



Sunzen Biotech Berhad (680889-W)

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Sunzen Biotech Berhad
(680889-W)

Improving
Life
with Biotechnology

Sunzen Biotech Berhad (680889-W)

ANNUAL REPORT 2010



Annual Report
2010



Sunzen Biotech Berhad
(680889-W)

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CORPORATE INFORMATION



BOARD OF DIRECTORS

Dr Tan Kim Sing

Chairman and Managing Director

Dr Kok Poe Chu

Executive Director

Dr Teo Kim Lai

Executive Director

Dr Fong Chan Seng

Executive Director

S. Gunaseharan A/L P. Subramaniam

Independent Non-Executive Director

Dato' Dr Mhd Nordin Bin Mohd Nor

Independent Non-Executive Director

Professor Dato' Dr Omar

@ S. Omar Bin Abdul Rahman

Independent Non-Executive Director

AUDIT COMMITTEE

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

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

Dato' Dr Mhd Nordin Bin Mohd Nor

NOMINATION COMMITTEE

Dato' Dr Mhd Nordin Bin Mohd Nor
(Chairman)

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

REMUNERATION COMMITTEE

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

Dr Kok Poe Chu

S. Gunaseharan A/L P. Subramaniam

COMPANY SECRETARIES

Lim Ming Toong (MAICSA 7000281)

Ng Lai Yee (MAICSA 7031768)

REGISTERED OFFICE

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

SHARE REGISTRAR

Symphony Share Registrars Sdn Bhd
Level 6 Symphony House
Block D13, Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor
Tel : 03-7841 8000
Fax : 03-7841 8008

SPONSOR

PM Securities Sdn Bhd
Mezzanine Floor, Menara PMI
No. 2, Jalan Changkat Ceylon
50200 Kuala Lumpur
Wilayah Persekutuan
Tel : 03-2715 1330
Fax : 03-2715 1323

PRINCIPAL BANKER

Malayan Banking Berhad

AUDITORS

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

STOCK EXCHANGE LISTING

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

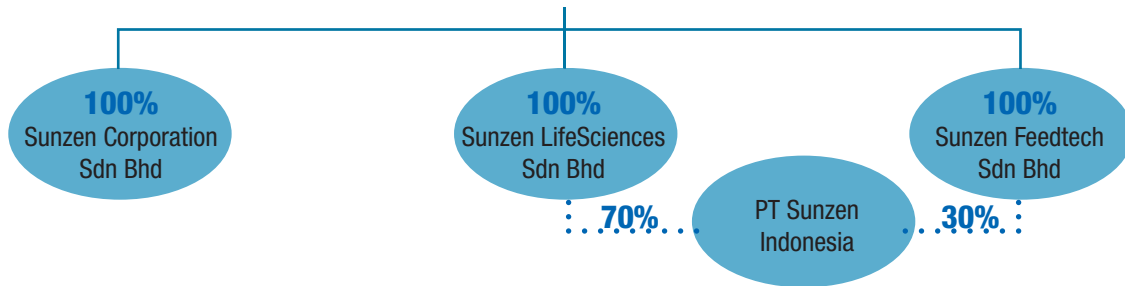


CORPORATE STRUCTURE

AS AT 21 APRIL 2011



Sunzen Biotech Berhad
(680889-W)



DIRECTORS' PROFILE



DR TAN KIM SING

(Chairman / Managing Director)

Dr Tan Kim Sing, a Malaysian, aged 61, is a co-founder and also the Chairman and Managing Director of Sunzen Biotech Berhad ("Sunzen Biotech" or "Company"). He was appointed to the Board of Directors of Sunzen Biotech ("Board of Directors" or "Board") on 25 April 2008. He is responsible for the management of the business operations, finance, human resources and strategic planning of Sunzen Biotech and its subsidiary companies ("Group").

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

Dr Tan has thirty two (32) years of experiences in animal health industry, mainly involved in management, sales, marketing and technical services. Prior to forming Sunzen Corporation Sdn Bhd (Sunzen Corporation), he spent about twenty one (21) years with Pfizer. He gained valuable experiences from Pfizer from job rotation and training practices. He started as Technical Manager in 1979 before becoming a Sales Manager, Product Manager, Premix Manager and Division Director. In 1998, Dr Tan together with the existing management of Pfizer in Malaysia, established Sunzen Corporation to undertake a management buy-out of Pfizer's local distribution and marketing operations. Dr Tan was then appointed as the Managing Director of Sunzen Corporation since its inception.

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

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



DR KOK POE CHU

(Executive Director)

Dr Kok Poe Chu, a Malaysian, aged 50, is a co-founder of Sunzen Biotech Berhad. He was appointed to the Board as an Executive Director on 25 April 2008. He is also a member of the Remuneration Committee of Sunzen Biotech. He is responsible for the overall Research and Development ("R&D") activities, as well as corporate affairs of the Group.

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

Dr Kok has twenty three (23) years of industry experience. He had worked for Gold Coin Feedmills (Singapore) Pte Ltd in Singapore and Ciba-Geigy Sdn Bhd dealing in livestock farming and animal nutrition. He was the regional product manager for Pfizer Asean region from 1993 to 1997. In 1998, Dr Kok together with the existing management of Pfizer in Malaysia, established Sunzen Corporation to undertake a management buy-out of Pfizer's local distribution and marketing operations. Dr Kok was then appointed as a Director of Sunzen Corporation since its inception.

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

Dr Kok is currently an adviser on the Technical Advisory Committee of the Federal Livestock Farmers Association of Malaysia and a honorary treasurer of World's Poultry Science Association (Malaysian Branch) and a member of the working group on Good Animal Husbandry Practices of Standards and Industrial Research Institute of Malaysia (SIRIM).

Dr Kok was awarded the Cochrane Scholarship by the United States government to study biotechnology developments in the field of food animal production in July 2005. In 2007, Dr Kok was awarded the "Excellence Veterinarian Award 2007" by Veterinary Association of Malaysia for his outstanding contribution to the veterinary profession.

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

DIRECTORS' PROFILE (CONT'D)



DR TEO KIM LAI

(Executive Director)

Dr Teo Kim Lai, a Malaysian, aged 48, is a co-founder and was appointed to the Board as an Executive Director on 25 April 2008. He is responsible for sales planning and marketing management of the Group.

He obtained his D.V.M. degree from UPM in 1989 and was honored as an overall best student with a distinctive Royal Academic Award.

Dr Teo has twenty (20) years of industry experience. Prior to joining Sunzen Corporation, Dr Teo held the positions of field veterinarian in Federal Flourmill Bhd from 1989 to 1990, Operational Manager in Oriental Feedmill, which was under the wings of Robert Kuok's Group, Liaoyang Oriental Special Feed Company Ltd, in Liaoning, China from 1991 to 1992, Poultry Team Leader in Pfizer from 1993 to 1994, General Manager in Mallinckrodt Veterinary Inc of China and Hong Kong in 1995, and General Team Leader and National Sales Manager in Pfizer from 1996 to 1998. In 1998, Dr Teo together with the existing management of Pfizer in Malaysia, established Sunzen Corporation to undertake a management buy-out of Pfizer's local distribution and marketing operations. Dr Teo was then appointed as a Director of Sunzen Corporation since its inception.

Dr Teo was the Vice President of the Malaysia Association of Food Animal Veterinarian ("MAFAV") from 2000 to 2001 and the Vice President of the Veterinary Alumni of UPM from 2003 to 2004. Dr Teo was also a volunteer veterinary officer of the National Nipah Virus Eradication Campaign of the DVS in 1999 and later became an adviser on the Technical Advisory Committee of Federation of Livestock Farmers Association of Malaysia in 2000. Dr Teo is also an honorary secretary of the World's Poultry Science Association (Malaysia Branch) since 2008.

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

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

DR FONG CHAN SENG

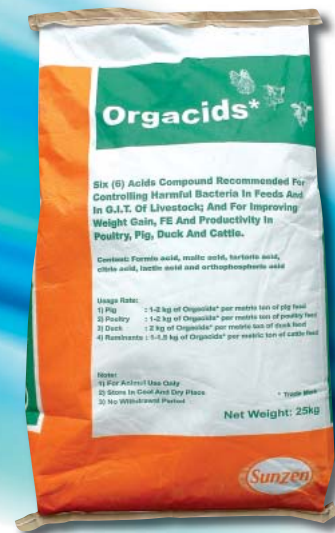
(Executive Director)

Dr Fong Chan Seng, a Malaysian, aged 63, is a co-founder and was appointed to the Board as an Executive Director on 25 April 2008. He is responsible for the development of product dossiers, product registration, trade mark registration and other overseas-related activities, apart from sales, marketing and business development functions of the Group. In the domestic market, he covers areas of product development, business development and manufacturing.

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

Dr Fong has thirty four (34) years of industry experience. He had held several job portfolios during his employment with Phibro and Pfizer. Dr Fong joined Pfizer as Veterinary Promotions Manager in 1981. Throughout seven (7) years of serving the domestic market in Malaysia, he held positions as Product Manager, National Sales Manager and Feedmill Marketing Manager. Dr Fong was posted to Thailand as the Business Manager of Pfizer Thailand Ltd for three (3) years from 1988 to 1990. His responsibilities included running the animal health business of Pfizer – Thailand, and a premix plant, product formulation, product quality control, and development of product stability. He was promoted to the position of Regional Director of Sales for Association of South East Asia Nation ("ASEAN") countries in 1991. Dr Fong was also in charge of business development for Pfizer in China, Hong Kong and Sri Lanka. When Pfizer acquired the worldwide animal health business of SmithKline Beecham, he was specifically in charge of acquisition and problem solving activities in the Philippines from 1994 to 1996. In 1998, Dr Fong together with the existing management of Pfizer in Malaysia, established Sunzen Corporation to undertake a management buy-out of Pfizer's local distribution and marketing operations. In 2001, Dr Fong left Sunzen Corporation to join Phibro Animal Health Inc, USA as Regional Director for ASEAN countries and as Managing Director of their local incorporated company, Phibro Malaysia Sdn Bhd. He later rejoined Sunzen Corporation in 2002.

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



DIRECTORS' PROFILE (CONT'D)

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

(Independent Non-Executive Director)

Professor Dato' Dr Omar @ S. Omar Bin Abdul Rahman, a Malaysian, aged 64, was appointed to the Board as an Independent Non-Executive Director on 25 April 2008. He is also the Chairman of the Remuneration Committee, a member of the Audit and Nomination Committees of the Company.

He is also a Biotechnology Adviser of the Group.

He graduated with a Bachelor in Veterinary Science from University of Queensland, Brisbane, Australia. He also holds a Master Degree in Veterinary Science from University of Saskatchewan, Saskatoon, Canada. In 1977, he became a Member of the Royal College of Veterinary Surgeons (MRCVS), London.

Upon graduation, Professor Dato' Dr Omar joined Universiti Putra Malaysia ("UPM") as a lecturer from 1974 to 1981. In 1981, he was promoted to the position of Associate Professor and later, the position of Professor in 1993. In 2001, he retired as professor and dean of the Faculty Veterinary Medicine in UPM. Professor Dato' Dr Omar was an Independent Non-Executive Director of Guan Chong Berhad from 1 January 2006 to 1 April 2008. Presently, he is a lecturing professor.

Among his current positions are Fellow of the Academy Sciences Malaysia and Fellow of the Malaysian Scientific Association, Fellow of the Veterinary Association of Malaysia and President of the Malaysian College of Veterinary Specialists.

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

S. GUNASEHARAN A/L P. SUBRAMANIAM

(Independent Non-Executive Director)

S. Gunaseharan A/L P. Subramaniam, a Malaysian, aged 54, was appointed to the Board as an Independent Non-Executive Director on 25 April 2008. He is also the Chairman of the Audit Committee and a member of the Remuneration Committee of the Company.

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

He started his career as a qualified assistant in PricewaterhouseCoopers in 1977 and joined Ericsson Telecommunications Sdn Bhd ("Ericsson") in 1985 as an accountant. He moved to a subsidiary company of Ericsson in 1988 as a manager cum company secretary and later moved to India to join Ericsson Telecommunications Pvt. Ltd as a general manager in finance and accounting in 1993. He then moved back to Malaysia and joined Perwira Ericsson Sdn Bhd in 1995 as a finance and accounts manager before joining Ericsson Academy (M) Sdn Bhd as Financial Controller cum



company secretary in 1996. Subsequently, he joined Ericsson Business Support Centre Sdn Bhd as Regional Business Controller from 2000 to 2002. He is currently the Head of Finance in the Kuala Lumpur Shared Service Centre of World Vision International, an NGO and a global IT support centre. He is a Fellow of the Malaysian Institute of Taxation, a member of the Malaysian Institute of Accountants.

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

DATO' DR MHD NORDIN BIN MOHD NOR

(Independent Non-Executive Director)

Dato' Dr Mhd Nordin Bin Mohd Nor, a Malaysian, aged 64, was appointed to the Board as an Independent Non-Executive Director on 25 April 2008. He is also the Chairman of the Nomination Committee and a member of the Audit Committee of the Company.

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

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

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

Save as disclosed above, Dato' Dr Mhd Nordin does not hold any directorship in other public companies.

Notes:

- 1) Family Relationship with Director and/or Substantial Shareholder
None of the Directors have any family relationship with any other director and/or substantial shareholder of the Company.
- 2) Conflict of Interest
None of the Directors have any conflict of interest with the Group.
- 3) Conviction for Offences
None of the Directors have been convicted for offences within the past ten (10) years, other than traffic offences, if any.
- 4) Attendance of Board Meetings

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

CHAIRMAN'S STATEMENT



Dear Valued Shareholders,

“ On behalf of the Board of Directors, I am pleased to present the Annual Report and Financial Statements of Sunzen Biotech Berhad for the financial year ended 31 December 2010. ”



FINANCIAL REVIEW

For the financial year ended 31 December 2010, the Group recorded an improvement in the financial results performance as follows:

- Group revenue of RM29.49 million
- Profit before tax of RM2.52 million
- Net earnings of RM2.15 million
- Basic earnings per share of 1.44 sen

The performance for the financial year ended 31 December 2010 was more favorable as compared to previous years mainly due to the continuous global financial crisis recovery that has taken place. Nevertheless, the pricing for the basic feeding ingredients of the poultry and livestock industries remained high due to persistent fluctuation of oil prices worldwide. However, the demand for animal health products in the livestock and poultry industries had been unexpectedly healthy and steady. The Group's revenue increased by 4.4% (2009: RM28.26 million), net earnings improved by 22.86% due to lower cost of major raw materials for manufactured products and tax saving arising from the 100% tax exemption of the statutory income of Sunzen Lifesciences Sdn Bhd for the BioNexus status awarded. Revenue contributed from domestic and overseas markets was 74% and 26% respectively. Key overseas markets included Iran, Singapore, Philippines and Vietnam.

CHAIRMAN'S STATEMENT (CONT'D)



OPERATIONS REVIEW

The Group has implemented various strategies to increase sales volume and profit margin. We have actively carried out technical seminars to strengthen branding of products, sponsoring key customers to participate in overseas technical seminars as well as in livestock exhibitions. We have also participated in overseas livestock exhibitions and conferences by presenting technical papers to promote our products in overseas markets. Our strategy of focusing on the emerging market of companion animal products had contributed positively to the results of the Group.

DIVIDEND

The Board of Directors is proposing a tax-exempt final dividend of 0.45 sen per share subject to approval of the shareholders at the forthcoming Annual General Meeting. The total dividend declared for the financial year ended 31 December 2010 including the earlier interim dividend of 0.6 sen per share paid on 13 January 2011, would be 1.05 sen per share. The lower dividend payout for this financial year ended 31 December 2010 was due to the additional funds required for working capital in light of development of new markets in overseas in particular.

LOOKING AHEAD

The financial year ending 31 December 2011 is expected to be brighter in view of the progressive improvement in the economic activities of the global markets. We will strive to deliver more innovative and quality products continuously, as well as to strengthen our brand equity as a reputable animal health supplier. We anticipate a better year for overseas markets including China, Middle East and other ASEAN countries in view of more allocation of resources and focus on the expansion of marketing networks in these markets by working closely with the distributors of the respective foreign regions.

In addition, we will also be looking into trademarks and patent rights applications with the relevant government and authorities to avoid any misuse or copy of our products as and when deemed expedient in new overseas markets. This would form part of the preliminary planning and preparation for exportation of products to the new overseas markets and hence, would enable the Group to sustain growth in sales as well as in profit margin in the future.

The Group will also be strengthening its marketing strategies in the companion animal market to increase our market share by launching new products supplied by our principal. One of the new products known as "Revolution", a parasitic medication for cat and dog which is currently a big seller in world market and nevertheless, the Group anticipate that these new products would help generate incremental sales to its future business.

In terms of new product development with the collaboration of USM (University Science of Malaysia), a TechnoFund Grant of RM1.155 million from Ministry of Agriculture has been allocated to Sunzen Feedtech Sdn Bhd for the purpose of conducting research on the use of organic acid compound in aquaculture. This is an exciting prospect for the Group as aquaculture is a sizable market in the industry.

The Group will continue to invest in human capital development and manufacturing facilities to achieve GMP (good manufacturing practice) status as required by new regulation of the relevant authority by year 2012. The Group will continue to exercise prudence in its management and good corporate governance.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to express our gratitude to the relevant government authorities and research institutions for their assistance and support.

The Board also wishes to thank all our valued shareholders, employees, customers, business associates, financiers and suppliers for their continuous support and confidence in the Group. Lastly, I would also like to extend my appreciation and thanks to my fellow members of the Board for their guidance and concerted effort during their stewardship in 2010.

Thank you.

Dr Tan Kim Sing
Chairman

AUDIT COMMITTEE REPORT

The Board is pleased to present the Audit Committee Report for the Financial Year Ended (“FYE”) 31 December 2010. The Audit Committee (“AC” or “the Committee”) met five (5) times during the year. The composition and details of the attendance of the AC members are set out as follows:

COMPOSITION OF THE AUDIT COMMITTEE

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

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

TERMS OF REFERENCE

The AC is governed by the following terms of reference:

1. Composition

The Committee shall be appointed from amongst the Board and shall comprise no fewer than three (3) members. All the audit committee members must be non-executive directors with a majority of whom shall be independent directors and at least one (1) member must be a member of the Malaysian Institute of Accountants or possess such other qualifications and/or experience as approved by the Bursa Securities.

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

2. Chairman

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

3. Secretary

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

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

4. Meetings

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

The Committee may call for a meeting as and when required with reasonable notice as the Committee Members deem fit. The Committee Members may participate in a meeting by means of conference telephone, conference videophone or any similar or other communications equipment by means of which all persons participating in the meeting can hear each other. Such participation in a meeting shall constitute presence in person at such meeting.

AUDIT COMMITTEE REPORT (CONT'D)

TERMS OF REFERENCE (Cont'd)

4. Meetings (Cont'd)

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

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

5. Rights

The AC shall:

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

6. Duties and responsibilities

The duties and responsibilities of the AC shall be:

- (a) To review with the external auditors on:
 - o the audit plan, its scope and nature;
 - o the audit report;
 - o the results of their evaluation of the accounting policies and systems of internal accounting controls within the Group; and
 - o the assistance given by the officers of the Company to external auditors, including any difficulties or disputes with Management encountered during the audit.
- (b) To review the adequacy of the scope, functions, competency, resources and set the standards of the internal audit function.
- (c) To provide assurance to the Board of Directors on the effectiveness of the system of internal control and risk management practices of the Group.
- (d) To review the internal audit programme and results of the internal audit, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function.
- (e) To review with Management:
 - o audit reports and management letters issued by the external auditors and the implementation of audit recommendations;
 - o interim financial information; and
 - o the assistance given by the officers of the Company to external auditors.
- (f) To monitor related party transactions entered into by the Company or the Group and to determine if such transactions are undertaken on an arm's length basis and normal commercial terms and on terms not more favourable to the related parties than those generally available to the public, and to ensure that the Directors report such transactions annually to shareholders via the annual report, and to review conflicts of interest that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of management integrity.

AUDIT COMMITTEE REPORT (CONT'D)

TERMS OF REFERENCE (Cont'd)

6. Duties and responsibilities (Cont'd)

- (g) To review the quarterly reports on consolidated results and annual financial statements prior to submission to the Board of Directors, focusing particularly on:
 - o changes in or implementation of major accounting policy and practices;
 - o significant and / or unusual matters arising from the audit;
 - o the going concern assumption;
 - o compliance with accounting standards and other legal requirements; and
 - o major areas.
- (h) To consider the appointment and / or re-appointment of the internal auditors and external auditors, the audit fee and any questions of resignation or dismissal including recommending the nomination of person or persons as auditors.

SUMMARY OF ACTIVITIES OF THE COMMITTEE

The activities undertaken by the AC during the FYE 31 December 2010 were as follows:

- (a) Reviewed and recommended the unaudited quarterly results of the Group to the Board of Directors for approval prior to release to Bursa Securities;
- (b) Reviewed with external auditors on their audit planning memorandum of the Group for the FYE 31 December 2010;
- (c) Reviewed with external auditors on the results and issues arising from their audit of the previous financial year statements and their resolutions of such issues highlighted in their report to the Committee;
- (d) Reviewed with the internal auditors on the results and issues arising from their internal audit review and recommendations;
- (e) Verified whether there is any related party transactions to ensure that they are fair and reasonable and are not detrimental to the minority shareholders and none was transacted during the year;
- (f) Met with the External Auditors without the presence of the Executive Directors and the Management; and
- (g) Updated and noted the disclosure requirements of Bursa Malaysia Securities Berhad and any other financial reporting standard requirements.

INTERNAL AUDIT FUNCTION

The internal audit function was outsourced to an external service provider firm, ACE Consulting Group Sdn Bhd ("ACE"), which was appointed on 24 February 2009.

During the year 2010, the following key areas of internal control system had been reviewed where control weaknesses in each category had been identified and rectified accordingly:

- (i) Reviewed and assessed the risk management and governance structure of the Group;
- (ii) Reviewed and appraised, the soundness, adequacy and application of accounting, financial, sales and marketing, production, human resource management, research and development and other key controls in implementing effective control in the Group;
- (iii) Ascertained the extent to which the Group's assets are safeguarded;
- (iv) Ascertained the level of compliance to the Group's policies and procedures; and
- (v) Recommend improvements to the existing system of risk management, internal control and governance.

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

CORPORATE GOVERNANCE STATEMENT

The Board of Directors (“Board”) of Sunzen Biotech Berhad (“the Group”) is committed in maintaining a high standard of corporate governance and upholding its fundamental duty to safeguard the Group’s assets as to enhance shareholders’ value and the financial performance of the Group.

Set out below is a statement on how the Group has applied the Principles of good governance and the extent to which it has complied with the best practices as recommended by the Malaysian Code on Corporate Governance (“the Code”).

BOARD OF DIRECTORS

Board Composition and Balance

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

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

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

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

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

Responsibility

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

Board Meetings

During the FYE 31 December 2010, the Board met five (5) times to discuss issues on the Group’s financial performance, significant investments, corporate development, strategy and business plan. The attendance record of each Director is as follows:-

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

CORPORATE GOVERNANCE STATEMENT (CONT'D)

Supply of Information

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

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

Directors' Training

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

Directors	Duration (Days)	Program	Training Provider
Dr Tan Kim Sing Dr Kok Poe Chu	1	Effective Debt Collection And Management	Worldwide Training Resources Sdn Bhd
Dr Teo Kim Lai Dr Fong Chan Seng	1	Blue Ocean Leadership For Strategic Growth	Worldwide Training Resources Sdn Bhd
	1	Blue Ocean Strategy	Worldwide Training Resources Sdn Bhd
Dr Tan Kim Sing	1	Module 6: Certificate in OSH Management- Essentials of Safety & Health in any Industry	Malaysian Biotechnology Corporation Sdn Bhd
Dr Kok Poe Chu	1	Workshop on PLCs Perspective: Guide to PR malaysia	Malaysian Investor Relations Association

Appointment and Re-election of Directors

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

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

Board Committees

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

Audit Committee

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

CORPORATE GOVERNANCE STATEMENT (CONT'D)

Nomination Committee

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

For the FYE 31 December 2010, the Nomination Committee had met once to assess the effectiveness of the Board and the contribution of each Director, including Independent Non-Executive Directors as well as the Managing Director.

Remuneration Committee

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

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

The Remuneration Committee met once during the FYE 31 December 2010 and the meeting was attended by all members.

DIRECTORS REMUNERATION

Details of the remuneration of Directors of the Company during the FYE 31 December 2010 are as follow:

Aggregate remuneration:

	Salaries And Bonus (RM)	EPF And SOCSO (RM)	Fees (RM)	Total (RM)
Executive Directors	1,055,754	158,982	3,000	1,217,736
Non-Executive Directors	-	-	63,000	63,000

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

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

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

SHAREHOLDERS

Shareholders and Investor Relations

The Company believes that an effective investor relationship is essential in enhancing value to its shareholders. To that end, the Board strives to provide shareholders and investors with accurate, useful and timely information about the Company, its businesses and its activities via the timely release of quarterly financial results, press releases and announcements. Whilst the Company endeavors to provide as much information as possible, it is aware of the legal and regulatory framework governing the release of material and price sensitive information.

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

CORPORATE GOVERNANCE STATEMENT (CONT'D)

Annual General Meeting (“AGM”)

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

ACCOUNTABILITY AND AUDIT

Financial Reporting

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

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

Internal Control

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

Relationship with External Auditors

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

Statement on Directors' Responsibilities

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

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

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

ADDITIONAL COMPLIANCE INFORMATION

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

1) Utilisation of Proceeds raised from Corporate Proposal

As at the financial year ended (“FYE”) 31 December 2010, the proceeds of RM8 million raised by the Company from its floatation exercise have been utilised as follows:-

Purpose	Proposed Utilisation RM'000	Actual Utilisation RM'000	Balance Unutilised RM'000
Research & Development	4,770	1,276	3,494
Overseas expansion	1,000	1,000	-
Working Capital	430	250	180
Estimated listing expenses	1,800	1,980	(180)*
	8,000	4,506	3,494

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

2) Share Buy-back

There were no shares buy-back or cancellation or resale of treasury shares for the FYE 31 December 2010.

3) Option, Warrants or Convertible Securities

There were no options, warrants and other convertible securities exercised for the FYE 31 December 2010.

4) Depository Receipts Programme

The Company did not sponsor any depository receipt programme for the FYE 31 December 2010.

5) Sanctions and/or Penalties Imposed

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or management by the relevant regulatory authorities for the FYE 31 December 2010.

6) Non-audit Fees

During the FYE December 2010, the non-audit fees paid to the external auditors or a firm or company affiliated to the auditors' firm by the Group was as follows:

Name	Amount RM	Purpose
Crowe Horwath KL Tax Sdn Bhd	10,650	Preparation of tax computation and filing of tax return.

7) Variation in Results

There were no significant variances between the Company's unaudited financial statements as previously announced and the audited financial statements for the FYE 31 December 2010.

8) Profit Guarantee

There were no profit guarantees given by the Company or its subsidiaries for the FYE 31 December 2010.

9) Material Contract involving Directors and Substantial Shareholders

There were no material contracts involving Directors and Substantial Shareholders entered into by the Company and its subsidiaries involving Directors and Substantial Shareholders' interests for the FYE 31 December 2010.

10) Revaluation of Landed Properties

The Group had adopted revaluation policy on landed properties for the FYE 31 December 2010.

11) Recurrent Related Party Transactions of a Revenue or Trading Nature

There were no recurrent related party transactions of revenue or trading nature for the FYE 31 December 2010.

12) Corporate Responsibilities (“CR”)

The Company recognizes the importance of being a responsible corporate citizen. A Family Day to Pulau Langkawi was organized for staffs and their family members during the financial year.

STATEMENT ON INTERNAL CONTROL

INTRODUCTION

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

RESPONSIBILITY

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

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

RISK MANAGEMENT

The Board and management implements a systematic and proactive significant risks identification on a quarterly basis or earlier as appropriate, particularly when there are any major changes in the nature of activities and /or operating environment, or venture into new operating environment which may entail different sets of risk profiles. The Group has put in place an appropriate risk response strategies and controls to mitigate or maintain such risks at a level acceptable to the Board.

INTERNAL AUDIT

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

The outsourced internal audit function adopts a risk-based approach in developing its audit plan which addresses the key risk areas. This audit plan is reviewed and approved by the Board and Audit Committee. Scheduled internal audits are to be conducted and reported to Audit Committee on areas for improvement and Internal Auditors will subsequently follow up to determine the extent of their recommendations that have been implemented by the Company.

Costs amounting to approximately RM47,250 were incurred for the outsourced internal audit function for the current financial year.

The external Auditors have reviewed this statement for the inclusion in the annual report for the financial year ended 31 December 2010 and have reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of internal control in place for the Group.

This statement was made in accordance with a resolution of the Board dated 28 April 2011.



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DIRECTORS' REPORT

The directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the businesses of biotechnology research and development, manufacturing and marketing of animal feed supplement products and investment holding. The principal activities of the subsidiaries are set out in Note 5 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	THE GROUP RM	THE COMPANY RM
Profit after taxation for the financial year	2,147,822	7,701

DIVIDENDS

The directors declared an interim tax-exempt dividend of approximately RM0.006 per ordinary share of RM0.10 each amounting to RM896,343 in respect of the current financial year. The said dividend was paid on 13 January 2011.

The directors now propose a final tax-exempt dividend of RM0.0045 per ordinary share of RM0.10 each amounting to RM672,257 in respect of the current financial year. The dividend is subject to approval by the shareholders at the forthcoming Annual General Meeting and has not been included as a liability in the financial statements.

RESERVES AND PROVISIONS

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

ISSUES OF SHARES AND DEBENTURES

During the financial year,

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

OPTIONS GRANTED OVER UNISSUED SHARES

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

BAD AND DOUBTFUL DEBTS

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

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

DIRECTORS' REPORT (CONT'D)

CURRENT ASSETS

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

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

The contingent liability is disclosed in Note 35 to the financial statements. At the date of this report, there does not exist:-

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

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

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

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

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

DIRECTORS

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

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

DIRECTORS' REPORT (CONT'D)

DIRECTORS' INTERESTS

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

	NUMBER OF ORDINARY SHARES OF RM0.10 EACH			
	AT 1.1.2010	BOUGHT	SOLD	AT 31.12.2010
TAN KIM SING	41,046,510	-	-	41,046,510
KOK POE CHU	18,992,510	25,000	-	19,017,510
TEO KIM LAI	15,586,860	12,200	(11,000)	15,588,060
FONG CHAN SENG	16,436,860	-	-	16,436,860
DATO' DR OMAR @ S. OMAR BIN ABDUL RAHMAN	80,000	-	-	80,000
S. GUNASEHARAN A/L P. SUBRAMANIAM	80,000	-	-	80,000
DATO' DR MHD NORDIN BIN MOHD NOR	80,000	-	-	80,000

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

DIRECTORS' BENEFITS

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

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

AUDITORS

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

**SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS
DATED 28 APRIL 2011**

Tan Kim Sing

Kok Poe Chu

STATEMENT BY DIRECTORS

We, Tan Kim Sing and Kok Poe Chu, being two of the directors of Sunzen Biotech Berhad, state that, in the opinion of the directors, the financial statements set out on pages 24 to 62 are drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 December 2010 and of their results and cash flows for the financial year ended on that date.

The supplementary information set out in Note 37, which is not part of the financial statements, is prepared in all material respects, in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

**SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS
DATED 28 APRIL 2011**

Tan Kim Sing

Kok Poe Chu

STATUTORY DECLARATION

I, Phang Tong Eng, being the officer primarily responsible for the financial management of Sunzen Biotech Berhad, do solemnly and sincerely declare that the financial statements set out on pages 24 to 62 are, to the best of my knowledge and belief, correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by
Phang Tong Eng, at Klang in the
state of Selangor Darul Ehsan
on this 28 April 2011

Phang Tong Eng

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SUNZEN BIOTECH BERHAD

Report on the Financial Statements

We have audited the financial statements of Sunzen Biotech Berhad, which comprise the statements of financial position as at 31 December 2010, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 24 to 62.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2010 and of their financial performance and cash flows for the financial year then ended.

Report on Other Legal and Regulatory Requirements

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

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

The supplementary information set out in Note 37 on page 63 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

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

Crowe Horwath
Firm No: AF 1018
Chartered Accountants

Kuala Lumpur
28 April 2011

Poon Yew Hoe
Approval No: 956/04/12 (J)
Chartered Accountant

STATEMENTS OF FINANCIAL POSITION

AT 31 DECEMBER 2010

	NOTE	THE GROUP		THE COMPANY	
		2010 RM	2009 RM	2010 RM	2009 RM
ASSETS					
NON-CURRENT ASSETS					
Investments in subsidiaries	5	-	-	10,997,548	10,497,550
Property, plant and equipment	6	15,348,577	9,534,051	461,361	542,702
Product development expenditure	7	1,008,704	1,436,480	-	-
Goodwill	8	57,958	57,958	-	-
Quoted investments	9	16,090	11,094	-	-
		<u>16,431,329</u>	<u>11,039,583</u>	<u>11,458,909</u>	<u>11,040,252</u>
CURRENT ASSETS					
Inventories	10	9,998,009	10,605,126	2,197,375	2,592,749
Trade receivables	11	6,128,842	7,454,838	2,528,996	3,172,473
Other receivables and deposits	12	357,035	174,317	17,746	15,493
Amount owing by subsidiaries	13	-	-	3,244,066	4,855,710
Tax refundable		81,498	718,347	222,944	469,998
Fixed deposits with licensed banks	14	4,862,154	5,248,922	3,511,797	3,040,345
Cash and bank balances with licensed banks and other financial institution		6,538,059	4,791,325	2,436,027	1,704,104
		<u>27,965,597</u>	<u>28,992,875</u>	<u>14,158,951</u>	<u>15,850,872</u>
TOTAL ASSETS		<u>44,396,926</u>	<u>40,032,458</u>	<u>25,617,860</u>	<u>26,891,124</u>

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

STATEMENTS OF FINANCIAL POSITION

AT 31 DECEMBER 2010 (CONT'D)

	NOTE	THE GROUP		THE COMPANY	
		2010 RM	2009 RM	2010 RM	2009 RM
EQUITY AND LIABILITIES					
EQUITY					
Share capital	15	14,939,050	14,939,050	14,939,050	14,939,050
Reserves	16	13,525,503	9,089,104	7,291,901	8,180,543
TOTAL EQUITY		28,464,553	24,028,154	22,230,951	23,119,593
NON-CURRENT LIABILITIES					
Long-term borrowings	17	5,211,767	3,949,830	-	-
Deferred taxation	18	522,845	452,492	34,472	35,492
		5,734,612	4,402,322	34,472	35,492
CURRENT LIABILITIES					
Trade payables	19	4,193,871	5,487,537	505,119	763,820
Other payables and accruals	20	2,406,060	2,472,680	1,562,975	1,716,219
Amount owing to directors	21	33,806	27,287	-	-
Short-term borrowings	22	2,667,681	3,614,478	388,000	1,256,000
Dividend payable		896,343	-	896,343	-
		10,197,761	11,601,982	3,352,437	3,736,039
TOTAL LIABILITIES		15,932,373	16,004,304	3,386,909	3,771,531
TOTAL EQUITY AND LIABILITIES		44,396,926	40,032,458	25,617,860	26,891,124
NET ASSETS PER SHARE	23	19.05 sen	16.08 sen		

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

STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

	NOTE	THE GROUP		THE COMPANY	
		2010 RM	2009 RM	2010 RM	2009 RM
REVENUE	24	29,491,522	28,255,504	11,952,129	13,978,214
COST OF SALES		(20,169,832)	(20,064,643)	(10,243,463)	(9,637,419)
GROSS PROFIT		9,321,690	8,190,861	1,708,666	4,340,795
OTHER INCOME		838,589	230,249	85,177	67,590
		10,160,279	8,421,110	1,793,843	4,408,385
MARKETING AND DISTRIBUTION EXPENSES		(3,256,255)	(3,025,651)	(1,219,622)	(2,175,169)
ADMINISTRATIVE EXPENSES		(2,138,940)	(2,068,384)	(231,764)	(247,624)
OTHER OPERATING EXPENSES		(1,801,680)	(1,031,017)	(245,353)	(286,629)
FINANCE EXPENSES		(445,526)	(416,828)	(43,366)	(57,513)
PROFIT BEFORE TAXATION	25	2,517,878	1,879,230	53,738	1,641,450
INCOME TAX EXPENSE	26	(370,056)	(126,024)	(46,037)	(120,709)
PROFIT AFTER TAXATION		2,147,822	1,753,206	7,701	1,520,741
OTHER COMPREHENSIVE INCOME	27	3,187,664	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		5,335,486	1,753,206	7,701	1,520,741
PROFIT AFTER TAXATION ATTRIBUTABLE TO OWNERS OF THE COMPANY		2,147,822	1,753,206	7,701	1,520,741
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO OWNERS OF THE COMPANY		5,335,486	1,753,206	7,701	1,520,741
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY: - Basic	28	1.4 sen	1.2 sen		

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

STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

THE GROUP	NOTE	NON-DISTRIBUTABLE				DISTRIBUTABLE		TOTAL EQUITY RM
		SHARE CAPITAL RM	SHARE PREMIUM RM	FAIR VALUE RESERVE RM	REVALUATION RESERVES RM	MERGER DEFICIT RM	RETAINED PROFITS RM	
Balance at 1.1.2009		14,939,050	3,520,345	-	-	(8,397,548)	14,005,787	24,067,634
Total comprehensive income for the financial year		-	-	-	-	-	1,753,206	1,753,206
Final tax-exempt dividend of RM0.012 per ordinary share of RM0.10 each in respect of the previous financial year		-	-	-	-	-	(1,792,686)	(1,792,686)
Balance at 31.12.2009/1.1.2010:		14,939,050	3,520,345	-	-	(8,397,548)	13,966,307	24,028,154
- as previously stated		-	-	(2,744)	-	-	-	(2,744)
- effects of adopting FRS 139	3(a)(iii)	-	-	(2,744)	-	-	-	(2,744)
- as restated		14,939,050	3,520,345	(2,744)	-	(8,397,548)	13,966,307	24,025,410
Total comprehensive income for the financial year		-	-	7,740	3,179,924	-	2,147,822	5,335,486
Realisation of revaluation reserve		-	-	-	(1,095)	-	1,095	-
Interim tax-exempt dividend of RM0.006 per ordinary share of RM0.10 each in respect of the current financial year		-	-	-	-	-	(896,343)	(896,343)
Balance at 31.12.2010		14,939,050	3,520,345	4,996	3,178,829	(8,397,548)	15,218,881	28,464,553

THE COMPANY	SHARE CAPITAL RM	SHARE PREMIUM RM	RETAINED PROFITS RM	TOTAL EQUITY RM
Balance at 1.1.2009	14,939,050	3,520,345	4,932,143	23,391,538
Total comprehensive income for the financial year	-	-	1,520,741	1,520,741
Final tax-exempt dividend of RM0.012 per ordinary share of RM0.10 each in respect of the previous financial year	-	-	(1,792,686)	(1,792,686)
Balance at 31.12.2009/1.1.2010	14,939,050	3,520,345	4,660,198	23,119,593
Total comprehensive income for the financial year	-	-	7,701	7,701
Interim tax-exempt dividend of RM0.006 per ordinary share of RM0.10 each in respect of the current financial year	-	-	(896,343)	(896,343)
Balance at 31.12.2010	14,939,050	3,520,345	3,771,556	22,230,951

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

	THE GROUP		THE COMPANY	
	2010 RM	2009 RM	2010 RM	2009 RM
CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES				
Profit before taxation	2,517,878	1,879,230	53,738	1,641,450
Adjustments for:-				
Amortisation of product development expenditure	248,687	176,086	-	-
Depreciation of property, plant and equipment	644,668	492,568	109,341	105,421
Interest expense	412,983	393,379	36,833	43,327
Inventories written off	508,471	-	-	-
Product development expenditure written off	179,089	-	-	-
Dividend income	(720)	-	-	-
Gain on disposal of plant and equipment	(32,238)	(2,397)	-	-
Interest income	(132,495)	(113,671)	(72,311)	(62,224)
Income from unit trust deposit with other financial institution	(70)	-	-	-
Unrealised gain on foreign exchange	(106,362)	-	-	-
Operating profit before working capital changes	4,239,891	2,825,195	127,601	1,727,974
Decrease in inventories	98,646	106,785	395,374	641,946
Decrease/(Increase) in trade and other receivables	1,295,065	(165,175)	641,224	161,508
(Decrease)/Increase in trade and other payables	(2,373,714)	1,819,869	(1,279,945)	89,437
CASH FROM/(FOR) OPERATIONS	3,259,888	4,586,674	(115,746)	2,620,865
Interest paid	(390,707)	(393,379)	(36,833)	(43,327)
Net tax refunded	154,408	304,304	199,997	103,649
NET CASH FROM OPERATING ACTIVITIES AND BALANCE CARRIED FORWARD	3,023,589	4,497,599	47,418	2,681,187

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONT'D)

NOTE	THE GROUP		THE COMPANY	
	2010 RM	2009 RM	2010 RM	2009 RM
BALANCE BROUGHT FORWARD	3,023,589	4,497,599	47,418	2,681,187
CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES				
Dividend received	720	-	-	-
Interest received	132,495	113,671	72,311	62,224
Income from unit trust deposit with other financial institution	70	-	-	-
Proceeds from disposal of plant and equipment	138,889	3,998	-	-
Purchase of property, plant and equipment	29 (3,065,089)	(665,550)	(28,000)	(492,826)
Product development expenditure incurred	-	(391,274)	-	-
Investment in a subsidiary	-	-	(499,998)	(99,996)
NET CASH FOR INVESTING ACTIVITIES	(2,792,915)	(939,155)	(455,687)	(530,598)
CASH FLOWS FROM/(FOR) FINANCING ACTIVITIES				
Net repayment from/ (advances to) subsidiaries	-	-	1,611,644	(983,425)
Advances from/(Repayment to) directors	6,522	(138,662)	-	(99,996)
Drawdown of term loans	5,557,883	-	-	-
Repayment of hire purchase obligations	(206,737)	(107,797)	-	-
Repayment of term loans	(4,228,376)	(466,086)	-	-
Dividend paid	-	(1,792,686)	-	(1,792,686)
NET CASH FROM/(FOR) FINANCING ACTIVITIES	1,129,292	(2,505,231)	1,611,644	(2,876,107)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	1,359,966	1,053,213	1,203,375	(725,518)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	10,040,247	8,987,034	4,744,449	5,469,967
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	30 11,400,213	10,040,247	5,947,824	4,744,449

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

1. GENERAL INFORMATION

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 28 April 2011.

2. PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of biotechnology research and development, manufacturing and marketing of animal feed supplement products and investment holding. The principal activities of the subsidiaries are set out in Note 5 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

3. BASIS OF PREPARATION

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

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

FRSs and IC Interpretations (including the Consequential Amendments)

FRS 4 Insurance Contracts

FRS 7 Financial Instruments: Disclosures

FRS 8 Operating Segments

FRS 101 (Revised) Presentation of Financial Statements

FRS 123 (Revised) Borrowing Costs

FRS 139 Financial Instruments: Recognition and Measurement

Amendments to FRS 1 and FRS 127: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate

Amendments to FRS 2: Vesting Conditions and Cancellations

Amendments to FRS 7, FRS 139 and IC Interpretation 9

Amendments to FRS 101 and FRS 132: Puttable Financial Instruments and Obligations Arising on Liquidation

Amendments to FRS 132: Classification of Rights Issues and the Transitional Provision in Relation to Compound Instruments

IC Interpretation 9 Reassessment of Embedded Derivatives

IC Interpretation 10 Interim Financial Reporting and Impairment

IC Interpretation 11: FRS 2 - Group and Treasury Share Transactions

IC Interpretation 13 Customer Loyalty Programmes

IC Interpretation 14: FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

Annual Improvements to FRSs (2009)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONT'D)

3. BASIS OF PREPARATION (CONT'D)

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

- (i) FRS 7 requires additional disclosures about the Group's financial instruments. Prior to 1 January 2010, information about financial statements was disclosed in accordance with the requirements of FRS 132 - Financial Instruments: Disclosures and Presentation. FRS 7 requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk.

The Group has applied FRS 7 prospectively in accordance with the transitional provisions. Accordingly, the new disclosures have not been applied to the comparatives and are included throughout the Group's financial statements for the current financial year.

- (ii) FRS 101 (Revised) introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present this statement as one single statement.

The revised standard also separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented in the statement of comprehensive income as other comprehensive income.

In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the classification of items in the statement.

FRS 101 (Revised) also requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. This new disclosure is made in Note 36(b) to the financial statements.

Comparative information has been re-presented so that it is in conformity with the requirements of this revised standard.

- (iii) The adoption of FRS 139 (including the consequential amendments) has resulted in several changes to accounting policies relating to recognition and measurements of financial instruments.

The financial impact to the financial statements is summarised as follows:-

	THE GROUP
	At 1.1.2010
	RM
Fair value reserve	
Fair value of non-current quoted shares	(aa) (2,744)

- (aa) Prior to 1 January 2010, investments in non-current quoted shares were stated at cost less allowance for diminution in value which is other than temporary. With the adoption of FRS 139, these quoted investments are designated as available-for-sale financial assets and are measured at their fair values at the end of each reporting period. The adjustment to the previous carrying amounts is recognised to the fair value reserve.

The Company has previously asserted explicitly that it regards financial guarantee contracts of banking facilities granted to its subsidiaries as insurance contracts and will apply FRS 4 to such financial guarantee contracts. Accordingly, the adoption of FRS 139 did not have any financial impact on the financial statements in respect of the financial guarantee contracts issued by the Company to its subsidiaries. These financial guarantee contracts issued are disclosed as contingent liabilities under Note 35 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONT'D)

3. BASIS OF PREPARATION (CONT'D)

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

FRSs and IC Interpretations (including the Consequential Amendments)	Effective date
FRS 1 (Revised) First-time Adoption of Financial Reporting Standards	1 July 2010
FRS 3 (Revised) Business Combinations	1 July 2010
FRS 124 (Revised) Related Party Disclosures	1 January 2012
FRS 127 (Revised) Consolidated and Separate Financial Statements	1 July 2010
Amendments to FRS 1 (Revised): Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters	1 January 2011
Amendments to FRS 1: Additional Exemptions for First-time Adopters	1 January 2011
Amendments to FRS 2: Scope of FRS 2 and Revised FRS 3 (2010)	1 July 2010
Amendments to FRS 2: Group Cash-settled Share-based Payment Transactions	1 January 2011
Amendments to FRS 5: Plan to Sell the Controlling Interest in a Subsidiary	1 July 2010
Amendments to FRS 7: Improving Disclosures about Financial Instruments	1 January 2011
Amendments to FRS 138: Consequential Amendments Arising from Revised FRS 3 (2010)	1 July 2010
Amendments to IC Interpretation 14: Prepayment of a Minimum Funding Requirement	1 July 2011
Amendments to IC Interpretation 9: Scope of IC Interpretation 9 and FRS 3 (Revised)	1 July 2010
IC Interpretation 4 Determining Whether An Arrangement Contains a Lease	1 January 2011
IC Interpretation 12 Service Concession Arrangements	1 July 2010
IC Interpretation 15 Agreements for the Construction of Real Estate	1 January 2012
IC Interpretation 16 Hedges of a Net Investment in a Foreign Operation	1 July 2010
IC Interpretation 17 Distributions of Non-cash Assets to Owners	1 July 2010
IC Interpretation 18 Transfers of Assets from Customers	1 January 2011
IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments	1 July 2011
Annual Improvements to FRSs (2010)	1 January 2011

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONT'D)

3. BASIS OF PREPARATION (CONT'D)

- (b) The above accounting standards and interpretations (including the consequential amendments) are not relevant to the Group's operations except as follows:-
- (i) FRS 3 (Revised) introduces significant changes to the accounting for business combinations, both at the acquisition date and post acquisition, and requires greater use of fair values. In addition, all transaction costs, other than share and debt issue costs, will be expensed as incurred. This revised standard will be applied prospectively and therefore there will not have any financial impact on the financial statements of the Group for the current financial year but may impact the accounting for future transactions or arrangements.
 - (ii) FRS 127 (Revised) requires accounting for changes in ownership interests by the group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The revised standard also requires all losses attributable to the minority interest to be absorbed by the minority interest instead of by the parent. The Group will apply the major changes of FRS 127 (Revised) prospectively and therefore there will be no financial impact on the financial statements of the Group for the current financial year but may impact the accounting for its future transactions or arrangements.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Critical Accounting Estimates And Judgements

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

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

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

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

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

(ii) *Income Taxes*

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

(iii) *Impairment of Non-financial Assets*

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(iv) *Amortisation of Product Development Expenditure*

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

(v) *Allowance for Inventories*

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

(vi) *Impairment of Trade and Other Receivables*

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

(vii) *Revaluation of Properties*

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

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

(viii) *Impairment of Available-for-sale Financial Assets*

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December 2010.

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

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

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

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

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

(c) Goodwill

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

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

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

(d) Investments in Subsidiaries

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

On the disposal of the investment in subsidiaries, the difference between the net disposal proceeds and its carrying amount of the investment is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Functional and Foreign Currencies

(i) Functional and Presentation Currency

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

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

(ii) Transactions and Balances

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss.

(iii) Foreign Operations

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

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

(f) Financial Instruments

Financial instruments are recognised in the statements of financial position when the Group has become a party to the contractual provisions of the instruments.

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

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

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

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

(i) Financial Assets

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Financial Instruments (Cont'd)

(i) Financial Assets (Cont'd)

- *Held-to-maturity Investments*

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

- *Loans and Receivables Financial Assets*

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

- *Available-for-sale Financial Assets*

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

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

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

(ii) Financial Liabilities

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

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

(iii) Equity Instruments

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

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

(g) Property, Plant and Equipment

Plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Property, Plant and Equipment (Cont'd)

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

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

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

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

An item of equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset is recognised in profit or loss.

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

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

(h) Impairment

(i) Impairment of Financial Assets

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Impairment (Cont'd)

(ii) Impairment of Non-Financial Assets

The carrying values of assets, other than those to which FRS 136 - Impairment of Assets does not apply, are reviewed at the end of each reporting period for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount of the assets is the higher of the assets' fair value less costs to sell and their value-in-use, which is measured by reference to discounted future cash flow.

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

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

(i) Assets under Hire Purchase

Assets acquired under hire purchase are capitalised in the financial statements and are depreciated in accordance with the policy set out in Note 4(g) above. Each hire purchase payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. Finance charges are recognised in profit or loss over the period of the respective hire purchase agreements.

(j) Product Development Expenditure

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

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

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

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

Amortisation is calculated under the straight-line method to write off product development expenditure over the remaining period of the product's estimated economic useful life from the date of the initial product launch. In the event that the expected future economic benefits are no longer probable of being recovered, the development expenditure is written down to its recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Inventories

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

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

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

(l) Income Taxes

Income taxes for the financial year comprise current and deferred tax.

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

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

Deferred tax liabilities are recognised for all taxable temporary differences other than those that arise from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of the reporting period.

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

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

(m) Cash and Cash Equivalents

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

(n) Employee Benefits

(i) Short-term Benefits

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

(ii) Defined Contribution Plans

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Related Parties

A party is related to an entity if:-

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

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

(p) Operating Segments

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

(q) Revenue Recognition

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

(i) Sale of Goods

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

(ii) Interest Income

Interest income are recognised on an accrual basis.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONT'D)

5. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2010 RM	2009 RM
Unquoted shares, at cost:-		
At 1 January	10,497,550	10,397,554
Additional investment in a subsidiary	499,998	99,996
At 31 December	10,997,548	10,497,550

Details of the subsidiaries are as follows:-

Name of Company	Country of Incorporation	Effective Equity Interest		Principal Activities
		2010 %	2009 %	
Sunzen Corporation Sdn. Bhd.	Malaysia	100	100	Biotechnology research and development, manufacturing and marketing of veterinary and animal health products.
Sunzen Lifesciences Sdn. Bhd.	Malaysia	100	100	R & D and commercialisation of in-feed anti bacterial products and supplements for animal health products.
Sunzen Feedtech Sdn. Bhd.	Malaysia	100	100	Investment holding, biotechnology research and development and trading of veterinary and animal health products.
PT. Sunzen Indonesia*	Indonesia	100	100	Wholesaling and trading of animal health care products.

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

6. PROPERTY, PLANT AND EQUIPMENT

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONT'D)

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

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

AS AT 31.12.2010	AT COST RM	AT VALUATION RM	ACCUMULATED DEPRECIATION RM	NET CARRYING AMOUNT RM
Freehold land	-	7,670,000	-	7,670,000
Factory buildings	-	3,796,638	(242,571)	3,554,067
Furniture, fittings and office equipment	941,420	-	(642,848)	298,572
Motor vehicles	966,190	-	(636,355)	329,835
Plant and machinery	1,332,943	-	(767,068)	565,875
Capital work-in-progress	2,930,228	-	-	2,930,228
Total	6,170,781	11,466,638	(2,288,842)	15,348,577

AS AT 31.12.2009

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONT'D)

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

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

AS AT 31.12.2010	COST RM	ACCUMULATED DEPRECIATION RM	NET CARRYING AMOUNT RM
Furniture, fittings and office equipment	22,988	(17,637)	5,351
Plant and machinery	720,712	(264,702)	456,010
Total	743,700	(282,339)	461,361

AS AT 31.12.2009

Furniture, fittings and office equipment	22,988	(10,821)	12,167
Plant and machinery	692,712	(162,177)	530,535
Total	715,700	(172,998)	542,702

Revaluation of freehold land and factory buildings

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

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

	THE GROUP	
	2010 RM	2009 RM
Factory buildings, at 31 December:-		
Cost	3,723,614	4,024,064
Accumulated depreciation	(241,111)	(178,656)
Net carrying amount	3,482,503	3,845,408

Assets held under hire purchase

Included in the plant and equipment of the Group at the end of the reporting period are motor vehicles with a total net carrying amount of RM279,430 (2009 - RM362,136) acquired under hire purchase terms.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONT'D)

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

Assets pledged as security

The freehold land and factory buildings of the Group have been pledged as security for banking facilities granted to the Group as disclosed in Note 22 to the financial statements are as follows:-

	THE GROUP	
	2010 RM	2009 RM
<u>At net carrying amount:-</u>		
Freehold land	7,670,000	4,380,362
Factory buildings	3,554,067	3,845,408

7. PRODUCT DEVELOPMENT EXPENDITURE

	THE GROUP	
	2010 RM	2009 RM
<u>Cost</u>		
At 1 January	2,357,572	1,966,298
Incurred during the financial year	-	391,274
Written off	(179,089)	-
At 31 December	2,178,483	2,357,572
<u>Accumulated amortisation</u>		
At 1 January	(921,092)	(745,006)
Addition during the financial year	(248,687)	(176,086)
At 31 December	(1,169,779)	(921,092)
Net carrying amount	1,008,704	1,436,480

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

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

Key assumptions used in value-in-use calculations

	THE GROUP	
	2010	2009
1. Discount rate	10%	10%
The discount rate is on a pre-tax basis that reflects current market assessment of time value of money and the risks specific to the CGU.		
2. Growth rate	15%	15%
This is based on the management forecasts after incorporating changes in pricing and direct costs based on past experience and the expectations of future changes in the market.		

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONT'D)

7. PRODUCT DEVELOPMENT EXPENDITURE (CONT'D)

Key assumptions used in value-in-use calculations (Cont'd)

	THE GROUP	
	2010	2009
3. Cash flow period	5 years	5 years
The cash flow projections are based on financial budgets approved by the management. The cash flow projections for the product development expenditure are based on the expected life cycle of the products respectively.		
4. Gross profit margin	32%	32%
Net cash projections for the relevant cash flow period are extrapolated based on past gross profit generated by the CGU divided by the gross revenue generated by the respective CGU.		

8. GOODWILL

	THE GROUP	
	2010 RM	2009 RM
Goodwill on acquisition of a subsidiary	57,958	57,958

The carrying amount of goodwill amounting to RM57,958 (2009 - RM57,958) is allocated to the cash-generating unit ("CGU").

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

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

9. QUOTED INVESTMENTS

	THE GROUP	
	2010 RM	2009 RM
Quoted shares in Malaysia:-		
At 1 January - as previously stated	11,094	11,094
Effects of adopting FRS 139	(2,744)	-
At 1 January - as restated	8,350	11,094
Recognised in other comprehensive income (Note 27)	7,740	-
At 31 December	16,090	11,094
At market value	16,090	8,350

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONT'D)

10. INVENTORIES

	THE GROUP		THE COMPANY	
	2010 RM	2009 RM	2010 RM	2009 RM
At cost:-				
Raw materials	1,946,885	1,635,556	1,341,045	1,565,275
Finished goods	7,618,529	8,505,419	566,671	588,455
Packing materials	432,595	464,151	289,659	439,019
	<u>9,998,009</u>	<u>10,605,126</u>	<u>2,197,375</u>	<u>2,592,749</u>

None of the inventories is carried at net realisable value.

11. TRADE RECEIVABLES

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

12. OTHER RECEIVABLES AND DEPOSITS

	THE GROUP		THE COMPANY	
	2010 RM	2009 RM	2010 RM	2009 RM
Other receivables	218,674	90,469	16,481	14,493
Deposits	138,361	83,848	1,265	1,000
	<u>357,035</u>	<u>174,317</u>	<u>17,746</u>	<u>15,493</u>

13. AMOUNT OWING BY SUBSIDIARIES

	THE COMPANY	
	2010 RM	2009 RM
Amount owing by - trade	8,365,863	13,346,295
Amount owing to - non-trade	(5,121,797)	(8,490,585)
	<u>3,244,066</u>	<u>4,855,710</u>

The trade balance is subject to the normal trade credit terms. The amount owing is to be settled in cash.

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

14. FIXED DEPOSITS WITH LICENSED BANKS

Included in fixed deposits with licensed banks of the Group is an amount of RM627,830 (2009 - RM1,987,942) which has been pledged as collateral to a licensed bank to secure banking facilities granted to the Group.

The interest rates and maturity period of the fixed deposits of the Group and of the Company at end of the reporting period were 2.0% - 2.9% (2009 - 2.0% to 2.1%) per annum and 1 month to 6 months (2009 - 1 month to 3 months) respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONT'D)

15. SHARE CAPITAL

	THE COMPANY			
	2010 NUMBER OF SHARES	2009	2010 RM	2009 RM
ORDINARY SHARES OF RM0.10 EACH:-				
AUTHORISED	250,000,000	250,000,000	25,000,000	25,000,000
ISSUED AND FULLY PAID-UP	149,390,500	149,390,500	14,939,050	14,939,050

16. RESERVES

(a) Share Premium

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

(b) Fair Value Reserve

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

(c) Revaluation Reserve

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

(d) Merger Deficit

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

(e) Retained Profits

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

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

17. LONG-TERM BORROWINGS

	THE GROUP	
	2010 RM	2009 RM
Hire purchase payables (Note 22)	208,649	284,440
Term loans (Note 22)	5,003,118	3,665,390
	<u>5,211,767</u>	<u>3,949,830</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONT'D)

18. DEFERRED TAXATION

	THE GROUP		THE COMPANY	
	2010 RM	2009 RM	2010 RM	2009 RM
At 1 January	452,492	424,000	35,492	11,000
Recognised in profit or loss (Note 26)	(112,385)	28,492	(1,020)	24,492
Recognised in equity	182,738	-	-	-
At 31 December	522,845	452,492	34,472	35,492

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

	THE GROUP		THE COMPANY	
	2010 RM	2009 RM	2010 RM	2009 RM
Product development expenditure	195,500	291,000	-	-
Accelerated capital allowances	144,972	161,492	34,472	35,492
Revaluation reserve	182,373	-	-	-
	522,845	452,492	34,472	35,492

19. TRADE PAYABLES

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

20. OTHER PAYABLES AND ACCRUALS

	THE GROUP		THE COMPANY	
	2010 RM	2009 RM	2010 RM	2009 RM
Other payables	1,948,323	1,882,219	1,425,981	1,454,942
Accruals	457,737	590,461	136,994	261,277
	2,406,060	2,472,680	1,562,975	1,716,219

21. AMOUNT OWING TO DIRECTORS

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

22. SHORT-TERM BORROWINGS

Short-term borrowings comprise the following:-

	THE GROUP		THE COMPANY	
	2010 RM	2009 RM	2010 RM	2009 RM
Bills payable	2,024,000	2,992,000	388,000	1,256,000
Hire purchase payables	115,308	108,160	-	-
Term loans	528,373	514,318	-	-
	2,667,681	3,614,478	388,000	1,256,000

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONT'D)

22. SHORT-TERM BORROWINGS (CONT'D)

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

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

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

	THE GROUP	
	2010 RM	2009 RM
Minimum hire purchase payments:		
- not later than one year	106,794	129,052
- later than one year and not later than five years	255,075	309,798
	361,869	438,850
Less: Future finance charges	37,912	46,250
	323,957	392,600
Current portion:		
- not later than one year	115,308	108,160
Non-current portion:		
- later than one year and not later than five years (Note 17)	208,649	284,440
	323,957	392,600
The term loans are repayable as follows:-		
Current portion:		
- not later than one year	528,373	514,318
Non-current portion:		
- later than one year and not later than 2 years	536,417	531,167
- later than 2 years and not later than 5 years	1,647,866	1,322,902
- more than 5 years	2,818,835	1,811,321
Total non-current portion (Note 17)	5,003,118	3,665,390
	5,531,491	4,179,708

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

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

23. NET ASSETS PER SHARE

The net assets per share of the Group is calculated based on the net assets value of RM28,464,553 (2009 - RM24,028,154) divided by the number of ordinary shares in issue at the end of the reporting period of 149,390,500 (2009 - 149,390,500).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONT'D)

24. REVENUE

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

25. PROFIT BEFORE TAXATION

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

	THE GROUP		THE COMPANY	
	2010 RM	2009 RM	2010 RM	2009 RM
Amortisation of product development expenditure	248,687	176,086	-	-
Audit fee	43,000	32,400	20,000	14,000
Depreciation of property, plant and equipment	644,668	492,568	109,341	105,421
Directors' remuneration:				
- fee	66,000	66,000	63,000	63,000
- other emoluments	1,214,736	1,150,677	-	-
Interest expense:				
- bank overdraft	20,846	125	-	-
- bills payable	100,881	94,104	36,833	29,987
- hire purchase	26,105	28,176	-	-
- letter of credit	-	13,340	-	13,340
- term loans	265,151	257,634	-	-
Inventories written off	508,471	-	-	-
Product development expenditure written off	179,089	-	-	-
Rental of office equipment	8,155	6,780	2,915	-
Rental of premises	30,311	-	45,600	45,600
Staff costs:				
- salaries, wages, bonuses and allowances	2,114,749	2,022,969	492,082	520,386
- defined contribution plan	346,406	320,828	68,464	65,863
Dividend income	(720)	-	-	-
Gain on disposal of plant and equipment	(32,238)	(2,397)	-	-
(Gain)/Loss on foreign exchange:				
- realised	(523,694)	(104,701)	12,866	(5,366)
- unrealised	(106,362)	-	-	-
Income from unit trust deposit with other financial institution	(70)	-	-	-
Interest income	(132,495)	(113,671)	(72,311)	(62,224)

26. INCOME TAX EXPENSE

	THE GROUP		THE COMPANY	
	2010 RM	2009 RM	2010 RM	2009 RM
Income tax:				
- for current financial year	462,027	182,000	33,081	130,000
- under/(over)provision in the previous financial year	20,414	(84,468)	13,976	(33,783)
	482,441	97,532	47,057	96,217
Deferred taxation (Note 18):				
- for current financial year	(106,020)	85,492	(1,020)	24,492
- overprovision in the previous financial year	(6,000)	(57,000)	-	-
- reversal of deferred tax liability arising from reevaluation reserve	(365)	-	-	-
	(112,385)	28,492	(1,020)	24,492
	370,056	126,024	46,037	120,709

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONT'D)

26. INCOME TAX EXPENSE (CONT'D)

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

	THE GROUP		THE COMPANY	
	2010 RM	2009 RM	2010 RM	2009 RM
Profit before taxation	2,517,878	1,879,230	53,738	1,641,450
Tax at the statutory tax rate of 25%	629,470	469,807	13,435	410,363
Tax effects of:-				
Non-deductible expenses	245,007	64,685	52,948	11,129
Tax exemption	(518,470)	(267,000)	(34,322)	(267,000)
Under/(Over)provision in the previous financial year:				
- income tax	20,414	(84,468)	13,976	(33,783)
- deferred taxation	(6,000)	(57,000)	-	-
Reversal of deferred tax liability arising from revaluation reserve	(365)	-	-	-
Income tax expense for the financial year	370,056	126,024	46,037	120,709

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

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

27. OTHER COMPREHENSIVE INCOME

	THE GROUP	
	2010 RM	2009 RM
Surplus on revaluation of property	3,362,662	-
Deferred taxation related to revaluation of property	(182,738)	-
Surplus on revaluation of property, net of tax	3,179,924	-
Fair value change of available-for-sale financial asset (Note 9)	7,740	-
	3,187,664	-

28. EARNINGS PER SHARE

The basic earnings per share for the financial year has been calculated by dividing the consolidated profit attributable to the owners of the Company of RM2,147,822 (2009 - RM1,753,206) over the weighted average number of ordinary shares in issue during the financial year of 149,390,500 (2009 - 149,390,500).

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONT'D)

29. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	THE GROUP		THE COMPANY	
	2010 RM	2009 RM	2010 RM	2009 RM
Cost of property, plant and equipment acquired	3,203,183	665,550	28,000	492,826
Amount financed through hire purchase	(138,094)	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Cash disbursed for purchase of property, plant and equipment	3,065,089	665,550	28,000	492,826
	<hr/>	<hr/>	<hr/>	<hr/>

30. CASH AND CASH EQUIVALENTS

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

	THE GROUP		THE COMPANY	
	2010 RM	2009 RM	2010 RM	2009 RM
Fixed deposits with licensed banks	4,862,154	5,248,922	3,511,797	3,040,345
Cash and bank balances with licensed banks and other financial institution	6,538,059	4,791,325	2,436,027	1,704,104
	<hr/>	<hr/>	<hr/>	<hr/>
	11,400,213	10,040,247	5,947,824	4,744,449
	<hr/>	<hr/>	<hr/>	<hr/>

31. DIRECTORS' REMUNERATION

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

THE GROUP 2010	NO. OF DIRECTORS	SALARIES AND BONUS RM	EPF & SOCSSO RM	FEE RM	TOTAL RM
Executive					
- Between RM250,001 and RM300,000	3	754,110	113,735	2,000	869,845
- Between RM300,001 and RM350,000	1	301,644	45,247	1,000	347,891
	4	1,055,754	158,982	3,000	1,217,736
Non-Executive					
- Less than or equal to RM50,000	3	-	-	63,000	63,000
	7	1,055,754	158,982	66,000	1,280,736
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONT'D)

31. DIRECTORS' REMUNERATION (CONT'D)

THE GROUP 2009	NO. OF DIRECTORS	SALARIES AND BONUS RM	EPF & SOCSO RM	FEE RM	TOTAL RM
Executive					
- Between RM250,001 and RM300,000	3	714,308	107,783	2,000	824,091
- Between RM300,001 and RM350,000	1	285,723	42,863	1,000	329,586
	4	1,000,031	150,646	3,000	1,153,677
Non-Executive					
- Less than or equal to RM50,000	3	-	-	63,000	63,000
	7	1,000,031	150,646	66,000	1,216,677
THE COMPANY 2010	NO. OF DIRECTORS	SALARIES AND BONUS RM	EPF & SOCSO RM	FEE RM	TOTAL RM
Non-Executive					
- Less than or equal to RM50,000	3	-	-	63,000	63,000
2009					
Non-Executive					
- Less than or equal to RM50,000	3	-	-	63,000	63,000

32. SIGNIFICANT RELATED PARTY DISCLOSURES

(a) Identities of related parties

The Company has related party relationships with:-

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

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

	THE COMPANY	
	2010 RM	2009 RM
Sales to subsidiaries	1,137,091	1,710,438
Handling cost charged by a subsidiary	193,865	690,487
Purchases from subsidiaries	5,973,156	610,759
Rental paid to a subsidiary	45,600	45,600
Share of overhead recovery from a subsidiary	515,068	1,118,257

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONT'D)

32. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D)

	THE GROUP		THE COMPANY	
	2010 RM	2009 RM	2010 RM	2009 RM
Key management personnel compensation: - short-term employee benefits	1,280,736	1,216,677	63,000	63,000

33. FOREIGN CURRENCY RATES

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

	THE GROUP AND THE COMPANY	
	2010 RM	2009 RM
Indonesia Rupiah	0.0003	0.0004
Singapore Dollar	2.39	2.44
United States Dollar	3.08	3.43
Philippines Peso	0.0705	0.0742

34. OPERATING SEGMENTS

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

35. CONTINGENT LIABILITY

	THE COMPANY	
	2010 RM	2009 RM
Unsecured: Corporate guarantee given to banks in respect of banking facilities extended to a subsidiary	17,131,000	-

36. FINANCIAL INSTRUMENTS

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

(a) Financial Risk Management Policies

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

(i) Market Risks

(i) Foreign Currency Risk

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONT'D)

36. FINANCIAL INSTRUMENTS (CONT'D)

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

(i) Market Risks (Cont'd)

(i) Foreign Currency Risk (Cont'd)

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

THE GROUP 2010	Singapore Dollar RM	United States Dollar RM	Indonesia Rupiah RM	Total RM
Financial assets				
Trade receivables	-	451,224	-	451,224
Other receivables and deposits	-	160,860	-	160,860
Cash and bank balances	127,834	1,589,186	314,901	2,031,921
	127,834	2,201,270	314,901	2,644,005
Financial liabilities				
Trade payables	-	3,080,376	-	3,080,376
THE GROUP 2009				
Financial assets				
Trade receivables	-	1,493,250	-	1,493,250
Cash and bank balances	132,431	1,294,280	-	1,426,711
	132,431	2,787,530	-	2,919,961
Financial liabilities				
Trade payables	-	4,019,546	-	4,019,546
THE COMPANY 2010				
Financial assets				
Trade receivables	-	105,400	-	105,400
Cash and bank balances	72,476	829,994	-	902,470
	72,476	935,394	-	1,007,870
THE COMPANY 2009				
Financial assets				
Trade receivables	-	933,575	-	933,575
Cash and bank balances	75,399	475,143	-	550,542
	75,399	1,408,718	-	1,484,117

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONT'D)

36. FINANCIAL INSTRUMENTS (CONT'D)

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

(i) Market Risks (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign currency risk sensitivity analysis

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

	THE GROUP 2010 Increase/ (Decrease) RM
Effects on profit after taxation	
Singapore Dollar:	
- strengthened by 5%	6,504
- weakened by 5%	(6,504)
United States Dollar:	
- strengthened by 5%	257,527
- weakened by 5%	(257,527)
Effects on equity	
Singapore Dollar:	
- strengthened by 5%	6,504
- weakened by 5%	(6,504)
United States Dollar:	
- strengthened by 5%	257,527
- weakened by 5%	(257,527)

(ii) Interest Rate Risk

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

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

Interest rate risk sensitivity analysis

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

	THE GROUP 2010 Increase/ (Decrease) RM
Effects on profit after taxation	
Increase of 100 basis points (bp)	(78,794)
Decrease of 100 bp	78,794
Effects on equity	
Increase of 100 bp	(78,794)
Decrease of 100 bp	78,794

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONT'D)

36. FINANCIAL INSTRUMENTS (CONT'D)

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

(i) Market Risks (Cont'd)

(iii) Equity Price Risk

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

(ii) Credit Risk

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

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

Credit risk concentration profile

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

Exposure to credit risk

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

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

	THE GROUP		THE COMPANY	
	2010 RM	2009 RM	2010 RM	2009 RM
China	105,400	-	105,400	-
Hong Kong	6,624	79,545	-	72,500
Iran	-	861,075	-	861,075
Malaysia	5,677,618	5,961,588	2,423,596	2,238,898
Philippines	-	103,154	-	-
Singapore	76,228	91,529	-	-
Thailand	87,458	199,714	-	-
Vietnam	175,514	158,233	-	-
	<u>6,128,842</u>	<u>7,454,838</u>	<u>2,528,996</u>	<u>3,172,473</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONT'D)

36. FINANCIAL INSTRUMENTS (CONT'D)

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

(ii) Credit Risk (Cont'd)

Ageing analysis

The ageing analysis of the Group's trade receivables as at 31 December 2010 is as follows:-

	THE GROUP CARRYING AMOUNT RM
Not past due	2,480,313
Past due:	
- less than 3 months	2,415,678
- 3 to 6 months	1,130,812
- over 6 months	102,039
	<hr/> 6,128,842 <hr/>

Trade receivables that are past due but not impaired

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

Trade receivables that are neither past due nor impaired

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

(iii) Liquidity Risk

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

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

THE GROUP 2010	WEIGHTED AVERAGE EFFECTIVE RATE %	CARRYING AMOUNT RM	CONTRACTUAL UNDISCOUNTED CASH FLOWS RM	WITHIN 1 YEAR RM	1 - 5 YEARS RM	MORE THAN 5 YEARS RM
Trade payables	-	4,193,871	4,193,871	4,193,871	-	-
Other payables and accruals	-	2,406,060	2,406,060	2,406,060	-	-
Bills payable	2.91	2,024,000	2,024,000	2,024,000	-	-
Hire purchase payables	4.94	323,957	361,869	106,794	255,075	-
Term loans	4.95	5,531,491	8,266,851	801,909	3,278,427	4,186,515
Dividend payable	-	896,343	896,343	896,343	-	-
Amount owing to directors	-	33,806	33,806	33,806	-	-
		<hr/> 15,409,528	18,182,800	10,462,783	3,533,502	4,186,515

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONT'D)

36. FINANCIAL INSTRUMENTS (CONT'D)

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

(iii) Liquidity Risk (Cont'd)

THE GROUP 2009	WEIGHTED AVERAGE EFFECTIVE RATE %	CARRYING AMOUNT RM	CONTRACTUAL UNDISCOUNTED CASH FLOWS RM	WITHIN 1 YEAR RM	1 - 5 YEARS RM	MORE THAN 5 YEARS RM
Trade payables	-	5,487,537	5,487,537	5,487,537	-	-
Other payables and accruals	-	2,472,680	2,472,680	2,472,680	-	-
Bills payable	3.64	2,992,000	2,992,000	2,992,000	-	-
Hire purchase payables	4.94	392,600	438,850	129,052	309,798	-
Term loans	6.35	4,179,708	6,831,848	779,532	2,914,425	3,137,891
Amount owing to directors	-	27,287	27,287	27,287	-	-
		15,551,812	18,250,202	11,888,088	3,224,223	3,137,891
THE COMPANY 2010						
Trade payables	-	505,119	505,119	505,119	-	-
Other payables and accruals	-	1,562,975	1,562,975	1,562,975	-	-
Bills payable	2.74	388,000	388,000	388,000	-	-
Dividend payable	-	896,343	896,343	896,343	-	-
		3,352,437	3,352,437	3,352,437	-	-
2009						
Trade payables	-	763,820	763,820	763,820	-	-
Other payables and accruals	-	1,716,219	1,716,219	1,716,219	-	-
Bills payable	3.64	1,256,000	1,256,000	1,256,000	-	-
		3,736,039	3,736,039	3,736,039	-	-

(b) Capital Risk Management

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONT'D)

36. FINANCIAL INSTRUMENTS (CONT'D)

(b) Capital Risk Management (Cont'd)

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

	THE GROUP	
	2010 RM	2009 RM
Hire purchase payables	323,957	392,600
Term loans	5,531,491	4,179,708
Trade payables	4,193,871	5,487,537
Other payables and accruals	2,406,060	2,472,680
Bills payable	2,024,000	2,992,000
	14,479,379	15,524,525
Less: Fixed deposits with licensed banks	(4,862,154)	(5,248,922)
Less : Cash and bank balances	(6,538,059)	(4,791,325)
	3,079,166	5,484,278
Net debt	3,079,166	5,484,278
Total equity	28,464,553	24,028,154
Debt to equity ratio	0.11	0.23

(c) Classification of Financial Instruments

	THE GROUP 2010 RM	THE COMPANY 2010 RM
Financial Assets		
<u>Loans and receivables financial assets</u>		
Trade receivables	6,128,842	2,528,996
Other receivables and deposits	357,035	17,746
Amount owing by subsidiaries	-	3,244,066
Fixed deposits with licensed banks	4,862,154	3,511,797
Cash and bank balances with licensed banks and other financial institution	6,538,059	2,436,027
	17,886,090	11,738,632
<u>Available-for-sale financial assets</u>		
Other investment	16,090	-
	16,090	-
Financial Liabilities		
<u>Other financial liabilities</u>		
Trade payables	4,193,871	505,119
Other payables and accruals	2,406,060	1,562,975
Bills payable	2,024,000	388,000
Hire purchase payables	323,957	-
Term loans	5,531,491	-
Dividend payable	896,343	896,343
Amount owing to directors	33,806	-
	15,409,528	3,352,437

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONT'D)

36. FINANCIAL INSTRUMENTS (CONT'D)

(d) Fair Values Of Financial Instruments

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

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

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

SUPPLEMENTARY INFORMATION

37. DISCLOSURE OF REALISED AND UNREALISED PROFIT/(LOSSES)

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

	THE GROUP 2010 RM	THE COMPANY 2010 RM
Total retained profits:		
- realised	15,635,364	3,806,028
- unrealised	(416,483)	(34,472)
At 31 December	<u>15,218,881</u>	<u>3,771,556</u>

LIST OF PROPERTIES

Location	Description	Date of Acquisition (A)/ Revaluation (R)	Gross Land Area (L) / Build-Up Area (B)	Tenure	Age of Buildings (years)	Net Carrying Amount As At 31.12.2010 (RM)
Sunzen Corporation Sdn Bhd	3 storey office cum factory building held under H.S.(D) 54897,	17.01.2002 (A)	47,000 sq ft (L)	Freehold	4 years	6,133,359
No. 11, Jalan Anggerik Mokara 31/47, Kota Kemuning, 40460 Shah Alam Selangor	P.T No. 56300, Mukim & Daerah Klang, Negeri Selangor	28.07.2010 (R)	30,830 sq ft (B)			
Sunzen Corporation Sdn Bhd	1½ semi-detached storey factory held under H.S.(D) 55014,	27.09.2005 (A)	15,839 sq ft (L)	Freehold	12 years	1,690,708
No. 16, Jalan Anggerik Mokara 31/61, Kota Kemuning, 40460 Shah Alam Selangor	P.T No. 56433, Mukim & Daerah Klang, Negeri Selangor	28.07.2010 (R)	5,120 sq ft (B)			
Sunzen Corporation Sdn Bhd	3 storey factory building held under H.S.(D) 54898	03.04.2006 (A)	46,000 sq ft (L)	Freehold	Less than 1 year	6,330,228
No. 13, Jalan Anggerik Mokara 31/47, Kota Kemuning, 40460 Shah Alam Selangor	P.T No. 56301, Mukim & Daerah Klang, Negeri Selangor	28.07.2010 (R)	32,294 sq ft (B)			

ANALYSIS OF SHAREHOLDINGS AS AT 21 APRIL 2011

SHAREHOLDINGS STRUCTURE

Authorised Capital	: RM25,000,000.00 divided into 250,000,000 Ordinary Shares of RM0.10 each
Issued and fully paid up capital	: RM14,939,050.00 divided into 149,390,500 Ordinary Shares of RM0.10 each
Class of shares	: Ordinary Shares of RM0.10 each
Voting Rights	: Every member of the Company, present in person or by proxy or attorney or authorised representative, shall have on a show of hands, one (1) vote or on a poll, one (1) vote for each share held

Size of shareholdings	No. of shareholders	%	No. of shareholdings	%
1 - 99	2	0.00	100	0.00
100 -1,000	884	0.16	232,100	0.16
1,001 -10,000	181	0.75	1,113,000	0.79
10,001 - 100,000	184	5.86	8,649,500	6.69
100,001 – 7,469,524	54	33.44	49,951,245	32.57
7,469,525* and above	5	59.81	89,344,555	59.81
TOTAL	1,310	100.00	149,390,500	100.00

Note:

* 5% and above of issued shares

THIRTY LARGEST SHAREHOLDERS FOR ORDINARY SHARES OF RM0.10 EACH

No.	Name	No. of Shares Held	%
1	Tan Kim Sing	41,046,510	27.48
2	Fong Chan Seng	16,436,860	11.00
3	Kok Poe Chu	15,405,895	10.31
4	Teo Kim Lai	8,636,860	5.78
5	Heng Teik Teow	7,818,430	5.23
6	Tan Choon Shong	5,748,430	3.85
7	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Teo Kim Lai	4,801,200	3.21
8	Cheong Yit Cheng	3,909,090	2.62
9	Ha Chan Kuan	3,909,090	2.62
10	Tan Sok Ing	3,909,090	2.62
11	Chin Kok Tian	2,515,000	1.68
12	Business Harvest Sdn Bhd	2,197,000	1.47
13	HLG Nominee (Tempatan) Sdn Bhd Pledged Securities Account for Kok Poe Chu	2,111,615	1.41
14	Wong Choi Lian	2,052,780	1.37
15	Mayban Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Teo Kim Lai	1,950,000	1.31
16	Tan Siew Gek	1,500,500	1.00
17	Mayban Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Kok Poe Chu	1,500,000	1.00

ANALYSIS OF SHAREHOLDINGS AS AT 21 APRIL 2011 (CONT'D)

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

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

LIST OF SUBSTANTIAL SHAREHOLDERS

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

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

LIST OF DIRECTORS' SHAREHOLDINGS

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

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

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Sixth Annual General Meeting (“AGM”) of **Sunzen Biotech Berhad** (“Sunzen Biotech” or “Company”) will be held at Holiday Villa , Ivory 12, No. 9, Jalan SS12/1, Subang Jaya, 47500 Petaling Jaya, Selangor Darul Ehsan on Thursday, 16 June 2011 at 11.00 a.m., for the purpose of considering the following businesses:-

AGENDA

Ordinary Business

1. To lay the Audited Financial Statements for the financial year ended 31 December 2010 together with the Reports of the Directors and the Auditors thereon. **Refer to Explanatory Note A**
2. To declare a tax-exempt final dividend of 0.45 sen per ordinary share of RM0.10 each in Sunzen Biotech for the financial year ended 31 December 2010. **Ordinary Resolution 1**
3. To approve the payment of Directors’ fees of RM63,000.00 for the financial year ended 31 December 2010 **Ordinary Resolution 2**
4. To approve the payment of Directors’ fees of RM66,600.00 for the financial year ending 31 December 2011 and thereafter unless resolved otherwise. **Ordinary Resolution 3**
5. To re-elect the following Directors who are retiring pursuant to Article 69 of the Company’s Articles of Association, and being eligible, offering themselves for re-election:
 - (i) Dato’ Dr Mhd Nordin Bin Mohd Nor **Ordinary Resolution 4**
 - (ii) Dr Fong Chan Seng **Ordinary Resolution 5**
 - (iii) Professor Dato’ Dr. Omar @ S. Omar Bin Abdul Rahman **Ordinary Resolution 6**
6. To re-appoint Messrs. Crowe Horwath as Auditors of the Company and to authorise the Directors to fix their remuneration. **Ordinary Resolution 7**

Special Business

To consider and if thought fit, to pass the following resolution with or without modification:

7. Authority to Issue Shares Pursuant to Section 132D of the Companies Act, 1965

“THAT subject to Section 132D of the Companies Act, 1965 and approvals of the relevant governmental / regulatory authorities, the Directors be and are hereby empowered to issue shares in the Company, at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued does not exceed 10% of the total issued capital of the Company at the time of issue.”

Ordinary Resolution 8

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS HEREBY GIVEN THAT subject to the approval of the shareholders at the Sixth AGM of the Company, a tax-exempt final dividend of 0.45 sen per ordinary share for the financial year ended 31 December 2010 will be paid on 14 July 2011 to Depositors whose names appear in the Record of Depositors on 30 June 2011.

A Depositor shall qualify for entitlement to the dividends only in respect of:

- (a) Securities transferred into the Depositor’s Securities Account before 4.00 p.m. on 30 June 2011 in respect of transfers; and
- (b) Securities bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

BY ORDER OF THE BOARD

LIM MING TOONG (MAICSA 7000281)
NG LAI YEE (MAICSA 7031768)
Company Secretaries

Kuala Lumpur
Dated this 25th day of May 2011

Notes:

1. Every member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote for him / her but his / her attendance will automatically revoke the proxy's authority. A proxy may but need not be a member of the Company. If the proxy is not a member, the proxy need not be an advocate, an approved company auditor or a person approved by the Registrar of Companies.
2. A member may appoint up to two (2) proxies to attend and vote at the meeting. If a member appoints more than one (1) proxy, the appointments shall be invalid unless he / she specifies the proportions of his / her holding to be represented by each proxy.
3. The instrument appointing a proxy shall be in writing, executed by or on behalf 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.
4. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 10th Floor Menara Hap Seng, No. 1 & 3, Jalan P. Ramlee, 50250 Kuala Lumpur at least forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.

EXPLANATORY NOTE A

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

EXPLANATORY NOTES ON SPECIAL BUSINESS

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

The proposed Ordinary Resolution 8, if passed, will empower the Directors of the Company to issue shares up to ten percentum (10%) of the total issued share capital of the Company at the time of such issuance of shares and for such purposes as they consider would be in the best interest of the Company without having to convene separate general meetings.

The purpose of this general mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to placement of shares, funding future investment project(s), working capital and/or acquisitions.

This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company. No shares had been issued by the Company since obtaining the said authority from its shareholders at the last Annual General Meeting held on 24 June 2010.

STATEMENT ACCOMPANYING NOTICE OF AGM

Further details of the Directors standing for re-election are set out in the Directors' Profile appearing on pages 4 to 6 of the Annual Report.

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

I/We

of

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

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

or failing him / her, *THE CHAIRMAN OF THE MEETING, as my / our proxy / proxies, to vote for me / us on my / our behalf at the Sixth Annual General Meeting of the Company to be held at Holiday Villa, Ivory 12, No.9, Jalan SS12/1, Subang Jaya, 47500 Petaling Jaya, Selangor Darul Ehsan on Thursday, 16 June 2011 at 11.00 a.m. and at any adjournment thereof.

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

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

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

Ordinary Resolutions		For	Against
	Ordinary Business		
1.	Declaration of a tax-exempt final dividend of 0.45 sen per ordinary share		
2.	Approval of Directors' Fees of RM63,000.00 for the financial year ended 31 December 2010		
3.	Approval of Directors' Fees of RM66,600.00 for the financial year ending 31 December 2011		
4.	Re-election of the following directors pursuant to Article 69 of the Company's Articles of Association:		
	(i) Dato' Dr Mhd Nordin Bin Mohd Nor		
	(ii) Dr Fong Chan Seng		
	(iii) Professor Dato' Dr. Omar @ S. Omar Bin Abdul Rahman		
5.	Re-appointment of Messrs Crowe Horwath as Auditors		
	Special Business		
6.	Authority to Issue Shares Pursuant to Section 132D of the Companies Act, 1965		

* Delete if not applicable.

.....
Signature/Common Seal of Shareholder

Signed this day of 2011

Notes:

- Every member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote for him / her but his / her attendance will automatically revoke the proxy's authority. A proxy may but need not be a member of the Company. If the proxy is not a member, the proxy need not be an advocate, an approved company auditor or a person approved by the Registrar of Companies.
- A member may appoint up to two (2) proxies to attend and vote at the meeting. If a member appoints more than one (1) proxy, the appointments shall be invalid unless he / she specifies the proportions of his / her holding to be represented by each proxy.
- The instrument appointing a proxy shall be in writing, executed by or on behalf 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.
- The instrument appointing a proxy must be deposited at the Registered Office of the Company at 10th Floor Menara Hap Seng, No. 1 & 3, Jalan P. Ramlee, 50250 Kuala Lumpur at least forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.

FOLD THIS FLAP FOR SEALING

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**Affix
stamp**

The Company Secretaries

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

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