

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the course of action you should take, please consult your stockbroker, bank manager, solicitor, accountant, bank manager or other professional advisers immediately.

The approval of Bursa Malaysia Securities Berhad ("**Bursa Securities**") for the Proposed Bonus Issue of Warrants (as defined below) shall not be taken to indicate that Bursa Securities recommends the Proposed Bonus Issue of Warrants. Bursa Securities takes no responsibility for the contents of this Circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular.

The Circular has been reviewed by M&A Securities Sdn Bhd as the Principal Adviser to Sunzen Biotech Berhad ("**SUNZEN**" or "**Company**") for the Proposed Bonus Issue of Warrants.



SUNZEN BIOTECH BERHAD
(Registration No. 200501003843 (680889-W))
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE:

PROPOSED BONUS ISSUE OF UP TO 408,821,729 WARRANTS ON THE BASIS OF 1 WARRANT FOR EVERY 2 EXISTING ORDINARY SHARES IN SUNZEN HELD BY THE ENTITLED SHAREHOLDERS OF SUNZEN ON AN ENTITLEMENT DATE TO BE DETERMINED AND ANNOUNCED LATER ("PROPOSED BONUS ISSUE OF WARRANTS")

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser



M&A SECURITIES SDN BHD
(Registration No. 197301001503 (15017-H))
(A Wholly-Owned Subsidiary of Insas Berhad)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Notice of the Extraordinary General Meeting ("**EGM**") to be held at Kota Permai Golf & Country Club, Danau 3, No. 1, Jalan 31/100A, Kota Kemuning, Section 31, 40460 Shah Alam, Selangor Darul Ehsan together with the Form of Proxy, are enclosed. The Form of Proxy should be lodged at the registered office of the Company on the 10th Floor, Menara Hap Seng, No. 1 & 3, Jalan P. Ramlee, 50250 Kuala Lumpur, not less than 48 hours before the time appointed for holding the EGM. The lodging of the Form of Proxy will not preclude you from attending and voting in person at the EGM should you wish to do so.

Last date and time for lodging the Form of Proxy : Monday, 20 June 2022 at 12:00 noon

Date and time for the EGM : Wednesday, 22 June 2022 at 12:00 noon or immediately after the conclusion of the Seventeenth Annual General Meeting of the Company to be held on the same day at 11:00 a.m. whichever is earlier, or at any adjournment thereof

This Circular is dated 28 April 2022

DEFINITIONS

Unless where the context otherwise requires, the following definitions shall apply throughout this Circular and the accompanying appendix:

"5D-VWAMP"	:	5 days volume weighted average market price
"Board"	:	Board of directors of the Company
"Bursa Securities"	:	Bursa Malaysia Securities Berhad
"Circular"	:	This circular to the shareholders of SUNZEN in relation to the Proposed Bonus Issue of Warrants
"Deed Poll"	:	The deed poll constituting the Warrants and governing the rights of the holders of Warrants to be executed by the Company
"EGM"	:	Extraordinary general meeting
"Entitled Shareholders"	:	The shareholders of SUNZEN whose names appear on SUNZEN's Record of Depositors on the Entitlement Date
"Entitlement Date"	:	5:00 p.m. on a date to be determined by the Board and announced later, on which the names of shareholders must appear on the Record of Depositors of SUNZEN as at the close of business on that date in order to be entitled to participate in the Proposed Bonus Issue of Warrants
"Finsource Credit (M) Sdn Bhd"	:	Finsource Credit (M) Sdn Bhd (formerly known as Finsource Solution Sdn Bhd), a wholly-owned subsidiary of SUNZEN
"FPE"	:	Financial period ended
"FYE"	:	Financial year ended
"LAT"	:	Loss after taxation
"LBT"	:	Loss before taxation
"Listing Requirements"	:	ACE Market Listing Requirements of Bursa Securities
"LPD"	:	11 April 2022, being the latest practicable date prior to the printing of this Circular
"LPS"	:	Loss per share
"M&A Securities" or "Principal Adviser"	:	M&A Securities Sdn Bhd
"PAT"	:	Profit after taxation
"PBT"	:	Profit before taxation
"Private Placement"	:	Private placement exercise of 117,636,000 Shares, representing up to 20% of the total issued Shares, which was completed on 31 December 2021

DEFINITIONS *(cont'd)*

"Proposed Bonus Issue of Warrants"	:	Proposed bonus issue of warrants on the basis of 1 warrant for every 2 existing SUNZEN Shares held by the Entitled Shareholders on the Entitlement Date
"Record of Depositors"	:	The record of securities holders established and maintained by Bursa Malaysia Depository Sdn Bhd
"RM" and "sen"	:	Ringgit Malaysia and sen, respectively
"SIS Options"	:	Outstanding employees' share options accepted but yet to be exercised as at the LPD
"SUNZEN" or the "Company"	:	Sunzen Biotech Berhad
"SUNZEN Group" or "Group"	:	SUNZEN and its subsidiaries, collectively
"SUNZEN Shares" or "Shares"	:	Ordinary shares in SUNZEN
"TEAP"	:	Theoretical ex-all price
"Treasury Shares"	:	6,281,400 SUNZEN Shares held as treasury shares
"Warrants"	:	Up to 408,821,729 Warrants to be issued pursuant to the Proposed Bonus Issue of Warrants

Any reference in this Circular to any statutes, rules, regulations or rules of the stock exchange is a reference to such statutes, rules, regulations or rules of the stock exchange currently in force and as may be amended from time to time and any re-enactment thereof.

Words incorporating the singular shall, where applicable, include the plural and vice versa and words incorporating the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Reference to persons shall include a corporation, unless otherwise specified. Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of day in this Circular shall be a reference to Malaysian time, unless otherwise specified.

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EXECUTIVE SUMMARY

THIS EXECUTIVE SUMMARY HIGHLIGHTS THE SALIENT INFORMATION OF THE PROPOSED BONUS ISSUE OF WARRANTS. SHAREHOLDERS OF SUNZEN ARE ADVISED TO READ THE CIRCULAR AND APPENDIX FOR FURTHER DETAILS AND NOT TO SOLELY RELY ON THIS EXECUTIVE SUMMARY IN FORMING A DECISION ON THE PROPOSED BONUS ISSUE OF WARRANTS BEFORE VOTING AT THE FORTHCOMING EGM.

The Board is recommending shareholders to vote **IN FAVOUR** of the resolution in relation to the Proposed Bonus Issue of Warrants to be tabled at the forthcoming EGM to be convened.

Key information	Description	Reference to Circular
Summary	: Up to 408,821,729 Warrants will be issued on the basis of 1 Warrant for every 2 existing SUNZEN Shares, held by the Entitled Shareholders at the Entitlement Date.	Section 2.1
Exercise price	: The Warrants will be issued at no cost to the Entitled Shareholders. The exercise price of the Warrants will be fixed by the Board at a later date after all relevant approvals have been obtained.	Section 2.3
Rationale	: The Proposed Bonus Issue of Warrants will: (i) enable the shareholders to participate in the Company's convertible securities, which are tradable on the ACE Market of Bursa Securities, without incurring any cost; (ii) provide existing shareholders of SUNZEN with an opportunity to increase their equity participation in SUNZEN at a pre-determined exercise price over the tenure of the Warrants; (iii) allow existing shareholders of SUNZEN to benefit from any potential capital appreciation of the Warrants; and (iv) strengthen the capital base and shareholders' funds of SUNZEN as well as provide additional funding for the Group, as and when the Warrants are exercised.	Section 3
Effects	: (i) The Proposed Bonus Issue of Warrants will not have any immediate impact to the share capital of SUNZEN as well as the Group's net asset and earnings; and (ii) When the Warrants are exercised, the share capital and net asset of SUNZEN will increase. The exercise of the Warrants will affect the Group's future earnings and earnings per share depending on the number of Warrants exercised and the proceeds raised from the exercise of the Warrants.	Section 5



SUNZEN BIOTECH BERHAD
(Registration No. 200501003843 (680889-W))
(Incorporated in Malaysia)

Registered Office:

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

28 April 2022

Board of Directors:

Tan Sri Haji Musa bin Tan Sri Haji Hassan (*Senior Independent Non-Executive Chairman*)
Teo Yek Ming (*Group Managing Director*)
Ching Chee Pun (*Group Executive Director*)
Lee Yew Weng (*Non-Independent Non-Executive Director*)
Khoo Kien Hoe (*Independent Non-Executive Director*)
Dr. Fong Chan Seng (*Independent Non-Executive Director*)

Dear shareholders,

PROPOSED BONUS ISSUE OF WARRANTS

1. INTRODUCTION

On 16 February 2022, M&A Securities, had on behalf of the Board, announced that SUNZEN proposes to undertake the Proposed Bonus Issue of Warrants.

On 24 March 2022, M&A Securities, had on behalf of the Board, announced that Bursa Securities had, vide its letter on even date, approved the following:

- (a) Admission to the Official List and listing and quotation of up to 408,933,729 warrants to be issued pursuant to the Proposed Bonus Issue of Warrants; and
- (b) Listing and quotation of up to 408,933,729 new SUNZEN Shares to be issued pursuant to the exercise of the warrants.

Bursa Securities' approval is subject to the following conditions:

No.	Conditions	Status of compliance
(i)	SUNZEN and M&A Securities must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed Bonus Issue of Warrants;	To be complied
(ii)	SUNZEN and M&A Securities are to inform Bursa Securities upon the completion of the Proposed Bonus Issue of Warrants;	To be complied
(iii)	SUNZEN is to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Bonus Issue of Warrants is completed; and	To be complied

No.	Conditions	Status of compliance
(iv)	SUNZEN is required to furnish Bursa Securities on a quarterly basis a summary of the total number of shares listed pursuant to the exercise of warrants under the Proposed Bonus Issue of Warrants as at the end of each quarter.	To be complied

The purpose of this Circular is to provide you with the details of the Proposed Bonus Issue of Warrants, together with the recommendation from the Board and to seek your approval on the resolution pertaining to the Proposed Bonus Issue of Warrants to be tabled at the forthcoming EGM of the Company. The notice of EGM together with the Form of Proxy are enclosed in this Circular.

YOU ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDIX BEFORE VOTING BY WAY OF POLL ON THE RESOLUTION PERTAINING TO THE PROPOSED BONUS ISSUE OF WARRANTS TO BE TABLED AT THE FORTHCOMING EGM OF THE COMPANY.

2. DETAILS OF THE PROPOSED BONUS ISSUE OF WARRANTS

2.1 Basis and number of Warrants to be issued

The Proposed Bonus Issue of Warrants entails the issuance of up to 408,933,729 warrants, on the basis of 1 warrant for every 2 existing SUNZEN Shares held by the Entitled Shareholders on the Entitlement Date based on 706,173,459 SUNZEN Shares (after excluding Treasury Shares) as at 15 February 2022, being the practicable date prior to the announcement dated 16 February 2022 for the Proposed Bonus Issue of Warrants and after:

- (a) assuming the full exercise of 103,790,000 outstanding SIS Options at a subscription price of RM0.1395;
- (b) assuming the full exercise of 7,904,000 outstanding SIS Options at a subscription price of RM0.1772; and
- (c) none of the Treasury Shares are resold prior to the Entitlement Date.

Subsequently after the announcement of the Proposed Bonus Issue of Warrants on 16 February 2022, 1,999,000 SIS Options were exercised, resulting in the increase in the issued number of SUNZEN Shares to 708,172,459 after excluding Treasury Shares. In addition, 224,000 SIS Options were also cancelled. Arising from the exercise of 1,999,000 SIS Options into new Shares and cancellation of 224,000 SIS Options, the number of outstanding SIS Options remaining are 109,471,000.

As a result thereof, the Proposed Bonus Issue of Warrants now entails the issuance of up to 408,821,729 Warrants, on the basis of 1 Warrant for every 2 existing SUNZEN Shares held by the Entitled Shareholders on the Entitlement Date based on 708,172,459 SUNZEN Shares (after excluding Treasury Shares) as at the LPD and after:

- (i) assuming the full exercise of 102,198,000 outstanding SIS Options at a subscription price of RM0.1395;
- (ii) assuming the full exercise of 7,273,000 outstanding SIS Options at a subscription price of RM0.1772; and
- (iii) none of the Treasury Shares are resold prior to the Entitlement Date.

The actual number of Warrants to be issued to the Entitled Shareholders pursuant to the Proposed Bonus Issue of Warrants would depend on the issued share capital of the Company on the Entitlement Date.

Taking into consideration the cancellation of SIS Options and exercise of SIS Options after the announcement of the Proposed Bonus Issue of Warrants on 16 February 2022, for illustration purposes, the Minimum Scenario and Maximum Scenario are defined as follows:

“Minimum Scenario” : **Number of Warrants to be issued:**
Based on the issuance of 354,086,229 Warrants assuming none of the outstanding SIS Options are exercised into new SUNZEN Shares and that none of the Treasury Shares are resold prior to the Entitlement Date

“Maximum Scenario” : **Number of Warrants to be issued:**
Based on the issuance of 408,821,729 Warrants assuming the full exercise of 109,471,000 outstanding SIS Options into new SUNZEN Shares and that none of the Treasury Shares are resold prior to the Entitlement Date

Pursuant to the Listing Requirements, a listed corporation must ensure that the number of new shares which will arise from the exercise or conversion of all outstanding warrants and convertible preference shares do not exceed 50% of the total number of issued shares of the listed corporation (excluding treasury shares and before exercise of the said warrants and convertible preference shares) at all times. Thus, the entitlement for the Warrants pursuant to the Proposed Bonus Issue of Warrants is based on the maximum number of new Shares that can be issued. In this respect, the Company is in compliance with Rule 6.51 of the Listing Requirements.

Fractional entitlements, arising from the Proposed Bonus Issue of Warrants, if any, shall be disregarded and/or dealt with by the Board in such manner at its absolute discretion as it may deem fit and expedient in order to minimise the incidence of odd lots and in the best interest of the Company.

The Entitlement Date will be determined and announced at a later date by the Board upon receipt of all relevant approvals.

The Proposed Bonus Issue of Warrants will not be implemented in stages over a period of time.

2.2 Indicative salient terms of the Warrants

The indicative salient terms of the Warrants are set out as follows:

Terms	Details
Issue size	: Up to 408,821,729 Warrants
Form and denomination	: The Warrants will be issued in registered form and will be constituted by a Deed Poll.
Tenure	: 5 years commencing from and inclusive of the date of issuance of the Warrants.

Terms	Details
Exercise Period	<p>: The Warrants may be exercised at any time within the tenure of 5 years commencing on and including the issue date of the Warrants until 5.00 p.m. (Malaysia time) on the Expiry Date.</p> <p>Any Warrant not exercised during the Exercise Period will cease to be valid for any purpose and will be deemed to have lapsed.</p>
Exercise Price	: The exercise price of the Warrants shall be determined and fixed by the Board and announced at a later date, after obtaining the relevant approvals but before the Entitlement Date. Kindly refer to Section 2.3 of this Circular for the basis of determining the exercise price of the Warrants.
Exercise Rights	: Each Warrant shall entitle its holders to subscribe for 1 new Share at any time during the Exercise Period and at the Exercise Price, subject to adjustments in accordance with the provisions of the Deed Poll.
Expiry Date	: The day immediately preceding the 5 th anniversary of the issue date of the Warrants. If such day is not a market day, then it shall be the market day immediately preceding the said non-market day.
Board lot	: For the purpose of trading on Bursa Securities, a board lot of Warrants shall comprise 100 Warrants unless otherwise revised by the relevant authorities.
Mode of exercise	: The Warrant holders are required to lodge an exercise form with the Company's registrar, duly completed, signed and stamped together with payment by way of banker's draft or cashier's order drawn on a bank operating in Malaysia or money order or postal order issued by a post office in Malaysia or electronic transmission in accordance with the Deed Poll for the aggregate of the exercise price payable when exercising their Warrants to subscribe for new Shares. The payment of such fee must be made in Ringgit Malaysia.
Adjustment in the Exercise Price and/or the number of Warrants in the event of alteration to the share capital	: Subject to the provisions of the Deed Poll, the Exercise Price and/or the number of unexercised Warrants held by the Warrant holders shall, from time to time, be adjusted by the Board in consultation with an approved adviser appointed by the Company and certified by the auditors of SUNZEN in the event of alteration to the share capital of the Company at any time during the tenure.
Status of the new SUNZEN Shares to be issued pursuant to the exercise of the Warrants	: The new SUNZEN Shares to be issued upon the exercise of the Warrants shall, upon allotment and issuance, rank <i>pari passu</i> in all respects with the then existing SUNZEN Shares, save and except that they shall not be entitled to participate in any rights, allotments, dividends and/or other distributions, where the entitlement date of which precedes the date of allotment of the said new SUNZEN Shares issued pursuant to the exercise of the Warrants.

Terms	Details
Modification of rights of Warrant holder	<p>: Any modification to the terms and conditions of the Deed Poll may be effected only by a further deed poll, executed by the Company and expressed to be supplemental to the Deed Poll and comply with the requirements of the Deed Poll. Any of such modification shall however be subject to the approval of any relevant authority as required under the law in Malaysia and the Warrant holders by way of special resolution (if so required).</p> <p>No amendment or addition may be made to the provisions of the Deed Poll without the sanction of a special resolution unless the amendments or additions are required to correct a manifest error or to comply with the prevailing laws of Malaysia, or will not be materially prejudicial to the interests of the Warrant holders.</p>
Rights of Warrants Holders	<p>: The Warrants do not confer on their holders any voting rights or any right to participate in any form of distribution other than on winding up, compromise or arrangement of the Company as set out in the Deed Poll, until and unless such holders of Warrants exercise their Warrants for new Shares in accordance with the provisions of the Deed Poll and such new Shares have been allotted and issued to such holders.</p>
Rights in the event of winding up, liquidation or an event of default	<p>: If a resolution is passed for a members' voluntary winding-up of the Company or where there is compromise or arrangement, whether or not for the purpose of or in connection with a scheme for the reconstruction of the Company or the amalgamation of the Company with one or more companies, then:</p> <p>(i) for the purposes of such winding-up, compromise or arrangement (other than a consolidation, amalgamation or merger in which the Company as issuer is the continuing corporation) to which the Warrant holders, or some persons designated by them for such purposes by a special resolution shall be a party, the terms of such winding up, compromise or arrangement shall be binding on all the Warrant holders; or</p>

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Terms	Details
	<p>(ii) in any other case, every Warrant holder shall be entitled, upon and subject to the Deed Poll, at any time within 6 weeks after the passing of such resolution for a members' voluntary winding-up of the Company or 6 weeks after the granting of the court order approving the winding up, compromise or arrangement (whichever is the later but in both cases, not later than the end of the Exercise Period), by submitting to the issuer the duly completed exercise form and payment of the relevant Exercise Price, to elect to be treated as if he had immediately prior to the commencement of such winding-up, compromise or arrangement, exercised the Exercise Rights represented by such Warrants, to the extent specified in the exercise form and be entitled to receive out of the assets of the Company which would be available in liquidation if he had on such date been the holder of the new Shares to which he would have become entitled pursuant to such exercise and the liquidator of the Company as issuer shall give effect to such election accordingly.</p> <p>Subject to the foregoing, if the Company is wound up or an order has been granted for such compromise or arrangement, all Exercise Rights which have not been exercised within 6 weeks of the passing of the resolution or the court order shall lapse and the Warrants will cease to be valid for any purpose.</p>
Listing	: The Warrants will be listed and quoted on the ACE Market of Bursa Securities.
Transferability	: The Warrants shall be transferable in accordance with the Securities Industry (Central Depositories) Act 1991 and the rules of Bursa Malaysia Depository Sdn Bhd.
Governing Law	: Laws of Malaysia.

2.3 Basis and justification for the exercise price of the Warrants

The Warrants will be issued at no cost to the Entitled Shareholders.

The exercise price of the Warrants will be determined by the Board at a later date after all relevant approvals have been obtained. The exercise price will be determined after taking into consideration, amongst others:

- (i) the historical price movement of SUNZEN Shares;
- (ii) the TEAP of the Shares based on the 5D-VWAMP preceding the price fixing date of the Warrants; and
- (iii) the prevailing market conditions.

In any event, the discount of the exercise price of the Warrants shall not be more than 30.0% from the TEAP of SUNZEN Shares computed based on the 5D-VWAMP of SUNZEN Shares up to and including the price fixing date of the Warrants. This discount was determined by the Board to stimulate demand for SUNZEN Shares, encourage the exercise of the Warrants, as well as for the potential funding benefits of the Warrants in future upon the exercise of the Warrants.

As at the LPD, the 5D-VWAMP of SUNZEN Shares is RM0.2464. For illustrative purposes only, assuming the exercise price of the Warrants is at RM0.20 each ("**Indicative Exercise Price**"),

this represents a discount of approximately 18.8% to the 5D-VWAMP of SUNZEN Shares. Correspondingly, the TEAP of SUNZEN Shares pursuant to the Proposed Bonus Issue of Warrants, is approximately RM0.2309 per Share. Thus, the Indicative Exercise Price represents a discount of approximately 13.4% to the said TEAP.

The Board wishes to emphasise that the Indicative Exercise Price should not be taken as an indication of or reference to the actual exercise price of the Warrants, as it will only be determined and announced at a later date.

2.4 Ranking of the Warrants and the new SUNZEN Shares to be issued arising from the exercise of Warrants

The Warrant holders will not be entitled to any voting rights or participation in any form of distribution other than on winding-up, compromise or arrangement of SUNZEN as set out in the Deed Poll until and unless such Warrant holders exercise their Warrants into new SUNZEN Shares.

The new SUNZEN Shares to be issued upon the exercise of the Warrants shall, upon allotment and issue, rank *pari passu* in all respects with the existing SUNZEN Shares, save and except that they shall not be entitled to participate in any rights, allotments, dividends and/or other forms of distributions, where the entitlement date of which precedes the date of allotment of the said new SUNZEN Shares issued pursuant to the exercise of the Warrants.

2.5 Listing of and quotation for the Warrants and the new Shares to be issued arising from the exercise of Warrants

Approval has been obtained from Bursa Securities, vide its letter dated 24 March 2022, for the following:

- (i) admission of the Warrants to the Official List of Bursa Securities; and
- (ii) listing of and quotation for the Warrants and new Shares to be issued arising from the exercise of the Warrants,

on the ACE Market of Bursa Securities.

2.6 Utilisation of proceeds from the exercise of Warrants

The Proposed Bonus Issue of Warrants will not raise any immediate funds as the Warrants will be issued at no cost to the Entitled Shareholders.

The eventual proceeds to be raised from the exercise of the Warrants (if any) is dependent on the number of Warrants exercised during the tenure of the Warrants as well as the exercise price of the Warrants, which will be determined and fixed at a later date. As such, the utilisation of proceeds will be from the date of receipt of the said proceeds.

For illustration purposes, the gross proceeds to be raised upon full exercise of the Warrants based on the Indicative Exercise Price is up to approximately RM81.76 million. Such proceeds will be utilised for the SUNZEN Group's (1) working capital requirements which includes but is not limited to payment to suppliers/trade creditors, and operating expenses such as staff-related costs (i.e. staff salaries, out-of-pocket expenses, training fees, SOCSO payment, EPF payment), utilities, statutory payments (i.e. audit, tax, secretarial fees) and any other overhead expenditures and may also be utilised to (2) expand SUNZEN's money lending business by providing financing to borrowers (subject to credit assessment), thus, increasing SUNZEN's money lending loan size. The disbursement of approved loans is expected to increase profitability via the repayment of the loans with interest back to SUNZEN.

The detailed breakdown and the timeframe for full utilisation cannot be determined at this juncture as it would depend on the quantum and timing of receipt of such proceeds as well as the actual requirements of the Group at the time of utilisation.

Pending the utilisation of proceeds, such proceeds shall be placed in deposits with financial institutions or short-term money market instruments. Interest derived from such deposits or gains from such money market instruments will be used by the Group for working capital purposes as stated above.

2.7 Details of equity fund-raising exercise undertaken in the past 12 months

Save as disclosed below, SUNZEN has not undertaken any equity fund-raising exercise in the past 12 months before the announcement of the Proposed Bonus Issue of Warrants on 16 February 2022.

On 1 November 2021, the Company had obtained the approval from Bursa Securities for the Private Placement.

The Private Placement was completed on 31 December 2021 with the listing of 117,636,000 SUNZEN Shares, raising gross proceeds of RM20,776,899.20. The status of the utilisation of proceeds as at the LPD is set out below:

Proposed utilisation	Amount raised (RM'000)	Amount utilised (RM'000)	Amount unutilised (RM'000)	Timeframe for utilisation from receipt
Expansion of money lending business	17,252	17,252	-	Within 9 months
Expenses for new animal health products	863	54	809	Within 18 months
Working capital	2,465	2,465	-	Within 12 months
Defrayment of estimated expenses	197	197	-	Immediate
Total	20,777	19,968	809	

3. RATIONALE AND BENEFIT FOR THE PROPOSED BONUS ISSUE OF WARRANTS

After due consideration of various methods, the Board is of the view that the Proposed Bonus Issue of Warrants is the most appropriate avenue of rewarding existing shareholders of the Company as the Proposed Bonus Issue of Warrants will:

- (i) enable existing shareholders of SUNZEN to participate in the convertible securities of the Company, which are tradable on the ACE Market of Bursa Securities, without incurring any cost;
- (ii) provide existing shareholders of SUNZEN with an opportunity to increase their equity participation in the Company at a pre-determined exercise price over the tenure of the Warrants;
- (iii) allow existing shareholders of the Company to benefit from any potential capital appreciation of the Warrants; and
- (iv) strengthen the capital base and shareholders' funds of the Company as well as provide additional funding for the Group, as and when the Warrants are exercised.

4. INDUSTRY OVERVIEW AND PROSPECTS

4.1 Overview and outlook of the Malaysian economy

In 2021, the Malaysian economy rebounded to 3.1% (2020: -5.6%), mainly supported by a turnaround in private sector spending. The recovery momentum, however, was affected by the imposition of containment measures during the year. These include the Second Movement Control Order (MCO 2.0) in January 2021 and the National Recovery Plan (“**NRP**”) in June 2021. Nevertheless, less restrictive restrictions compared to 2020 as well as better adjustments to the new norm, improved compliance to the standard operating procedures (“**SOPs**”) and rapid vaccination progress had minimised the adverse impact on households and businesses. The gradual improvement in income and labour market conditions during the year had provided support to household spending. Meanwhile, investment activity benefitted from continued capital spending, particularly by private firms in the export-oriented sectors. Importantly, policy support remained available for impacted households and businesses. On the external front, the robust exports performance was driven by the rebound in world growth and trade activity, lifted further by the global technology upcycle. However, net exports contracted, as import growth outpaced the growth in exports.

For 2022, the Malaysian economy is expected to remain on its recovery path. Growth will be supported by the continued expansion in global demand and higher private sector expenditure given improving labour market conditions and ongoing policy support. Furthermore, the continuation of major investment projects in both private and public sectors will lend support to growth. The Malaysian economy is forecast to expand in the range of 5.5% – 6.5% in 2022. However, the balance of risks remains tilted to the downside due to external and domestic factors. These include weaker-than-expected global growth, a worsening in supply chain disruptions, and the emergence of severe and vaccine resistant COVID-19 variants of concern.

Headline inflation increased in 2021, averaging 2.5% for the year (2020: -1.2%). The higher inflation was driven mainly by fuel inflation, which largely reflected the base effects from the low retail fuel prices in 2020. Furthermore, the lapse in the effect from the tiered electricity tariff rebate also contributed to increased inflation. Despite the higher headline inflation in 2021, price pressures were not broad-based for the most part of the year 2021. Towards the end of 2021, however, upward pressure on prices was more pervasive as economic activity picked up amid an environment of higher input costs. This led to some pressure on households’ cost of living, as selected items that recorded higher inflation were essential and frequently-purchased items, such as fresh meat and eggs. Nevertheless, mitigating factors remained in place to alleviate households’ cost burdens, including subsidies on key consumer items, income transfers to vulnerable segments, and festive season price controls on certain necessities.

(Source: BNM Quarterly Bulletin, Fourth Quarter 4Q 2021, Bank Negara Malaysia, Economic Outlook 2022, Ministry of Finance Malaysia and Economic and Monetary Review 2021 dated 30 March 2022)

4.2 Overview and outlook of the lending market in Malaysia

Financing to the private sector remained supportive of economic activity in 2021, underpinned by the sound banking system, orderly functioning of capital markets and ongoing policy support. The sustained growth in net financing (2021: 4.6%; 2020: 4.5%) was driven by higher outstanding loan growth (2021: 4.3%; 2020: 3.9%) amid a more moderate growth of outstanding corporate bonds (2021: 5.5%; 2020: 6.5%). While the growth of net financing was affected by the reimposition of movement restrictions in the middle of the year, the flow of credit rebounded subsequently, following the gradual reopening of the economy.

The impact of movement restrictions was relatively more evident for the household segment, with outstanding household loan growth moderating to the trough of 3.3% in September 2021 before recovering to 4.1% by year end 2021 (2020: 5.5%). Nonetheless, the recovery was broad-based across all loan purposes, with improvements in both the demand and supply of credit. Stimulus measures, including the Home Ownership Campaign and the sales tax exemption on new vehicles, also continued to provide support for household loans, especially for the purchase of residential properties and passenger cars.

For businesses, outstanding loan growth was generally sustained throughout the first eight months and picked up strongly to 4.8% by end-2021 (2020: 0.9%). Of note, financing support in the form of working capital loans was especially robust, with strong loan disbursements throughout the year for both small- and medium-sized enterprises (SMEs) and non-small- and medium-sized enterprises. This facilitated businesses in bridging their financing needs and tiding over the periodic disruptions to economic activity during the year. Amid the prevailing economic uncertainties, however, loans for the purpose of capital expenditure were less forthcoming, given the more moderate recovery in firms' capital expansion. Similarly, the improvement in corporate bond activity for the broader market was more gradual, with some signs of nascent recovery closer towards year end.

(Source: Economic and Monetary Review 2021 dated 30 March 2022)

	Annual growth rate (%)		
	2019	2020	2021
Total net financing	4.7	4.4	4.7
Outstanding:			
Loans	3.5	3.7	4.4
Business enterprises	2.4	0.9	4.8
SMEs	(13.1)	9.6	4.9
Non-SMEs	16.9	(5.2)	4.7
Households	4.7	5.4	4.2
Corporate bonds	8.0	6.5	5.5

	RM billion			Annual growth rate (%)		
	2019	2020	2021	2019	2020	2021
Total loan disbursements	1,280.6	1,213.1	1,492.8	1.2	(5.3)	23.1
Of which:						
Business enterprises	905.1	867.6	1,131.9	(0.1)	(4.1)	30.5
SMEs	295.8	256.8	312.2	(4.0)	(13.2)	21.6
Non-SMEs	609.2	610.8	819.7	1.8	0.3	34.2
Households	375.7	345.5	360.9	4.6	(8.0)	4.5

Bank Negara Malaysia did not provide a forecast for net financing for 2022. Notwithstanding, the Monetary Policy Committee maintained the overnight policy rate at 1.75% and considered the current stance of monetary policy to be appropriate and accommodative. As such, monetary policy will continue to be determined by new data and their implications on the overall outlook for inflation and domestic growth.

(Source: BNM Quarterly Bulletin, Fourth Quarter 4Q 2021, Bank Negara Malaysia)

4.3 Prospects of the Group

The Group is principally involved in the manufacturing and marketing of animal health products, traditional Chinese medicine and herbal health foods and beverages. On 1 June 2021, the Group completed its diversification into the money lending business. Prior to the diversification into the money lending business, the Group faced challenges in its existing businesses and took steps to improve its financial condition by asset rationalisation, increased initiatives to broaden its product range and introduced new products in the Group's herbal health foods and beverages segment. COVID-19 did not have a direct impact to the business operations of the Group. However, the indirect impact of COVID-19 from higher commodity prices has affected SUNZEN. Due to higher commodity prices, the higher cost was passed to breeders as higher livestock feed prices. However, prices of certain livestock such as chicken are government controlled. As breeders are not able to increase the prices of chicken although livestock feed has increased, breeders implemented cost cutting measures by reducing or cutting out nutritional products for livestock. Since nutritional animal health products are not basic feedstock, this has affected SUNZEN as its products are nutritional animal health products.

Thus, the Group is currently focused on expanding its money lending business. From the period of July 2021 until the LPD, SUNZEN has approved and disbursed approximately RM42.72 million worth of secured business loans, averaging approximately RM4.50 million worth of approved and disbursed loans monthly. The Group had also on 31 December 2021 completed its Private Placement exercise, raising gross proceeds of RM20.78 million. As at the LPD, the Group has utilised all of its RM17.25 million of the proceeds allocated to finance the expansion of the money lending business from the Private Placement which is expected to contribute positively to the Group's income stream.

Despite the current challenging economic environment (i.e. upward inflationary pressures arising from higher electricity and food prices; continued subdued economy and labour market, lower discretionary consumer spending and, slower pace of private and public investment), the Board is confident that the Group is able to grow its money lending business as there are borrowers who may not have access to credit facilities from licensed financial institutions due to strict lending requirements or borrowers who require faster financing as compared to the long processing period imposed by licensed financial institutions. In addition, as shown in the tables in Section 4.2 above, the favourable outlook for the lending market in Malaysia is expected to provide opportunities for the Group to grow the money lending business.

(Source: Management of SUNZEN)

5. EFFECTS OF THE PROPOSED BONUS ISSUE OF WARRANTS

Throughout this Circular, the effects of the Proposed Bonus Issue of Warrants are illustrated assuming the following:

<i>Minimum Scenario</i>	<i>: Based on the issuance of 354,086,229 Warrants assuming none of the outstanding SIS Options are exercised into new SUNZEN Shares and that none of the Treasury Shares are resold prior to the Entitlement Date</i>
<i>Maximum Scenario</i>	<i>: Based on the issuance of 408,821,729 Warrants assuming full exercise of 109,471,000 outstanding SIS Options into new SUNZEN Shares and that none of the Treasury Shares are resold prior to the Entitlement Date</i>

5.1 Share capital

For illustrative purposes, the pro forma effects of the Proposed Bonus Issue of Warrants on the share capital of SUNZEN are shown below:

	Minimum Scenario		Maximum Scenario	
	No. of Shares	RM	No. of Shares	RM
Existing as at the LPD	714,453,859	108,775,673	714,453,859	108,775,673
Treasury Shares	(6,281,400)	(956,012)	(6,281,400)	(956,012)
Issued share capital (net of treasury shares)	708,172,459	107,819,661	708,172,459	107,819,661
New Shares to be issued assuming full exercise of outstanding SIS Options	-	-	109,471,000	25,991,890 ^{(a)(b)}
Issued share capital after full exercise of outstanding SIS Options	708,172,459	107,819,661	817,643,459	133,811,551
New Shares to be issued pursuant to the full exercise of the Warrants	354,086,229	70,817,246 ^(c)	408,821,729	81,764,346 ^(c)
Enlarged issued share capital	1,062,258,688	178,636,907	1,226,465,188	215,575,897

Notes:

- (a) Assuming 102,198,000 SIS Options are exercised into new Shares at a subscription price of RM0.1395 per SIS Option and 7,273,000 SIS Options are exercised into new Shares at a subscription price of RM0.1772 per SIS Option.
- (b) After accounting for the reversal of SIS Option reserve of:
 - (i) RM9,565,733, assuming the full exercise of 102,198,000 SIS Options at a subscription price of RM0.1395 per SIS Option; and
 - (ii) RM880,760, assuming the full exercise of 7,273,000 SIS Options at a subscription price of RM0.1772 per SIS Option.
- (c) Based on the Indicative Exercise Price of RM0.20 per Warrant.

5.2 Earnings and earnings per share

The Proposed Bonus Issue of Warrants will not have any impact on the earnings of the Group. However, the consolidated earnings per share is expected to be diluted as a result of the increase in the number of Shares arising from the exercise of Warrants.

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5.3 Net asset, net asset per share and gearing

For illustrative purposes, the pro forma effects of the Proposed Bonus Issue of Warrants on the net asset and gearing of the SUNZEN based on its latest audited consolidated financial position as at 31 December 2021 are set out as follows:

Minimum Scenario : Based on the issuance of 354,086,229 Warrants assuming none of the outstanding SIS Options are exercised into new SUNZEN Shares and that none of the Treasury Shares are resold prior to the Entitlement Date

Minimum Scenario	As at	(I)	(II)	(III)
	31 December 2021	After subsequent event	After (I) and Proposed Bonus Issue of Warrants	After (II) and assume full exercise of Warrants
	RM	RM	RM	RM
Share capital	108,176,975	108,775,673 ^{(b)(d)}	108,775,673	179,592,919 ^(g)
Treasury Shares	(956,012)	(956,012)	(956,012)	(956,012)
SIS Options reserve	7,674,826	7,625,423 ^{(b)(c)(d)(e)}	7,625,423	7,625,423
Revaluation reserve	15,683,214	15,683,214	15,683,214	15,683,214
Merger deficit	(8,397,548)	(8,397,548)	(8,397,548)	(8,397,548)
Currency translation reserve	(6,200)	(6,200)	(6,200)	(6,200)
Accumulated losses	(4,077,086)	(4,269,094) ^{(c)(d)}	(4,399,094) ^(f)	(4,399,094)
Shareholders' funds/ Net asset	118,098,169	118,455,456	118,325,456	189,142,702
No. of shares (net of treasury shares)	705,817,459 ^(a)	708,172,459 ^{(b)(e)}	708,172,459	1,062,258,689
Net asset per share (RM)	0.167	0.167	0.167	0.178
Borrowings	4,747,257	4,747,257	4,747,257	4,747,257
Gearing ratio (times)	0.040	0.040	0.040	0.025

Notes:

- Based on 712,098,859 Shares in issue (after excluding Treasury Shares).
- After accounting for the reversal of SIS Options reserve of RM149,011 pursuant to the exercise and listing of 1,592,000 SIS Options at a subscription price of RM0.1395 per SIS Option from the period of 3 January 2022 up until the LPD;
- After accounting for the reversal of SIS Options reserve of RM8,050 pursuant to the cancellation of SIS Options due to resignation of staff from the period of 3 January 2022 up until the LPD;
- After accounting for the recognition of fair value amounting to RM200,057 arising from the vesting of 1,652,000 SIS Options pursuant to additional SIS Options granted on 3 January 2022 at a subscription price of RM0.1772 per SIS Option;
- After accounting for the reversal of SIS Options reserve of RM92,399 pursuant to the exercise and listing of 763,000 SIS Options at a subscription price of RM0.1722 per SIS Option from the period of 3 January 2022 up until the LPD;
- After deducting estimated expenses in relation to the Proposed Bonus Issue of Warrants of RM130,000; and
- Based on the Indicative Exercise Price of RM0.20 per Warrant.

Maximum Scenario : *Based on the issuance of 408,821,729 Warrants assuming full exercise of 109,471,000 outstanding SIS Options into new SUNZEN Shares and that none of the Treasury Shares are resold prior to the Entitlement Date*

	As at 31 December 2021	I After subsequent event	II After (I) and assume full exercise of SIS Options	III After (II) and proposed Bonus Issue of Warrants	IV After (III) and assume full exercise of Warrants
	RM	RM	RM	RM	RM
Share Capital	108,176,975	108,775,673 ^{(b)(d)}	134,767,563 ^{(h)(l)}	134,767,563	216,531,909 ^(g)
Treasury Shares	(956,012)	(956,012)	(956,012)	(956,012)	(956,012)
SIS Options reserve	7,674,826	7,625,423 ^{(b)(c)(d)(e)}	- ^{(i)(k)}	-	-
Revaluation reserve	15,683,214	15,683,214	15,683,214	15,683,214	15,683,214
Merger deficit	(8,397,548)	(8,397,548)	(8,397,548)	(8,397,548)	(8,397,548)
Currency translation reserve	(6,200)	(6,200)	(6,200)	(6,200)	(6,200)
Accumulated losses	(4,077,086)	(4,269,094) ^{(c)(d)}	(7,090,164) ^(k)	(7,220,164) ^(f)	(7,220,164)
Shareholders' fund/Net asset	118,098,169	118,455,456	134,000,853	133,870,853	215,635,199
Number of Shares in issue	705,817,459 ^(a)	708,172,459 ^{(b)(e)}	817,643,459 ^(h)	817,643,459	1,226,465,188
NA per Share	0.167	0.167	0.164	0.164	0.176
Borrowings (interest-bearing)	4,747,257	4,747,257	4,747,257	4,747,257	4,747,257
Gearing ratio (times)	0.040	0.040	0.035	0.035	0.022

Notes:

- (a) Based on 712,098,859 Shares in issue (after excluding Treasury Shares).
- (b) After accounting for the reversal of SIS Options reserve of RM149,011 pursuant to the exercise and listing of 1,592,000 SIS Options at a subscription price of RM0.1395 per SIS Option from the period of 3 January 2022 up until the LPD;
- (c) After accounting for the reversal of SIS Options reserve of RM8,050 pursuant to the cancellation of SIS Options due to resignation of staff from the period of 3 January 2022 up until the LPD;

- (d) After accounting for the recognition of fair value amounting to RM200,057 arising from the vesting of 1,652,000 SIS Options pursuant to additional SIS Options granted on 3 January 2022 at a subscription price of RM0.1772 per SIS Option;
- (e) After accounting for the reversal of SIS Options reserve of RM92,399 pursuant to the exercise and listing of 763,000 SIS Options at a subscription price of RM0.1722 per SIS Option from the period of 3 January 2022 up until the LPD;
- (f) After deducting estimated expenses in relation to the Proposed Bonus Issue of Warrants of RM130,000.
- (g) Based on the Indicative Exercise Price of RM0.20 per Warrant.
- (h) After assuming the:
 - (i) full exercise of 102,198,000 SIS Options at a subscription price of RM0.1395 per SIS Option;
 - (ii) full exercise of 7,273,000 SIS Options at a subscription price of RM0.1772 per SIS Option;
- (i) Reversal of SIS Options reserve of RM10,446,493 after assuming the full exercise of SIS Options as mentioned in (h).
- (k) After the recognition of fair value amounting to RM2,821,070 arising from the vesting of 28,264,000 SIS Options before the implementation of the Proposed Bonus Issue of Warrants.

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5.4 Substantial shareholders' shareholdings

The Proposed Bonus Issue of Warrants will not have any immediate effect on the substantial shareholders' percentage of shareholding in the Company as the Warrants will be allotted on a pro-rated basis to all Entitled Shareholders. However, the number of SUNZEN Shares held by each substantial shareholder will increase proportionately assuming full exercise of the Warrants. The pro forma effects of the Proposed Bonus Issue of Warrants on the shareholdings of the substantial shareholder of SUNZEN are set out below:

Minimum Scenario : *Based on the issuance of 354,086,229 Warrants assuming none of the outstanding SIS Options are exercised into new SUNZEN Shares and that none of the Treasury Shares are resold prior to the Entitlement Date*

Minimum Scenario Substantial shareholder	As at the LPD				Assuming full exercise of Warrants			
	<-----Direct----->		<-----Indirect----->		<-----Direct----->		<-----Indirect----->	
	No. of Shares	% ⁽ⁱ⁾	No. of Shares	% ⁽ⁱ⁾	No. of Shares	%	No. of Shares	%
Teo Yek Ming	98,510,417	13.91	11,035,091 ⁽ⁱⁱ⁾	1.56	147,765,625	13.91	16,552,637	1.56
Chen Kim Lian	66,700,950	9.42	-	-	100,051,425	9.42	-	-
Chum Mun Cuan	37,930,915	5.36	-	-	56,896,373	5.36	-	-

Notes:

- (i) Based on 708,172,459 existing Shares in issue (after excluding Treasury Shares).
- (ii) Deemed interest by virtue of 10,909,091 Shares held by David Lai & Tan Services Sdn Bhd pursuant to Section 8 of the Companies Act 2016 and 126,000 Shares held by his parent. The Shares held by David Lai & Tan Services Sdn Bhd is in respect of a profit guarantee for the acquisition by SUNZEN of the entire equity interest in Finsource Credit (M) Sdn Bhd which was completed on 1 June 2021.

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Maximum Scenario : Based on the issuance of 408,821,729 Warrants assuming full exercise of 109,471,000 outstanding SIS Options into new SUNZEN Shares and that none of the Treasury Shares are resold prior to the Entitlement Date

Maximum Scenario

Substantial shareholder	As at the LPD				I Assuming full exercise of outstanding SIS Options			
	<-----Direct----->		<-----Indirect----->		<-----Direct----->		<-----Indirect----->	
	No. of Shares	%⁽ⁱ⁾	No. of Shares	%⁽ⁱ⁾	No. of Shares	%	No. of Shares	%
Teo Yek Ming	98,510,417	13.91	11,035,091 ⁽ⁱⁱ⁾	1.56	159,180,417 ⁽ⁱⁱⁱ⁾	19.47	11,035,091	1.35
Chen Kim Lian	66,700,950	9.42	-	-	66,700,950	8.16	-	-
Chum Mun Cuan	37,930,915	5.36	-	-	37,930,915	4.64	-	-

Substantial shareholder	II After I and upon full exercise of the Warrants			
	<-----Direct----->		<-----Indirect----->	
	No. of Shares	%	No. of Shares	%
Teo Yek Ming	238,770,625	19.47	16,552,636	1.35
Chen Kim Lian	100,051,425	8.16	-	-
Chum Mun Cuan	56,896,373	4.64	-	-

Notes:

- (i) Based on 708,172,459 existing Shares in issue (after excluding Treasury Shares).
- (ii) Deemed interest by virtue of 10,909,091 Shares held by David Lai & Tan Services Sdn Bhd pursuant to Section 8 of the Companies Act 2016 and 126,000 Shares held by his parent. The Shares held by David Lai & Tan Services Sdn Bhd is in respect of a profit guarantee for the acquisition by SUNZEN of the entire equity interest in Finsource Credit (M) Sdn Bhd which was completed on 1 June 2021.
- (iii) Teo Yek Ming has 60,670,000 SIS Options.

5.5 Convertible securities

Other than the outstanding SIS Options, the Company does not have any other outstanding convertible securities as at the LPD.

Adjustment to be made, if any, to the subscription prices and/or number of outstanding SIS Options which remain unexercised upon the issuance of the Warrants to ensure that the status of the SIS Options holders are not prejudiced after the completion of the Proposed Bonus Issue of Warrants will only be finalised on the Entitlement Date.

6. HISTORICAL SHARE PRICE PERFORMANCE

The monthly highest and lowest market prices of SUNZEN Shares traded on Bursa Securities for the past 12 months are as follows:

	<u>High</u> <u>RM</u>	<u>Low</u> <u>RM</u>
2021		
April	0.255	0.210
May	0.255	0.200
June	0.320	0.220
July	0.255	0.220
August	0.230	0.220
September	0.245	0.210
October	0.235	0.205
November	0.210	0.180
December	0.250	0.185
2022		
January	0.275	0.235
February	0.310	0.245
March	0.275	0.225
Last transacted market price on 15 February 2022 (being the date immediately prior to the announcement of the Proposed Bonus Issue of Warrants)		0.295
Last transacted market price on the LPD		0.235

(Source: M&A Securities Sdn Bhd)

7. APPROVALS REQUIRED AND CONDITIONALITY

Approvals are required to be obtained from:

- (i) Bursa Securities, for the following:
 - (a) the admission for the Warrants to the Official List of Bursa Securities; and
 - (b) the listing of and quotation of up to 408,933,729 warrants and the new SUNZEN Shares to be issued arising from the exercise of the warrants,on the ACE Market of Bursa Securities, which approval was obtained on 24 March 2022, subject to the terms and conditions set out in Section 1 of this Circular;
- (ii) the shareholders of SUNZEN at the forthcoming EGM to be convened; and

(iii) any other relevant authorities and/or persons, if required.

The Proposed Bonus Issue of Warrants is not conditional upon any other corporate exercise/scheme undertaken or to be undertaken by SUNZEN, if any.

8. INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/OR PERSONS CONNECTED WITH THEM

None of the Directors, major shareholders and chief executive of SUNZEN, and persons connected with them has any interest, direct or indirect in the Proposed Bonus Issue of Warrants other than their respective entitlements under the Proposed Bonus Issue of Warrants, the rights of which are also available to all other existing shareholders as at the Entitlement Date.

9. DIRECTORS' STATEMENT AND RECOMMENDATION

The Board, after having considered all aspects of the Proposed Bonus Issue of Warrants, including the rationale and basis and justification for the exercise price of the Warrants, is of the opinion that the Proposed Bonus Issue of Warrants is in the best interest of the SUNZEN Group and its shareholders.

Accordingly, the Board recommends that you vote in favour of the resolution pertaining to the Proposed Bonus Issue of Warrants to be tabled at the forthcoming EGM of the Company.

10. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to all relevant approvals obtained, the Proposed Bonus Issue of Warrants is expected to be completed by the second half of 2022.

The tentative timetable is as follows:

Tentative timeline	Events
22 June 2022	EGM
Early July 2022	Announcement of the Entitlement Date
End July 2022	<ul style="list-style-type: none">• Admission of the Warrants to the Official List and the listing of and quotation for the Warrants on the ACE Market of Bursa Securities• Completion of the Proposed Bonus Issue of Warrants

11. OUTSTANDING CORPORATE EXERCISE/SCHEME ANNOUNCED BUT PENDING COMPLETION

Save for the Proposed Bonus Issue of Warrants, the Board is not aware of any other corporate exercise that has been announced but has yet to be completed as at the LPD.

12. EGM

The EGM, the notice of which is enclosed in this Circular, will be held at Kota Permai Golf & Country Club, Danau 3, No. 1, Jalan 31/100A, Kota Kemuning, Section 31, 40460 Shah Alam, Selangor Darul Ehsan on Wednesday, 22 June 2022 at 12:00 noon or immediately after the conclusion of the Seventeenth Annual General Meeting of the Company to be held on the same day at 11:00 a.m., whichever is earlier, or at any adjournment thereof, for the purpose of considering and, if thought fit, passing with or without modification, the resolution to give effect to the Proposed Bonus Issue of Warrants.

If you are unable to attend and vote in person at the EGM, you may complete and return the enclosed Form of Proxy in accordance with the instructions contained, to be deposited at the registered office of the Company on the 10th Floor, Menara Hap Seng, No. 1 & 3 Jalan P. Ramlee, 50250 Kuala Lumpur, not less than 48 hours before the time fixed for the EGM. The lodging of the Form of Proxy will not preclude you from attending the EGM and voting in person should you subsequently wish to do so.

13. FURTHER INFORMATION

Please refer to the attached appendix for further information.

Yours faithfully,
For and on behalf of the Board of,
SUNZEN BIOTECH BERHAD

TAN SRI HAJI MUSA BIN TAN SRI HAJI HASSAN
Senior Independent Non-Executive Chairman

FURTHER INFORMATION

1. OTHER INFORMATION

(i) Financial information of the Group

The summary of the consolidated financial information of SUNZEN for the FYEs 31 December 2018, 2019, 2020 and 2021 are as follows:

	-----Audited-----			
	FYE 31 December			
	2018	2019	2020	2021
	RM'000	RM'000	RM'000	RM'000
Revenue	296,159	240,584	82,233	90,479
PBT/(LBT)	(7,002)	(19,631)	(12,702)	3,705
Profit/(Loss) from continuing operations	(6,972)	(19,665)	(12,911)	1,938
Profit from discontinued operations, net of tax	35	1,685	-	-
PAT/(LAT)	(6,937)	(17,980)	(12,911)	1,938
PAT/(LAT) attributable to equity holders	(6,939)	(16,250)	(13,229)	752
Accumulated losses	13,744	(2,471)	(15,664)	(4,077)
Shareholders' equity	106,939	91,366	87,471	118,098
Cash and cash balances	41,513	32,757	38,736	47,222
PBT/(LBT) margin (%)	(2.36)	(8.16)	(15.45)	4.09
Continuing PAT/(LAT) margin (%)	(2.35)	(8.17)	(15.70)	2.14
Net asset per share (RM)	0.2040	0.1728	0.1654	0.1673
Gearing ratio (%)	6.39	18.02	17.49	4.02
Current ratio (times)	3.34	5.30	3.51	5.18

FYE 31 December 2017 vs FYE 31 December 2018

For the FYE 31 December 2018, the Group was engaged in the following segments:

- (a) Manufacturing and trading of animal health products ("**animal health segment**");
- (b) Trading and processing of crude palm oil and related products ("**trading of CPO segment**");
- (c) Traditional chinese medicine and herbal health foods and beverages ("**TCM & F&B segment**"); and
- (d) Food ingredients products ("**food ingredients segment**").

The Group registered revenue of RM296.16 million, a marginal decrease of RM7.29 million (2.40%) from RM303.45 million in the preceding financial year, due mainly from lower revenue contribution of the Group's animal health and trading of CPO segments, which decreased by 62.88% and 18.14% respectively. The lower revenue contribution from animal health segment was due to lower sales orders for the range of powder fat products arising from stiff competition and change of key sales personnel whilst the

smaller revenue contribution from the trading of CPO segment was due to lower average selling price of CPO and related products.

Despite only a marginal decrease in revenue, the Group recorded a LBT of RM7.00 million for the FYE 31 December 2018, as compared to PBT of RM4.01 million recorded in the FYE 31 December 2017. This was primarily due to the allowance for impairment loss on property, plant and equipment of RM6.02 million (FYE 2017: nil) and provision for impairment loss on goodwill of RM2.14 million (FYE 2017: nil); impairment loss on trade receivables of RM0.60 million (FYE 2017: RM0.005 million) and write down of inventories of RM0.77 million (FYE 2017: nil).

As a result of the provision for impairment losses and write down mentioned above, net asset per share to equity holders of the Company reduced to RM0.204 from RM0.206 in the preceding financial year.

As at 31 December 2018, the Group's cash and cash balances reduced by RM5.89 million to RM41.51 million as compared to RM47.40 million as at 31 December 2017. The reduction was mainly due to acquisition of subsidiary, Amplio Ingredients Sdn Bhd on 8 May 2018 of RM1.91 million, tax payment of RM1.73 million and acquisition of property, plant and equipment of RM1.94 million.

FYE 31 December 2018 vs FYE 31 December 2019

For the FYE 31 December 2019, the Group was engaged in the following segments:

- (a) Animal health segment;
- (b) Trading of CPO segment; and
- (c) TCM & F&B segment.

For the FYE 31 December 2019, the Group registered revenue of RM240.58 million, a decrease of RM55.57 million (18.76%) from RM296.16 million in the preceding financial year, due mainly from the lower revenue contribution of the Group's trading of CPO and animal health segments, which decreased by 31.74% and 21.89% respectively. The lower revenue contribution from trading of CPO segment was due to lower average selling price of CPO and related products whilst the smaller revenue contribution from the animal health segment was due to reduction in sales orders especially from the overseas markets which was caused by the outbreak of the African Swine Fever in China and Vietnam, which resulted in the decrease in the demand for feed additive products.

The Group recorded a larger LBT of RM19.63 million for the financial year, an increase by RM12.63 million (180%) as compared to LBT of RM7.00 million recorded in the preceding financial year. This was primarily due to the impairment loss of RM1.89 million on trade receivables (FYE 2018: RM0.60 million); impairment loss of RM4.17 million on other receivables (FYE 2018: nil); write down of inventories of RM1.41 million (FYE 2018: RM0.77 million), write off of property, plant and equipment of RM0.62 million (FYE 2018: nil) and decrease in profit margin contribution from the TCM & F&B segment arising from the discontinued operation of retail outlets in 2019.

As a result of the provision for impairment losses and write down/write off mentioned above, net asset per share attributable to equity holders of the Company reduced to RM0.173 as at 31 December 2019 from RM0.204 as at 31 December 2018.

As at 31 December 2019, the Group's cash and cash balances reduced by RM8.75 million to RM32.76 million as compared to RM41.51 million as at 31 December 2018. The reduction was mainly impacted by net cash used in operations of RM11.05 million as a result of loss incurred by operating activities and cash used to partially pay for the purchase of property of RM4.02 million.

During the FYE 31 December 2019, the Company disposed its 70% interest in Amplio Ingredients Sdn Bhd on 8 August 2019, the Group's food ingredient business for a cash consideration of RM1.50 million. Arising from the disposal, the result of Amplio Ingredients Sdn Bhd is presented as profit from discontinued operation.

FYE 31 December 2019 vs FYE 31 December 2020

For the FYE 31 December 2020, the Group registered revenue of RM82.23 million, a decrease of RM158.35 million (65.82%) as compared to RM240.58 million registered in the FYE 31 December 2019 due to lower sales volume transacted from the trading of CPO to mitigate credit risk exposure arising from market uncertainty from the outbreak of COVID-19 and movement control order as well as partly arising from the movement control measures enforced to contain the outbreak of COVID-19, especially for the TCM & F&B segment and export market.

The Group recorded a lower LBT of RM12.70 million for the financial year, a decrease by RM6.93 million (35.30%) as compared to LBT of RM19.63 million recorded in the FYE 31 December 2019. The LBT included the effect of fair value of share-based payment transactions of RM9.41 million arising from share options granted to eligible directors and employees. The decrease in LBT for the financial year was mainly due to improvement in profit margin contribution from the TCM & F&B segment as a result of improved production efficiency, reversals of impairment of trade receivables of RM1.27 million, other receivables of RM1.79 million and inventories written down of RM0.54 million in the preceding financial year. For the FYE 31 December 2020, there was an impairment loss on trade receivables of RM0.04 million (FYE 2019: RM1.89 million), nil impairment loss on other receivables (FYE 2019: RM4.17 million), inventories written down of RM0.23 million (FYE 2019: RM1.41 million) and nil impairment loss on property, plant and equipment (FYE 2019: RM5.02 million).

Arising from further losses incurred in the animal health segment, net asset per share reduced to RM0.165 as at 31 December 2020 from RM0.173 as at 31 December 2019.

As at 31 December 2020, the Group's cash and cash balances increased by RM5.98 million to RM38.74 million as compared to RM32.76 million as at 31 December 2019. The improvement in the Group's cash and cash balances was mainly due to debt collection from trade receivables relating to the trading of CPO segment and other receivables.

FYE 31 December 2020 vs FYE 31 December 2021

For the FYE 31 December 2021, the Group is engaged in the following segments:

- (a) Animal health segment;
- (b) Trading of CPO segment;
- (c) TCM & F&B segment; and
- (d) Loan financing segment.

For the FYE 31 December 2021, the Group recorded revenue of RM90.48 million, an increase of RM8.25 million (10.03%) as compared to RM82.23 million recorded in the preceding financial year contributed primarily from higher revenue from the TCM & F&B segment, which increased by RM24.81 million (48.29%) from RM51.38 million to RM76.19 million arising from the increase in contract manufacturing orders from overseas customers and export of bird's nest as well as contribution from a new stream of income from the loan financing segment.

The Group recorded PBT of RM3.73 million for the financial year as compared to LBT of RM12.70 million for the FYE 31 December 2020. The significant higher profit was a result of higher revenue and loan financing business coupled with the net reversals in inventories written down of RM1.26 million (FYE 2020: RM0.54 million), nil Share Issuance Scheme - employee benefit expense (FYE 2020: RM9.42 million) and the recognition of gain on disposal of property on 21 April 2021 of RM0.88 million (FYE 2020: RM0.10 million) (kindly refer to details in Section (v)(a) below for information on the disposal of property) have largely contributed to the turnaround in results.

During the FYE 31 December 2021, the Company completed its acquisition of 100% equity interest in Finsource Credit (M) Sdn Bhd, a money lender. The loan financing segment reported a pre-tax profit of RM0.97 million after the acquisition of Finsource Credit (M) Sdn Bhd which was completed on 1 June 2021.

In addition, during the financial year, total borrowings decreased by RM10.00 million (67.80%) from RM14.75 million to RM4.75 million, primarily due to the completion of the disposal of land and factory on 21 April 2021, which part of the proceeds was utilised to pare down the term loan.

(ii) How the Proposed Bonus Issue of Warrants will create value to the Company and its security holders

The Proposed Bonus Issue of Warrants will further strengthen the capital base of the Group as and when the Warrants are exercised by increasing the size of its shareholders' funds which will provide the Group with additional funding for working capital and to expand its expand money lending business from time to time as explained in Section 2.6 of this Circular. The Proposed Bonus Issue of Warrants will provide SUNZEN's shareholders with a separate avenue to monetise the Warrants as the Warrants will be traded separately from the existing Shares. The Proposed Bonus Issue of Warrants also provides the Warrant holders an opportunity to participate in the prospects of the SUNZEN Group and/or any potential capital appreciation in the Warrants and Shares by converting their Warrants into SUNZEN Shares within the 5 years tenure of the Warrants.

(iii) How the Proposed Bonus Issue of Warrants will impact the Company and its securities holders

The Warrants are to be issued to the Entitled Shareholders who hold SUNZEN Shares on the Entitlement Date at no cost. As such, SUNZEN will not raise any proceeds from the issuance of the Warrants pursuant to the Proposed Bonus Issue of Warrants. SUNZEN will only receive proceeds upon exercise of such Warrants by the Warrant holders which SUNZEN proposes to be utilised for purposes detailed in Section 2.6 of this Circular. The Proposed Bonus Issue of Warrants will not have any financial effect on the earnings, earnings per share, net asset, net asset per share, gearing and substantial shareholders' shareholdings of SUNZEN until such time the Warrants are exercised into new SUNZEN Shares. Kindly refer to Section 5 of this Circular for further information on the effects of the Proposed Bonus Issue of Warrants on the SUNZEN Group.

(iv) The adequacy of the Proposed Bonus Issue of Warrants in addressing the Company's financial concerns

The intention of the Proposed Bonus Issue of Warrants is to reward shareholders of SUNZEN for their continuous support. The Proposed Bonus Issue of Warrants may potentially provide SUNZEN up to RM81.76 million over the next 5 years as and when the Warrants are exercised. The Proposed Bonus Issue of Warrants however is not meant to raise funds or to address the financial concerns of the SUNZEN Group.

The Group's weakened financial performance was due to losses suffered primarily from lower revenue contribution from its animal health segment and trading of CPO segment. The Board has since taken steps to address the Group's financial condition as highlighted in Section 1(v) below and by diversifying into a new business aimed to contribute positively to the Group's income stream - as part of the strategy to tap into the steady growth of the lending market which is comparatively stable as compared to SUNZEN's existing businesses. As can be seen in the Group's latest audited financial performance for the FYE 31 December 2021, the Group's cash and bank balances of RM47.22 million and gearing of 0.04 times are in healthy positions. The Group has also recorded a turnaround from a LAT position of RM13.23 million for the FYE 31 December 2020 to a PAT of RM1.94 million for the FYE 31 December 2021. At this juncture, the Board and management of SUNZEN are of the opinion that with the recent entry of the Group's new business into money lending, its recent fund raising of RM20.78 million completed on 31 December 2021 and coupled with the Group's low gearing and high cash and bank balances, the Board and management of SUNZEN do not foresee undertaking any other fund raising exercise in the immediate future.

(v) The steps or actions which have been taken to improve the financial condition of the Group

The Group had taken various measures to improve its financial condition such as:

- (a) asset rationalisation via the disposal of non-core asset such as its 3-storey factory building on a freehold industrial land in Kota Kemuning, Shah Alam on 21 April 2021. This allowed the Company to have cost saving of approximately RM0.60 million per annum arising from term loan interest and operating costs;

- (b) cost cutting exercises and recovery of doubtful debts
In light of the slowdown in the economy, the Group has taken concerted efforts to closely monitor slow paying trade receivables to ensure collectability of debts. Prompt reports on slow paying and overdue customers are made available to senior management for immediate actions to be taken such as negotiations with slow paying clients, suspension of trade, issuance of warning letters and where required, external legal letter of demand.

The Company had also undertaken cost cutting exercises such as the discontinuation of the operations of 8 of its herbal health foods and beverages segment retail outlets in Peninsular Malaysia i.e. one outlet each in Johor Bahru, Ampang, Bukit Mertajam, Kepong, Kedah and three outlets in Pulau Pinang, further reducing costs. The Company is currently looking to dispose non-performing machines;

- (c) repositioned its products by broadening its range of animal health products; and (d) launched new products in the Group's herbal health foods and beverages segment

For the Group's animal health products, higher commodity prices had resulted in higher livestock feed prices which were further exacerbated by controlled selling prices of certain livestock. This resulted in breeders implementing cost cutting measures on nutritional products. Due to higher commodity prices, the higher cost was passed through to breeders as higher livestock feed prices. But as certain livestock such as chicken whose selling prices are government controlled, breeders have implemented cost cutting measures by reducing or cutting out nutritional products.

Since nutritional animal health products are supplemental to basic feedstock, this has affected SUNZEN's animal health segment. As such, SUNZEN repositioned its products by broadening its range of animal health products to market new types of nutritional animal health products for other livestock. SUNZEN launched its new animal health products targeting the immune system for pigs which was approved by Malaysia's Department of Veterinary Services on 6 October 2021.

The Group had also launched its new health foods and beverages products, such as its sachet red dates, sachet bird's nest, sachet wolf berry, sachet wolfberry & white chrysanthemum, sachet red dates & red palm, sachet pear & bird's nest products under its "Boostick" range and vege fibre sachet.

In addition, on 1 June 2021, SUNZEN completed its diversification into the money lending business and on 31 December 2021, completed its fund raising exercise, raising a total of RM20.78 million to ensure that SUNZEN's new money lending business is adequately funded.

2. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been seen and approved by the Board, and the Directors collectively and individually accept full responsibility for the accuracy of the information contained in this Circular and confirm that, after making all reasonable enquiries to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement herein misleading.

3. CONSENTS AND DECLARATION OF CONFLICT OF INTERESTS

M&A Securities, being the Principal Adviser for the Proposed Bonus Issue of Warrants, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name and all references in the form and context in which they appear in this Circular.

M&A Securities is not aware of any conflict of interest that exists or is likely to exist in relation to its capacity as the Principal Adviser in relation to the Proposed Bonus Issue of Warrants.

4. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

Save as disclosed below, as at the LPD, the SUNZEN Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and the Board is not aware and does not have any knowledge of any proceedings pending or threatened against the SUNZEN Group, or of any facts likely to give rise to any proceedings which may materially and adversely affect the financial position or business of the SUNZEN Group:

(i) Finsource Credit (M) Sdn Bhd v (i) Inno Mind Works Sdn Bhd, (ii) Yap Chee Lim, (iii) Yip Chin Hwee and (iv) Tan Ho (Case No. BA-A52NCC-202-06/2020)

On 3 June 2020, Finsource Credit (M) Sdn Bhd commenced a civil suit against the defendants in the Sessions Court of Shah Alam. The suit was a debt recovery action for the recovery of the sum of RM293,542.17 (including interest and cost) in connection with the Moneylender Agreement dated 28 August 2018 entered into by Finsource Credit (M) Sdn Bhd with Inno Mind Works Sdn Bhd and the personal guarantee(s) dated 28 August 2018 executed by Yap Chee Lim, Yip Chin Hwee and Tan Ho respectively. The trial has been fixed for 23 June 2022.

The Board is of the view that Finsource Credit (M) Sdn Bhd has a good chance of succeeding in its claim against the defendants.

(ii) Finsource Credit (M) Sdn Bhd v (i) Nitto Optotronics Sdn Bhd, (ii) Simon Soh, and (iii) Leong Chee Hong (Case No. WA-A52NCC-1031-07/2020)

On 21 July 2020, Finsource Credit (M) Sdn Bhd commenced a civil suit against the defendants in the Sessions Court of Kuala Lumpur. The suit was a debt recovery action for the recovery of the sum of RM209,966.70 in connection with the Moneylender Agreement dated 11 September 2019 entered into by Finsource Credit (M) Sdn Bhd with Nitto Optotronics Sdn Bhd and the personal guarantee(s) dated 11 September 2019 executed by Simon Soh and Leong Chee Hong respectively.

On 26 August 2020, a Judgement in Default was entered by Finsource Credit (M) Sdn Bhd against the defendants whereby the defendants were ordered to pay Finsource Credit (M) Sdn Bhd the sum of RM209,966.70, including interest and an order for cost. Bankruptcy proceedings were commenced against Simon Soh and Leong Chee Hong both on 17 December 2020. The hearing for the creditors petition against Nitto Optotronics Sdn Bhd was fixed for 25 April 2022 whereas the hearing for the creditors petition against Simon Soh and Leong Chee Heong was fixed for 19 April 2022.

The Board is of the view that Finsource Credit (M) Sdn Bhd has a good chance of succeeding in its petition against the defendants.

(iii) Finsource Credit (M) Sdn Bhd, v (i) Teong Chai Spray Painting Sdn Bhd (ii) Lee Kim Lan and (iii) Ch'ng Hong Choon (Case No. PB-A52NCC-30-03/2021)

On 29 March 2021, Finsource Credit (M) Sdn Bhd commenced a civil suit against the defendants in the Sessions Court of Butterworth. The suit was a debt recovery action for the recovery of the sum of RM142,881.48 in connection with the Moneylender Agreement dated 27 May 2019 entered into by Finsource Credit (M) Sdn Bhd with Teong Chai Spray Painting Sdn Bhd and the personal guarantee(s) dated 27 May 2019 executed by Lee Kim Lan and Ch'ng Hong Choon respectively.

On 24 September 2021, a Judgement in Default was entered by Finsource Credit (M) Sdn Bhd against the defendants whereby the defendants were ordered to pay Finsource Credit (M) Sdn Bhd the sum of RM142,881.48, including interest and an order for cost. Finsource Credit (M) Sdn Bhd commenced Garnishee Proceedings against the defendants on 26 October 2021 which was subsequently withdrawn on 14 December 2021 with liberty to file afresh.

Finsource Credit (M) Sdn Bhd subsequently refiled a Garnishee application on 5 April 2022 to include several other banks named as the Garnishees under the same case number and on 21 April 2022, Finsource Credit (M) Sdn Bhd obtained an Order for Garnishee to Show Cause. Case management for the Garnishee to Show Cause has been fixed for 10 May 2022.

(iv) Finsource Credit (M) Sdn Bhd v (i) Billion Save Mart Sdn Bhd (ii) Gee Jia Ming and (iii) Gee Hing Ling (Case No. WA-A52NCC-1330-05/2021)

On 25 August 2021, Finsource Credit (M) Sdn Bhd commenced a civil suit against the defendants in the Sessions Court of Kuala Lumpur. The suit was a debt recovery action for the recovery of the sum of RM127,323.33, including interest and order for cost in connection with the Moneylender Agreement dated 10 June 2020 entered into by Finsource Credit (M) Sdn Bhd with Billion Save Mart Sdn Bhd and the personal guarantee(s) dated 10 June 2020 executed by Gee Jia Ming and Gee Hing Ling respectively.

Finsource Credit (M) Sdn Bhd obtained a Judgement in Default against the following defendants at the following dates, whereby the defendants were ordered to pay Finsource Credit (M) Sdn Bhd the sum of RM127,323.22, including interest and an order for cost:

- against Billion Save Mart Sdn Bhd on 5 November 2021;
- against Gee Jia Ming on 20 December 2021; and
- against Gee Hing Ling on 7 February 2022.

As at the LPD, Billion Save Mart Sdn Bhd is in liquidation. Finsource Credit (M) Sdn Bhd filed a proof of debt against Billion Save Mart Sdn Bhd on 31 January 2022 and a Notice of Bankruptcy was filed against Gee Jia Ming and Gee Hing Ling both on 22 April 2022.

(v) Finsource Credit (M) Sdn Bhd v (i) Marke Communications Sdn Bhd (ii) James Low Jin You (iii) Thong Wei Yann and (iv) Lee Zhen Rong (Case No. BA-A52NCC-172-07/2021)

On 29 July 2021, Finsource Credit (M) Sdn Bhd commenced a civil suit against the defendants in the Sessions Court of Shah Alam. The suit was a debt recovery action for the recovery of the sum of RM135,945.56 in connection with the Moneylender Agreement dated 4 November 2019 entered into by Finsource Credit (M) Sdn Bhd with Marke Communications Sdn Bhd and the personal guarantee(s) dated 4 November 2019 executed by James Low Jin You, Thong Wei Yann and Lee Zhen Rong respectively.

The defendants filed a Statement of Defence raising the following points, inter alia, that:

- (i) the loan granted by Finsource Credit (M) Sdn Bhd under the Moneylender Agreement is a secured loan as opposed to being an unsecured loan. Therefore the format utilised by Finsource Credit (M) Sdn Bhd under the Moneylender Agreement should be as prescribed under Schedule K of the Moneylenders Act 1951 for secured loans instead of Schedule J for unsecured loans;
- (ii) Finsource Credit (M) Sdn Bhd unilaterally omitted certain clauses under the Moneylender Agreement which is required by the Moneylenders Act 1951;
- (iii) the interest rate charged by Finsource Credit (M) Sdn Bhd is excessive and at a higher rate than prescribed under the Moneylenders Act 1951.

On 5 January 2022, Marke Communications Sdn Bhd was wound up in a winding up proceeding filed by United Overseas Bank (Malaysia) Berhad. Therefore, Finsource Credit (M) Sdn Bhd was required to obtain leave from the High Court in order to continue the current suit in the Sessions Court.

On 16 February 2022, Finsource Credit (M) Sdn Bhd filed its leave application to the High Court which granted the winding up order to United Overseas Bank (Malaysia) Berhad. The leave to proceed action against Marke Communications Sdn Bhd was obtained on 11 March 2022.

Finsource Credit (M) Sdn Bhd filed a Summary Judgement application against all the defendants on 13 April 2022 at the Sessions Court of Shah Alam and case management for the Summary Judgement application has been fixed for 27 April 2022.

Finsource Credit (M) Sdn Bhd's solicitors are of the view that Finsource Credit (M) Sdn Bhd has a reasonable chance of success in its claim against the defendants.

(vi) Finsource Credit (M) Sdn Bhd v (i) Lifomax Woodbuild Sdn Bhd and (ii) Lim Tau Fong and (iii) Lee Mee Yin (Case No. WA-A52NCC-523-04/2022)

Finsource Credit (M) Sdn Bhd commenced a civil suit by filing a Writ of Summons and Statement of Claim against the defendants on 12 April 2022 at the Sessions Court of Kuala Lumpur. The suit is a debt recovery action for the recovery of the sum of RM205,311.77, including interest and late payment interest in connection with the Moneylender Agreement dated 30 November 2020 entered into by Finsource Credit (M) Sdn Bhd with Lifomax Woodbuild Sdn Bhd and the personal guarantee(s) dated 30 November 2020 executed by Lim Tau Fong and Lee Mee Yin respectively.

As at the LPD, case management for the matter has been fixed for 26 May 2022.

Finsource Credit (M) Sdn Bhd's solicitors are of the view that Finsource Credit (M) Sdn Bhd has a reasonable chance of success in its claim against the defendants.

5. MATERIAL COMMITMENTS

Save as disclosed below, as at the LPD, the Board is not aware of any material commitments incurred or known to be incurred by the SUNZEN Group, which may have a material impact on the financial results/position of the SUNZEN Group.

RM

Outstanding balance for purchase of plant and machineries 501,630

6. CONTINGENT LIABILITIES

As at the LPD, the Board is not aware of any contingent liabilities incurred or known to be incurred by the SUNZEN Group, which upon becoming enforceable, may have a material impact in the ability of the Group to meet the obligations as and when they fall due.

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the Company's registered office on the 10th Floor, Menara Hap Seng, No. 1 & 3 Jalan P. Ramlee, 50250 Kuala Lumpur during normal business hours from Mondays to Fridays (except public holidays), from the date of this Circular up to the date of the EGM:

- (i) Constitution of SUNZEN;
- (ii) Audited consolidated financial statements of SUNZEN for the past 2 FYEs 31 December 2020 and 31 December 2021;
- (iii) The letter of consent and declaration of conflict of interest referred to in Section 3 above;
- (iv) The relevant cause papers in respect of the material litigation referred to in Section 4 above; and
- (v) The draft Deed Poll.



SUNZEN BIOTECH BERHAD
(Registration No. 200501003843 (680889-W))
(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting of Sunzen Biotech Berhad ("**SUNZEN**" or the "**Company**") will be held at Kota Permai Golf & Country Club, Danau 3, No. 1, Jalan 31/100A, Kota Kemuning, Section 31, 40460 Shah Alam, Selangor Darul Ehsan on Wednesday, 22 June 2022 at 12:00 noon, or immediately after the conclusion of the Seventeenth Annual General Meeting of the Company to be held on the same day at 11:00 a.m., whichever is earlier, or at any adjournment thereof, for the purpose of considering and, if thought fit, to pass with or without modifications the following resolution:

ORDINARY RESOLUTION

PROPOSED BONUS ISSUE OF UP TO 408,821,729 WARRANTS ON THE BASIS OF 1 WARRANT FOR EVERY 2 EXISTING ORDINARY SHARES IN SUNZEN ("SUNZEN SHARES") HELD BY THE ENTITLED SHAREHOLDERS ON AN ENTITLEMENT DATE TO BE DETERMINED AND ANNOUNCED LATER ("PROPOSED BONUS ISSUE OF WARRANTS")

"THAT subject to the approvals of all relevant authorities and/or persons being obtained, approval be and is hereby given to the Directors of the Company to issue and allot up to 408,821,729 Warrants on the basis of 1 Warrant for every 2 existing SUNZEN Shares held by the shareholders whose names appear on the record of securities holders established and maintained by Bursa Malaysia Depository Sdn Bhd ("**Record of Depositors**") of the Company as at the close of business on the entitlement date to be determined and announced later;

THAT, fractional entitlements arising from the Proposed Bonus Issue of Warrants, if any, will be dealt with in such manner as the Directors shall in their absolute discretion deem fit or expedient and in the best interest of the Company;

THAT, up to 408,821,729 Warrants be issued and allotted in registered form and constituted by a deed poll to be executed by the Company constituting the Warrants ("**Deed Poll**");

THAT, approval be and is hereby given to the Directors of the Company to issue and allot such appropriate number of new SUNZEN Shares arising from the exercise of the Warrants (including further Warrants arising from any adjustments under the provisions of the Deed Poll) by the holders of the Warrant of their rights in accordance with the provisions of the Deed Poll;

THAT, approval be and is hereby given to the Directors of the Company to enter into and execute the Deed Poll on behalf of the Company with full powers to assent to any conditions, variations, modifications and/or amendments in any manner as may be required or imposed by the relevant authorities or deemed necessary by the Directors of the Company, and subject to all provisions and adjustments contained in the Deed Poll, to assent to any modifications and/or amendments to the exercise price, exercise period and/or number of Warrants as may be required or permitted to be revised as a consequence to any adjustments under the provisions of the Deed Poll, with full power to implement and give effects to the terms and conditions of the Deed Poll, and to take all steps as the Directors of the Company deem fit and/or expedient in order to implement, finalise and give full effect to the Deed Poll;

THAT, the new SUNZEN Shares to be issued arising from the exercise of the Warrants shall, upon issuance and allotment, rank *pari passu* in all respects with the existing SUNZEN Shares, except that the new SUNZEN Shares to be issued arising from the exercise of the Warrants shall not be entitled to any dividends, rights, allotments and/or any other forms of distributions, which may be declared, made or paid, for which the entitlement date is prior to the date of issuance and allotment of such new SUNZEN Shares.

THAT, the proceeds raised from the exercise of the Warrants, if any, be utilised for the purposes set out in the circular to shareholders of the Company dated 28 April 2022 and the Directors of the Company be authorised with full power to vary the manner and/or purpose of utilisation of such proceeds in such manner as the Directors of the Company may deem fit, necessary and/or expedient, subject (when required) to the approval of the relevant authorities;

AND THAT the Directors of the Company be and are authorised to do all acts, deeds and things and execute all documents as they may deem fit or expedient in order to carry out, finalise and give effect to the Proposed Bonus Issue of Warrants with full powers to assent to any conditions, modifications, variations and/or amendments as may be required or permitted by any relevant authorities and to take all steps as they may consider necessary or expedient in the best interest of the Company in order to implement, finalise and give full effect to the Proposed Bonus Issue of Warrants."

**BY ORDER OF THE BOARD OF
SUNZEN BIOTECH BERHAD**

LIM LEE KUAN (MAICSA 7017753) (SSM Practicing Certificate No. 202008001079)
TEO MEE HUI (MAICSA 7050642) (SSM Practicing Certificate No. 202008001081)
Company Secretaries

Kuala Lumpur
28 April 2022

Notes:

- 1. A member is entitled to appoint not more than two (2) proxies to attend, participate, speak, and vote in his/her stead at the meeting. A proxy may, but need not, be a member of the Company and there shall be no restriction as to the qualification of the proxy. Where a member appoints more than one (1) proxy, he shall specify the proportions of his/her holdings to be represented by each proxy, failing which the appointment shall be invalid.*
- 2. The instrument appointing a proxy shall be in writing, under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised.*
- 3. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("**SICDA**"), it may appoint not more than two (2) proxies in respect of each securities account it holds in the 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. An exempt authorised nominee refers to an authorised nominee defined under the SICDA which is exempted from compliance with the provisions of subsection 25A(1) of the SICDA.*
- 5. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority shall be deposited at the Registered Office of the Company on the 10th Floor, Menara Hap Seng, No. 1 & 3, Jalan P. Ramlee, 50250 Kuala Lumpur or via electronic means at info@sunzen.com.my not less than forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.*

6. *For the purpose of determining who shall be entitled to attend the Extraordinary General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company pursuant to Clause 62 of the Constitution of the Company, a Record of Depositors as at 15 June 2022 and only a Depositor whose name appears on such Record of Depositors shall be entitled to attend the Extraordinary General Meeting.*



SUNZEN BIOTECH BERHAD

[Registration No. 200501003843 (680889-W)]

Total number of ordinary shares held	
CDS Account No.	

FORM OF PROXY

I/We.....
 Passport/NRIC/Company No.....
 of

 being a member of the Company, hereby appoint
 NRIC/Passport No.....
 of

 and/or,
 NRIC/Passport No.....
 of

or failing him/her, the Chairman of the Meeting as *my/our proxy to vote for *me/us on *my/our behalf at the Extraordinary General Meeting of the Company, to be held at Kota Permai Golf & Country Club, Danau 3, No. 1, Jalan 31/100A, Kota Kemuning, Section 31, 40460 Shah Alam, Selangor Darul Ehsan, on Wednesday, 22 June 2022 at 12:00 noon, or immediately after the conclusion of the Seventeenth Annual General Meeting of the Company to be held on the same day at 11:00 a.m., whichever is earlier, or at any adjournment thereof.

Please delete the words "the Chairman of the Meeting" if you wish to appoint some other person to be your proxy
*** Delete if not applicable**

My/our proxy is to vote as indicated below:

Ordinary Resolution	For	Against
Proposed Bonus Issue of Warrants		

(Please indicate with an "X" in the space provided on how you wish to cast your vote. If you do not do so, the proxy will vote or abstain from voting at his discretion.)

Dated this day of 2022

For appointment of two proxies, percentage of shareholdings to be represented by the proxies:

.....
 Signature/Common Seal of shareholder
 Contact No:.....

Proxy 1
 Proxy 2
Total

No. of shares	Percentage
	100%

Notes:

1. A member is entitled to appoint not more than two (2) proxies to attend, participate, speak, and vote in his/her stead at the meeting. A proxy may, but need not, be a member of the Company and there shall be no restriction as to the qualification of the proxy. Where a member appoints more than one (1) proxy, he shall specify the proportions of his/her holdings to be represented by each proxy, failing which the appointment shall be invalid.

2. *The instrument appointing a proxy shall be in writing, under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised.*
3. *Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("**SICDA**"), it may appoint not more than two (2) proxies in respect of each securities account it holds in the 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. An exempt authorised nominee refers to an authorised nominee defined under the SICDA which is exempted from compliance with the provisions of subsection 25A(1) of the SICDA.*
5. *The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority shall be deposited at the Registered Office of the Company on the 10th Floor, Menara Hap Seng, No. 1 & 3, Jalan P. Ramlee, 50250 Kuala Lumpur or via electronic means at info@sunzen.com.my not less than forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.*
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FOLD THIS FLAP FOR SEALING

THEN FOLD HERE

Affix
stamp

THE COMPANY SECRETARIES

SUNZEN BIOTECH BERHAD
10TH FLOOR, MENARA HAP SENG
No. 1 & 3, JALAN P. RAMLEE
50250 KUALA LUMPUR

1ST FOLD HERE
