to promote and sell directly to customers including veterinary clinics and pet shops. The plan has worked out well and is expected to bring in a better sale

CHAIRMAN'S STATEMENT (CONT'D)

and margin to this rising market segment. For our promotional activities, we have newspaper and pet magazine advertising campaigns, participation in cat and dogs shows and road shows to promote healthy care for pets.

The collaboration project with USM (University Science of Malaysia) on aqua culture is moving according to schedule. The manufacturing plant has been set up and product is under going trial run. Research facility in USM is also ready to conduct product efficacy trial. Commercialization of product is anticipated in year 2013.

ACKNOWLEDGEMENT

My sincere appreciation goes to the Board, management and employees of the Group for their commitment, dedication, contribution and concerted effort throughout the year.

I am confident that all our dedicated and loyal staff will continue to work professionally at all time in order for the Group to do well, both locally and internationally, as we move forward to achieve our objectives.

I wish to thank all our valued shareholders, customers, business associates, financiers, government authorities and suppliers for their continuous support and confidence in the Group.

Thank you.

Dr Tan Kim Sing
Chairman

AUDIT COMMITTEE REPORT

The Board is pleased to present the Audit Committee Report for the FYE 31 December 2011. The Audit Committee ("AC" or "the Committee") met five (5) times during the year. The composition and details of the attendance of the AC members are set out as follows:

COMPOSITION OF THE AUDIT COMMITTEE

Name		Attendance
Chairman		
S. Gunaseharan A/L P. Subramaniam	(Independent Non-Executive Director)	5/5
Committee Members		
Emeritus Professor Dato' Dr Omar @ S. Omar Bin Abdul Rahman	(Independent Non-Executive Director)	5/5
Dato' Dr Mhd Nordin Bin Mohd Nor	(Independent Non-Executive Director)	5/5

Details of the members of the AC are contained in the "Directors' Profile" as set out on pages 4 to 6 of this Annual Report.

TERMS OF REFERENCE

The AC is governed by the following terms of reference:

1. Composition

The Committee shall be appointed from amongst the Board and shall comprise no fewer than three (3) members. All the audit committee 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 the Bursa Securities.

In the event of any vacancy with the result that the number of members is reduced to 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.

2. Chairman

The Chairman, who shall be elected by the AC, shall be an independent director.

3. Secretary

The Company Secretary shall be the Secretary of the Committee and shall be responsible, in conjunction with the Chairman, for drawing up the agenda and circulating it prior to each meeting.

The Secretary shall also be responsible for keeping the minutes of meetings of the Committee and circulating them to the Committee Members. The Committee Members may inspect the minutes of the AC at the Registered Office or such other place as may be determined by the AC.

4. Meetings

The Committee 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.

AUDIT COMMITTEE REPORT (CONT'D)

TERMS OF REFERENCE (Cont'd)

4. Meetings (Cont'd)

The Committee may call for a meeting as and when required with reasonable notice as the Committee Members deem fit. The Committee Members may participate in a meeting by means of conference telephone, conference videophone or any similar or other communications equipment by 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.

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

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

5. 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 external auditors, excluding the attendance of the other directors or employees of the Group, whenever deemed necessary;
(g) promptly report to the Bursa Securities, or such other name(s) as may be adopted by Bursa Securities, matters which have not been satisfactorily resolved by the Board of Directors resulting in a breach of the listing requirements;
(h) have the right to pass resolutions by a simple majority vote from the Committee 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 external auditors.

6. Duties and responsibilities

The duties and responsibilities of the AC shall be:

(a) To review with the external auditors on:
- the audit plan, its scope and nature;
- the audit report;
- the results of their evaluation of the accounting policies and systems of internal accounting controls within the Group; and
- the assistance given by the officers of the Company to external auditors, including any difficulties or disputes with Management encountered during the audit.

(b) To review the adequacy of the scope, functions, competency, resources and set the standards of the internal audit function.

(c) To provide assurance to the Board of Directors on the effectiveness of the system of internal control and risk management practices of the Group.

(d) To review the internal audit programme and results of the internal audit, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function.

(e) To review with Management:
- audit reports and management letters issued by the external auditors and the implementation of audit recommendations;
- interim financial information; and
- the assistance given by the officers of the Company to external auditors.

AUDIT COMMITTEE REPORT (CONT'D)

TERMS OF REFERENCE (Cont'd)

6. Duties and responsibilities (Cont'd)

(f) To monitor related party transactions entered into by the Company or the Group and to determine if such transactions are undertaken on an arm's length basis and normal commercial terms and on terms not more favourable to the related parties than those generally available to the public, and to ensure that the Directors report such transactions annually to shareholders via the annual report, and to review conflicts of interest that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of management integrity.

(g) To review the quarterly reports on consolidated results and annual financial statements prior to submission to the Board of Directors, focusing particularly on:

- changes in or implementation of major accounting policy and practices;
- significant and / or unusual matters arising from the audit;
- the going concern assumption;
- compliance with accounting standards and other legal requirements; and
- major areas.

(h) To consider the appointment and / or re-appointment of the internal auditors and external auditors, the audit fee and any questions of resignation or dismissal including recommending the nomination of person or persons as auditors including any transaction, procedure or course of conduct that raises questions of management integrity.

SUMMARY OF ACTIVITIES OF THE COMMITTEE

The activities undertaken by the AC during the FYE 31 December 2011 were as follows:

(a) Reviewing and recommending the unaudited quarterly results of the Group to the Board of Directors for approval prior to release to Bursa Securities;
(b) Reviewing with external auditors on their audit planning memorandum of the Group for the FYE 31 December 2011;
(c) Reviewing with the internal auditors on the results and issues arising from their internal audit review and recommendations;
(d) Met with the External Auditors without the presence of the Executive Directors and the Management;
(e) Updated and noted the disclosure requirements of Bursa Malaysia Securities Berhad and any other financial reporting standard requirements; and
(f) Verifying whether there is any related party transactions to ensure that they are fair and reasonable and are not detrimental to the minority shareholders and none was transacted during the year.

INTERNAL AUDIT FUNCTION

The internal audit function was outsourced to an external service provider firm, ACE Consulting Group Sdn Bhd ("ACE"), which was appointed on 24 February 2009, following the listing of the Company on the then MESDAQ Market (now known as ACE Market) on 8 October 2008.

Prior to that, ACE was also appointed to review the key areas of internal control system of the Group during the Company's initial public offering exercise.

During the year 2011, the following key areas of internal control system had been reviewed where control weaknesses in each category had been identified and rectified accordingly:

(i) Review and assess the risk management and governance structure of the Group;
(ii) Perform follow up audit on inventory control and procurement management;
(iii) Ascertain the extent to which the Group's assets are safeguarded;
(iv) Ascertain the level of compliance to the Group's policies and procedures; and
(v) Recommend improvements to the existing system of risk management, internal control and governance.

Further details on internal audit function are set out in the Statement on Internal Control on page 17 of this Annual Report.

CORPORATE GOVERNANCE STATEMENT

The Board of the Group is committed in maintaining a high standard of corporate governance and upholding its fundamental duty to safeguard the Group's assets as to enhance shareholders' value and the financial performance of the Group.

Set out below is a statement of how the Group has applied the principles and complied with the best practices outlined in the Malaysian Code on Corporate Governance ("the Code") and Rule 15.25 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

BOARD OF DIRECTORS

Board Composition and Balance

The Board has seven (7) members which comprises four (4) Executive Directors and three (3) Independent Non-Executive Directors. This composition complies with the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") that requires at least two (2) directors or one-third (1/3) of the Board, whichever is the higher, to be independent. A brief profile of each Director is presented from pages 4 to 6 of this Annual Report.

The Executive Directors take on the primary responsibility of the day-to-day running of the Group's business as well as implementing the policies and decisions of the Board.

The Independent Non-Executive Directors provide a broader view and independent assessment to the Board's decision making process by acting as an effective check and balance.

The Board has appointed Mr S. Gunaseharan A/L P. Subramaniam, the Chairman of the Audit Committee, as the Senior Independent Non-Executive Director to whom concerns of the shareholders may be conveyed. He may be contacted at SrDir@sunzenbio.com.

Together, with their necessary skills of business, financial and technical experience, the Board can effectively manage and run the Group's operations.

Responsibility

The Board assumes full responsibility over the overall performance of the Company and the Group by discharging its stewardship responsibilities through providing strategic leadership, overseeing the conduct of the Company's business, identification and management of principal risks, reviewing the adequacy and integrity of the Company's internal control system and developing an investor relations program. The Board has also delegated specific responsibilities to the Board Committees, all of which discharge the duties and responsibilities within their specific terms of reference.

Board Meetings

During the FYE 31 December 2011, the Board met five (5) times to discuss issues on the Group's financial performance, significant investments, corporate development, strategy and business plan. The attendance record of each Director is as follows:-

Name of Directors	No. of Meetings Attended
Dr Tan Kim Sing	5/5
Dr Kok Poe Chu	5/5
Dr Teo Kim Lai	4/5
Dr Fong Chan Seng	4/5
Emeritus Professor Dato' Dr Omar @ S.Omar Bin Abdul Rahman	5/5
Dato' Dr Mhd Nordin Bin Mohd Nor	5/5
S.Gunaseharan A/L P. Subramaniam	5/5

CORPORATE GOVERNANCE STATEMENT (CONT'D)

Supply of Information

All Board members are supplied with information on a timely manner. Board reports are circulated prior to the Board meetings for their deliberation. All meetings of the Board are duly recorded in the board minutes by the Company Secretary. Where required, Senior Management may be invited to attend these meetings to explain and clarify on the matters tabled.

In exercising their duties, the Board has unfettered access to all information on the Group, the advice and services of the Company Secretary and independent professional advice where necessary, at the Company's expense.

Directors' Training

The Board acknowledges that continuous education is essential for the Directors to further enhance their skills and knowledge on relevant topics relating to laws, regulations and the business environment. All the Directors were constantly given in-house briefings by the Company Secretaries on various amendments to the ACE Market Listing Requirements. The following seminars were attended by the Directors during the year:-

Directors	Program
Dr Kok Poe Chu	Pfizer Asia Pacific Symposium Linco Product Family Training What directors should know about the investor mindset Livestock Asia 2011 23rd Veterinary Association Malaysia Symposium and Exhibition Pfizer Distributor DISC Training Cradle Fund Information Talk Agensi Inovasi Malaysia Invention Workshop
Dr Tan Kim Sing	Creating and sustaining an innovative culture for strategic growth Veterinary Association Malaysia Conference Distributor partnership meeting 2011 by Pfizer Animal Health 2011 Pacific Rim Summit on Industrial Biotechnology and Bioenergy UPM dialogue with industry – High impact R&D review
Mr. S.Gunaseharan A/L P. Subramaniam	Cloud Computing – Adapting to the changing needs of Business 14th Annual Asian Shared Services & Outsourcing Conference
Dr Fong Chan Seng	Creating and Sustaining an Innovation Culture for Strategic Growth Indo Livestock Surabaya 2011 (Indonesia) Livestock Asia Expo (Malaysia) Livestock 2011 Expo (Vietnam) Livestock 2011 Expo (Philippines)
Dr Teo Kim Lai	Creating and sustaining an innovative culture for strategic growth Malaysia Exporter Showcase at Ruposhi Bangla Hotel, Dhaka, Bangladesh Agrena Trade Show, Cairo, Egypt

Appointment and Re-election of Directors

The Nomination Committee which comprises Independent Directors is responsible for making recommendations for any new appointments to the Board. In making these recommendations, the Nomination Committee considers the required mix of skills and experience which the Directors should bring to the Board. Any new nomination received is put to the full Board for assessment and endorsement.

Board members who are appointed by the Board are subject to retirement at the first Annual General Meeting ("AGM") of the Company subsequent to their appointment. Article 69 of the Company's Articles of Association provides that at least one-third (1/3) of the Directors shall retire by rotation at each AGM and all Directors shall retire from office at least once every three (3) years, but shall be eligible for re-election.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

BOARD COMMITTEES

The Board Committees were established to assist the Board in discharging its responsibilities as set out below with their terms of reference approved by the Board. They are as follows:

Audit Committee

The terms of reference, the number of meetings held during the financial year and the attendance of each member can be found on pages 9 to 11 of the Audit Committee Report.

Nomination Committee

The Nomination Committee, comprising entirely of Independent Non-Executive Directors are tasked with the responsibility of proposing new nominees to the Board and for assessing directors on an on-going basis.

For the FYE 31 December 2011, the Nomination Committee had met once to assess the effectiveness of the Board and the contribution of each Director, including Independent Non-Executive Directors as well as the Managing Director.

Remuneration Committee

The Remuneration Committee recommends to the Board the remuneration packages of the Executive Directors. Such packages are designed to attract, retain and motivate the Directors, and are reflective of their experience and level of responsibilities. The remuneration of the Executive Directors is reviewed annually.

The Board as a whole determines the remuneration of the Non-Executive Directors. None of the individual Directors participate in determining their individual remuneration.

The Remuneration Committee met once during the FYE 31 December 2011 and the meeting was attended by all members.

DIRECTORS REMUNERATION

Details of the remuneration of Directors of the Company during the FYE 31 December 2011 are as follow:-

Aggregate remuneration:

	Salaries And Bonus (RM)	EPF And SOCSO (RM)	Fees (RM)	Total (RM)
Executive Directors	1,133,212	170,593	3,000	1,306,805
Non-Executive Directors	-	-	66,600	66,600

Number of Directors whose remuneration fall into the following bands:-

	No. of Executive Directors	No. of Non-Executive Directors
RM50,000 and below	-	3
RM200,001 – RM250,000	-	-
RM250,001 – RM300,000	-	-
RM300,001 – RM350,000	3	-
RM350,001 – RM400,000	1	-

The details of the individual Director's remuneration are not disclosed in this report as the Board considers the above disclosures satisfy the accountability and transparency aspects of the Code.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

SHAREHOLDERS

Shareholders and Investor Relations

The Company believes that an effective investor relationship is essential in enhancing value to its shareholders. 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 endeavors 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.

Corporate and financial information of the Group are also made available to shareholders and the public through the Group's website at www.sunzen.com.my.

Annual General Meeting ("AGM")

The principal forum for dialogue with individual shareholders is at the AGM where shareholders would have direct access to the Directors and are provided with sufficient opportunity and time to participate through questions on the prospects, performance of the Group and other matters of concern. Members of the Board as well as the external auditors will be present to answer and provide the appropriate clarifications at the meeting.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board is committed to provide a balanced, clear and comprehensive assessment of the Group's financial position and prospects by making sure the financial statements and quarterly announcements are prepared in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards.

The Statement on Directors' Responsibility in respect of the preparation of the annual audited accounts is stated below.

Internal Control

The Board acknowledges its responsibility for maintaining a sound system of internal control in the Company and the Group. Such control provides reasonable but no absolute assurance against material misstatement, loss or fraud. Information on the Group's internal control is disclosed in the Statement on Internal Control set out on page 17 of this Annual Report.

Relationship with External Auditors

The Board maintains a transparent and professional relationship with the Group's external auditors. The role of the Board in relation to the external auditors is further explained in the Audit Committee Report on pages 9 to 11 of this Annual Report.

Statement on Directors' Responsibilities

Directors are required by the Companies Act, 1965 to ensure that the financial statements for each financial year are prepared in accordance with the applicable approved accounting standards and the provisions of the Companies Act, 1965. Directors take responsibility to ensure that the financial statements give a true and fair view of the state of affairs of the Company.

In preparing the financial statements, the Directors have selected suitable accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent.

The Board has an overall responsibility for taking such steps that are reasonably open to them to safeguard the assets of the Company to prevent and detect fraud and other irregularities.

ADDITIONAL COMPLIANCE INFORMATION

The following is presented in compliance with the ACE Market Listing Requirements of Bursa Securities:-

1) Utilisation of Proceeds raised from Corporate Proposal

As at the FYE 31 December 2011, the proceeds of RM8 million raised by the Company from its floatation exercise have been utilised as follows:-

Purpose	Proposed Utilisation RM'000	Actual Utilisation RM'000	Balance Unutilised RM'000
Research & Development	4,770	2,830	1,940
Overseas expansion	1,000	1,000	-
Working Capital	430	250	180
Estimated listing expenses	1,800	1,980	(180)*
	8,000	6,060	1,940

* The additional listing expenses were adjusted to the Company's working capital.

2) Share Buy-back
The Company did not implement any shares buy back scheme for the FYE 31 December 2011.

3) Option, Warrants or Convertible Securities
There were no options, warrants and other convertible securities exercised for the FYE 31 December 2011.

4) Depository Receipts Programme
The Company did not sponsor any depository receipt programme for the FYE 31 December 2011.

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 for the FYE 31 December 2011.

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 FYE 31 December 2011, were as follows:

Name	RM	Purpose
Crowe Horwath KL Tax Sdn Bhd	19,200	Tax computation and filing of tax return

7) Profit Guarantee
There were no profit guarantees given by the Company or its subsidiaries for the FYE 31 December 2011.

8) Variation in Results
There were no significant variances between the Company's unaudited financial statements as previously announced and the audited financial statements for the FYE 31 December 2011.

9) Material Contract involving Directors and Substantial Shareholders
There were no material contracts involving Directors and Substantial Shareholders entered into by the Company and its subsidiaries involving Directors and Substantial Shareholders' interests for the FYE 31 December 2011.

10) Recurrent Related Party Transactions of a Revenue or Trading Nature
There were no recurrent related party transactions of revenue or trading nature for the FYE 31 December 2011.

11) Corporate Responsibilities ("CR")
The Company organised an annual family trip to Kuantan, Pahang for 3 days 2 nights as part of social welfare for the employees as well as the employees' family members.

STATEMENT ON INTERNAL CONTROL

INTRODUCTION

The Malaysian Code of Corporate Governance and the Companies (Amendment) Act 2007 requires listed companies to maintain a sound system of internal control to safeguard the Group's assets and shareholders investments. Pursuant to Rule 2.14(c) Guidance Notes 2 of the ACE Market Listing Requirements of Bursa Securities, the Board of Directors is required to provide statement on internal control in its annual report.

RESPONSIBILITY

The Board is ultimately responsible for the Group's system of 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 internal control by reviewing the adequacy and integrity of the system in system 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.

During the current financial year, the management has taken steps to streamline its procedures in relation to its warehousing, procurement and delivery activities. Additional security cameras have been installed at the premises to fortify the adequacy and robustness of the physical security measures surrounding the premises. More stringent controls have been put in place for procedures relating to acceptance and delivery of laden containers and the subsequent retrieval of containers by third party transporters.

The management revamped the procedures for inspecting and unloading of laden containers by warehouse personnel during unloading of goods as part of the ongoing improvement to bolster the efficacy of the Group's internal control system.

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. 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.

Costs amounting to approximately RM15,000 were incurred for the outsourced internal audit function for the current financial year.

The external Auditors have reviewed this statement for the inclusion in the annual report for the financial year ended 31 December 2011 and have reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of internal control in place for the Group.

This statement was made in accordance with a resolution of the Board Meeting held on 26 April 2012.

FINANCIAL STATEMENTS

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 2011.

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
Profit after taxation for the financial year	1,756,826	263,920
Attributable to:		
Owners of the Company	1,756,826	263,920

DIVIDENDS

Since the end of the previous financial year, the Company paid the following dividends:-

(a) an interim tax-exempt dividend of RM0.006 per ordinary share of RM0.10 each amounting to RM896,343 in respect of the previous financial year as declared in that financial year's report. The said dividend was paid on 13 January 2011.

(b) a final tax-exempt dividend of RM0.0045 per ordinary share of RM0.10 each amounting to RM672,257 in respect of the previous financial year as proposed in that financial year's report. The said dividend was paid on 8 July 2011.

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 authorised and issued and paid-up share capital of the Company; and

(b) there were no issues of debentures by the Company.

OPTIONS GRANTED OVER UNISSUED SHARES

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

DIRECTORS' REPORT (CONT'D)

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 there are no known bad debts and that no allowance for impairment losses on receivables is required.

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

CURRENT ASSETS

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

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

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.

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 AN 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' REPORT (CONT'D)

DIRECTORS

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

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

DIRECTORS' INTERESTS

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

	NUMBER OF ORDINARY SHARES OF RM0.10 EACH			
	AT 1.1.2011	BOUGHT	SOLD	AT 31.12.2011
TAN KIM SING	41,046,510	-	-	41,046,510
KOK POE CHU	19,017,510	-	-	19,017,510
TEO KIM LAI	15,588,060	-	(200,000)	15,388,060
FONG CHAN SENG	16,436,860	-	-	16,436,860
DATO' DR OMAR @ S. OMAR BIN ABDUL RAHMAN	80,000	-	-	80,000
S. GUNASEHARAN A/L P. SUBRAMANIAM	80,000	-	-	80,000
DATO' DR MHD NORDIN BIN MOHD NOR	80,000	-	-	80,000

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors as shown in the financial statements, or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

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.

AUDITORS

The auditors, Messrs. Crowe Horwath, have expressed their willingness to continue in office.

SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS
DATED 26 APRIL 2012

Tan Kim Sing

Kok Poe Chu

STATEMENT BY DIRECTORS

We, Tan Kim Sing and Kok Poe Chu, being two of the directors of Sunzen Biotech Berhad, state that, in the opinion of the directors, the financial statements set out on pages 24 to 63 are drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 December 2011 and of their results and cash flows for the financial year ended on that date.

The supplementary information set out in Note 37, 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 26 APRIL 2012

Tan Kim Sing **Kok Poe Chu**

STATUTORY DECLARATION

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 24 to 63 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 26 April 2012

Phang Tong Eng

Before Me
Goh Cheng Teak (No. B204)
Commissioner For Oaths

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF SUNZEN BIOTECH BERHAD

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 2011, and the statements of 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 24 to 63.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia, and 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 Company'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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2011 and of their financial performance and cash flows for the financial year then ended.

Report on Other Legal and Regulatory Requirements

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

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act;

(b) We 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.

The supplementary information set out in Note 37 on page 63 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.

Crowe Horwath
Firm No : AF 1018
Chartered Accountants

Chua Wai Hong
Approval No : 2974/09/13 (J)
Chartered Accountant

Kuala Lumpur
26 April 2012

STATEMENTS OF FINANCIAL POSITION
AT 31 DECEMBER 2011

	NOTE	THE GROUP 2011 RM	THE GROUP 2010 RM	THE COMPANY 2011 RM	THE COMPANY 2010 RM
ASSETS					
NON-CURRENT ASSETS					
Investments in subsidiaries	5	-	-	10,997,548	10,997,548
Property, plant and equipment	6	16,275,675	15,348,577	444,967	461,361
Product development expenditure	7	760,017	1,008,704	-	-
Goodwill	8	57,958	57,958	-	-
Quoted investments	9	5,150	16,090	-	-
		17,098,800	16,431,329	11,442,515	11,458,909
CURRENT ASSETS					
Inventories	10	9,556,268	9,998,009	2,350,406	2,197,375
Trade receivables	11	6,390,490	6,128,842	2,756,779	2,528,996
Other receivables and deposits	12	729,855	357,035	103,082	17,746
Amount owing by subsidiaries	13	-	-	2,698,575	3,244,066
Tax refundable		194,061	81,498	194,061	222,944
Fixed deposits with licensed banks	14	3,289,088	4,862,154	2,544,935	3,511,797
Cash and bank balances with licensed banks and other financial institution		7,086,452	6,538,059	1,898,337	2,436,027
		27,246,214	27,965,597	12,546,175	14,158,951
TOTAL ASSETS		44,345,014	44,396,926	23,988,690	25,617,860

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

STATEMENTS OF FINANCIAL POSITION
AT 31 DECEMBER 2011 (CONT'D)

	NOTE	THE GROUP 2011 RM	THE GROUP 2010 RM	THE COMPANY 2011 RM	THE COMPANY 2010 RM
EQUITY AND LIABILITIES					
EQUITY					
Share capital	15	14,939,050	14,939,050	14,939,050	14,939,050
Reserves	16	14,576,915	13,525,503	6,883,564	7,291,901
TOTAL EQUITY		29,515,965	28,464,553	21,822,614	22,230,951
NON-CURRENT LIABILITIES					
Long-term borrowings	17	5,594,640	5,211,767	-	-
Deferred taxation	18	579,760	522,845	38,007	34,472
		6,174,400	5,734,612	38,007	34,472
CURRENT LIABILITIES					
Trade payables	19	3,311,006	4,193,871	552,633	505,119
Other payables and accruals	20	1,575,473	2,406,060	666,436	1,562,975
Amount owing to directors	21	2,314	33,806	-	-
Short-term borrowings	22	3,735,023	2,667,681	909,000	388,000
Dividend payable		-	896,343	-	896,343
Provision for taxation		30,833	-	-	-
		8,654,649	10,197,761	2,128,069	3,352,437
TOTAL LIABILITIES		14,829,049	15,932,373	2,166,076	3,386,909
TOTAL EQUITY AND LIABILITIES		44,345,014	44,396,926	23,988,690	25,617,860
NET ASSETS PER SHARE	23	19.76 sen	19.05 sen		

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

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	NOTE	THE GROUP 2011 RM	THE GROUP 2010 RM	THE COMPANY 2011 RM	THE COMPANY 2010 RM
REVENUE	24	31,610,521	29,491,522	11,234,248	11,952,129
COST OF SALES		(21,075,882)	(20,169,832)	(9,076,566)	(10,243,463)
GROSS PROFIT		10,534,639	9,321,690	2,157,682	1,708,666
OTHER INCOME		589,852	838,589	154,241	85,177
		11,124,491	10,160,279	2,311,923	1,793,843
MARKETING AND DISTRIBUTION EXPENSES		(3,824,261)	(3,256,255)	(1,403,784)	(1,219,622)
ADMINISTRATIVE EXPENSES		(2,372,369)	(2,138,940)	(246,197)	(231,764)
OTHER OPERATING EXPENSES		(2,059,828)	(1,801,680)	(184,100)	(245,353)
FINANCE EXPENSES		(489,276)	(445,526)	(59,197)	(43,366)
PROFIT BEFORE TAXATION	25	2,378,757	2,517,878	418,645	53,738
INCOME TAX EXPENSE	26	(621,931)	(370,056)	(154,725)	(46,037)
PROFIT AFTER TAXATION		1,756,826	2,147,822	263,920	7,701
OTHER COMPREHENSIVE (EXPENSES)/INCOME	27	(33,157)	3,187,664	-	-
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		1,723,669	5,335,486	263,920	7,701
PROFIT AFTER TAXATION ATTRIBUTABLE TO OWNERS OF THE COMPANY		1,756,826	2,147,822	263,920	7,701
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO OWNERS OF THE COMPANY		1,723,669	5,335,486	263,920	7,701
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY:					
- Basic	28	1.2 sen	1.4 sen		
- Diluted	28	N/A	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 2011

	← NON-DISTRIBUTABLE						→ DISTRIBUTABLE	
THE GROUP	SHARE CAPITAL RM	SHARE PREMIUM RM	FAIR VALUE RESERVE RM	REVALUATION RESERVES RM	MERGER DEFICIT RM	CURRENCY TRANSLATION RESERVE RM	RETAINED PROFITS RM	TOTAL EQUITY RM
Balance at 1.1.2010	14,939,050	3,520,345	(2,744)	-	(8,397,548)	-	13,966,307	24,025,410
Total comprehensive income for the financial year	-	-	7,740	3,179,924	-	-	2,147,822	5,335,486
Realisation of revaluation reserve	-	-	-	(1,095)	-		1,095	-
Interim tax-exempt dividend of RM0.006 per ordinary share of RM0.10 each in respect of the financial year ended 31 December 2010	-	-	-	-	-	-	(896,343)	(896,343)
Balance at 31.12.2010/ 1.1.2011	14,939,050	3,520,345	4,996	3,178,829	(8,397,548)	-	15,218,881	28,464,553
Total comprehensive income for the financial year	-	-	(4,346)	-	-	(28,811)	1,756,826	1,723,669
Realisation of revaluation reserve	-	-	-	(1,095)	-	-	1,095	-
Final tax-exempt dividend of RM0.0045 per ordinary share of RM0.10 each in respect of the financial year ended 31 December 2010	-	-	-	-	-	-	(672,257)	(672,257)
Balance at 31.12.2011	14,939,050	3,520,345	650	3,177,734	(8,397,548)	(28,811)	16,304,545	29,515,965

THE COMPANY	SHARE CAPITAL RM	SHARE PREMIUM RM	RETAINED PROFITS RM	TOTAL EQUITY RM
Balance at 1.1.2010	14,939,050	3,520,345	4,660,198	23,119,593
Total comprehensive income for the financial year	-	-	7,701	7,701
Interim tax-exempt dividend of RM0.006 per ordinary share of RM0.10 each in respect of the financial year ended 31 December 2010	-	-	(896,343)	(896,343)
Balance at 31.12.2010/1.1.2011	14,939,050	3,520,345	3,771,556	22,230,951
Total comprehensive income for the financial year	-	-	263,920	263,920
Final tax-exempt dividend of RM0.0045 per ordinary share of RM0.10 each in respect of the financial year ended 31 December 2010	-	-	(672,257)	(672,257)
Balance at 31.12.2011	14,939,050	3,520,345	3,363,219	21,822,614

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	THE GROUP		THE COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES				
Profit before taxation	2,378,757	2,517,878	418,645	53,738
Adjustments for:-				
Amortisation of product development expenditure	248,687	248,687	-	-
Depreciation of property, plant and equipment	627,769	644,668	126,248	109,341
Interest expense	462,750	412,983	50,918	36,833
Inventories written off	259,763	508,471	-	-
Product development expenditure written off	-	179,089	-	-
Dividend income	(865)	(720)	-	-
Gain on disposal of plant and equipment	(106,978)	(32,238)	-	-
Gain on disposal of quoted shares	(10,860)	-	-	-
Interest income	(124,473)	(132,495)	(87,925)	(72,311)
Income from unit trust deposit with other financial institution	(103)	(70)	-	-
Unrealised loss/(gain) on foreign exchange	138,347	(106,362)	-	-
Operating profit before working capital changes	3,872,794	4,239,891	507,886	127,601
Decrease/(Increases) in inventories	181,978	98,646	(153,031)	395,374
(Increase)/Decrease in trade and other receivables	(624,401)	1,295,065	(313,119)	641,224
Decrease in trade and other payables	(784,866)	(2,373,714)	(328,025)	(1,279,945)
CASH FROM/(FOR) OPERATIONS	2,645,505	3,259,888	(286,289)	(115,746)
Interest paid	(458,650)	(390,707)	(50,918)	(36,833)
Net tax (paid)/refunded	(646,746)	154,408	(122,307)	199,997
NET CASH FROM/(FOR) OPERATING ACTIVITIES AND BALANCE CARRIED FORWARD	1,540,109	3,023,589	(459,514)	47,418

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONT'D)

	NOTE	THE GROUP 2011 RM	THE GROUP 2010 RM	THE COMPANY 2011 RM	THE COMPANY 2010 RM
BALANCE BROUGHT FORWARD		1,540,109	3,023,589	(459,514)	47,418
CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES					
Dividend received		865	720	-	-
Interest received		124,473	132,495	87,925	72,311
Income from unit trust deposit with other financial institution		103	70	-	-
Proceeds from disposal of plant and equipment		112,995	138,889	-	-
Proceeds from disposal of quoted shares		17,454	-	-	-
Purchase of property, plant and equipment	29	(2,286,588)	(3,065,089)	(109,854)	(28,000)
Grants received on research and development cost		850,000	-	-	-
Investment in a subsidiary		-	-	-	(499,998)
NET CASH FOR INVESTING ACTIVITIES		(1,180,698)	(2,792,915)	(21,929)	(455,687)
CASH FLOWS (FOR)/FROM FINANCING ACTIVITIES					
Net repayment from subsidiaries		-	-	545,491	1,611,644
(Repayment to)/Advances from directors		(31,492)	6,522	-	-
Drawdown of term loans		664,863	5,557,883	-	-
Repayment of hire purchase obligations		(99,052)	(206,737)	-	-
Repayment of term loans		(324,696)	(4,228,376)	-	-
Dividend paid		(1,568,600)	-	(1,568,600)	-
NET CASH (FOR)/FROM FINANCING ACTIVITIES		(1,358,977)	1,129,292	(1,023,109)	1,611,644
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(999,566)	1,359,966	(1,504,552)	1,203,375
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		11,400,213	10,040,247	5,947,824	4,744,449
Foreign exchange difference		(25,107)	-	-	-
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	30	10,375,540	11,400,213	4,443,272	5,947,824

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

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 Malaysia. The registered office, which is also the principal place of business, is at No. 11, Jalan Anggerik Mokara 31/47, Kota Kemuning, 40460 Shah Alam, Selangor Darul Ehsan.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 26 April 2012.

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 Financial Reporting Standards ("FRS") and the Companies Act 1965 in Malaysia.

(a) During the current financial year, the Group has adopted the following new accounting standards and interpretations (including the consequential amendments):-

FRSs and IC Interpretations (including the Consequential Amendments)

FRS 1 (Revised) First-time Adoption of Financial Reporting Standards

FRS 3 (Revised) Business Combinations

FRS 127 (Revised) Consolidated and Separate Financial Statements

Amendments to FRS 1 (Revised): Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters

Amendments to FRS 1 (Revised): Additional Exemptions for First-time Adopters

Amendments to FRS 2: Scope of FRS 2 and FRS 3 (Revised)

Amendments to FRS 2: Group Cash-settled Share-based Payment Transactions

Amendments to FRS 5: Plan to Sell the Controlling Interest in a Subsidiary

Amendments to FRS 7: Improving Disclosures about Financial Instruments

Amendments to FRS 138: Consequential Amendments Arising from FRS 3 (Revised)

IC Interpretation 4 Determining Whether An Arrangement Contains a Lease

IC Interpretation 12 Service Concession Arrangements

IC Interpretation 16 Hedges of a Net Investment in a Foreign Operation

IC Interpretation 17 Distributions of Non-cash Assets to Owners

IC Interpretation 18 Transfers of Assets from Customers

Amendments to IC Interpretation 9: Scope of IC Interpretation 9 and FRS 3 (Revised)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONT'D)

3. BASIS OF PREPARATION (CONT'D)

(a) During the current financial year, the Group has adopted the following new accounting standards and interpretations (including the consequential amendments) (Cont'd):-

Annual Improvement to FRSs (2010)

The adoption of the above accounting standards and interpretations (including the consequential amendments) did not have any material impact on the Group's financial statements, other than the following:-

(i) FRS 3 (Revised) introduces significant changes to the accounting for business combinations, both at the acquisition date and post acquisition, and requires greater use of fair values. In addition, all transaction costs, other than share and debt issue costs, will be expensed as incurred.

The Group has applied FRS 3 (Revised) prospectively. Accordingly, business combinations entered into prior to 1 January 2011 have not been adjusted to comply with this revised standard.

(ii) FRS 127 (Revised) requires accounting for changes in ownership interests by the group in a subsidiary, whilst maintaining control, to be recognised as an equity transaction. When the group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The revised standard also requires all losses attributable to the non-controlling interests to be absorbed by the non-controlling interests instead of by the parent.

(iii) Amendments to FRS 7 expand the disclosure requirements in respect of fair value measurements and liquidity risk. In particular, the amendments require additional disclosure of fair value measurements by level of a fair value measurement hierarchy, as shown in Note 36(e) to the financial statements. Comparatives are not presented by virtue of the exemption given in the amendments.

(iv) Annual Improvements to FRSs (2010) contain amendments to 11 accounting standards that result in accounting changes for presentation, recognition or measurement purposes.

The amendments to FRS 101 (Revised) clarify that an entity may choose to present the analysis of the items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements. The Group has chosen to present the items of other comprehensive income in the statement of changes in equity.

(b) 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:-

FRSs and IC Interpretations (including the Consequential Amendments)	Effective Date
FRS 9 Financial Instruments	1 January 2015
FRS 10 Consolidated Financial Statements	1 January 2013
FRS 11 Joint Arrangements	1 January 2013
FRS 12 Disclosure of Interests in Other Entities	1 January 2013
FRS 13 Fair Value Measurement	1 January 2013
FRS 119 (Revised) Employee Benefits	1 January 2013
FRS 124 (Revised) Related Party Disclosures	1 January 2012
FRS 127 (2011) Separate Financial Statements	1 January 2013
FRS 128 (2011) Investments in Associates and Joint Ventures	1 January 2013

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONT'D)

3. BASIS OF PREPARATION (CONT'D)

(b) 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 (Cont'd):-

FRSs and IC Interpretations (including the Consequential Amendments)	Effective Date
Amendments to FRS 1 (Revised): Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	1 January 2012
Amendments to FRS 7: Disclosures - Transfers of Financial Assets	1 January 2012
Amendments to FRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to FRS 9: Mandatory Effective Date of FRS 9 and Transition Disclosures	1 January 2015
Amendments to FRS 101 (Revised): Presentation of Items of Other Comprehensive Income	1 July 2012
Amendments to FRS 112: Recovery of Underlying Assets	1 January 2012
Amendments to FRS 132: Offsetting Financial Assets and Financial Liabilities	1 January 2014
IC Interpretation 15 Agreements for the Construction of Real Estate	Withdrawn on 19 November 2011
IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments	1 July 2011
IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Amendments to IC Interpretation 14: Prepayments of a Minimum Funding Requirement	1 July 2011

The Group's next set of financial statements for the annual period beginning on 1 January 2012 will be prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs") issued by the MASB that will also comply with International Financial Reporting Standards ("IFRSs"). As a result, the Group will not be adopting the above accounting standards and interpretations (including the consequential amendments) that are effective for annual periods beginning on or after 1 January 2012.

(c) Following the issuance of MFRSs (equivalents to IFRSs) by the MASB on 19 November 2011, the Group will be adopting the new accounting standards in the next financial year. The possible change of the accounting policies is expected to have no material impact on the financial statements of the Group upon their initial application.

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
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (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) Allowance for Inventories

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

(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 experience 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) Impairment of Available-for-sale Financial Assets

The Group reviews its available-for-sale financial assets at the end of each reporting period to assess whether they are impaired. The Group also records impairment loss on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is "significant'' or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(ix) Fair Value Estimates for Certain Financial Assets and Liabilities

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

(b) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December 2011.

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

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

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

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

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

(c) Goodwill

Goodwill represents the excess of the fair value of the purchase consideration over the Group's share of the fair values of the identifiable assets, liabilities and contingent liabilities of the subsidiaries at the date of acquisition.

Goodwill is measured at cost less accumulated impairment loss, 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.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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 Currency

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.

(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 translation reserve. On 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Financial Instruments (Cont'd)

Financial instruments recognised in the statement 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.

- *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 Financial Assets*

  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*

  Available-for-sale financial assets are non-derivative financial assets that are designated in this category or are not classified in any of the other categories.

  After initial recognition, available-for-sale financial assets are remeasured to their fair values at the end of each reporting period. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the fair value reserve, with the exception of impairment losses. On derecognition, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity into profit or loss.

  Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established.

(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

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (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 less impairment losses, if any, 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 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 off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:-

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

The depreciation method, useful life and residual values are reviewed, and adjusted if appropriate, at 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 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 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.

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

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

(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 financial assets 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Impairment (Cont'd)

(i) Impairment of Financial Assets (Cont'd)

With the exception of available-for-sale equity instruments, 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 equity instruments, 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.

(ii) Impairment of Non-Financial Assets

The carrying values of assets, other than those to which FRS 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 statements of comprehensive income, a reversal of that impairment loss is recognised as income in the statements of comprehensive income.

(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 Grants

Government grants 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 plant and equipment acquired for that purpose.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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 off 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.

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Income Taxes (Cont'd)

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.

(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:-

(i) directly, or indirectly through one or more intermediaries, the party:-
- controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
- has an interest in the entity that gives it significant influence over the entity; or
- has joint control over the entity;

(ii) the party is an associate of the entity;

(iii) the party is a joint venture in which the entity is a venturer;

(iv) the party is a member of the key management personnel of the entity or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (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) Revenue Recognition

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

(i) Sale of Goods

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

(ii) Interest Income

Interest income are recognised on an accrual basis.

5. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2011	**2010**
	RM	**RM**
Unquoted shares, at cost:-		
At 1 January	10,997,548	10,497,550
Additional investment in a subsidiary	-	499,998
At 31 December	10,997,548	10,997,548

Details of the subsidiaries are as follows:-

Name of Company	Country of Incorporation	Effective Equity Interest 2011	Effective Equity Interest 2010	Principal Activities
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 through Sunzen Lifesciences Sdn. Bhd. and Sunzen Feedtech Sdn. Bhd. respectively*

\# *not audited by Messrs. Crowe Horwath.*

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONT'D)

6. PROPERTY, PLANT AND EQUIPMENT

THE GROUP NET CARRYING AMOUNT	AT 1.1.2011 RM	ADDITIONS RM	RECLASSI-FICATION RM	GOVERNMENT GRANTS RM	DISPOSAL RM	DEPRECIATION CHARGE RM	FOREIGN CURRENCY TRANSLATION RESERVES RM	AT 31.12.2011 RM
Freehold land	7,670,000	-	-	-	-	-	-	7,670,000
Factory buildings	3,554,067	-	3,283,261	-	-	(141,598)	-	6,695,730
Furniture, fittings and office equipment	298,572	363,494	-	-	-	(145,286)	(896)	515,884
Motor vehicles	329,835	334,562	-	-	(6,017)	(177,093)	(2,808)	478,479
Plant and machinery	565,875	1,363,499	-	(850,000)	-	(163,792)	-	915,582
Capital work-in-progress	2,930,228	353,033	(3,283,261)	-	-	-	-	-
Total	15,348,577	2,414,588	-	(850,000)	(6,017)	(627,769)	(3,704)	16,275,675

THE GROUP NET CARRYING AMOUNT	AT 1.1.2010 RM	REVALUATION RESERVE RM	RECLASSI-FICATION RM	ADDITIONS RM	DISPOSALS RM	DEPRECIATION CHARGE RM	AT 31.12.2010 RM
Freehold land	4,380,362	3,289,638	-	-	-	-	7,670,000
Factory buildings	3,845,408	73,024	(288,432)	-	-	(75,933)	3,554,067
Furniture, fittings and office equipment	212,768	-	106,368	106,613	(1,950)	(125,227)	298,572
Motor vehicles	392,538	-	-	221,101	(104,701)	(179,103)	329,835
Plant and machinery	620,216	-	182,064	28,000	-	(264,405)	565,875
Capital work-in-progress	82,759	-	-	2,847,469	-	-	2,930,228
Total	9,534,051	3,362,662	-	3,203,183	(106,651)	(644,668)	15,348,577

THE GROUP AT 31.12.2011	AT COST RM	AT VALUATION RM	ACCUMULATED DEPRECIATION RM	NET CARRYING AMOUNT RM
Freehold land	-	7,670,000	-	7,670,000
Factory buildings	3,283,261	3,796,638	(384,169)	6,695,730
Furniture, fittings and office equipment	1,304,914	-	(789,030)	515,884
Motor vehicles	1,090,669	-	(612,190)	478,479
Plant and machinery	1,846,441	-	(930,859)	915,582
Total	7,525,285	11,466,638	(2,716,248)	16,275,675
THE GROUP AT 31.12.2010				
Freehold land	-	7,670,000	-	7,670,000
Factory buildings	-	3,796,638	(242,571)	3,554,067
Furniture, fittings and office equipment	941,420	-	(642,848)	298,572
Motor vehicles	966,190	-	(636,355)	329,835
Plant and machinery	1,332,943	-	(767,068)	565,875
Capital work-in-progress	2,930,228	-	-	2,930,228
Total	6,170,781	11,466,638	(2,288,842)	15,348,577

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONT'D)

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

THE COMPANY NET CARRYING AMOUNT	AT 1.1.2011 RM	ADDITIONS RM	DEPRECIATION CHARGE RM	AT 31.12.2011 RM
Furniture, fittings and office equipment	5,351	1,699	(3,378)	3,672
Motor vehicles	-	86,000	(17,200)	68,800
Plant and machinery	456,010	22,155	(105,670)	372,495
Total	461,361	109,854	(126,248)	444,967

THE COMPANY NET CARRYING AMOUNT	AT 1.1.2010 RM	ADDITION RM	DEPRECIATION CHARGE RM	AT 31.12.2010 RM
Furniture, fittings and office equipment	12,167	-	(6,816)	5,351
Plant and machinery	530,535	28,000	(102,525)	456,010
Total	542,702	28,000	(109,341)	461,361

AS AT 31.12.2011	COST RM	ACCUMULATED DEPRECIATION RM	NET CARRYING AMOUNT RM
Furniture, fittings and office equipment	24,687	(21,015)	3,672
Motor vehicles	86,000	(17,200)	68,800
Plant and machinery	742,866	(370,371)	372,495
Total	853,553	(408,586)	444,967
AS AT 31.12.2010			
Furniture, fittings and office equipment	22,988	(17,637)	5,351
Plant and machinery	720,712	(264,702)	456,010
Total	743,700	(282,339)	461,361

Revaluation of freehold land and factory buildings

Freehold land and factory buildings have been revalued at the end of the previous reporting date based on a valuation performed by an independent firm of professional valuers. The valuation is based on the income method that makes reference to estimated market rental values and equivalent yields.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONT'D)

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

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

	THE GROUP	
	2011 RM	2010 RM
Factory buildings, at 31 December:-		
Cost	7,006,875	3,723,614
Accumulated depreciation	(381,246)	(241,111)
Net carrying amount	6,625,629	3,482,503

Assets held under hire purchase

Included in the plant and equipment of the Group at the end of the reporting period are motor vehicles with a total net carrying amount of RM409,677 (2010 - RM329,836) acquired under hire purchase terms.

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 22 to the financial statements are as follows:-

	THE GROUP	
	2011 RM	2010 RM
At net carrying amount:-		
Freehold land	7,670,000	7,670,000
Factory buildings	6,695,730	3,554,067

7. PRODUCT DEVELOPMENT EXPENDITURE

	THE GROUP	
	2011 RM	2010 RM
Cost		
At 1 January	2,178,483	2,357,572
Written off	-	(179,089)
At 31 December	2,178,483	2,178,483
Accumulated amortisation		
At 1 January	(1,169,779)	(921,092)
Addition during the financial year	(248,687)	(248,687)
At 31 December	(1,418,466)	(1,169,779)
Net carrying amount	760,017	1,008,704

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONT'D)

7. PRODUCT DEVELOPMENT EXPENDITURE (CONT'D)

Key assumptions used in value-in-use calculations

		THE GROUP 2011	THE GROUP 2010
1.	Discount rate The discount rate is on a pre-tax basis that reflects current market assessment of time value of money and the risks specific to the CGU.	10%	10%
2.	Growth rate This is based on the management forecasts after incorporating changes in pricing and direct costs based on past experience and the expectations of future changes in the market.	5.5%	15%
3.	Cash flow period The cash flow projections are based on financial budgets approved by the management. The cash flow projections for the product development expenditure are based on the expected life cycle of the products respectively.	5 years	5 years
4.	Gross profit margin Net cash projections for the relevant cash flow period are extrapolated based on past gross profit generated by the CGU divided by the gross revenue generated by the respective CGU.	32%	32%

8. GOODWILL

	THE GROUP 2011 RM	THE GROUP 2010 RM
Goodwill on acquisition of a subsidiary	57,958	57,958

The carrying amount of goodwill amounting to RM57,958 (2010 - RM57,958) is allocated to the cash-generating unit ("CGU").

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

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

9. QUOTED INVESTMENTS

	THE GROUP 2011 RM	THE GROUP 2010 RM
Quoted shares in Malaysia:-		
At 1 January	16,090	8,350
Disposal during the financial year	(6,594)	-
Change in fair value recognised in other comprehensive income (Note 27)	(4,346)	7,740
At 31 December	5,150	16,090
At market value	5,150	16,090

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONT'D)

10. INVENTORIES

	THE GROUP		THE COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
At cost:-				
Raw materials	2,217,144	1,946,885	1,398,904	1,341,045
Finished goods	6,878,931	7,618,529	653,745	566,671
Packing materials	460,193	432,595	297,757	289,659
	9,556,268	9,998,009	2,350,406	2,197,375

None of the inventories is carried at net realisable value.

11. TRADE RECEIVABLES

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

12. OTHER RECEIVABLES AND DEPOSITS

	THE GROUP		THE COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
Other receivables	242,542	218,674	100,167	16,481
Deposits	487,313	138,361	2,915	1,265
	729,855	357,035	103,082	17,746

13. AMOUNT OWING BY SUBSIDIARIES

	THE COMPANY	
	2011 RM	2010 RM
Amount owing by - trade	5,251,120	8,365,863
Amount owing to - non-trade	(2,552,545)	(5,121,797)
	2,698,575	3,244,066

The trade balance is subject to the normal trade credit terms. The amount owing is 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.

14. FIXED DEPOSITS WITH LICENSED BANKS

Included in fixed deposits with licensed banks of the Group is an amount of RM646,427 (2010 - RM627,830) which has been pledged as collateral to a licensed bank to secure banking facilities granted to the Group.

The interest rates and maturity period of the fixed deposits of the Group and of the Company at end of the reporting period were 2.81% to 3.05% (2010 - 2.0% to 2.9%) per annum and 1 month to 6 months (2010 - 1 month to 6 months) respectively.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONT'D)

15. SHARE CAPITAL

	THE COMPANY			
	2011	2010	2011	2010
	NUMBER OF SHARES		RM	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	149,390,500	149,390,500	14,939,050	14,939,050

16. 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) Fair Value Reserve

The fair value reserve represents the cumulative fair value changes (net of tax, where applicable) of available-for-sale financial assets until they are disposed or impaired and is not distributable by way of dividends.

(c) 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.

(d) Merger Deficit

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

(e) Currency Translation Reserve

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

(f) Retained Profits

Subject to the agreement of the tax authorities, at the end of the reporting period, the Company has sufficient tax credits under Section 108 of the Income Tax Act, 1967 and tax-exempt income to frank the payment of dividends out of its entire retained profits without incurring any additional tax liabilities.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONT'D)

17. LONG-TERM BORROWINGS

	THE GROUP	
	2011	2010
	RM	RM
Hire purchase payables (Note 22)	217,950	208,649
Term loans (Note 22)	5,376,690	5,003,118
	5,594,640	5,211,767

18. DEFERRED TAXATION

	THE GROUP		THE COMPANY	
	2011	2010	2011	2010
	RM	RM	RM	RM
At 1 January	522,845	452,492	34,472	35,492
Recognised in profit or loss (Note 26)	56,915	(112,385)	3,535	(1,020)
Recognised in other comprehensive income	-	182,738	-	-
At 31 December	579,760	522,845	38,007	34,472

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

	THE GROUP		THE COMPANY	
	2011	2010	2011	2010
	RM	RM	RM	RM
Product development expenditure	148,500	195,500	-	-
Accelerated capital allowances	249,252	144,972	38,007	34,472
Revaluation reserve	182,008	182,373	-	-
	579,760	522,845	38,007	34,472

19. TRADE PAYABLES

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

20. OTHER PAYABLES AND ACCRUALS

	THE GROUP		THE COMPANY	
	2011	2010	2011	2010
	RM	RM	RM	RM
Other payables	836,428	1,948,323	580,724	1,425,981
Accruals	739,045	457,737	85,712	136,994
	1,575,473	2,406,060	666,436	1,562,975

21. AMOUNT OWING TO DIRECTORS

The amount owing is unsecured, and in respect of interest-free advances and payments made on behalf. The amount owing is repayable within next twelve months and is to be settled in cash.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONT'D)

22. SHORT-TERM BORROWINGS

Short-term borrowings comprise the following:-

	THE GROUP		THE COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
Bills payable	3,101,000	2,024,000	909,000	388,000
Hire purchase payables	134,955	115,308	-	-
Term loans	499,068	528,373	-	-
	3,735,023	2,667,681	909,000	388,000

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

(a) by a pledge of certain fixed deposits belonging to the Group;
(b) by a legal charge over the properties belonging to a subsidiary; and
(c) by a negative pledge.

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

	THE GROUP	
	2011 RM	2010 RM
Minimum hire purchase payments:		
- not later than one year	152,104	106,794
- later than one year and not later than five years	229,808	255,075
	381,912	361,869
Less: Future finance charges	29,007	37,912
Present value of hire purchase payables	352,905	323,957
Current portion:		
- not later than one year	134,955	115,308
Non-current portion:		
- later than one year and not later than five years (Note 17)	217,950	208,649
	352,905	323,957

	THE GROUP	
	2011 RM	2010 RM
The term loans are repayable as follows:-		
Current portion:		
- not later than one year	499,068	528,373
Non-current portion:		
- later than one year and not later than 2 years	521,390	536,417
- later than 2 years and not later than 5 years	1,742,081	1,647,866
- more than 5 years	3,113,219	2,818,835
Total non-current portion (Note 17)	5,376,690	5,003,118
	5,875,758	5,531,491

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONT'D)

22. SHORT-TERM BORROWINGS (CONT'D)

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

Term loan 1 Repayable in 120 monthly instalments of RM30,660, effective from November 2010.

Term loan 2 Repayable in 120 monthly instalments of RM10,220, effective from November 2010.

Term loan 3 Repayable in 120 monthly instalments of RM25,488, effective from November 2011.

23. NET ASSETS PER SHARE

The net assets per share of the Group is calculated based on the net assets value of RM29,515,965 (2010 - RM28,464,553) divided by the number of ordinary shares in issue at the end of the reporting period of 149,390,500 (2010 - 149,390,500).

24. REVENUE

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

25. PROFIT BEFORE TAXATION

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

	THE GROUP		THE COMPANY	
	2011	2010	2011	2010
	RM	RM	RM	RM
Amortisation of product development expenditure	248,687	248,687	-	-
Audit fee	57,170	43,000	22,000	20,000
Depreciation of property, plant and equipment	627,769	644,668	126,248	109,341
Directors' remuneration:				
- fee	69,600	66,000	66,600	63,000
- other emoluments	1,303,805	1,214,736	-	-
Interest expense:				
- bank overdraft	879	20,846	-	-
- bills payable	134,024	100,881	50,918	36,833
- hire purchase	19,174	26,105	-	-
- term loans	308,673	265,151	-	-
Inventories written off	259,763	508,471	-	-
Product development expenditure written off	-	179,089	-	-
Rental of office equipment	8,280	8,155	3,180	2,915
Rental of premises	47,713	30,311	51,100	45,600
Staff costs:				
- salaries, wages, bonuses and allowances	2,316,118	2,114,749	510,744	492,082
- defined contribution plan	371,516	346,406	67,922	68,464
Dividend income	(865)	(720)	-	-
Gain on disposal of plant and equipment	(106,978)	(32,238)	-	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONT'D)

25. PROFIT BEFORE TAXATION (CONT'D)

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

	THE GROUP		THE COMPANY	
	2011	2010	2011	2010
	RM	RM	RM	RM
Gain on disposal of quoted shares	(10,860)	-	-	-
(Gain)/Loss on foreign exchange:				
- realised	(329,948)	(523,694)	(66,316)	12,866
- unrealised	138,347	(106,362)	-	-
Income from unit trust deposit with other financial institution	(103)	(70)	-	-
Interest income	(124,473)	(132,495)	(87,925)	(72,311)

26. INCOME TAX EXPENSE

	THE GROUP		THE COMPANY	
	2011	2010	2011	2010
	RM	RM	RM	RM
Income tax expense:				
- for current financial year	614,715	462,027	150,550	33,081
- (over)/underprovision in the previous financial year	(49,699)	20,414	640	13,976
	565,016	482,441	151,190	47,057
Deferred taxation (Note 18):				
- for current financial year	(34,720)	(106,020)	3,535	(1,020)
- under/(over)provision in the previous financial year	92,000	(6,000)	-	-
- reversal of deferred tax liability arising from revaluation reserve	(365)	(365)	-	-
	56,915	(112,385)	3,535	(1,020)
	621,931	370,056	154,725	46,037

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONT'D)

26. INCOME TAX EXPENSE (CONT'D)

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

	THE GROUP		THE COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
Profit before taxation	2,378,757	2,517,878	418,645	53,738
Tax at the statutory tax rate of 25%	594,689	629,470	104,661	13,435
Tax effects of:-				
Non-deductible expenses	368,768	245,007	49,424	52,948
Non-taxable gain	(2,957)	-	-	-
Tax exemption	(380,505)	(518,470)	-	(34,322)
(Over)/Underprovision in the previous financial year:				
- income tax	(49,699)	20,414	640	13,976
- deferred taxation	92,000	(6,000)	-	-
Reversal of deferred tax liability arising from revaluation reserve	(365)	(365)	-	-
Income tax expense for the financial year	621,931	370,056	154,725	46,037

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.

27. OTHER COMPREHENSIVE (EXPENSES)/INCOME

	THE GROUP	
	2011 RM	2010 RM
Surplus on revaluation of property	-	3,362,662
Deferred taxation related to revaluation of property	-	(182,738)
Surplus on revaluation of property, net of tax	-	3,179,924
Fair value change of available-for-sale financial assets (Note 9)	(4,346)	7,740
Foreign currency translations	(28,811)	-
	(33,157)	3,187,664

28. 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 RM1,756,826 (2010 - RM2,147,822) over the weighted average number of ordinary shares in issue during the financial year of 149,390,500 (2010 - 149,390,500).

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONT'D)

29. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	THE GROUP		THE COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
Cost of property, plant and equipment acquired	2,414,588	3,203,183	109,854	28,000
Amount financed through hire purchase	(128,000)	(138,094)	-	-
Cash disbursed for purchase of property, plant and equipment	2,286,588	3,065,089	109,854	28,000

30. CASH AND CASH EQUIVALENTS

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

	THE GROUP		THE COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
Fixed deposits with licensed banks	3,289,088	4,862,154	2,544,935	3,511,797
Cash and bank balances with licensed banks and other financial institution	7,086,452	6,538,059	1,898,337	2,436,027
	10,375,540	11,400,213	4,443,272	5,947,824

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 2011	NO. OF DIRECTORS	SALARIES AND BONUS RM	EPF & SOCSO RM	FEE RM	TOTAL RM
Executive					
- Between RM300,001 and RM350,000	3	816,246	123,058	2,000	941,304
- Between RM350,001 and RM400,000	1	316,966	47,535	1,000	365,501
	4	1,133,212	170,593	3,000	1,306,805
Non-Executive					
- Less than or equal to RM50,000	3	-	-	66,600	66,600
	7	1,133,212	170,593	69,600	1,373,405
2010					
Executive					
- Between RM250,001 and RM300,000	3	754,110	113,735	2,000	869,845
- Between RM300,001 and RM350,000	1	301,644	45,247	1,000	347,891
	4	1,055,754	158,982	3,000	1,217,736
Non-Executive					
- Less than or equal to RM50,000	3	-	-	63,000	63,000
	7	1,055,754	158,982	66,000	1,280,736

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONT'D)

31. DIRECTORS' REMUNERATION (CONT'D)

THE COMPANY 2011	NO. OF DIRECTORS	SALARIES AND BONUS RM	EPF & SOCSO RM	FEE RM	TOTAL RM
Non-Executive					
- Less than or equal to RM50,000	3	-	-	66,600	66,600
2010					
Non-Executive					
- Less than or equal to RM50,000	3	-	-	63,000	63,000

32. SIGNIFICANT RELATED PARTY DISCLOSURES

(a) Identities 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.

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

	THE COMPANY	
	2011 RM	2010 RM
Sales to subsidiaries	322,019	1,137,091
Handling costs charged by a subsidiary	39,563	193,865
Purchases from subsidiaries	3,436,760	5,973,156
Rental paid to a subsidiary	45,600	45,600
Share of overheads recovery from a subsidiary	402,702	515,068

	THE GROUP		THE COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
Key management personnel compensation:				
- short-term employee benefits	1,373,405	1,280,736	66,600	63,000

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	
	2011 RM	2010 RM
Indonesian Rupiah	0.0003	0.0003
Singapore Dollar	2.44	2.39
United States Dollar	3.17	3.08
Philippine Peso	0.0723	0.0705

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONT'D)

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, no segmental analysis is provided.

35. CONTINGENT LIABILITY

	THE COMPANY	
	2011 RM	2010 RM
Unsecured:		
Corporate guarantee given to banks in respect of banking facilities extended to a subsidiary	17,131,000	17,131,000

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 policy focuses on the unpredictability of financial markets and seeks 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 activity 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, Philippine Peso 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 2011	Singapore Dollar RM	United States Dollar RM	Philippine Peso RM	Indonesian Rupiah RM	Total RM
Financial assets					
Trade receivables	-	193,343	-	61,508	254,851
Other receivables And deposits	-	151,476	-	65,989	217,465
Cash and bank balances	3,955	893,731	5,575	123,481	1,026,742
	3,955	1,238,550	5,575	250,978	1,499,058
Financial liabilities					
Trade payables	-	1,782,401	-	-	1,782,401
Other payables and accruals	-	-	-	7,939	7,939
Hire purchase payables	-	-	-	24,306	24,306
	-	1,782,401	-	32,245	1,814,646
Net financial asset/ (liabilities)	3,955	(543,851)	5,575	218,733	(315,588)
Less : financial assets/ (liabilities) denominated in the entity's functional currencies	-	-	-	(218,733)	(218,733)
Currency exposure	3,955	(543,851)	5,575	-	(534,321)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (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 2010	Singapore Dollar RM	United States Dollar RM	Indonesian Rupiah	Total RM
Financial assets				
Trade receivables	-	451,224	-	451,224
Other receivables and deposits	-	160,860	33,231	194,091
Cash and bank balances	127,834	1,589,186	318,996	2,036,016
	127,834	2,201,270	352,227	2,681,331
Financial liabilities				
Trade payables	-	3,080,376	-	3,080,376
Other payables and accruals	-	-	440	440
Hire purchase payables	-	-	34,928	34,928
	-	3,080,376	35,368	3,115,744
Net financial asset/(liabilities)	127,834	(879,106)	316,859	(434,413)
Less : financial assets/ (liabilities) denominated in the entity's functional currencies	-	-	(316,859)	(316,859)
Currency exposure	127,834	(879,106)	-	(751,272)

THE COMPANY 2011	Singapore Dollar RM	United States Dollar RM	Total RM
Financial assets			
Other receivables and deposits	-	99,436	99,436
Cash and bank balances	-	90,812	90,812
	-	190,248	190,248
2010			
Financial assets			
Trade receivables	-	105,400	105,400
Cash and bank balances	72,476	829,994	902,470
	72,476	935,394	1,007,870

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (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 2011 (Decrease)/ Increase RM	The Group 2010 (Decrease)/ Increase RM
Effects on profit after taxation		
Singapore Dollar:		
- strengthened by 5%	197	6,504
- weakened by 5%	(197)	(6,504)
United States Dollar:		
- strengthened by 5%	(27,193)	(257,527)
- weakened by 5%	27,193	257,527
Effects on equity		
Singapore Dollar:		
- strengthened by 5%	197	6,504
- weakened by 5%	(197)	(6,504)
United States Dollar:		
- strengthened by 5%	(27,193)	(257,527)
- weakened by 5%	27,193	257,527

(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 the financial liabilities is disclosed in Note 36(a)(iii) to the financial statements.

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 2011 (Decrease)/ Increase RM	The Group 2010 (Decrease)/ Increase RM
Effects on profit after taxation		
Increase of 100 basis points (bp)	(93,331)	(78,794)
Decrease of 100 bp	93,331	78,794
Effects of equity		
Increase of 100 basis points (bp)	(93,331)	(78,794)
Decrease of 100 bp	93,331	78,794

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONT'D)

36. FINANCIAL INSTRUMENTS (CONT'D)

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

(i) Market Risks (Cont'd)

(iii) Equity Price Risk

The Group's principal exposure to equity price risk arises mainly from changes in quoted investment prices. The Group manages its exposure to equity price risks by maintaining a portfolio of equities with different risk profiles.

(ii) Credit Risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis.

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 exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Company manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis.

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 the financial assets as at the end of the reporting period.

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

	THE GROUP		THE COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
China	-	105,400	-	105,400
Hong Kong	-	6,624	-	-
Indonesia	61,508	-	-	-
Malaysia	6,135,639	5,677,618	2,756,779	2,423,596
Singapore	32,856	76,228	-	-
Thailand	-	87,458	-	-
Vietnam	160,487	175,514	-	-
	6,390,490	6,128,842	2,756,779	2,528,996

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONT'D)

36. FINANCIAL INSTRUMENTS (CONT'D)

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

(ii) Credit Risk (Cont'd)

Ageing analysis

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

	THE GROUP CARRYING AMOUNT	
	2011 RM	2010 RM
Not past due	2,549,035	2,480,313
Past due:		
- less than 3 months	2,712,633	2,415,678
- 3 to 6 months	1,121,377	1,130,812
- over 6 months	7,445	102,039
	6,390,490	6,128,842

Trade receivables that are past due but not impaired

The Group 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. The Group uses 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.

(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 2011	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	-	3,311,006	3,311,006	3,311,006	-	-
Other payables and accruals	-	1,575,473	1,575,473	1,575,473	-	-
Bills payable	2.91	3,101,000	3,101,000	3,101,000	-	-
Hire purchase payables	3.02	352,905	381,912	152,104	229,808	-
Term loans	5.25	5,875,758	7,448,432	796,416	3,185,664	3,466,352
Amount owing to directors	-	2,314	2,314	2,314	-	-
		14,218,456	15,820,137	8,938,313	3,415,472	3,466,352

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONT'D)

36. FINANCIAL INSTRUMENTS (CONT'D)

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

(iii) Liquidity Risk (Cont'd)

THE GROUP 2010	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	-	4,193,871	4,193,871	4,193,871	-	-
Other payables and accruals	-	2,406,060	2,406,060	2,406,060	-	-
Bills payables	2.91	2,024,000	2,024,000	2,024,000	-	-
Hire purchase payables	4.94	323,957	361,869	106,794	255,075	-
Term loans	4.95	5,531,491	8,266,851	801,909	3,278,427	4,186,515
Dividend payable	-	896,343	896,343	896,343	-	-
Amount owing to directors	-	33,806	33,806	33,806	-	-
		15,409,528	18,182,800	10,462,783	3,533,502	4,186,515
THE COMPANY 2011						
Trade payables	-	552,633	552,633	552,633	-	-
Other payables and accruals	-	666,436	666,436	666,436	-	-
Bills payable	3.02	909,000	909,000	909,000	-	-
		2,128,069	2,128,069	2,128,069	-	-
2010						
Trade payables	-	505,119	505,119	505,119	-	-
Other payables and accruals	-	1,562,975	1,562,975	1,562,975	-	-
Bills payable	2.74	388,000	388,000	388,000	-	-
Dividend payable	-	896,343	896,343	896,343	-	-
		3,352,437	3,352,437	3,352,437	-	-

(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 their 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.

Under the requirement 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
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONT'D)

36. FINANCIAL INSTRUMENTS (CONT'D)

(b) Capital Risk Management (Cont'd)

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

	THE GROUP	
	2011 RM	2010 RM
Hire purchase payables	352,905	323,957
Term loans	5,875,758	5,531,491
Trade payables	3,311,006	4,193,871
Other payables and accruals	1,575,473	2,406,060
Bills payable	3,101,000	2,024,000
	14,216,142	14,479,379
Less: Fixed deposits with licensed banks	(3,289,088)	(4,862,154)
Less : Cash and bank balances	(7,086,452)	(6,538,059)
Net debt	3,840,602	3,079,166
Total equity	29,515,965	28,464,553
Debt to equity ratio	0.13	0.11

(c) Classification of Financial Instruments

	THE GROUP		THE COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
Financial Assets				
Loans and receivables financial assets				
Trade receivables	6,390,490	6,128,842	2,756,779	2,528,996
Other receivables and deposits	729,855	357,035	103,082	17,746
Amount owing by subsidiaries	-	-	2,698,575	3,244,066
Fixed deposits with licensed banks	3,289,088	4,862,154	2,544,935	3,511,797
Cash and bank balances with licensed banks and other financial institutions	7,086,452	6,538,059	1,898,337	2,436,027
	17,495,885	17,886,090	10,001,708	11,738,632
Financial Assets				
Available-for-sale financial assets				
Other investment	5,150	16,090	-	-
Financial Liabilities				
Other financial liabilities				
Trade payables	3,311,006	4,193,871	552,633	505,119
Other payables and accruals	1,575,473	2,406,060	666,436	1,562,975
Bills payable	3,101,000	2,024,000	909,000	388,000
Hire purchase payables	352,905	323,957	-	-
Term loans	5,875,758	5,531,491	-	-
Dividend payable	-	896,343	-	896,343
Amount owing to directors	2,314	33,806	-	-
	14,218,456	15,409,528	2,128,069	3,352,437

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONT'D)

36. FINANCIAL INSTRUMENTS (CONT'D)

(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

The fair values of the financial assets and liabilities are analysed into level 1 to 3 as follows:-

Level 1: Fair value measurements derive from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements derive from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Fair value measurements derive from valuation techniques that include inputs for the asset or liability that are not based on observable market date (unobservable inputs).

As at 31 December 2011, the Company's financial instruments carried at fair values are analysed as below:-

2011	LEVEL 1 RM	LEVEL 2 RM	LEVEL 3 RM	TOTAL RM
Financial assets				
Quoted investment				
- quoted shares in Malaysia	5,150	-	-	5,150

SUPPLEMENTARY INFORMATION

37. DISCLOSURE OF REALISED AND UNREALISED PROFITS/LOSSES

The breakdown of the retained profits/(accumulated losses) 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	
	2011 RM	2010 RM	2011 RM	2010 RM
Total retained profits:				
- realised	16,916,290	15,635,364	3,401,226	3,806,028
- unrealised	(611,745)	(416,483)	(38,007)	(34,472)
At 31 December	16,304,545	15,218,881	3,363,219	3,771,556

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 31.12.2011 (RM)
Sunzen Corporation Sdn Bhd No. 11, Jalan Anggerik Mokara 31/47, Kota Kemuning, 40460 Shah Alam Selangor	3 storey office cum factory building held under H.S.(D) 54897, P.T No. 56300, Mukim & Daerah Klang, Negeri Selangor	17.01.2002 (A) 28.07.2010 (R)	47,000 sq ft (L) 30,830 sq ft (B)	Freehold	4 years	6,066,718
Sunzen Corporation Sdn Bhd No. 16, Jalan Anggerik Mokara 31/61, Kota Kemuning, 40460 Shah Alam Selangor	1½ semi-detached storey factory held under H.S.(D) 55014, P.T No. 56433, Mukim & Daerah Klang, Negeri Selangor	27.09.2005 (A) 28.07.2010 (R)	15,839 sq ft (L) 5,120 sq ft (B)	Freehold	13 years	1,681,416
Sunzen Corporation Sdn Bhd No. 13, Jalan Anggerik Mokara 31/47, Kota Kemuning, 40460 Shah Alam Selangor	3 storey factory building held under H.S.(D) 54898 P.T No. 56301, Mukim & Daerah Klang, Negeri Selangor	03.04.2006 (A) 28.07.2010 (R)	46,000 sq ft (L) 32,294 sq ft (B)	Freehold	1 year	6,617,596

ANALYSIS OF SHAREHOLDINGS AS AT 2 MAY 2012

SHAREHOLDINGS STRUCTURE

Authorised Capital	:	RM25,000,000.00 divided into 250,000,000 Ordinary Shares of RM0.10 each
Issued and fully paid up capital	:	RM14,939,050.00 divided into 149,390,500 Ordinary Shares of RM0.10 each
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 shareholdings	%
1 - 99	2	0.15	100	0.00
100 -1,000	877	67.48	230,200	0.15
1,001 -10,000	175	13.46	1,079,700	0.72
10,001 - 100,000	187	14.38	8,681,300	5.81
100,001 – 7,469,524	54	4.15	50,054,645	33.51
7,469,525* and above	5	0.38	89,344,555	59.81
TOTAL	1,300	100.00	149,390,500	100.00

Note:
* 5% and above of issued shares

THIRTY LARGEST SHAREHOLDERS FOR ORDINARY SHARES OF RM0.10 EACH

No.	Name	No. of Shares Held	%
1	Tan Kim Sing	41,046,510	27.48
2	Fong Chan Seng	16,436,860	11.00
3	Kok Poe Chu	15,405,895	10.31
4	Teo Kim Lai	8,636,860	5.78
5	Heng Teik Teow	7,818,430	5.23
6	Tan Choon Shong	5,748,430	3.85
7	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Teo Kim Lai	4,801,200	3.21
8	Cheong Yit Cheng	3,909,090	2.62
9	Ha Chan Kuan	3,909,090	2.62
10	Tan Sok Ing	3,909,090	2.62
11	Chin Kok Tian	2,539,000	1.70
12	Business Harvest Sdn Bhd	2,247,200	1.50
13	HLG Nominee (Tempatan) Sdn Bhd Pledged Securities Account for Kok Poe Chu (CCTS)	2,111,615	1.41
14	Wong Choi Lian	2,052,780	1.37
15	Mayban Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Teo Kim Lai	1,950,000	1.31
16	Tan Siew Gek	1,500,500	1.00
17	Mayban Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Kok Poe Chu	1,500,000	1.00

ANALYSIS OF SHAREHOLDINGS AS AT 2 MAY 2012 (CONT'D)

THIRTY LARGEST SHAREHOLDERS FOR ORDINARY SHARES OF RM0.10 EACH (CONT'D)

No.	Name	No. of Shares Held	%
18	Mayban Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Fong Kok Sang (REM 181-Margin)	1,215,500	0.81
19	Lim Peng Hong	1,100,000	0.74
20	Robert Tan	800,000	0.54
21	Fong Chan Looi	781,000	0.52
22	Hew Su Bih	750,000	0.50
23	Cheah Chee Leng	710,000	0.48
24	Low Lee Yong	700,000	0.47
25	Cheong Chui Kam	611,700	0.41
26	Citigroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ngoi Lim Ben (472174)	587,000	0.39
27	Gan Ah Ee	570,000	0.38
28	Affin Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lee Keng Chye (LEE3993M)	408,000	0.27
29	Chang Ying Kang	300,000	0.20
30	Ngeam Chong Kwai	300,000	0.20

LIST OF SUBSTANTIAL SHAREHOLDERS

The substantial shareholders of the ordinary shares of RM0.10 each as per the Register of Substantial Shareholders:

		Direct		Indirect	
	Name	No. of Shares Held	%	No. of Shares Held	%
1	Dr Tan Kim Sing	41,046,510	27.48	-	-
2	Dr Kok Poe Chu	19,017,510	12.73	-	-
3	Dr Fong Chan Seng	16,436,860	11.00	-	-
4	Dr Teo Kim Lai	15,388,000	10.30	-	-
5	Heng Teik Teow	7,818,430	5.23	-	-

LIST OF DIRECTORS' SHAREHOLDINGS

The Directors' shareholdings of the ordinary shares of RM0.10 each as per the Register of Directors' Shareholdings:

	Direct		Indirect	
Name	No. of Shares Held	%	No. of Shares Held	%
Dr Tan Kim Sing	41,046,510	27.48	-	-
Dr Kok Poe Chu	19,017,510	12.73	-	-
Dr Fong Chan Seng	16,436,860	11.00	-	-
Dr Teo Kim Lai	15,388,060	10.30	-	-
Emeritus Professor Dato' Dr Omar @ S. Omar Bin Abdul Rahman	80,000	0.05		
S. Gunaseharan A/L P. Subramaniam	80,000	0.05	-	-
Dato' Dr Mhd Nordin Bin Mohd Nor	80,000	0.05	-	-

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Seventh Annual General Meeting ("AGM") of **Sunzen Biotech Berhad** (Sunzen Biotech" or "Company") will be held at Holiday Villa, Ivory 12, No. 9, Jalan SS 12/1, Subang Jaya, Selangor Darul Ehsan on Thursday, 28 June 2012 at 11.30 a.m., for the purpose of considering the following businesses:-

A G E N D A
Ordinary Business

1. To lay the Audited Financial Statements for the financial year ended 31 December 2011 together with the Reports of the Directors and the Auditors thereon. **Refer to Explanatory Note A**

2. To approve the payment of Directors' fees of RM66,600 for the financial year ending 31 December 2012. **(Ordinary Resolution 1)**

3. To re-elect the following Directors who are retiring pursuant to the Article 69 of the Company's Articles of Association, and being eligible, offering themselves for re-election:

   (i) Dr. Kok Poe Chu; and **(Ordinary Resolution 2)**
   (ii) Mr S.Gunaseharan A/L P.Subramaniam. **(Ordinary Resolution 3)**

4. To re-appoint Messrs. Crowe Horwath as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. **(Ordinary Resolution 4)**

Special Business

To consider and if thought fit, pass the following resolutions with or without any modifications:

5. **Authority to Issue Shares Pursuant to Section 132D of the Companies Act, 1965 ("the Act")**

   "THAT subject to Section 132D of the Act, and approvals of the relevant governmental / regulatory authorities, the Directors be and are hereby empowered to issue shares in the Company, at any time to such persons and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed ten per centum (10%) of the issued and paid-up share capital (excluding treasury shares) of the Company for the time being and the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad; AND THAT such authority shall commence immediately upon the passing of this resolution and continue to be in force until the conclusion of the next Annual General Meeting of the Company." **(Ordinary Resolution 5)**

6. **Proposed Share Buy-Back by the Company of up to 10% of its own Issued and Paid-up Share Capital**

   "THAT subject to the Act, rules, regulations and orders made pursuant to the Act, provisions of the Company's Memorandum and Articles of Association and ACE Market Listing Requirement ("AMLR") of Bursa Malaysia Securities Berhad and requirements of any other relevant authorities, the Directors of the Company be and are hereby authorised to make purchases of ordinary shares of RM0.10 each in the Company's issued and paid-up share capital through the Bursa Securities at anytime ("Proposed Share Buy-Back") and upon such terms and conditions and for such purposes as the Directors may in their discretion deem fit, subject further to the following: -

   (a) the maximum number of ordinary shares which may be purchased and/or held by the Company as treasury shares shall not exceed ten per-centum (10%) of the issued and paid-up share capital of the Company ("Shares") at the time of purchase;

   (b) the maximum fund to be allocated by the Company for the purpose of purchasing the Shares shall not exceed the total retained profit and/or share premium account of the Company. Based on the last audited accounts as at 31 December 2011, the retained profits and share premium reserve of the Company were RM16,304,545 and RM3,520,345 respectively;

   (c) the authority conferred by this resolution shall commence immediately upon the passing of this ordinary resolution and will continue to be in force until:-

      i) the conclusion of the next AGM of the Company, at which time the said authority will lapse unless by an ordinary resolution passed at a general meeting of the Company, 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 in a general meeting,

      whichever occurs first.

   (d) upon completion of the purchase(s) of the Shares by the Company, the Directors of the Company be and are hereby authorised to deal with the Shares in the following manner:

      (i) cancel the Shares so purchased; and/or
      (ii) retain the Shares so purchased as treasury shares for distribution as dividends to the shareholders and/or resale on the market of Bursa Securities and/or for cancellation subsequently and/or
      (iii) retain part of the Shares so purchased as treasury shares and cancel the remainder

      and in any other manner as prescribed by the Act, rules, regulations and orders made pursuant to the Act, AMLR and any other relevant authorities for the time being in force;

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

6. **Proposed Share Buy-Back by the Company of up to 10% of its own Issued and Paid-up Share Capital (Cont'd)**

AND THAT the Directors of the Company be and are hereby authorised to take all such steps as are necessary or expedient (including the appointment of a stock broking firm and the opening and maintaining of a Central Depository Account designated as a Share Buy-Back Account) and to enter into any agreements, arrangements and guarantees with any party and parties to implement or to effect the purchase(s) of the Shares with full power to assent to any conditions, modifications, variations and/or amendments as may be imposed by the relevant authorities and to take all such steps as they may deem necessary or expedient in order to implement, finalise and give full effect in relation thereto." **(Ordinary Resolution 6)**

7. **Proposed Amendment to the Articles of Association of the Company**

"THAT the amendments to the Articles of Association of the Company as set out in Appendix I contained in the Annual Report 2011 on pages 69 to 70, be and are hereby approved.

AND THAT, the Board of Directors of the Company be and is hereby empowered and authorised to do or procure to be done all acts, deeds and things and execute, sign and deliver on behalf of the Company, all such documents as it may deem necessary, expedient and/or appropriate to implement, give full effect to and complete the Proposed Amendements with full power to assent to any conditions, modifications, variations and/or amendments as the Board of Directors of the Company may deem fit and/or as may be required by any relevant authorities in connection with the Proposed Amendments" **(Special Resolution 1)**

BY ORDER OF THE BOARD

LAI CHEE WAH (MAICSA 7031124)
PANG CHIA TYNG (MAICSA 7034545)
Company Secretaries

Kuala Lumpur
6 June 2012

NOTES:

1 A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy may but need not be a member of the Company. A member may appoint any person to be his proxy without limitation. If the proxy is not a member, he need not be an advocate, an approved company auditor or a person approved by the Registrar of Companies.

2 A member shall be entitled to appoint more than one (1) proxy (subject always to a maximum of two (2) proxies at each meeting) to attend and vote at the same meeting. Where a member appoints two (2) proxies, the appointment shall be invalid unless the member specifies the proportions of his shareholdings to be represented by each proxy.

3 Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, such member may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

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 (1) 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 If no name is inserted in the space provided for the name of your proxy, the Chairman of the meeting will act as your proxy.

6 If the appointer is a corporation, the instrument appointing a proxy must be executed under its Common Seal or under the hand of an officer or attorney.

7 The instrument appointing a proxy must 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.

8 For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting the Bursa Malaysia Depository Sdn Bhd to make available to the Company pursuant to Article 50(f) of the Articles of Association of the Company and Rules 7.16(2) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, a Record of Depositors as at 21 June 2012 and only a Depositor whose name appear on such Record of Depositors shall be entitled to attend this meeting.

EXPLANATORY NOTE A

This Agenda is meant for discussion only as the provision of Section 169(1) of the Act does not require a formal approval of the shareholders and hence, is not put forward for voting.

EXPLANATORY NOTES ON SPECIAL BUSINESS

a) Ordinary Resolution 5

Authority to Issue Shares pursuant to Section 132D of the Act

The proposed Ordinary Resolution 5 is a renewable mandate for the issue of shares under Section 132D of the Act. If passed, will give flexibility to the Directors of the Company to issue shares up to a maximum of ten per centum (10%) of the issued share capital of the Company at the time of such issuance of shares (other than bonus or rights issue) and for such purposes as they consider would be in the best interest of the Company without having to convene separate general meetings. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company.

The general mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to the placing of shares, funding future investment(s), acquisition(s) and working capital and thereby reducing administrative time and cost associated with the convening of such meeting(s).

No shares had been issued and allotted by the Company since obtaining the said authority from its shareholders at the last AGM held on 16 June 2011.

b) Ordinary Resolution 6

Proposed Share Buy-Back by the Company of up to 10% of its own Issued and Paid-up Share Capital

The proposed Ordinary Resolution 6, if approved, will empower the Company to purchase and/or hold up to ten per centum (10%) of the issued and paid-up share of the Company. This authority unless revoked or varied by the Company at a General Meeting will expire at the next Annual General Meeting

Further information on the Proposed Share Buy-Back by the Company is set out in the Share Buy Back Circular to Shareholders of the Company which is despatched together with this Annual Report.

c) Special Resolution 1

Proposed Amendments to the Articles of Association of the Company

The Special Resolution 1, if passed, will render the Articles of Association of the Company to be in line with the recent amendments to the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING
(Pursuant to rule 8.29(2) of the ACE Market Listing Requirement of Bursa Malaysia Securities Berhad)

There is no person seeking election as Director of the Company at Seventh Annual General Meeting

APPENDIX I

In compliance with the recent enhancements issued by Bursa Securities amending certain provisions of the Bursa Securities Listing Requirements, the Company proposes to implement the amendments to the Articles of Association of the Company (for which differences are underlined and highlighted in bold below under the columns "Existing Articles" and "Amended Articles" respectively) in the following manner:

1. THAT the following additional definitions be inserted into the Article 2 of the Company's Articles of Association in alphabetical order of the 'Words' as follows:-

Words		**Meanings**	**Definition**
Dividend Reinvestment Scheme	… …	means a scheme which enables members to reinvest cash dividend into new shares.	
Share Issuance Scheme	… …	means a scheme involving a new issuance of shares to the employee.	

2. THAT the following new Articles be inserted immediately after Article 63(b) of the Company's Articles of Association to read as follows:-

63(c).	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. An exempt authorised nominee refers to an authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of subsection 25A(1) of the Central Depositories Act.	
63A.	A proxy appointed to attend and vote at a meeting of a company shall have the same rights as the member to speak at the meeting.	Right of proxy to speak

3. THAT the following new Article be inserted immediately after Article 135 of the Company's Articles of Association to read as follows:-

135A	Subject to the approval being obtained from the members of the Company and the Listing Requirements, the Company may issue shares pursuant to a Dividend Reinvestment Scheme to all its members who are entitled to dividend in accordance with the provisions of the Act and any rules, regulations and guidelines there under or issued by the Exchange and any other relevant authorities in respect thereof	Dividend Reinvestment Scheme

4. THAT the following amendments be made to the existing articles (for which differences are underlined and highlighted in bold below under "Existing Articles" and "Amended Articles" respectively) :-

Existing Article 3(b)(i):

No Director shall participate in an share scheme for employees of the Company unless the shareholders in general meetings have approved the allotment to be made to such Director.

Amended Article 3(b) (i):

No Director shall participate in a **Share Issuance Scheme** of the Company unless the shareholders in general meetings have approved the allotment to be made to such Director.

APPENDIX I (CONT'D)

4. THAT the following amendments be made to the existing articles (for which differences are underlined and highlighted in bold below under "Existing Articles" and "Amended Articles" respectively) (Cont'd):-

Existing Article 64:

The instrument appointing a proxy shall be in writing (in the 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 seal or under the hand of an officer or attorney duly authorised. Save for the authorised nominee defined under Article 63(b) above, 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. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll. A member shall not be precluded from attending and voting in person at any general meeting after lodging the form of proxy but however such attendance shall automatically revoke the proxy's authority.	Proxy to be in writing

New Article 64:

The instrument appointing a proxy shall be in writing (in the 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 seal or under the hand of an officer or attorney duly authorised. Save for the authorised **and exempt authorised** nominee defined under Article 63(b) and **Article 63(c) respectively above**, 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**. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll. A member shall not be precluded from attending and voting in person at any general meeting after lodging the form of proxy but however such attendance shall automatically revoke the proxy's authority.	Proxy to be in writing

FORM OF PROXY

Sunzen Biotech Berhad
(Company No. 680889-W)
(Incorporated in Malaysia)

I/We .....

of .....

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

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

or failing him / her, *THE CHAIRMAN OF THE MEETING, as my / our proxy / proxies, to vote for me / us on my / our behalf at the Seventh Annual General Meeting of the Company to be held at Holiday Villa, Ivory 12, No. 9, Jalan SS 12/1, Subang Jaya, Selangor Darul Ehsan on Thursday, 28 June 2012 at 11.30 a.m. and at any adjournment thereof.

* *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
	Ordinary Business		
1.	Approval of Directors' Fees of RM66,600 for the financial year ending 31 December 2012		
2.	Re-election of the following directors pursuant to Article 69 of the Company's Articles of Association:		
	(i) Dr. Kok Poe Chu		
	(ii) Mr S.Gunaseharan A/L P.Subramaniam		
3.	Re-appointment of Messrs Crowe Horwath as Auditors		
	Special Business		
4.	Authority to Issue Shares Pursuant to Section 132D of the Companies Act, 1965		
5.	Proposed Share Buy-Back by the Company		
6.	Proposed Amendment to the Articles of Association of the Company		
	Special Resolution		
1.	Proposed Amendment to the Articles of Association of the Company		

* *Delete if not applicable.*

……..……..……..…….....…….
Signature/Common Seal of Shareholder

Signed this …….. day of …….. 2012

Notes:

1) A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy may but need not be a member of the Company. A member may appoint any person to be his proxy without limitation. If the proxy is not a member, he need not be an advocate, an approved company auditor or a person approved by the Registrar of Companies.
2) A member shall be entitled to appoint more than one (1) proxy (subject always to a maximum of two (2) proxies at each meeting) to attend and vote at the same meeting. Where a member appoints two (2) proxies, the appointment shall be invalid unless the member specifies the proportions of his shareholdings to be represented by each proxy.
3) Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one (1) proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said securities account.
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) If no name is inserted in the space provided for the name of your proxy, the Chairman of the meeting will act as your proxy.
6) If the appointer is a corporation, the instrument appointing a proxy must be executed under its Common Seal or under the hand of its attorney.
7) The instrument appointing a proxy must 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.
8) For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting the Bursa Malaysia Depository Sdn Bhd to make available to the Company pursuant to Article 50(f) of the Articles of Association of the Company and Rules 7.16(2) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, a Record of Depositors as at 21 June 2012 and only a Depositor whose name appear on such Record of Depositors shall be entitled to attend this meeting.

FOLD THIS FLAP FOR SEALING

FOLD HERE

Affix stamp

The Company Secretaries

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

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