

All abbreviations used herein shall have the same meaning as those defined in the "Definitions" page of this Abridged Prospectus ("AP") unless stated otherwise.

THIS AP IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

If you have sold or transferred all your Shares in Saudee, you should at once hand this AP together with the NPA and the RSF (collectively referred to as "Documents") to the agent/broker through whom you effected the sale/transfer for onward transmission to the purchaser/transferee. All enquiries concerning the Two-Call Rights Issue, which is the subject of this AP should be addressed to our Share Registrar, Securities Services (Holdings) Sdn Bhd at Level 7, Menara Milenium, Jalan Damanela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur.

The Documents relating to the Two-Call Rights Issue are only despatched to our Entitled Shareholders whose names appear in our Record of Depositors as at 5.00 p.m. on 9 March 2016 who have registered address in Malaysia or who have provided our Share Registrar with an address in Malaysia in writing on or before 5.00 p.m. on 9 March 2016. The Documents are not intended to be (and will not be) issued, circulated or distributed, and the Two-Call Rights Issue will not be made or offered or deemed to be made or offered in any countries or jurisdictions other than Malaysia. Persons receiving the Documents (including without limitation, custodians, nominees and trustees), must not, in connection with the Two-Call Rights Issue distribute or send the Documents outside of Malaysia. No action has been or will be taken to ensure that the Two-Call Rights Issue and the Documents comply with the laws of any countries or jurisdictions other than the laws of Malaysia. The Two-Call Rights Issue to which the Documents relate is only available to persons receiving the Documents within Malaysia. The Documents do not constitute an offer, solicitation or invitation to subscribe for the Two-Call Rights Issue in any jurisdictions other than Malaysia or to any person to whom it may be unlawful to make such an offer, solicitation or invitation. It shall be the sole responsibility of the Entitled Shareholders and/or their renouncee(s)/transferee(s) (if applicable) who are residing in countries or jurisdictions other than Malaysia to immediately consult their legal advisers and other professional adviser as to whether the acceptance or renunciation (as the case may be) of their entitlements to the Two-Call Rights Issue would result in the contravention of any law of such countries or jurisdictions. Such Entitled Shareholders and/or their renouncee(s)/transferee(s) (if applicable) should also note the additional terms and restrictions as set out in Section 10 of this AP. Our Company, Affin Hwang IB and other experts shall not be responsible or liable howsoever in the event that any acceptance or sale/renunciation (as the case may be) made by the Entitled Shareholders and/or their renouncee(s)/transferee(s) (if applicable) is or shall become illegal, unenforceable, voidable or void in any countries or jurisdictions in which the Entitled Shareholders and/or their renouncee(s)/transferee(s) (if applicable) is a resident.

A copy of this AP has been registered with the SC. The registration of this AP should not be taken to indicate that the SC recommends the Two-Call Rights Issue or assumes responsibility for the correctness of any statement made or opinion or report expressed in this AP. The SC has not, in any way, considered the merits of the securities being offered for investment. A copy of the AP together with the NPA and RSF, have also been lodged with the Registrar of Companies who takes no responsibility for their contents.

Approval for the Two-Call Rights Issue has been obtained from our shareholders at the EGM held on 28 January 2016. Approval has also been obtained from Bursa Securities vide its letter dated 18 December 2015 for amongst others, the admission of the Warrants to the Official List of Bursa Securities and the listing of and quotation for the Rights Shares, Warrants and the new Saudee Shares to be issued pursuant to the exercise of the Warrants on the Main Market of Bursa Securities. However, this is not an indication that Bursa Securities recommends the Two-Call Rights Issue, and is in no way reflective of the merits of the Two-Call Rights Issue. The admission of the Warrants to the Official List of Bursa Securities and listing of and quotation for the Rights Shares, Warrants and the new Saudee Shares to be issued pursuant to the exercise of the Warrants on the Main Market of Bursa Securities will commence after, amongst others, receipt of confirmation from Bursa Depository that all the CDS Accounts of the Entitled Shareholders and/or their renouncee(s)/transferee(s) (if applicable) have been duly credited and notices of allotment have been despatched to them.

Our Board has seen and approved all the documentation relating to the Two-Call Rights Issue. They collectively and individually accept full responsibility for the accuracy of the information given and confirm that, after having made all reasonable inquiries, and to the best of their knowledge and belief, there are no false or misleading statements or other facts which, if omitted, would make the statements in the Documents false or misleading.

Affin Hwang IB, being the Principal Adviser for the Two-Call Rights Issue, acknowledges that, based on all available information, and to the best of its knowledge and belief, this AP constitutes a full and true disclosure of all material facts concerning the Two-Call Rights Issue.

FOR INFORMATION CONCERNING CERTAIN RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, SEE "RISK FACTORS" AS SET OUT IN SECTION 6 OF THIS AP.



SAUDEE
Group Berhad

SAUDEE GROUP BERHAD

(Company No. 838172-P)

(Incorporated in Malaysia under the Companies Act, 1965)

RENOUNCEABLE TWO-CALL RIGHTS ISSUE OF UP TO 30,000,000 NEW ORDINARY SHARES OF RM0.50 EACH IN SAUDEE ("SAUDEE SHARE(S)" OR "SHARE(S)") ("RIGHTS SHARE(S)") ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY THREE (3) EXISTING SAUDEE SHARES HELD AS AT 5.00 P.M. ON 9 MARCH 2016, TOGETHER WITH UP TO 45,000,000 FREE DETACHABLE WARRANTS ("WARRANT(S)") ON THE BASIS OF THREE (3) WARRANTS FOR EVERY TWO (2) RIGHTS SHARES SUBSCRIBED BY THE ENTITLED SHAREHOLDERS OF SAUDEE, AT AN ISSUE PRICE OF RM0.50 PER RIGHTS SHARE, OF WHICH THE FIRST CALL OF RM0.35 PER RIGHTS SHARE IS PAYABLE IN CASH ON APPLICATION AND THE SECOND CALL OF RM0.15 PER RIGHTS SHARE IS TO BE CAPITALISED FROM THE COMPANY'S RETAINED PROFITS ("TWO-CALL RIGHTS ISSUE")

Principal Adviser



AFFIN HWANG
CAPITAL

AFFIN HWANG INVESTMENT BANK BERHAD

(Company No.: 14389-U)

(A Participating Organisation of Bursa Malaysia Securities Berhad)

IMPORTANT RELEVANT DATES AND TIME:-

Entitlement Date	: Wednesday, 9 March 2016 at 5.00 p.m.
Last date and time for sale of provisional allotment of rights	: Wednesday, 16 March 2016 at 5.00 p.m.
Last date and time for transfer of provisional allotment of rights	: Monday, 21 March 2016 at 4.00 p.m.
Last date and time for acceptance and payment	: Thursday, 24 March 2016 at 5.00 p.m.*
Last date and time for excess rights application and payment	: Thursday, 24 March 2016 at 5.00 p.m.*

* or such later date and time as our Board may determine and announce not less than two (2) Market Days before the stipulated date and time.

This Abridged Prospectus is dated 9 March 2016

ALL TERMS AND ABBREVIATIONS USED HEREIN SHALL HAVE THE SAME MEANING AS THOSE DEFINED IN THE "DEFINITIONS" SECTION OF THIS AP UNLESS STATED OTHERWISE.

THE SC AND BURSA SECURITIES ARE NOT LIABLE FOR ANY NON-DISCLOSURE ON THE PART OF OUR COMPANY AND TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS AP, MAKES NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS, AND EXPRESSLY DISCLAIMS ANY LIABILITY FOR ANY LOSS YOU MAY SUFFER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS AP.

YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT IN OUR COMPANY. IN CONSIDERING THE INVESTMENT, IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

YOU ARE ADVISED TO NOTE THAT RECOURSE FOR FALSE AND MISLEADING STATEMENTS OR ACTS MADE IN CONNECTION WITH THE AP ARE DIRECTLY AVAILABLE THROUGH SECTIONS 248, 249 AND 357 OF THE CAPITAL MARKETS AND SERVICES ACT 2007 ("CMSA").

SECURITIES LISTED ON BURSA SECURITIES ARE OFFERED TO THE PUBLIC PREMISED ON FULL AND ACCURATE DISCLOSURE OF ALL MATERIAL INFORMATION CONCERNING THE TWO-CALL RIGHTS ISSUE FOR WHICH ANY OF THE PERSONS SET OUT IN SECTION 236 OF THE CMSA, E.G DIRECTORS AND ADVISERS, ARE RESPONSIBLE.

THE DISTRIBUTION OF THE AP, TOGETHER WITH THE OTHER DOCUMENTS ARE SUBJECT TO MALAYSIAN LAWS. WE AND OUR ADVISERS ARE NOT RESPONSIBLE FOR THE DISTRIBUTION OF THE DOCUMENTS OUTSIDE OF MALAYSIA. WE AND OUR ADVISERS HAVE NOT TAKEN ANY ACTION TO PERMIT AN OFFERING OF OUR SECURITIES BASED ON THE DOCUMENTS OR THE DISTRIBUTION OF THE DOCUMENTS OUTSIDE OF MALAYSIA. THE DOCUMENTS MAY NOT BE USED FOR AN OFFER TO SELL OR AN INVITATION TO BUY OUR SECURITIES IN ANY COUNTRY OR JURISDICTION OTHER THAN MALAYSIA. WE AND OUR ADVISERS REQUIRE YOU TO INFORM YOURSELF OF SUCH RESTRICTIONS AND TO OBSERVE THEM.

THE DOCUMENTS HAVE BEEN PREPARED AND PUBLISHED SOLELY FOR THE TWO-CALL RIGHTS ISSUE UNDER THE LAWS OF MALAYSIA. WE AND OUR ADVISERS HAVE NOT AUTHORISED ANYONE TO PROVIDE YOU WITH INFORMATION WHICH IS NOT CONTAINED IN THE DOCUMENTS.

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this AP, the NPA and the RSF:

Abridged Prospectus or AP	: This abridged prospectus dated 9 March 2016 in relation to the Two-Call Rights Issue
Act	: Companies Act, 1965
Additional Undertakings	: Irrevocable undertakings from Identified Shareholders to subscribe for excess Rights Shares not taken up by the Entitled Shareholders
Affin Hwang IB	: Affin Hwang Investment Bank Berhad (14389-U)
Amendment	: Amendment to the Articles of Association of Saudee
Announcement	: Announcement dated 25 November 2015 in relation to the Corporate Exercises
Board	: The Board of Directors of Saudee
Bursa Depository	: Bursa Malaysia Depository Sdn Bhd (165570-W)
Bursa Securities	: Bursa Malaysia Securities Berhad (635998-W)
CDS	: Central Depository System, the system established and operated by Bursa Depository for the central handling of securities deposited with Bursa Depository
CDS Account(s)	: A securities account established by Bursa Depository for a depositor pursuant to the SICDA and the Rules of Bursa Depository for the recording of deposits of securities and dealings in such securities by that depositor of securities
CMSA	: Capital Markets and Services Act, 2007
Corporate Exercises	: Two-Call Rights Issue and Amendment, collectively
Code	: The Malaysian Code on Take-Overs and Mergers, 2010
Deed Poll	: The Deed Poll dated 2 February 2016 constituting the Warrants
EBITDA	: Earnings before interest, taxation, depreciation and amortisation
EGM	: Extraordinary General Meeting
Entitled Shareholder(s)	: The shareholders of Saudee whose name(s) appear in the Record of Depositors of the Company on the Entitlement Date
Entitlement Date	: As at 5.00 p.m. on 9 March 2016, being the time and date on which the shareholders must be registered in our Record of Depositors in order to be entitled to participate in the Two-Call Rights Issue
Entitlement Undertakings	: Irrevocable undertakings from the Identified Shareholders to subscribe in full for their respective entitlements at the Entitlement Date
EPS	: Earnings per Share

DEFINITIONS (CONT'D)

First Call	: Being the cash call of RM0.35 per Rights Share payable in full on application in cash by the Entitled Shareholders
FPE	: Financial period ended
FPP	: Comprises of the manufacturing and sale of halal frozen further processed products such as burger patties, nuggets, sausages and meatballs
FYE	: Financial year ended/ ending, as the case may be
Identified Shareholders	: Major shareholders of Saudee namely TTK and WSSB, collectively
Listing Requirements	: Main Market Listing Requirements of Bursa Securities and all amendments thereto
LPD	: 19 February 2016, being the latest practicable date prior to the registration of this AP with the SC
LPS	: Loss per Share
LTD	: 29 January 2016, being the last trading day prior to the Price-Fixing Date
Market Day(s)	: Any day between Monday and Friday (both days inclusive) which is not a public holiday and on which Bursa Securities is open for trading of securities
Maximum Scenario	: Assuming that all the Entitled Shareholders of Saudee fully subscribe to their entitlements of the Rights Shares.
Minimum Scenario	: Assuming that the Two-Call Rights Issue is undertaken on the Minimum Subscription Level basis pursuant to the Undertakings
Minimum Subscription Level	: A minimum level of subscription of 21,428,571 Rights Shares together with 32,142,855 Warrants to raise a minimum gross proceeds of approximately RM7.5 million
NA	: Net assets
NPA	: Notice of Provisional Allotment in relation to the Two-Call Rights Issue
Official List	: A list specifying all securities listed on the Main Market of Bursa Securities
Price-Fixing Date	: 2 February 2016, being the date on which the Company fixed and announced the issue price of the Rights Shares, First Call, Second Call and exercise price of the Warrants
Record of Depositors	: A record of depositors established by Bursa Depository under the Rules of Bursa Depository
Rights Share(s)	: Up to 30,000,000 new Saudee Shares to be issued pursuant to the Two-Call Rights Issue
RM and sen	: Ringgit Malaysia and sen respectively

DEFINITIONS (CONT'D)

RSF	: Rights subscription form in relation to the Two-Call Rights Issue
Rules of Bursa Depository	: The rules of Bursa Depository issued pursuant to the SICDA
Saudee or the Company	: Saudee Group Berhad (838172-P)
Saudee Group or Group	: Saudee and its subsidiary companies
Saudee Share(s) or Share(s)	: Ordinary shares of RM0.50 each in Saudee
Second Call	: Being the second call of RM0.15 per Rights Share, which will be capitalised from the Company's retained profits
SC	: Securities Commission Malaysia
SICDA	: Securities Industry (Central Depositories) Act, 1991
TERP	: Theoretical ex-rights price
Trading Products	: Comprises of the import and sale of halal frozen products such as buffalo meat, beef, mutton and potato chips
Two-Call Rights Issue	: The renounceable two-call rights issue of up to 30,000,000 new Saudee Shares on the basis of one (1) Rights Share for every three (3) existing Saudee Shares held on the Entitlement Date, together with up to 45,000,000 Warrants on the basis of three (3) Warrants for every two (2) Rights Shares subscribed by the Entitled Shareholders of Saudee, at an issue price of RM0.50 per Rights Share, of which the First Call is payable in cash on application and the Second Call is to be capitalised from the Company's retained profits
TKK	: Tan Khang Khim, a major shareholder of Saudee
Undertakings	: Irrevocable written undertakings dated 23 December 2015 from the Identified Shareholders pursuant to the Entitlement Undertakings and Additional Undertakings
USD	: United States dollar
VWAP	: Volume weighted average market price
Warrants	: Up to 45,000,000 free detachable warrants to be issued pursuant to the Two-Call Rights Issue
WSSB	: Wide Symbol Sdn Bhd (373737-X), a major shareholder of Saudee

References to “**we**”, “**us**”, “**our**” and “**ourselves**” are to our Company, and where the context otherwise requires, shall include our subsidiaries. All references to “**you**” and “**your**” in this AP are to the Entitled Shareholders.

DEFINITIONS (CONT'D)

Words denoting the singular shall, where applicable, include the plural and *vice versa*. Words denoting the masculine gender shall, where applicable, include the feminine and/or neuter gender(s), and *vice versa*. Any references to persons shall include corporations, unless otherwise specified.

Any reference in this AP to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to time or date in this AP shall be a reference to Malaysian time or date, unless otherwise specified.

Any discrepancies in the tables included in the AP between the amounts listed, actual figures and the totals thereof are due to rounding.

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CORPORATE DIRECTORY**BOARD OF DIRECTORS**

Name (Designation)	Age	Address	Nationality	Profession
Tan Khang Khim <i>(Executive Chairman)</i>	64	168 Jalan Saujana 3/5 Bandar SP Saujana 08000 Sungai Petani Kedah	Malaysian	Director
Tan Leong Chuin <i>(Executive Director)</i>	35	2562, Lorong Melor Jalan Pegawai 05050 Alor Setar Kedah	Malaysian	Chief Operating Officer
Low Ai Choo <i>(Executive Director)</i>	53	168 Jalan Saujana 3/5 Bandar SP Saujana 08000 Sungai Petani Kedah	Malaysian	Director
Sim Yee Fuan <i>(Independent Non-Executive Director)</i>	50	3, Lorong Gemilang Jaya 2 Taman Gemilang Jaya 14000 Bukit Mertajam Penang	Malaysian	Director
Khoo Lay Tatt <i>(Independent Non-Executive Director)</i>	43	17 Jalan Perkaka 2 11700 Gelugor Penang	Malaysian	Director
Ustaz Abdul Hamid Bin Sulaiman <i>(Independent Non-Executive Director)</i>	64	No. 425, Lrg Gamelan 2/2 Taman Ria Jaya 08000 Sungai Petani Kedah	Malaysian	Director

AUDIT COMMITTEE

Name	Designation	Directorship
Khoo Lay Tatt	Chairman	Independent Non-Executive Director
Sim Yee Fuan	Member	Independent Non-Executive Director
Ustaz Abdul Hamid Bin Sulaiman	Member	Independent Non-Executive Director

CORPORATE DIRECTORY (CONT'D)

- COMPANY SECRETARIES** : Ooi Ean Hoon (MAICSA 7057078)
19, Persiaran Besi
Island Park
11600 Penang
- How Wee Ling (MAICSA 7033850)
Block 4-11-01
Solok Gangsa
11600 Penang
- REGISTERED OFFICE** : 57-G, Persiaran Bayan Indah
Bayan Bay, Sungai Nibong
11900 Penang
- Tel. No.: +60 (4) 640 8933
Fax. No.: +60 (4) 643 8911
- HEAD OFFICE** : Plot 331, Taman Perindustrian
Sungai Petani, Fasa III
08000 Sungai Petani
Kedah Darul Aman
- Tel. No.: +60 (4) 442 6800
Fax. No.: +60 (4) 442 6801
Email: saudeegroup@saudee.com
Website: www.saudee.com
- AUDITORS AND REPORTING ACCOUNTANTS
FOR THE TWO-CALL RIGHTS ISSUE** : Crowe Horwath (AF: 1018)
Chartered Accountants
Level 6, Wisma Penang Garden
42, Jalan Sultan Ahmad Shah
10050 Penang
- Tel. No.: +60 (4) 227 7061
Fax. No.: +60 (4) 227 8011
- SOLICITORS FOR THE TWO-CALL RIGHTS ISSUE** : Wong Beh & Toh
1st Floor, No. 173 & 174
Jalan Kelab Cinta Sayang
Taman Ria Jaya
08000 Sungai Petani
Kedah Darul Aman
- Tel. No.: +60 (4) 442 9081
Fax. No.: +60 (4) 442 9084
- PRINCIPAL BANKERS** : AmBank Islamic Berhad
(*in alphabetical order*) No. 24-H & 24-J, Jalan Kampong Baru
08000 Sungai Petani
Kedah Darul Aman
- Tel. No.: +60 (4) 422 3277
Fax. No.: +60 (4) 422 8191

CORPORATE DIRECTORY (CONT'D)

Bank Islam Malaysia Berhad
Lot 71 and 72, Jalan Lagenda 1
Lagenda Height
08000 Sungai Petani
Kedah Darul Aman

Tel. No.: +60 (4) 422 0622
Fax. No.: +60 (4) 421 3912

SHARE REGISTRAR

: Securities Services (Holdings) Sdn Bhd
Level 7, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur

Tel. No.: +603 2084 9000
Fax. No.: +603 2094 9940/ 2095 0292

PRINCIPAL ADVISER

: Affin Hwang Investment Bank Berhad
27th Floor, Menara Boustead
69 Jalan Raja Chulan
50200 Kuala Lumpur

Tel. No.: +603 2142 3700
Fax. No.: +603 2141 7701

STOCK EXCHANGE LISTING

: Main Market of Bursa Securities

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SAUDEE
Group Berhad

SAUDEE GROUP BERHAD
(Company No. 838172-P)
(Incorporated in Malaysia under the Act)

Registered Office:
57-G Persiaran Bayan Indah
Bayan Bay, Sungai Nibong
11900 Penang

9 March 2016

Board of Directors

Tan Khang Khim (*Executive Chairman*)
Low Ai Choo (*Executive Director*)
Tan Leong Chuin (*Executive Director*)
Khoo Lay Tatt (*Independent Non-Executive Director*)
Sim Yee Fuan (*Independent Non-Executive Director*)
Ustaz Abdul Hamid Bin Sulaiman (*Independent Non-Executive Director*)

To: The Shareholders of Saudee Group Berhad

Dear Sir / Madam,

RENOUNCEABLE TWO-CALL RIGHTS ISSUE OF UP TO 30,000,000 NEW ORDINARY SHARES OF RM0.50 EACH IN SAUDEE (“SAUDEE SHARE(S)” OR “SHARE(S)”) (“RIGHTS SHARE(S)”) ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY THREE (3) EXISTING SAUDEE SHARES HELD AS AT 5.00 P.M. ON 9 MARCH 2016, TOGETHER WITH UP TO 45,000,000 FREE DETACHABLE WARRANTS (“WARRANT(S)”) ON THE BASIS OF THREE (3) WARRANTS FOR EVERY TWO (2) RIGHTS SHARES SUBSCRIBED BY THE ENTITLED SHAREHOLDERS OF SAUDEE, AT AN ISSUE PRICE OF RM0.50 PER RIGHTS SHARE, OF WHICH THE FIRST CALL OF RM0.35 PER RIGHTS SHARE IS PAYABLE IN CASH ON APPLICATION AND THE SECOND CALL OF RM0.15 PER RIGHTS SHARE IS TO BE CAPITALISED FROM THE COMPANY’S RETAINED PROFITS

1. INTRODUCTION

On 25 November 2015, Affin Hwang IB had, on behalf of our Board, announced that the Company proposed to undertake the following corporate proposals:

- (i) the Two-Call Rights Issue; and
- (ii) the Amendment.

On 18 December 2015, Affin Hwang IB had, on behalf of our Board, announced that Bursa Securities had vide its letter dated 18 December 2015 approved the following:-

- (i) admission of up to 45,000,000 Warrants to the Official List of Bursa Securities and the listing of and quotation for up to 45,000,000 Warrants to be issued pursuant to the Two-Call Rights Issue on the Main Market of Bursa Securities;
- (ii) the listing of and quotation for up to 30,000,000 Rights Shares to be issued pursuant to the Two-Call Rights Issue on the Main Market of Bursa Securities; and
- (iii) the listing of and quotation for up to 45,000,000 new Saudee Shares to be issued pursuant to the exercise of the Warrants on the Main Market of Bursa Securities.

The above approval is subject to the following conditions:

	Conditions	Status of compliance
(1)	Saudee and Affin Hwang IB, being the principal adviser, must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Two-Call Rights Issue;	Noted.
(2)	Saudee and Affin Hwang IB to inform Bursa Securities upon the completion of the Two-Call Rights Issue;	To be complied.
(3)	Saudee and Affin Hwang IB to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Two-Call Rights Issue is completed;	To be complied.
(4)	Saudee to furnish Bursa Securities on a quarterly basis a summary of the total number of shares listed pursuant to the exercise of Warrants at the end of each quarter together with a detailed computation of listing fees payable; and	To be complied.
(5)	To incorporate Bursa Securities' comments made in the draft Circular to shareholders.	Complied.

On 28 January 2016, the shareholders had approved the Two-Call Rights Issue and Amendment at the EGM. A certified true extract of the resolutions pertaining to the Two-Call Rights Issue and Amendment passed by the shareholders of Saudee at the aforesaid EGM, is set out in Appendix I of this AP.

On 2 February 2016, Affin Hwang IB had, on behalf of our Board, announced that the issue price for the Rights Shares has been fixed at RM0.50 per Rights Share, which shall be payable in two calls as follows:

- (i) the First Call shall be payable in full on application in cash; and
- (ii) the Second Call shall be capitalised from the Company's retained profits.

The subscribing Entitled Shareholders will not be required to make any further cash payments after the payment for the First Call.

The exercise price of the Warrants is RM0.50 each, in accordance with the terms and conditions of the Deed Poll.

On 24 February 2016, Affin Hwang IB had, on behalf of our Board, announced that the Entitlement Date has been fixed on 9 March 2016 at 5.00 p.m. and the other relevant dates pertaining to the Two-Call Rights Issue.

The official listing of and quotation for the Rights Shares and Warrants pursuant to the Two-Call Rights Issue will commence after, amongst others, receipt of confirmation from Bursa Depository that all the CDS Accounts of the Entitled Shareholders and/or their renounee(s)/transferee(s) have been duly credited and notices of allotment have been despatched to them.

No person is authorised to give any information or make any representation not contained in this AP in connection with the Two-Call Rights Issue and if given or made, such information or representation must not be relied upon as having been authorised by us or Affin Hwang IB.

IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

2. PARTICULARS OF THE TWO-CALL RIGHTS ISSUE

2.1 Details of the Two-Call Rights Issue

The Two-Call Rights Issue entails the issuance of up to 30,000,000 Rights Shares on the basis of one (1) Rights Share for every three (3) existing Saudee Shares held on the Entitlement Date, together with up to 45,000,000 Warrants on the basis of three (3) Warrants for every two (2) Rights Shares subscribed by the Entitled Shareholders, at an issue price of RM0.50 per Rights Share to be payable in two (2) calls, of which the First Call will be payable in cash on application, and the Second Call is to be capitalised from the Company's retained profits.

The Warrants shall only be issued to the Entitled Shareholders of the Company, who subscribe for the Rights Shares pursuant to the Two-Call Rights Issue. Although the Two-Call Rights Issue is renounceable in full or in part, the Rights Shares and the Warrants are not separately renounceable. The renunciation of Rights Shares by the Entitled Shareholders will accordingly entail the renunciation of the Warrants to be issued together with the Rights Shares pursuant to the Two-Call Rights Issue. However, if the Entitled Shareholders decide to accept only part of their Rights Shares entitlement, they shall be entitled to the Warrants in the proportion of their Rights Shares subscribed.

The Warrants will be immediately detached from the Rights Shares upon issuance and will be separately traded. The Warrants will be issued in registered form and constituted by the Deed Poll.

For illustrative purposes throughout this AP, the effects of the Two-Call Rights Issue shall be based on the following two (2) scenarios:-

Minimum Scenario^(a) : Assuming that the Two-Call Rights Issue is undertaken on the Minimum Subscription Level basis pursuant to the Undertakings.

Maximum Scenario : Assuming that all the Entitled Shareholders of Saudee fully subscribe to their entitlements of the Rights Shares.

Note:

(a) *In the event that the level of subscription for the Two-Call Rights Issue achieves the Minimum Subscription Level, the Identified Shareholders will not be required to subscribe for Rights Shares pursuant to the Additional Undertakings. However, in the event that the level of subscription for the Two-Call Rights Issue does not achieve the Minimum Subscription Level, the Identified Shareholders will be required to subscribe for such number of Rights Shares pursuant to the Additional Undertakings in order to achieve the Minimum Subscription Level.*

The Two-Call Rights Issue will be undertaken on a Minimum Subscription Level basis, where the Two-Call Rights Issue would entail a minimum issuance of 21,428,571 Rights Shares together with 32,142,855 Warrants to raise minimum gross proceeds of approximately RM7.5 million.

Fractional entitlements of the Rights Shares and Warrants under the Two-Call Rights Issue, if any, will be disregarded and shall be dealt with in such manner as our Board in their absolute discretion deems fit and expedient, and in the best interest of the Company.

The Rights Shares with Warrants which are not taken up or validly taken up shall be made available for excess applications by the other Entitled Shareholders and/or their renounee(s)/transferee(s) (if applicable). Our Board reserves the right to allot the excess Rights Shares with Warrants, if any, applied for under Part I(B) of the RSF in such manner as it deems fit and expedient in the best interest of the Company subject always to such allocation being made on a fair and equitable basis, and that the intention of our Board set out below is achieved. Our Board also reserves the right to accept any excess Rights Shares with Warrants application, in full or in part, without assigning any reason thereof.

It is the intention of our Board to allot the excess Rights Shares with Warrants, if any, on a fair and equitable basis and in the following order of priority, where applicable:

- (i) firstly, to minimise the incidence of odd lots;
- (ii) secondly, for allocation to Entitled Shareholders who have applied for the excess Rights Shares with Warrants on a pro-rata basis and in board lots, calculated based on their respective shareholdings as per their CDS accounts as at the Entitlement Date;
- (iii) thirdly, for allocation to Entitled Shareholders who have applied for the excess Rights Shares with Warrants on a pro-rata basis and in board lots, calculated based on the quantum of their respective excess Rights Shares with Warrants application; and
- (iv) finally, for allocation to the renounee(s)/transferee(s) (if applicable) who have applied for the excess Rights Shares with Warrants on a pro-rata basis and in board lots, calculated based on the quantum of their respective excess Rights Shares with Warrants application.

In the event of any excess Rights Shares with Warrants balance after the above allocations are completed, the balance will be allocated again through the processes above until all excess Rights Shares with Warrants are fully allocated.

As you are an Entitled Shareholder, your CDS Account will be duly credited with the number of provisional allotted Rights Shares with Warrants, which you are entitled to subscribe for in full or in part under the terms of the Two-Call Rights Issue. You will find enclosed with this AP, the NPA notifying you of the crediting of such provisional Rights Shares with Warrants into your CDS Account and the RSF to enable you to subscribe for the provisional Rights Shares with Warrants, as well as to apply for the excess Rights Shares with Warrants if you choose to.

Any dealing in our securities is subject to SICDA and the Rules of Bursa Depository. As the Rights Shares, Warrants and new Shares to be issued arising from the exercise of the Warrants are all prescribed securities, they will, upon allotment and issuance, be credited directly into the respective CDS Accounts of the Entitled Shareholders and/or their renounee(s)/transferee(s) (as the case may be) who have successfully subscribed for such Rights Shares. No physical share certificates or warrant certificates will be issued to the Entitled Shareholders and/or their renounee(s)/transferee(s) (as the case may be) nor will any physical share certificates be issued for the new Shares to be issued upon exercise of Warrants.

Within eight (8) Market Days from the last date for acceptance and payment for the Rights Shares or such other period as may be prescribed by Bursa Securities, Saudee must

- (i) issue and allot the Rights Shares with Warrants;
- (ii) despatch notices of allotment to the allottees; and
- (iii) apply for the quotation of the Rights Shares and Warrants on the Main Market of Bursa Securities.

The Rights Shares and the Warrants will then be quoted on the Main Market of Bursa Securities two (2) Market Days after the application for quotation is made to Bursa Securities.

2.2 First Call and Second Call

The issue price of RM0.50 per Rights Share will be payable in two (2) calls comprising the First Call to be payable in cash on application and the Second Call via capitalisation of the Company's retained profits. By capitalising the retained profits, the subscribing shareholders will not be required to make any further cash payment after the payment for the First Call.

Based on the latest audited consolidated financial statements of Saudee for the FYE 31 May 2015 and the latest unaudited quarterly results of Saudee for the six (6) month FPE 30 November 2015, the effects of the capitalisation for the Second Call on the retained profits at the group level are set out as follows:

Group Level	Retained Profits	
	Minimum Scenario RM ('000)	Maximum Scenario RM ('000)
Audited as at 31 May 2015	30,012	30,012
Less: Capitalisation for the Second Call ^(a)	(3,214)	(4,500)
Less: Estimated expenses	(700)	(700)
After the Two-Call Rights Issue	26,098	24,812

Group Level	Retained Profits	
	Minimum Scenario RM ('000)	Maximum Scenario RM ('000)
Unaudited as at 30 November 2015 ^(b)	27,753	27,753
Less: Capitalisation for the Second Call ^(a)	(3,214)	(4,500)
Less: Estimated expenses ^(b)	(555)	(555)
After the Two-Call Rights Issue	23,984	22,698

Notes:

- (a) Computed based on the number of Rights Shares under the Minimum Scenario and Maximum Scenario, respectively at RM0.15 per Rights Share, being the Second Call, to be capitalised from the Company's retained profits account.
- (b) After having accounted for a portion of the estimated expenses amounting to RM145,000 for professional advisory fees incurred as at 30 November 2015. The total estimated expenses for the Corporate Exercises is RM700,000.

Based on the latest audited financial statements of Saudee for the FYE 31 May 2015 and the latest unaudited quarterly results for the six (6) month FPE 30 November 2015, the effects of the capitalisation for the Second Call on the retained profits at the company level, after taking into consideration the dividend declared by a subsidiary of Saudee amounting to RM6,153,006, are set out as follows:

Company Level	Retained Profits	
	Minimum Scenario RM ('000)	Maximum Scenario RM ('000)
Audited as at 31 May 2015	(502)	(502)
Add: Dividend from subsidiary ^(a)	6,153	6,153
Less: Capitalisation for the Second Call ^(b)	(3,214)	(4,500)
Less: Estimated expenses	(700)	(700)
After the Two-Call Rights Issue	1,737	451

Notes:

- (a) Dividend declared by a wholly owned subsidiary of Saudee, namely Perusahaan Saudee Sdn Bhd, on 22 October 2015, from its retained profits.
- (b) Computed based on the number of Rights Shares under the Minimum Scenario and Maximum Scenario, respectively at RM0.15 per Rights Share, being the Second Call, to be capitalised from the Company's retained profits account.

Company Level	Retained Profits	
	Minimum Scenario RM ('000)	Maximum Scenario RM ('000)
Unaudited as at 30 November 2015 ^(a)	5,296	5,296
Less: Capitalisation for the Second Call ^(b)	(3,214)	(4,500)
Less: Estimated expenses ^(a)	(555)	(555)
After the Two-Call Rights Issue	1,527	241

Notes:

- (a) After having accounted for a portion of the estimated expenses amounting to RM145,000 for professional advisory fees incurred as at 30 November 2015. The total estimated expenses for the Corporate Exercises is RM700,000.
- (b) Computed based on the number of Rights Shares under the Minimum Scenario and Maximum Scenario, respectively at RM0.15 per Rights Share, being the Second Call, to be capitalised from the Company's retained profits account.

Pursuant to the paragraph 6.30(1) of the Listing Requirements, a listed issuer intending to make a bonus issue of securities must ensure that the necessary reserves required for capitalisation of the bonus issue is unimpaired by losses on a consolidated basis, where applicable, based on the listed issuer's latest audited financial statements as well as its latest quarterly report.

Our Board confirms that based on the latest audited consolidated financial statements of Saudee for the FYE 31 May 2015 and the latest unaudited quarterly results of Saudee for the six (6) month FPE 30 November 2015, the retained profits required for capitalisation of the Second Call are unimpaired by losses on a consolidated basis in accordance with paragraph 6.30(1) of the Listing Requirements.

Our Board also confirms that based on the latest audited consolidated financial statements of Saudee for the FYE 31 May 2015 and the latest unaudited quarterly results of Saudee for the six (6) month FPE 30 November 2015, after taking into consideration the dividend declared by a subsidiary of Saudee amounting to RM6,153,006, the Company has sufficient reserves in the retained profits account for the capitalisation of the Second Call pursuant to the Two-Call Rights Issue.

2.3 Basis of determining and justification for the issue price of the Rights Shares

The issue price of RM0.50 per Rights Shares, the First Call and the Second Call are arrived at after taking into consideration, amongst others, the following:

- (i) the par value of ordinary shares of RM0.50 each in Saudee;
- (ii) the TERP of Saudee Shares based on the five (5)-day VWAP of Saudee Shares up to and including the LTD;
- (iii) the adequacy of retained profits for capitalisation, as in Section 2.2 above;

- (iv) the funding requirement of the Saudee Group; and
- (v) the prevailing market conditions and market price of Saudee Shares.

Based on the issue price of RM0.50 per Rights Share, the First Call represents a discount of approximately 23.45% or RM0.1072 to the TERP of Saudee Shares of RM0.4572, based on the five (5)-day VWAP of Saudee Shares up to and including the LTD of RM0.4929. The discount was determined by our Board after taking into consideration the historical price movements of Saudee Shares.

For illustrative purposes only, the historical market prices of Saudee Shares and the discount of the TERP of Saudee Shares and the First Call to the historical market prices of Saudee Shares are set out below:

	Share Price RM	^(a) TERP RM	Discount of TERP to the historical share price %	^(b) Discount of the First Call to the historical share price %
Five (5)-day VWAP of Saudee Shares up to and including the LTD	0.4929	0.4572	(7.24)	(28.99)
One (1)-month VWAP of Saudee Shares up to and including the LTD	0.5012	0.4572	(8.78)	(30.17)
Three (3)-month VWAP of Saudee Shares up to and including the LTD	0.5072	0.4572	(9.86)	(30.99)
Six (6)-month VWAP of Saudee Shares up to and including the LTD	0.4970	0.4572	(8.01)	(29.58)
Twelve (12)-month VWAP of Saudee Shares up to and including the LTD	0.5004	0.4572	(8.63)	(30.06)

(Source: Bloomberg)

Notes:

- (a) Computed as follows:

$$\frac{(P \times Y) + (X \times Z)}{X + Y}$$

Where

P = Five (5)-day VWAP of Saudee Shares up to and including the LTD

Y = Number of existing Saudee Shares in issue

X = Number of Rights Shares for holding of every Y share(s)

Z = Subscription price of First Call

- (b) The First Call of RM0.35 per Rights Share is to be payable in cash on application and the Second Call of RM0.15 per Rights Share is to be capitalised from the Company's retained profits account.

Based on the table above, the First Call is at a discount ranging from 28.99% to 30.99% to Saudee's historical share prices and this should be sufficiently attractive to encourage the subscription of the Rights Shares by the Entitled Shareholders and/or their renounee(s)/transferee(s) whilst taking into consideration the amount to be raised from the Two-Call Rights Issue, as set out in Section 4 of this AP.

2.4 Basis of determining and justification for the exercise price of the Warrants

The Warrants attached to the Rights Shares will be issued at no cost to the Entitled Shareholders who subscribe for the Rights Shares.

The exercise price of RM0.50 per Warrant is arrived at after taking into consideration, amongst others, the following:

- (i) the par value of ordinary shares of RM0.50 each in Saudee; and
- (ii) the TERP of Saudee Shares after the Two-Call Rights Issue based on the five (5)-day VWAP of Saudee Shares up to and including the LTD.

The exercise price of RM0.50 per Warrant, being the par value of Saudee Shares, which represents a premium of approximately 9.36% or RM0.0428 from the TERP of Saudee Shares of RM0.4572, based on the five (5)-day VWAP of Saudee Shares up to and including the LTD of RM0.4929.

The Warrants are expected to provide further incentive to the Entitled Shareholders and/or their renounee(s)/transferee(s) to subscribe for the Rights Shares. The Warrants will allow the Entitled Shareholders and/or their renounee(s)/transferee(s) to increase their equity participation in the Company at a pre-determined price over the tenure of Warrants. Further, as and when the Warrants are exercised, the Group would be able to raise additional funds for working capital of the Group. For illustrative purposes only, based on the exercise price of RM0.50 per Warrant, the gross proceeds to be raised is up to RM22.50 million under the Maximum Scenario assuming the full exercise of the Warrants. The proceeds for working capital will be utilised to finance the day-to-day operations of the existing business of the Group, such as repayment to creditors, staff salaries and general administrative expenses as well as other general operating expenses.

2.5 Ranking of the Rights Shares and new Saudee Shares to be issued arising from the exercise of the Warrants

The Rights Shares shall, upon allotment and issuance, rank *pari passu* in all respects with the then existing Saudee Shares of the Company, except that the Rights Shares shall not be entitled to any dividends, rights, allotments and/or other distributions which may be declared, made or paid to the shareholders, the entitlement date of which is prior to allotment date of the Rights Shares.

The new Saudee Shares to be issued pursuant to the exercise of the Warrants shall, upon allotment and issue, rank *pari passu* in all respects with the then existing Saudee Shares of the Company, except that the new Saudee Shares shall not be entitled to any dividends, rights, allotments and/or other distributions which may be declared, made or paid to the shareholders, the entitlement date of which is prior to allotment date of the said new Saudee Shares.

2.6 Salient terms of the Warrants

The Warrants will be separately traded from the existing Saudee Shares. The Warrants will be issued in registered form and constituted by the Deed Poll.

The indicative salient terms of the Warrants are as follows:

Terms	Details
Issue size	: Up to 45,000,000 new Warrants to be issued to the entitled shareholders of Saudee on the basis of three (3) Warrants for every two (2) Rights Shares subscribed.
Form and denomination	: The Warrants will be immediately detachable upon allotment and issuance, separately traded and will be issued in registered form and constituted by a Deed Poll to be executed by the Company.
Exercise price	: RM0.50 per Warrant.

- Exercise period : The Warrants may be exercised at any time during the tenure of the Warrants of five (5) years commencing on and including the date of issuance of the Warrants and ending at 5.00 p.m. on the date preceding the fifth (5th) anniversary of the date of issuance, or if such date is not a market day, then on the preceding market day. Any of the Warrants which have not been exercised during the exercise period will thereafter lapse and cease to be valid.
- Tenure of Warrants : Five (5) years from the date of issuance of the Warrants.
- Exercise rights : Each Warrant entitles its registered holder, at any time during the exercise period, to subscribe for one (1) new Saudee Share at the exercise price, subject to adjustments in accordance with the provisions of the Deed Poll.
- Mode of exercise : The registered holder of a Warrant is required to lodge a subscription form, as set out in the Deed Poll, with the Company's share registrar in Malaysia, duly completed, signed and stamped together with cash payment of the exercise price by bankers' draft or cashier's order drawn on a bank operating in Malaysia or a money order or postal order issued by a post office in Malaysia.
- Board lot : For the purpose of trading on Bursa Securities, one (1) board lot of Warrants will comprise one hundred (100) Warrants carrying the right to subscribe for one hundred (100) new Saudee Shares at any time during the exercise period, or such other denomination as determined by Bursa Securities.
- Adjustments in the exercise price and/or number of Warrants : The exercise price and/or number of unexercised Warrants may be adjusted by our Board, in consultation with the professional adviser and certified by the auditors, in the event of alteration to the share capital of the Company, capital distribution or any other events in accordance with the provisions of the Deed Poll.
- Rights in the event of winding-up, liquidation, compromise and/or arrangement : If a resolution is passed for a members' voluntary winding up of the Company or where there is a compromise or arrangement, then: -
- (i) whether or not is for the purpose of or in connection with a scheme for the reconstruction of the Company or the amalgamation of the Company with one (1) or more companies pursuant to a scheme of arrangement to which the warrant holders, or some person designated by them for such purpose by special resolution, is a party, the terms of such scheme of arrangement shall be binding on all the warrant holders; and
 - (ii) in any other case every warrant holder shall be entitled (subject to the conditions set out in the Deed Poll) at any time within six (6) weeks after the passing of such resolution for a members' voluntary winding-up of the Company or six (6) weeks after granting of the court order approving the compromise or arrangement, by the irrevocable surrender of his Warrants to the Company, by the exercise notice(s) duly completed, together with payment of the relevant exercise price, to elect to be treated as if he had immediately prior to the commencement of such winding up, compromise or arrangement exercised the exercise rights represented by his Warrants to the extent specified in the exercise notice(s) and had on such date been the holder of Saudee Shares to which he would have become entitled pursuant to such exercise and the liquidator of the Company shall give effect to such election accordingly. The Company shall give notice to the warrant holders in accordance with the provisions of the Deed Poll.

Subject to the above, if the Company is wound-up, all exercise rights which have not been exercised within six (6) weeks of the passing of such resolution shall lapse and the Warrants will cease to be valid for any purpose.

- Ranking of the new Saudee Shares arising from the exercise of the Warrants : The new Saudee Shares to be issued pursuant to the exercise of the Warrants shall, upon allotment and issue, rank *pari passu* in all respects with the then existing Saudee Shares of the Company except that they shall not be entitled to any dividends, rights, allotments and/or other distributions which may be declared, made or paid to the shareholders, the entitlement date of which is prior to the allotment date of the new Saudee Shares.
- Rights of warrant holder(s) : The warrant holders are not entitled to any voting rights or to participate in any distribution and/or offer of further securities in Saudee until and unless such warrant holders exercise their Warrants for new Saudee Shares.
- Modification : The Company may, from time to time, without the consent or sanction of the holders of the Warrants but subject to the prior approval of any relevant authorities and in accordance with the Deed Poll, modify the Deed Poll, if such modification made does not materially prejudice the interests of the holders of the Warrants or is made to correct a manifest error or to comply with prevailing laws of Malaysia, rules of the Bursa Depository, Securities Industry (Central Depositories) Act, 1991 and/or Bursa Securities' Listing Requirements.
- Subject to the approval of any relevant authorities, any modification, alteration or abrogation of the covenants or provisions contained in the Deed Poll proposed or agreed to by the Company must be sanctioned by special resolution of the holders of the Warrants, effected by a deed poll, executed by the Company and expressed to be supplemental to and comply with the requirements of the Deed Poll.
- Transferability : The Warrants shall be transferable in the manner provided under the Securities Industry (Central Depositories) Act 1991 and the Rules of Bursa Depository.
- Listing : Bursa Securities had vide its letter dated 18 December 2015, approved the following:-
- (i) admission of up to 45,000,000 Warrants to the Official List of Bursa Securities and the listing of and quotation for up to 45,000,000 Warrants to be issued pursuant to the Two-Call Rights Issue on the Main Market of Bursa Securities;
 - (ii) the listing of and quotation for up to 30,000,000 Rights Shares to be issued pursuant to the Two-Call Rights Issue on the Main Market of Bursa Securities; and
 - (iii) the listing of and quotation for up to 45,000,000 new Saudee Shares to be issued pursuant to the exercise of the Warrants on the Main Market of Bursa Securities.
- Governing Laws : Laws and regulations of Malaysia.

2.7 Other corporate proposals announced but pending completion

Save for the Corporate Exercises, as at the date of this AP, there are no other outstanding corporate proposals which have been announced by the Company but pending completion.

3 RATIONALE FOR THE TWO-CALL RIGHTS ISSUE

After due consideration of all funding options available to the Company, our Board is of the opinion that the Two-Call Rights Issue is the most appropriate avenue of fund raising after taking into consideration the following factors:

- (i) To provide all existing shareholders with an equal opportunity to further increase their participation in Saudee supported by the Undertakings given by the Identified Shareholders to subscribe for the Minimum Subscription Level;
- (ii) To allow Saudee to raise funds without incurring interest cost, as compared to bank borrowings. The funds raised will be utilised for the purposes highlighted in Section 4 of this AP, which are expected to result in annual interest savings of approximately RM411,000 translating to an effective interest rate of 8.22% per annum and this is expected to contribute positively towards the future earnings of Saudee;
- (iii) To increase the size and strength of Saudee's shareholders' funds from RM49.58 million to RM56.38 million under the Minimum Scenario and RM59.38 million under the Maximum Scenario, reduce the Group's gearing ratio from 1.04 times to 0.82 times under the Minimum Scenario and 0.78 times under the Maximum Scenario as set out in Section 8.2 of this AP as well as to potentially increase the market capitalisation of Saudee with the potential increase in the issued and paid-up share capital of Saudee pursuant to the exercise of Warrants into new Saudee Shares;
- (iii) The Warrants are expected to provide the shareholders of the Company with an incentive to subscribe for the Rights Shares as well as an option to further increase their equity participation in the Company, upon exercising the Warrants at a pre-determined price over the tenure of Warrants; and
- (iv) To enhance the future cash flow of the Company with the indicative additional proceeds of up to RM22.50 million under the Maximum Scenario as and when the Warrants are exercised.

4. UTILISATION OF PROCEEDS

Based on the First Call, the gross proceeds to be raised from the Two-Call Rights Issue are expected to be utilised as follows:

Details of utilisation	Minimum Scenario RM'000	Maximum Scenario RM'000	Estimated timeframe for the utilisation of proceeds from the completion of the Two-Call Rights Issue
Repayment of bank borrowings ^(a)	5,000	5,000	Within 12 months
General working capital ^(b)	1,800	4,800	Within 12 months
Estimated expenses for the Two-Call Rights Issue ^(c)	700	700	Upon completion
Total	7,500	10,500	

Notes:

- (a) As at LPD, the total borrowings of the Group is approximately RM57.13 million, the details of which are as set out in Section 9.2 of this AP. The Company shall utilise RM5.0 million of the total gross proceeds from the Two-Call Rights Issue for repayment of bank borrowings which is expected to result in an annual interest saving of approximately RM411,000 translating to an effective interest rate of 8.22% per annum.

- (b) *The proceeds for working capital will be utilised to finance the day-to-day operations of the existing business of the Group, as and when the need arises as follows:*

	<i>Minimum Scenario RM'000</i>	<i>Maximum Scenario RM'000</i>
<i>Payment to trade creditors</i>	<i>1,000</i>	<i>4,000</i>
<i>Staff salaries</i>	<i>500</i>	<i>500</i>
<i>General administrative and operating expenses such as rental, electricity, telephone and sundry expenses where the breakdown is not determinable at this juncture</i>	<i>300</i>	<i>300</i>
	<i>1,800</i>	<i>4,800</i>

The actual breakdown of proceeds to be utilised for each component of working capital stated above will be dependent on the operating and funding requirements at the time of utilisation.

The Board is of the opinion that based on the banking facilities of the Group, its cash balance and internally generated funds, the achievement of the Minimum Scenario would result in the Group having sufficient working capital to meet its present and foreseeable future requirements.

- (c) *If the actual expenses are higher than budgeted, the deficit will be funded out of the portion allocated for working capital. Conversely, if the actual expenses are lower than budgeted, the excess will be utilised for working capital purposes.*

The actual proceeds to be raised from the Two-Call Rights Issue are dependent on the actual number of Rights Shares to be issued. Any variation in the actual proceeds raised will be adjusted to/from the working capital of Saudee Group.

Pending utilisation of the proceeds from the Two-Call Rights Issue for the abovementioned purposes, the proceeds will be placed in deposits with financial institutions or short-term money market instruments. The interest derived from the deposits with financial institutions or any gains arising from the short-term money market instruments will be used as additional working capital of Saudee Group.

The quantum of proceeds that may be raised by Saudee from the exercise of the Warrants in the future would depend upon the actual number of Warrants exercised during the tenure of the Warrants. Such proceeds will be utilised for the working capital requirements of the Saudee Group of which the exact timeframe and the breakdown for the utilisation cannot be determined at this juncture. Based on the exercise price of RM0.50 per Warrant, the Company may raise additional gross proceeds of up to RM22.50 million under the Maximum Scenario assuming the full exercise of the Warrants.

5. SHAREHOLDERS' UNDERTAKING AND UNDERWRITING ARRANGEMENT

The Two-Call Rights Issue will be undertaken on a Minimum Subscription Level basis. The Minimum Subscription Level was determined by our Board after taking into consideration, the minimum level of funds that the Company wishes to raise from the Two-Call Rights Issue, to be channelled towards the proposed utilisation as set out in Section 4 of this AP.

In order to achieve the Minimum Subscription Level, the Company has procured Undertakings from the Identified Shareholders under the Two-Call Rights Issue. The Undertakings received by Saudee will ensure that the Minimum Level of Subscription is achieved.

Accordingly, there will be no underwriting arrangement made for the balance of the Rights Shares to be issued pursuant to the Two-Call Rights Issue not subscribed for under the Minimum Subscription Level.

Notwithstanding the above, in the event the Minimum Subscription Level is not achieved, the Two-Call Rights Issue will be aborted and our Board will then consider other alternative forms of fund raising, where required, for the Company's future cash flow and working capital requirements. As at the LPD, the Company does not have any other alternative plan in the event the Minimum Subscription Level is not achieved.

The details of the shareholdings of the Identified Shareholders as at the LPD together with their Undertakings for the Two-Call Rights Issue are as follows:

Identified Shareholders	Shareholdings as at LPD		Entitlement Undertakings	^(a) Additional Undertakings	Total Undertakings	
	No. of Shares	%	No. of Rights Shares	No. of Rights Shares	No. of Rights Shares	^(b) %
TKK	23,535,675	26.15	7,845,225	5,307,743	13,152,968	43.84
WSSB	23,326,811	25.92	7,775,603	500,000	8,275,603	27.59
Total	46,862,486	52.07	15,620,828	5,807,743	21,428,571	71.43

Notes:

(a) In the event that the level of subscription for the Two-Call Rights Issue achieves the Minimum Subscription Level, the Identified Shareholders will not be required to subscribe for Rights Shares pursuant to the Additional Undertakings. However, in the event that the level of subscription for the Two-Call Rights Issue does not achieve the Minimum Subscription Level, the Identified Shareholders will be required to subscribe for such number of Rights Shares pursuant to the Additional Undertakings in order to achieve the Minimum Subscription Level.

(b) Computed based on a total of up to 30,000,000 Rights Shares available for subscription under the Maximum Scenario.

As at LPD, the Identified Shareholders collectively hold 46,862,486 Saudee Shares, representing an aggregate of 52.07% of the issued and paid-up share capital of Saudee. The Identified Shareholders have confirmed and Affin Hwang IB has verified that the Identified Shareholders have sufficient financial resources to take up their Undertakings as mentioned above.

After taking into consideration of the Undertakings, subscription of the Rights Shares by the Identified Shareholders will not give rise to any mandatory general offer obligations pursuant to the Code. Nonetheless, the Identified Shareholders have given their respective confirmations to observe and comply at all times with the provisions of the Code.

6. RISK FACTORS

You and/or your renounee(s)/transferee(s) (if applicable) should carefully consider the following risk factors (which may not be exhaustive) which may have an impact on the future performance of our Group, in addition to other information contained elsewhere in this AP, before subscribing for or investing in the Two-Call Rights Issue.

6.1 Risks relating to the Two-Call Rights Issue

6.1.1 Investment risk

The market price of Saudee Shares is dependent on or influenced by, amongst others, prevailing stock market sentiments, the volatility of the stock market, the liquidity of the Shares, movements in interest rates, our financial performance and future profitability, government regulations, legislations, duties and taxation affecting the industry and the outlook of the industry which we operate in.

The value of the Warrants is dependent on, amongst others, the market price of our Shares, the remaining tenure of the Warrants and the volatility of our Shares. Furthermore, should the outstanding Warrants expire at the end of its tenure, it will lapse and cease thereafter to be valid for any purpose and hence, will no longer have any value.

6.1.2 No prior market for Warrants

The market price of the Warrants, like all listed securities traded on Bursa Securities, is subject to fluctuations and will be influenced by, *inter-alia*, trades in substantial amount of the Warrants on the Main Market of Bursa Securities in the future, the market price and volatility of our Shares, announcements relating to the business of our Group, the financial performance of our Group, and exercise period of the Warrants.

In addition to the fundamentals of Saudee, the future price performance of the Warrants will also depend on various external factors such as the economic and political conditions of the country, sentiments and liquidity in the local stock market as well as the performance of regional and world bourses.

The market price of Saudee Shares will be influenced by, *inter-alia*, the prevailing market sentiments, volatility of the stock market of the country, operating results of our Group and prospects of the industries in which we operate in.

6.1.3 Delay in or abortion of the Two-Call Rights Issue

The Two-Call Rights Issue is exposed to risk that it may be aborted or delayed due to, *inter-alia*, the following events:-

- (a) the Identified Shareholders who have given the Undertakings fail to or do not fulfil their obligations pursuant to the Undertakings; or
- (b) force majeure events or circumstances such as natural disasters, health epidemics, acts of government, terrorism, strikes, national disorders, and states of emergency, which are beyond the control of our Company and advisers, arising prior to the implementation of the Two-Call Rights Issue.

In the event the Two-Call Rights Issue is aborted/terminated, all monies received in respect of all subscriptions/applications for any Rights Shares with Warrants will be refunded to the subscribing Entitled Shareholders and/or their renounee(s)/transferee(s), if applicable, without interest. If any money received from the Entitled Shareholders and/or their renounee(s)/transferee(s) are not repaid within fourteen (14) days after our Company becomes liable to repay, our Company will repay such money with interest at the rate of 10% or such other rates as may be prescribed by the SC in accordance with Section 243(2) of the CMSA.

In the event the Two-Call Rights Issue is aborted/terminated, and the Rights Shares with Warrants have been allotted to the shareholders, a return of monies to all holders of Rights Shares could only be achieved by way of cancellation of share capital as provided under the Act. Such cancellation requires the sanction of our shareholders by special resolution in a general meeting and the confirmation of the High Court of Malaya.

6.1.4 Potential dilution

The Entitled Shareholders who do not or are not able to accept their provisional allotment of Rights Shares with Warrants will have their proportionate ownership and voting interest in our Company reduced, and the percentage of our enlarged issued and paid-up share capital represented by their shareholdings in our Company will also be reduced accordingly.

6.1.5 Forward-looking statements

Certain statements in this AP are based on historical data, which may not be reflective of the future results, and others are forward-looking in nature, which are subject to uncertainties and contingencies.

All forward-looking statements are based on assumptions and estimates made by our management and although believed to be reasonable at that time, are subject to known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements, or industry results to differ materially from the future results, performance or achievements expressed or implied in such forward looking statements. Such factors include, among others, the risk factors as set out in this section.

6.2 Risks relating to our Group

6.2.1 Business and operational risks

Our Group is principally involved in FPP and Trading Products. In FYE 31 May 2015, revenue comprised of approximately RM60 million from FPP and approximately RM107 million from Trading Products. Our Group is therefore subject to certain risks inherent in the related industries. These risks include constraints in labour supply, changes in economic and business conditions, increase in raw material costs, business disruptions due to unexpected events such as temporary power outages and natural disasters, unfavourable changes in Government policies and competition from local and international players.

6.2.2 Competition and new market entrants

Our Group faces competition in both the local and global markets as well as from existing players and/ or potential new entrants to the industry.

6.2.3 Supply, quality and price fluctuations of raw materials

Our Group's business is highly dependent on the consistent supply of raw materials such as buffalo meat and chicken that meets our quality and halal requirements. The supply of such raw materials may be affected by external factors such as outbreak of diseases, delivery delays or other disruptions on a significant scale. Any prolonged disruption in the supply of raw materials and/or raw materials that do not satisfy our quality or halal requirements will have an impact on our overall business operations.

Fluctuations in the supply of raw materials will affect the market price of these raw materials. A significant increase in the market prices of raw materials will have an adverse effect on the Group's profit margins and financial results should our Group be unable to pass on such increase in costs to our customers.

6.2.4 Borrowings and financing risks and fluctuations in interest rate

Our total bank borrowings as at LPD amounted to approximately RM57.13 million, all of which are interest-bearing borrowings. As such, any additional borrowings and/or increase in interest rates may result in an increase in interest expense, which may affect our profitability.

Our credit facilities may also be subject to periodic review by the banks or financiers and contain certain covenants which may limit our operating and financing flexibility. Any act or omission by us that breaches such covenants may give the rights to the banks or financiers to terminate the relevant credit facilities and/or enforce any security granted in relation to those credit facilities. This may in turn cause a cross default of other credit facility agreements. As these covenants are commonly contained in credit facility agreements in Malaysia, we will continue to monitor the compliance with all such covenants.

6.2.5 Dependency on key personnel

Our Board recognises and believes that our continued success depends, to a significant extent, on the abilities and continuing efforts of our directors as well as our key management and key technical personnel. The loss of any director, key management personnel, and/or key technical personnel could adversely affect our Group's continued ability to compete in this industry.

6.2.6 Non-renewal and/or revocation of certification, permits, approvals and business licenses

Saudee has obtained certain certification, permits, approvals and business licenses from various governmental authorities in Malaysia. Some of these certification, permits, approvals, business licenses and/or accreditations are subject to periodic inspections, changes and/or fulfilment of certain conditions imposed by the relevant authorities. Failure to comply with the conditions imposed by the relevant authorities may cause Saudee's certification, permits, approvals and business licenses to be revoked or not renewed.

Suppliers may also be subject to acquiring the appropriate certification to satisfy the halal requirements for the raw materials that Saudee uses in its products. International suppliers may additionally be subject to obtaining approvals or certification from local regulatory authorities for the import of halal raw materials into Malaysia.

6.2.7 Foreign exchange risk

We are exposed to foreign exchange risk as part of our sales and purchases are transacted in foreign currencies. Any significant fluctuations in exchange rates, particularly the USD, may have a significant impact, whether positively or negatively, on the revenue and earnings of our Group.

7. INDUSTRY OVERVIEW AND PROSPECTS OF OUR GROUP

7.1 Outlook of the Malaysian Economy

The Malaysian economy grew by 5.3% in the first half of 2015, driven by resilient domestic demand. Private sector expenditure contributed 5.3 percentage points to growth. Private investment and consumption remained robust growing by 7.5% and 7.6%, respectively. On the supply side, growth was mainly driven by the services and manufacturing sectors contributing 3 and 1.1 percentage points, respectively.

On the external front, Malaysia continues to be impacted by slower global growth and regional trade. Hence, the trade performance remained subdued during the first eight months of 2015 with exports and imports contracting by 1.4% and 2%, respectively (January-August 2014: 9.5%; 6.1%). Although weighed down by weak commodity prices, the steady demand for electrical and electronic products saw exports of manufactured goods registering positive growth during the period. The current account posted a surplus of RM17.6 billion or 3.2% of Gross National Income (“GNI”) in the first half of the year (January-June 2014: RM34.5 billion; 6.6%).

With strong economic fundamentals, including resilient domestic demand, diversified sources of growth, low unemployment rate and benign inflation coupled with pro-growth fiscal and accommodative monetary policies, real GDP is projected to grow between 4.5%-5.5% in 2015 (2014: 6%). Nominal GNI is estimated to increase by 5.5% to RM1.13 trillion with income per capita rising by 4.2% to RM36,397 (2014: 8.6%, RM1.07 trillion; 7.2%, RM34,945).

The Malaysian economy is expected to remain steady in 2016, with real GDP growth between 4% to 5% led by domestic demand. Private sector expenditure will remain the main driver of growth with private consumption and investment expected to grow by 6.4% and 6.7%, respectively. Meanwhile, government expenditure is forecast to expand, albeit at a moderate pace, in line with efforts to strengthen the fiscal position. On the supply side, growth is expected to be broad-based, with all the sectors registering positive growth. Malaysia’s external position is forecast to remain positive supported by better prospects for global growth and trade. The nominal GNI per capita is expected to increase by 5.6% from RM36,397 in 2015 to RM38,438 in 2016.

(Source: Economic Report 2015/2016, Ministry of Finance Malaysia)

The global economy is expected to be more challenging in 2016. The latest data by the International Monetary Fund (IMF) indicates that the global economy will grow at a slower pace from 3.6% to 3.4%. Meanwhile, world trade is anticipated to moderate from 4.1% to 3.4%. This is on account of several economies such as South Africa, the US, Brazil and China which are also expected to grow at a slower pace. World crude oil prices have continued to plummet below USD30 per barrel. The ringgit too has depreciated by 11.3% against the US dollar from 3.77 in June 2015 to 4.25 on 27 January 2016. However, the ringgit is expected to better reflect the strength of the economic fundamentals when global financial markets stabilise and oil prices recover to more reasonable levels. After taking into consideration the current economic scenario, the Government has decided to revise the 2016 forecast of GDP growth to 4% – 4.5% and the assumption for average Dated Brent crude oil price at USD30 to 35 per barrel.

(Source: Speech titled “2016 Budget Recalibration” by the Prime Minister of Malaysia, dated 28 January 2016, http://www.bnm.gov.my/files/Budget2016_Recalibration.pdf)

7.2 Outlook of the Food Manufacturing Industry in Malaysia

The Malaysian food industry is dominated by small and medium scale companies. The major subsectors are the fish and fish products, livestock and livestock products, fruits, vegetables and cocoa.

Malaysia is the third largest producer of poultry meat in the Asia Pacific region. Malaysia is self-sufficient in poultry, pork and eggs, but imports about 80% of its beef requirements.

The concept of halal is associated with food products which are of high quality in terms of cleanliness, sanitation and compliance with religious requirements. Malaysia’s food manufacturer can contemplate joint-ventures with established food manufacturers particularly from Australia and New Zealand to service the ASEAN, Middle East, European and US markets which have sizeable Muslim populations. Local halal food products can gain easy access into these halal markets as Malaysia’s halal certification is globally recognised.

(Source: Food Industry, Malaysian Investment Development Authority, Retrieved on 16 November 2015, <http://www.mida.gov.my/home/food-technology-and-sustainable-resources/posts/>)

According to the media release by Ministry of International Trade and Industry, the halal component of the global economy is now estimated at RM8.4 trillion. The halal food sector alone accounts for almost RM2.5 trillion of that total.

(Source: Malaysia Aims to Energise the Halal Ecosystem through the World Halal Summit, dated on 10 March 2015, <http://www.miti.gov.my/index.php/pages/view/934>)

The food, beverage and accommodation subsector expanded by 7% during the first half of 2015 (January – June 2014: 6.1%) on account of higher spending during the school holidays and festivities as well as tourism-related activities. In 2015, the subsector is expected to grow by 6.2% (2014: 6.5%) backed by domestic tourism activity and foreign tourist arrivals through various tourism promotions and campaigns.

Export earnings of processed food grew by 3.8% (January – August 2014: 17.8%) mainly supported by higher demand for dairy products (18.9%); prepared cereals and flour preparations (16.6%); and prepared vegetables and fruits (27.9%). The main export markets for processed food were Singapore, China and Thailand.

(Source: Economic Report 2015/2016, Ministry of Finance)

7.3 Prospects of Saudee

Our Group is principally involved in FPP and Trading Products with a total workforce of approximately 350 employees as at LPD.

Our manufactured products are marketed under our own brands, namely Saudi Gold and Farm Gold. Saudee Group, however, also manufactures for our clients under their own brand names. Saudi Gold and Farm Gold products are represented in retail outlets including hypermarkets and supermarkets throughout Malaysia.

According to an independent provider of strategic market research, the value of frozen processed food and frozen processed red meat in Malaysia for 2015 is expected to be RM1,154.8 million as disclosed in our circular to shareholders dated 5 January 2016. Based on this, our Group estimates that our market share in Malaysia to be approximately 5.41%.

Our Group's focus is to produce high quality and premium products and our Grilled Chicken Bratwurst is an award winning product for product innovation.

Our management is aware of the need to develop new business activities to stay in the forefront of the industry. Our Group is introducing into the market in the second quarter of 2016 a new range of innovative products such as centre-filled sausages, centre-filled burgers, smoked sausages, smoked chicken, ready-to eat sausages. Other new products are in the development process, both through our own research and development and in collaboration with strategic partners locally and overseas. Our "ready-to-eat" products are differentiated from frozen products in that they are preferred to be stored chilled instead of frozen, and are meant to be eaten "as is" without any further cooking. To support this range of products being developed, the Group has recently registered a new brand name "Prince Chef" to cater to a new premium range of products.

Our Group is also expanding sales into the hotel, restaurant and catering segment. In September 2015, our Group started to supply products to a Japanese restaurant chain in Malaysia with outlets throughout the country.

Our Group recently signed a letter of intent with a Japanese company for the production of halal beef products via a patented process that enhances the taste and flavour of the beef products, but sold at a lower price compared to premium beef products sold in the market. Our Group and the Japanese company intend to jointly market this product in Malaysia and overseas commencing in mid-2016, with a focus on countries where the halal status provides a further attraction.

Ongoing investment to open up markets overseas is beginning to yield results in the Association of Southeast Asian Nations countries and the West Asia region. Currently, our Group mainly exports to Thailand and Indonesia and is working on expanding our presence in Japan, United Arab Emirates, South Korea and Myanmar. Exports to Japan started in October 2015 and our Group has already received its second shipment order which is expected to be delivered in March 2016.

The major thrust of our Group for FYE 31 May 2016 is to grow our markets both locally and overseas through quality and innovative products.

The breakdown of Saudee's products, by local and overseas markets for the FYE 31 May 2015, are as follows:

Products	Local Market (%)	Indonesia and Thailand Market (%)	Total (%)
a) Trading Products	99.7	0.3	100
b) FPP	98.8	1.2	100

Barring unforeseen circumstances, the Board of Saudee is confident on the future prospects of our Group in view of the Two-Call Rights Issue to be undertaken to strengthen its financial position which will allow our Group to expand our business activities and after having considered the outlook of the food manufacturing industry in Malaysia as set out in Section 7.2 of this AP, together with new initiatives being undertaken by our Group.

Premised on the above and our Group's ongoing efforts, the future prospects of our Group in terms of financial performance are expected to be favourable moving forward.

(Source: The Management of Saudee)

8. FINANCIAL EFFECTS

8.1 Issued and paid-up share capital

The proforma effects of the Two-Call Rights Issue on the issued and paid-up share capital of Saudee are set out as follows:

	Minimum Scenario		Maximum Scenario	
	No. of shares ('000)	RM ('000)	No. of shares ('000)	RM ('000)
Existing issued and paid-up share capital as at the LPD	90,000	45,000	90,000	45,000
Shares to be issued pursuant to the Two-Call Rights Issue	21,429	10,714	30,000	15,000
	111,429	55,714	120,000	60,000
Shares to be issued assuming full exercise of the Warrants	32,143	16,072	45,000	22,500
Enlarged issued and paid-up share capital	143,572	71,786	165,000	82,500

8.2 NA and gearing

For illustration purposes only, based on the latest audited consolidated financial statements of Saudee as at 31 May 2015, the proforma effects of the Two-Call Rights Issue on the audited consolidated NA per share and gearing of Saudee Group are set out as follows:

Minimum Scenario:

	Audited as at 31 May 2015 RM'000	Proforma I After the Two- Call Rights Issue RM'000	Proforma II After Proforma I and assuming full exercise of the Warrants RM'000
Share capital	45,000	55,714	^(d) 71,786
Revaluation surplus	3,867	3,867	3,867
Merger deficit ^(g)	(29,297)	(29,297)	(29,297)
Retained profits	30,012	^{(a)(b)(c)} 18,384	^(e) 26,098
Warrant reserve	-	^(c) 7,714	-
Shareholders' funds	49,582	56,382	72,454
No. of shares in issue ('000)	90,000	111,429	143,572
NA per share (RM)^(h)	0.55	0.51	0.50
Total borrowings (RM'000)	51,373	^(f) 46,373	46,373
Gearing ratio (times)⁽ⁱ⁾	1.04	0.82	0.64

Notes:

- (a) The Second Call of the Rights Shares of RM3,214,286 will be capitalised from the retained profits account.
- (b) After deducting the total estimated expenses of RM700,000 relating to the Two-Call Rights Issue.
- (c) For illustrative purposes, the Warrants are assumed to have a fair value of RM0.24 per Warrant based on the Black Scholes Model. The indicative fair value of the Warrants amounting to RM7,714,285 will be reclassified from the retained profits account when the Warrants are issued.
- (d) Assuming full exercise of the Warrants and the exercise price of the Warrants is assumed to be RM0.50, being the par value of Saudee Shares.
- (e) Reclassification of the warrant reserve to the retained profits account upon full exercise of the Warrants.
- (f) After the utilisation of the proceeds from the Two-Call Rights Issue of RM5,000,000 for the repayment of bank borrowings.
- (g) The merger deficit arose in FYE 31 May 2010 from the basis of consolidation for two (2) subsidiaries of Saudee Group, namely Saudi Cold Storage Sdn Bhd and Perusahaan Saudee Sdn Bhd using the merger method of consolidation.
- (h) Calculated based on the shareholders' funds divided by the number of shares in issue.
- (i) Calculated based on the total borrowings divided by the shareholders' funds.

Maximum Scenario:

	Audited as at 31 May 2015 RM'000	Proforma I After the Two- Call Rights Issue RM'000	Proforma II After Proforma I and assuming full exercise of the Warrants RM'000
Share capital	45,000	60,000	^(d) 82,500
Revaluation surplus	3,867	3,867	3,867
Merger deficit ^(g)	(29,297)	(29,297)	(29,297)
Retained profits	30,012	^{(a)(b)(c)} 14,012	^(e) 24,812
Warrant reserve	-	^(c) 10,800	-
Shareholders' funds	49,582	59,382	81,882
No. of shares in issue ('000)	90,000	120,000	165,000
NA per share (RM)^(h)	0.55	0.49	0.50
Total borrowings (RM'000)	51,373	^(f) 46,373	46,373
Gearing ratio (times)⁽ⁱ⁾	1.04	0.78	0.57

Notes:

- (a) The Second Call of the Rights Shares of RM4,500,000 will be capitalised from the retained profits account.
- (b) After deducting the total estimated expenses of RM700,000 relating to the Two-Call Rights Issue.
- (c) For illustrative purposes, the Warrants are assumed to have a fair value of RM0.24 per Warrant based on the Black Scholes Model. The indicative fair value of the Warrants amounting to RM10,800,000 will be reclassified from the retained profits account when the Warrants are issued.
- (d) Assuming full exercise of the Warrants and the exercise price of the Warrants is assumed to be RM0.50, being the par value of Saudee Shares.
- (e) Reclassification of the warrant reserve to the retained profits account upon full exercise of the Warrants.
- (f) After the utilisation of the proceeds from the Two-Call Rights Issue of RM5,000,000 for the repayment of bank borrowings.
- (g) The merger deficit arose in FYE 31 May 2010 from the basis of consolidation for two (2) subsidiaries of Saudee Group, namely Saudi Cold Storage Sdn Bhd and Perusahaan Saudee Sdn Bhd using the merger method of consolidation.
- (h) Calculated based on the shareholders' funds divided by the number of shares in issue.
- (i) Calculated based on the total borrowings divided by the shareholders' funds.

8.3 Earnings and EPS

The Two-Call Rights Issue is not expected to have any material effect on the consolidated earnings and EPS of Saudee Group for the FYE 31 May 2016 as it is only expected to be completed by the first quarter of 2016. However, the EPS of the Group for the FYE 31 May 2017 may be diluted as a result of the increase in the number of Saudee Shares in issue upon the completion of the Two-Call Rights Issue and as and when the Warrants are exercised into new Saudee Shares.

However, the proceeds to be raised from the Two-Call Rights Issue will allow Saudee to repay its bank borrowings which is expected to result in an annual interest saving of approximately RM411,000 translating to an effective interest rate of 8.22% per annum. This is expected to contribute positively to the future earnings of the Group when the benefits arising from the utilisation of proceeds are realised.

For illustrative purposes only, assuming the Two-Call Rights Issue had been completed and all the Warrants had been exercised into new Saudee Shares, the proforma dilution effect on the basic EPS of the Group as a result of the increase in number of Saudee Shares in issue, is set out below:

	Audited FYE 31 May 2015	After the Two-Call Rights Issue		After the Two-Call Rights Issue and assuming full exercise of the Warrants	
		Minimum Scenario	Maximum Scenario	Minimum Scenario	Maximum Scenario
Profit/(Loss) after tax attributable to the equity holders of the Company (RM '000)	(2,034)	(2,034)	(2,034)	(2,034)	(2,034)
Number of Shares in issue ('000)	90,000	^(a) 111,429	^(a) 120,000	^(b) 143,572	^(b) 165,000
Basic EPS/(LPS) (sen)	(2.26)	^(c) (1.83)	^(c) (1.67)	^(d) (1.42)	^(d) (1.23)

Notes:

- (a) Being the proforma enlarged issued and paid-up share capital after the Two-Call Rights Issue under Minimum Scenario and Maximum Scenario, respectively, as set out in Section 8.1 of this AP.
- (b) Being the proforma enlarged issued and paid-up share capital after the Two-Call Rights Issue and assuming full exercise of the Warrants under Minimum Scenario and Maximum Scenario, respectively, as set out in Section 8.1 of this AP.
- (c) This illustrates the dilution of the basic LPS as a result of the Two-Call Rights Issue.
- (d) This illustrates the full dilution of the basic LPS as a result of the Two-Call Rights Issue and assuming full exercise of the Warrants.

8.4 Convertible securities

As at the LPD, Saudee does not have any existing convertible securities.

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8.5 Substantial shareholders' shareholdings

The effects of the Two-Call Rights Issue on the shareholdings of the substantial shareholders of Saudee based on the Company's Register of Substantial Shareholders as at the LPD are set out below:

Minimum Scenario^(a):

Name	As at the LPD		Proforma I		Proforma II							
	No. of shares '000		After the Two-Call Rights Issue		After Proforma I and assuming full exercise of the Warrants							
	Direct	Indirect	Direct	Indirect	Direct	Indirect						
TKK	23,536	26.15	(b)23,327	25.92	36,689	32.93	(b)31,602	28.36	56,418	39.30	(b)44,016	30.66
WSSB	23,327	25.92	-	-	31,602	28.36	-	-	44,016	30.66	-	-

Notes:

(a) In the event that the level of subscription for the Two-Call Rights Issue achieves the Minimum Subscription Level, the Identified Shareholders will not be required to subscribe for Rights Shares pursuant to the Additional Undertakings. However, in the event that the level of subscription for the Two-Call Rights Issue does not achieve the Minimum Subscription Level, the Identified Shareholders will be required to subscribe for such number of Rights Shares pursuant to the Additional Undertakings in order to achieve the Minimum Subscription Level.

(b) Deemed interested by virtue of his shareholdings in WSSB pursuant to Section 6A of the Act.

Maximum Scenario:

Name	As at the LPD		Proforma I		Proforma II							
	No. of shares '000		After the Two-Call Rights Issue		After Proforma I and assuming full exercise of the Warrants							
	Direct	Indirect	Direct	Indirect	Direct	Indirect						
TKK	23,536	26.15	(a)23,327	25.92	31,381	26.15	(a)31,102	25.92	43,149	26.15	(a)42,766	25.92
WSSB	23,327	25.92	-	-	31,102	25.92	-	-	42,766	25.92	-	-

Note:

(a) Deemed interested by virtue of his shareholdings in WSSB pursuant to Section 6A of the Act.

9. WORKING CAPITAL, BORROWINGS, CONTINGENT LIABILITIES AND MATERIAL COMMITMENTS

9.1 Working capital

Our Board is of the opinion that, based on the banking facilities currently available to our Group, our Group's cash balance, internally-generated funds from our business operations as well as the proceeds to be raised from the Two-Call Rights Issue, our Group has sufficient working capital for a period of twelve (12) months from the date of this AP to meet our present and foreseeable future requirements.

9.2 Borrowings

As at the LPD, our Group has total outstanding borrowings of approximately RM57.13 million, all of which are interest bearing, the details are as follows:-

	Total (RM'000)
Short term borrowings:	
Bank overdrafts	3,945
Bankers' acceptances	36,850
Hire purchase payables	754
Term loan	1,324
Long term borrowings:	
Hire purchases payables	1,206
Term loan	13,047
Total borrowings	<u>57,126</u>

All outstanding borrowings are denominated in RM.

There is no non-interest bearing and/or foreign currency denominated borrowings as at the LPD.

There was no default on payment of either interest or principal sums in respect of any borrowing, throughout the past one (1) FYE 31 May 2015, and the subsequent financial period up to the LPD.

9.3 Contingent liabilities

As at the LPD, there are no contingent liabilities incurred or known to be incurred by the Saudee Group, which upon becoming enforceable may affect the business or financial position of the Group save for the material litigation as disclosed in Section 4 of Appendix VII.

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9.4 Material commitments

Save as disclosed below, as at the LPD, there are no material commitments incurred or known to be incurred by the Saudee Group, which upon becoming enforceable may have an effect on the business or financial position of the Saudee Group.

	<u>Approved and contracted for</u>	<u>Approved and not contracted for</u>	<u>Total</u>
Property, plant & equipment (RM'000) ^(a)	12,350	-	12,350
			<u>12,350</u>

Of the RM12.35 million of material commitment for plant and equipment, RM5.75 million has already been paid in advance of delivery.

Note:

(a) Comprises of a new cold room, a new dry store, waste water treatment equipment and production equipment, all of which will be funded via internally generated funds and/or bank borrowings.

10. PROCEDURES FOR ACCEPTANCE, PAYMENT, SALE/TRANSFER AND EXCESS APPLICATION**10.1 General**

As you are an Entitled Shareholder, your CDS Account will be duly credited with the number of provisional Rights Shares with Warrants, which you are entitled to subscribe for in full or in part under the terms of the Two-Call Rights Issue. You will find enclosed with this AP, the NPA notifying you of the crediting of such provisional Rights Shares with Warrants into your CDS Account and the RSF to enable you to subscribe for the provisional Rights Shares with Warrants, as well as to apply for excess Rights Shares with Warrants, if you choose to do so.

10.2 NPA

The provisional allotted of the Rights Shares with Warrants are prescribed securities pursuant to Section 14(5) of the SICDA and therefore, all dealings in the provisional Rights Shares with Warrants will be by book entries through CDS Accounts and will be governed by the SICDA and the Rules of Bursa Depository. Entitled Shareholders and/or their renouncee(s)/transferee(s) (if applicable) are required to have valid and subsisting CDS Accounts when making their applications.

10.3 Procedures for full acceptance by the Entitled Shareholders and renouncee(s)/transferee(s)

Acceptance and payment for the Rights Shares with Warrants provisional allotted to the Entitled Shareholders and/or their renouncee(s)/transferee(s) (if applicable) must be made on the RSF and must be completed in accordance with the notes and instructions contained therein. Acceptances which do not strictly conform to the terms of this AP, the NPA or the RSF or the notes and instructions contained therein or which are illegible may not be accepted at the absolute discretion of our Board.

FULL INSTRUCTIONS FOR THE ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES WITH WARRANTS PROVISIONAL ALLOTTED TO THE ENTITLED SHAREHOLDERS AND/OR THEIR RENOUNCEE(S)/TRANSFEREE(S) (IF APPLICABLE) AND THE PROCEDURES TO BE FOLLOWED SHOULD THE ENTITLED SHAREHOLDERS WISH TO SELL OR TRANSFER ALL OR ANY PART OF THEIR PROVISIONAL ENTITLEMENTS ARE SET OUT IN THIS AP AND THE ACCOMPANYING RSF.

ENTITLED SHAREHOLDERS AND/OR THEIR RENOUNCEE(S)/TRANSFeree(S) (IF APPLICABLE) ARE ADVISED TO READ THIS AP, THE ACCOMPANYING RSF AND THE NOTES AND INSTRUCTIONS CONTAINED THEREIN CAREFULLY.

Entitled Shareholders and/or their renounee(s)/transferee(s) (if applicable) who wish to accept their provisional allotment in full are required to complete Parts I(A) and II of the RSF in accordance with the notes and instructions contained in the RSF. Each completed and signed RSF together with the relevant payment must be sent to our Share Registrar in the envelope provided (at your own risk) by **ORDINARY POST** or **DELIVERED BY HAND** or **BY COURIER** at the following address:

Securities Services (Holdings) Sdn Bhd

Level 7, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur

Tel: +6 03 2084 9000

Fax: +6 03 2094 9940 / 2095 0292

so as to arrive not later than 5.00 p.m. on 24 March 2016, being the last date and time for acceptance and payment, or such extended date and time as may be determined and announced by our Board.

Entitled Shareholders who lose, misplace or for any other reasons require another copy of the RSF, may obtain additional copies from their stockbroker, our Share Registrar at the address stated above, our Registered Office or the website of Bursa Securities (<http://www.bursamalaysia.com>).

One (1) RSF can only be used for acceptance of the provisional Rights Shares with Warrants standing to the credit of one (1) CDS Account belonging to an Entitled Shareholder. Separate RSF(s) must be used for the acceptance of provisional Rights Shares with Warrants standing to the credit of more than one (1) CDS Account. If successful, the Rights Shares with Warrants subscribed for will be credited into your CDS Account(s) as stated in the completed RSF(s).

A reply envelope is enclosed in this AP. In order to facilitate the processing of the RSF by our Share Registrar, Entitled Shareholders are advised to use (1) one reply envelope for each completed RSF.

Entitled Shareholders and/or their renounee(s)/transferee(s) (if applicable) should take note that a trading board lot for the Rights Shares and Warrants comprises one hundred (100) Rights Shares and one hundred (100) Warrants, respectively. Successful applicants of the Rights Shares will be given the Warrants on the basis of three (3) Warrants for every two (2) Rights Shares successfully subscribed for. The minimum number of Rights Share that can be subscribed for or accepted is one (1) Rights Share for every three (3) existing Saudee Shares held. Fractions of Rights Shares with Warrants will be disregarded and the aggregate of such fractions shall be dealt with in such manner as our Board in its absolute discretion deems fit and expedient in the best interest of the Company.

If acceptance and payment for the provisional Rights Shares with Warrants to any Entitled Shareholder and/or their renounee(s)/transferee(s) (if applicable) are not received by our Share Registrar by 5.00 p.m. on 24 March 2016, being the last date and time for acceptance and payment for the provisional Rights Shares with Warrants, or any other extended date and time as may be determined and announced by our Board, such provisional allotment of Rights Shares will be deemed to have been declined and will be cancelled. Proof of time of postage shall not constitute proof of time of receipt by our Share Registrar.

Our Board will then have the right to allot such Rights Shares, which have not been taken up, to applicants applying for excess Rights Shares on a fair and equitable basis and in such manner as our Board in its absolute discretion deems fit and expedient in the best interest of the Company, and such that the incidence of odd lots will be minimised. Our Board reserves the right not to accept any application or to accept any application in part only without assigning any reason thereof.

EACH COMPLETED RSF MUST BE ACCOMPANIED BY THE APPROPRIATE REMITTANCE MADE IN RM FOR THE FULL AMOUNT PAYABLE IN THE FORM OF BANKER'S DRAFTS OR CASHIER'S ORDERS OR MONEY ORDERS OR POSTAL ORDERS DRAWN ON A BANK OR POST OFFICE IN MALAYSIA AND MUST BE MADE PAYABLE TO "SAUDEE RIGHTS ISSUE ACCOUNT" CROSSED "ACCOUNT PAYEE ONLY" AND ENDORSED ON THE REVERSE SIDE WITH THE NAME AND CDS ACCOUNT NUMBER OF THE APPLICANT IN BLOCK LETTERS SO AS TO BE RECEIVED BY OUR SHARE REGISTRAR.

APPLICATIONS ACCOMPANIED BY PAYMENTS OTHER THAN IN THE MANNER STATED ABOVE OR WITH EXCESS OR INSUFFICIENT REMITTANCES MAY OR MAY NOT BE ACCEPTED AT THE ABSOLUTE DISCRETION OF OUR BOARD. DETAILS OF THE REMITTANCES MUST BE FILLED IN THE APPROPRIATE BOXES PROVIDED IN THE RSF.

NO ACKNOWLEDGEMENT OF THE RECEIPT OF THE RSF OR APPLICATION MONIES IN RESPECT OF THE TWO-CALL RIGHTS ISSUE WILL BE MADE BY THE COMPANY OR OUR SHARE REGISTRAR. HOWEVER, SUCCESSFUL APPLICANTS WILL BE ALLOTTED THEIR RIGHTS SHARES WITH WARRANTS AND NOTICES OF ALLOTMENT WILL BE DESPATCHED BY ORDINARY POST TO THE SUCCESSFUL APPLICANTS AT THE ADDRESS SHOWN IN THE RECORD OF DEPOSITORS PROVIDED BY BURSA DEPOSITORY AT THE APPLICANTS' OWN RISK WITHIN EIGHT (8) MARKET DAYS FROM THE LAST DATE OF ACCEPTANCE AND PAYMENT FOR THE RIGHTS SHARES WITH WARRANTS OR SUCH OTHER PERIOD AS MAY BE PRESCRIBED BY BURSA SECURITIES.

APPLICATIONS SHALL NOT BE DEEMED TO HAVE BEEN ACCEPTED BY REASON OF THE REMITTANCE BEING PRESENTED FOR PAYMENT.

ENTITLED SHAREHOLDERS AND/OR THEIR RENOUNCEE(S)/TRANSFEREE(S) (IF APPLICABLE) SHOULD NOTE THAT THE RSF AND REMITTANCES SO LODGED WITH OUR SHARE REGISTRAR SHALL BE IRREVOCABLE AND CANNOT BE SUBSEQUENTLY WITHDRAWN.

WHERE AN APPLICATION IS NOT ACCEPTED OR IS ACCEPTED IN PART ONLY, THE FULL AMOUNT OR THE BALANCE OF THE APPLICATION MONIES, AS THE CASE MAY BE, SHALL BE REFUNDED WITHOUT INTEREST AND SHALL BE DESPATCHED TO THE APPLICANT BY ORDINARY POST TO THE ADDRESS AS SHOWN ON THE RECORD OF DEPOSITORS PROVIDED BY BURSA DEPOSITORY AT THE APPLICANT'S OWN RISK WITHIN FIFTEEN (15) MARKET DAYS FROM THE LAST DATE FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES WITH WARRANTS.

10.4 Procedures for part acceptance by the Entitled Shareholders and renounee(s)/transferee(s)

Entitled Shareholders and/or their renounee(s)/transferee(s) (if applicable) are entitled to accept part of their provisional allotment. The minimum amount of Rights Shares with Warrants that can be accepted is one (1) Rights Share. Fractions of Rights Shares with Warrants will be disregarded and the aggregate of such fractions shall be dealt with in such manner as our Board in its absolute discretion deems fit and expedient in the best interest of the Company.

Entitled Shareholders and/or their renouncee(s)/transferee(s) (if applicable) are required to fill and complete Part I(A) of the RSF by specifying the amount of Rights Shares with Warrants which they are accepting and Part II of the RSF and deliver the completed and signed RSF together with the relevant payment to our Share Registrar, in the same manner as set out in Section 10.3 of this AP.

ENTITLED SHAREHOLDERS AND/OR THEIR RENOUNCEE(S)/TRANSFEREE(S) (IF APPLICABLE) ARE ADVISED TO READ AND ADHERE TO THE RSF AND THE NOTES AND INSTRUCTIONS CONTAINED THEREIN.

The portion of the provisional allotment of Rights Shares with Warrants that has not been accepted will be allotted to any other persons allowed under any law, regulations or rules to accept the transfer of the provisional allotment of Rights Shares with Warrants and the balance, if any, will be allotted to applicants applying for the excess Rights Shares on a fair and equitable basis in such manner as our Board in its absolute discretion deems fit and expedient in the best interest of the Company, such that the incidence of odd lots will be minimised.

10.5 Procedures for sale/transfer of provisional allotment of Rights Shares with Warrants

As the provisional allotment of Rights Shares with Warrants are prescribed securities, Entitled Shareholders and/or their renouncee(s)/transferee(s) (if applicable) who wish to sell or transfer all or part of their entitlement to the provisional allotment of the Rights Shares with Warrants to one (1) or more persons through their stockbroker for the period up to the last date and time for sale or transfer of such provisional allotment of Rights Shares with Warrants, may do so without first having to request for a split of the provisional allotment of Rights Shares with Warrants standing to the credit of their CDS Accounts. To sell all or part of their provisional allotment of Rights Shares with Warrants, they may sell such provisional allotment of Rights Shares on the open market of Bursa Securities or transfer such provisional allotment of Rights Shares with Warrants to such persons as may be allowed pursuant to the Rules of Bursa Depository.

If the Entitled Shareholders and/or their renouncee(s)/transferee(s) (if applicable) have sold or transferred only part of the provisional allotment of Rights Shares with Warrants, the Entitled Shareholders and/or their renouncee(s)/transferee(s) (if applicable) may still accept the balance of the provisional allotment of Rights Shares with Warrants by completing Parts I(A) and II of the RSF and deliver the completed RSF together with the relevant payment to our Share Registrar in the manner as set out in Section 10.3 of this AP.

In selling or transferring all or part of their provisional allotment of Rights Shares with Warrants, the Entitled Shareholders and/or their renouncee(s)/transferee(s) (if applicable) need not deliver any document including the RSF, to their stockbrokers. The Entitled Shareholders and/or their renouncee(s)/transferee(s) (if applicable) are however advised to ensure that they have sufficient provisional allotment of Rights Shares with Warrants standing to the credit of their CDS Accounts that are available for settlement of the sale or transfer.

10.6 Procedures for acceptance by renouncee(s)/transferee(s)

A renouncee/transferee who wishes to accept the provisional allotted Rights Shares with Warrants must obtain a copy of the RSF from their stockbrokers, our Share Registrar, our Registered Office or the website of Bursa Securities (<http://www.bursamalaysia.com>), complete the RSF and submit the same together with the remittance to our Share Registrar in accordance with the notes and instructions printed therein.

The procedure and payment for the acceptance of the provisional allotment of Rights Shares with Warrants by the renouncee(s)/transferee(s) is the same as that which is applicable to the Entitled Shareholders as described in Section 10.3 of this AP.

RENOUNCEE(S)/TRANSFEREE(S) ARE ADVISED TO READ, UNDERSTAND AND CONSIDER CAREFULLY THE CONTENTS OF THIS AP AND ADHERE TO THE NOTES AND INSTRUCTIONS CONTAINED IN THIS AP AND THE RSF.

10.7 Procedures for application of excess Rights Shares with Warrants

Entitled Shareholders and/or their renounee(s)/transferee(s) (if applicable) who accept the provisional allotted Rights Shares with Warrants may apply for additional Rights Shares with Warrants in excess of their entitlement by completing Part I(B) of the RSF (in addition to Parts I(A) and II) and forwarding it with a **separate remittance made in RM** for the full amount payable for the excess Rights Shares with Warrants applied for, to our Share Registrar so as to arrive not later than 5.00 p.m. on 24 March 2016, being the last date and time for acceptance and payment for the provisional Rights Shares with Warrants, or any other extended date and time as may be determined and announced by our Board.

PAYMENT FOR THE EXCESS RIGHTS SHARES WITH WARRANTS APPLIED FOR SHOULD BE MADE IN THE SAME MANNER AS DESCRIBED IN SECTION 10.3 OF THIS AP, EXCEPT THAT THE BANKER'S DRAFTS OR CASHIER'S ORDERS OR MONEY ORDERS OR POSTAL ORDERS DRAWN ON A BANK OR POST OFFICE IN MALAYSIA SHOULD BE MADE PAYABLE TO "SAUDEE EXCESS RIGHTS ISSUE ACCOUNT". THE BANKER'S DRAFTS OR CASHIER'S ORDERS OR MONEY ORDERS OR POSTAL ORDERS SHOULD BE CROSSED "ACCOUNT PAYEE ONLY" AND ENDORSED ON THE REVERSE SIDE WITH THE NAME AND CDS ACCOUNT NUMBER OF THE APPLICANT IN BLOCK LETTERS TO BE RECEIVED BY OUR SHARE REGISTRAR.

The basis of allocation for excess Rights Shares with Warrants will be determined after the last day of application and payment for excess Rights Shares with Warrants. Our Board reserves the right to allot the excess Rights Shares with Warrants, if any, applied for under Part I(B) of the RSF in such manner as it deems fit and expedient in the best interest of the Company subject always to such allocation being made on a fair and equitable basis, and that the intention of our Board set out in Sections 10.7(i) – (iv) below is achieved. Our Board also reserves the right to accept any excess Rights Shares with Warrants application, in full or in part, without assigning any reason thereof.

It is the intention of our Board to allot the excess Rights Shares with Warrants, if any, on a fair and equitable basis and in the following order of priority, where applicable:

- (i) firstly, to minimise the incidence of odd lots;
- (ii) secondly, for allocation to Entitled Shareholders who have applied for excess Rights Shares with Warrants on a pro-rata basis and in board lots, calculated based on their respective shareholdings as per their CDS accounts as at the Entitlement Date;
- (iii) thirdly, for allocation to Entitled Shareholders who have applied for excess Rights Shares with Warrants on a pro-rata basis and in board lots, calculated based on the quantum of their respective excess Rights Shares with Warrants application; and
- (iv) finally, for allocation to the renounee(s)/transferee(s) (if applicable) who have applied for the excess Rights Shares with Warrants on a pro-rata basis and in board lots, calculated based on the quantum of their respective excess Rights Shares with Warrants application.

In the event of any excess Rights Shares with Warrants balance after the above allocations are completed, the balance will be allocated again through the processes above until all excess Rights Shares with Warrants are fully allocated.

NO ACKNOWLEDGEMENT OF RECEIPT OF THE RSF OR APPLICATION MONIES IN RESPECT OF THE EXCESS APPLICATIONS WILL BE MADE BY THE COMPANY OR OUR SHARE REGISTRAR. NOTICES OF ALLOTMENT WILL BE DESPATCHED BY ORDINARY POST TO THE ADDRESS SHOWN IN THE RECORD OF DEPOSITORS OF BURSA DEPOSITORY AT THE APPLICANTS' OWN RISK WITHIN EIGHT (8) MARKET DAYS FROM THE LAST DATE AND TIME FOR APPLICATION AND PAYMENT FOR THE EXCESS RIGHTS SHARES WITH WARRANTS OR SUCH OTHER PERIOD AS MAY BE PRESCRIBED BY BURSA SECURITIES.

APPLICANTS ARE NOT ALLOWED TO WITHDRAW THE RSF AND PAYMENT ONCE THEY HAVE BEEN LODGED WITH OUR SHARE REGISTRAR.

WHERE AN APPLICATION FOR THE EXCESS RIGHTS SHARES WITH WARRANTS IS NOT ACCEPTED OR IS ACCEPTED IN PART ONLY, THE FULL AMOUNT OR THE BALANCE OF THE APPLICATION MONIES, AS THE CASE MAY BE, SHALL BE REFUNDED WITHOUT INTEREST AND SHALL BE DESPATCHED TO THE APPLICANT BY ORDINARY POST TO THE ADDRESS SHOWN ON THE RECORD OF DEPOSITORS PROVIDED BY BURSA DEPOSITORY AT THE APPLICANT'S OWN RISK WITHIN FIFTEEN (15) MARKET DAYS FROM THE LAST DATE FOR APPLICATION OF AND PAYMENT FOR THE EXCESS RIGHTS SHARES WITH WARRANTS.

10.8 Form of issuance

Bursa Securities has already prescribed the Saudee Shares listed on the Main Market of Bursa Securities to be deposited with Bursa Depository. Accordingly, the Rights Shares with Warrants and the new Shares to be issued arising from the exercise of Warrants are prescribed securities and as such, all dealings in the Rights Shares with Warrants will be subject to the Securities Industry (Central Depositories) Act, 1991 and the Rules of Bursa Depository.

Failure to comply with the specific instructions for applications or inaccuracy in the CDS Account number may result in the application being rejected. No physical shares certificate will be issued to you under the Two-Call Rights Issue. A notice of allotment will be despatched to the respective Entitled Shareholders and/or their renouncee(s)/transferee(s) (as the case may be) by ordinary post to the address shown on our Record of Depositors provided by Bursa Depository at their own risk within eight (8) Market Days from the last date for acceptance of and payment for the Rights Shares with Warrants or such other period as may be prescribed by Bursa Securities.

Where the Rights Shares with Warrants are provisionally allotted to Entitled Shareholders in respect of their existing Saudee Shares standing to the credit to their CDS Account on the Entitlement Date, the acceptance by Entitlement Shareholders of the provisional allotment of Rights Shares with Warrants shall mean that they consent to receive such provisional allotment of Rights Shares with Warrants as prescribed or deposited securities which will be credited directly into their CDS Account.

Any person who has purchased the provisional allotment of Rights Shares with Warrants or to whom the provisional allotment of Rights Shares with Warrants has been transferred and intends to subscribe for the Rights Shares with Warrants must state his/her CDS Account number in the space provided in the RSF. The Rights Shares with Warrants will be credited directly as prescribed or deposited securities into his/her CDS Account upon allotment and issuance.

The excess Rights Shares with Warrants, if allotted to the successful applicant who applies for the excess Rights Shares with Warrants, will be credited directly as prescribed securities into the CDS Account of the successful applicant. The allocation of the excess Rights Shares with Warrants will be made on a fair and equitable basis in such manner as our Board in its absolute discretion deems fit and expedient in the best interest of the Company, such that the incidence of odd lots will be minimised, as disclosed in Section 10.7 of this AP.

10.9 Laws of foreign jurisdictions

This AP, the NPA and the RSF have not been and will not be made to comply with the laws of any foreign jurisdictions, and have not been and will not be lodged, registered or approved pursuant to or under any legislation of or with or by any regulatory authorities or other relevant bodies of any foreign jurisdictions. The Two-Call Rights Issue will not be made or offered for subscription in any foreign jurisdictions.

Entitled Shareholders and/or their renounee(s)/transferee(s) (if applicable) may only accept or renounce (as the case may be) all or any part of their entitlement and exercise any other rights in respect of the Two-Call Rights Issue to the extent that it would be lawful to do so, and we, our Directors and officers, Affin Hwang IB and other experts would not, in connection with the Two-Call Rights Issue, be in breach of the laws of any jurisdictions to which they are or may be subject. We, our directors and officers, Affin Hwang IB and other experts shall not accept any responsibility or liability in the event that any acceptance or renunciation made by any Entitled Shareholders and/or their renounee(s)/transferee(s) (if applicable) is or shall become unlawful, unenforceable, voidable or void in any such jurisdictions.

Accordingly, this AP together with the accompanying documents will not be sent to the foreign Entitled Shareholders and/or their renounee(s)/transferee(s) (if applicable) who do not have a registered address in Malaysia. However, such foreign Entitled Shareholders and/or their renounee(s)/transferee(s) (if applicable) may collect this AP including the accompanying documents from our Share Registrar, in which event our Share Registrar shall be entitled to request for such evidence as it deems necessary to satisfy itself as to the identity and authority of the person collecting the aforesaid documents.

Entitled Shareholders and/or their renounee(s)/transferee(s) (if applicable) will be responsible for payment of any issue, transfer or any other taxes or other requisite payments due in such jurisdiction and our Company, our directors and officers, Affin Hwang IB and other experts shall be entitled to be fully indemnified and held harmless by such applicants for any issue, transfer or other taxes or duties as such person may be required to pay. They will have no claims whatsoever against our Company, our directors and officers, Affin Hwang IB and other experts in respect of their rights and entitlements under the Two-Call Rights Issue. Such applicants should consult their professional advisers as to whether they require any governmental, exchange control or other consents or need to comply with any other applicable legal requirements to enable them to accept the Two-Call Rights Issue.

By signing the RSF, the Entitled Shareholders and/or their renounee(s)/transferee(s) (if applicable) are deemed to have represented, acknowledged and declared in favour of (and which representations, acknowledgements and declarations will be relied upon by) us, our directors and officers, Affin Hwang IB and other experts that:

- (i) our Company would not, by acting on the acceptance or renunciation in connection with the Two-Call Rights Issue, be in breach of the laws of any jurisdiction to which the Entitled Shareholders and/or their renounee(s)/transferee(s) (if applicable) are or may be subject to;
- (ii) the Entitled Shareholders and/or their renounee(s)/transferee(s) (if applicable) have complied with the laws to which they are or may be subject to in connection with the acceptance or renunciation of the provisional Rights Shares with Warrants;
- (iii) the Entitled Shareholders and/or their renounee(s)/transferee(s) (if applicable) are not nominees or agents of any person in respect of whom our Company would, by acting on the acceptance or renunciation of the provisional Rights Shares with Warrants, be in breach of the laws of any jurisdiction to which that person is or may be subject to;

- (iv) the Entitled Shareholders and/or their renouncee(s)/transferee(s) (if applicable) are aware that the Rights Shares with Warrants can only be transferred, sold or otherwise disposed of, or charged, hypothecated or pledged in accordance with all applicable laws in Malaysia;
- (v) the Entitled Shareholder and/or his renouncee(s)/transferee(s) has obtained a copy of this AP and has had access to such financial and other information and has been provided the opportunity to ask such questions to the representatives of the parties and receive answers thereto as the Entitled Shareholder and/or his renouncee(s)/transferee(s) deem necessary in connection with the Entitled Shareholder and/or his renouncee's decision to subscribe for or purchase the Rights Shares with Warrants; and
- (vi) the Entitled Shareholders and/or their renouncee(s)/transferee(s) (if applicable) have sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of subscribing or purchasing the Rights Shares with Warrants, are and will be able, and are prepared to bear the economic and financial risks of investing in and holding the Rights Shares with Warrants.

Persons receiving this AP, the NPA and the RSF (including without limitation custodians, nominees and trustees) must not, in connection with the offer, distribute or send the documents into any foreign jurisdiction where to do so would or might contravene local securities, exchange control or relevant laws or regulations. If this AP, the NPA and the RSF are received by any persons in such jurisdiction, or by the agent or nominee of such a person, he must not seek to accept the offer unless he has complied with and observed the laws of the relevant jurisdiction in connection therewith.

Any person who does forward this AP, the NPA and the RSF to any such jurisdiction, whether pursuant to a contractual or legal obligation or otherwise, should draw the attention of the recipient to the contents of this section and our Company reserves the right to reject a purported acceptance of the Rights Shares with Warrants from any such application by foreign Entitled Shareholders and/or their renouncee(s)/transferee(s) (if applicable) in any jurisdiction other than Malaysia.

Our Company reserves the right, in its absolute discretion, to treat any acceptance of the Rights Shares with Warrants as invalid if it believes that such acceptance may violate any applicable legal or regulatory requirements in Malaysia.

11. TERMS AND CONDITIONS

The issuance of the Rights Shares with Warrants pursuant to the Two-Call Rights Issue is governed by the terms and conditions as set out in this AP, the Deed Poll, the NPA and the RSF enclosed herewith.

12. FURTHER INFORMATION

You are advised to refer to the attached appendices for further information.

Yours faithfully,
For and on behalf of the Board of
SAUDEE GROUP BERHAD


TAN KHANG KHIM
EXECUTIVE CHAIRMAN

CERTIFIED TRUE EXTRACT OF THE RESOLUTIONS IN RESPECT OF THE CORPORATE EXERCISES PASSED AT OUR EGM HELD ON 28 JANUARY 2016

SAUDEE GROUP BERHAD
(Company No.838172-P)
(Incorporated in Malaysia)

Extract Minutes of the Extraordinary General Meeting of the Company held at Heliang Hill, Cinta Sayang Resort, Persiaran Cinta Sayang, 08000 Sungai Petani, Kedah on Monday, January 28, 2016 at 9.00 a.m.

CERTIFIED TRUE COPY

[Signature]

18 FEB 2016
Secretary
Ooi Ean Hoon
(MAICSA 7057078)

ORDINARY RESOLUTION

- PROPOSED RENOUNCEABLE TWO-CALL RIGHTS ISSUE OF UP TO 30,000,000 NEW ORDINARY SHARES OF RM0.50 EACH IN SAUDEE (“SAUDEE SHARE(S)” OR “SHARE(S)”) (“RIGHTS SHARE(S)”) ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY THREE (3) EXISTING SAUDEE SHARES HELD ON AN ENTITLEMENT DATE TO BE DETERMINED LATER (“ENTITLEMENT DATE”), TOGETHER WITH UP TO 45,000,000 FREE DETACHABLE WARRANTS (“WARRANT(S)”) ON THE BASIS OF THREE (3) WARRANTS FOR EVERY TWO (2) RIGHTS SHARES SUBSCRIBED BY THE SHAREHOLDERS OF SAUDEE (“PROPOSED TWO-CALL RIGHTS ISSUE”)**

It was resolved that the following be approved:-

“**THAT** subject to the passing of the Special Resolution and the approvals of all relevant authorities being obtained, but not limited to the approval of Bursa Malaysia Securities Berhad being obtained, the Board of Directors of Saudee (“**Board**”) be and is hereby authorised to provisionally allot and issue by way of a renounceable rights issue of up to 30,000,000 Rights Shares on the basis of one (1) Rights Share for every three (3) existing Saudee Shares held, together with up to 45,000,000 Warrants on the basis of three (3) Warrants for every two (2) Rights Shares subscribed, to the shareholders of Saudee whose names appear in the Record of Depositors of the Company (“**Entitled Shareholders**”) as the close of business on an entitlement date to be determined later by the Board, or their renounces, on such other terms and conditions as the Board may determine;

THAT any fractional entitlements of the Rights Shares with Warrants arising from the Proposed Two-Call Rights Issue shall be disregarded and shall be dealt with in such manner as the Board shall in their absolute discretion deem fit or expedient, and in the best interest of the Company;

THAT the first call for the Rights Shares shall be payable in cash on application by the Entitled Shareholders and the second call for the Rights Shares shall be fully capitalised from the Company’s retained profits, on such terms and conditions as the Board may determine;

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

THAT the Board be and is hereby authorised to constitute the Warrants upon the terms and conditions of a deed poll to be executed by the Company (“**Deed Poll**”), as set out in the circular to the shareholders of the Company dated 5 January 2016 (“**Circular**”);

THAT the Board be and is hereby authorised to enter into and execute the Deed Poll with full power to assent to any conditions, modifications, variations and/or amendments in any manner as may be required or permitted by the relevant authorities or deemed necessary by the Board and to do all acts, deed, and things as he may deem fit or expedient in order to implement, finalise and give full effect of the Deed Poll;

CERTIFIED TRUE EXTRACT OF THE RESOLUTIONS IN RESPECT OF THE CORPORATE EXERCISES PASSED AT OUR EGM HELD ON 28 JANUARY 2016 (CONT'D)

SAUDEE GROUP BERHAD
(Company No.838172-P)
(Incorporated in Malaysia)

Extract of Minutes of the Extraordinary General Meeting of the Company held at Helang Hall, Cinta Sayang Resort, Persiaran Cinta Sayang, 08000 Sungai Petani, Kedah on Monday, January 28, 2016 at 9.00 a.m. (Continued...)

Stamp for Identification for the subsequent pages of the certified true copy of the main page dated.

10 FEB 2016

Name of Secretary: Ooi Eah Hoon
(MAICSA 7057078)

ORDINARY RESOLUTION (CONTINUED...)

1. **PROPOSED TWO-CALL RIGHTS ISSUE (CONTINUED...)**

It was resolved that the following be approved:- (Continued...)

AND THAT the Board be and is hereby authorised to take all such necessary steps to give full effect to the Proposed Two-Call Rights Issue with full powers to assent to any conditions, variations, modifications and/or amendments in any manner as may be required or permitted by any relevant authorities or deemed necessary by the Board, and to take all steps and to do all such acts and matters as they may consider necessary or expedient to implement, finalise and give full effect to the Proposed Two-Call Rights Issue.”

SPECIAL RESOLUTION

2. **PROPOSED AMENDMENT TO THE ARTICLES OF ASSOCIATION OF SAUDEE (“PROPOSED AMENDMENT”)**

It was resolved that the following be approved:-

“**THAT** subject to the passing of Ordinary Resolution, approval be and is hereby given to the Board to approve the deletions, alterations, modifications, variations and additions to the Articles of Association of the Company as set out in Section 2.2 of the Circular as follows:-

<u>Existing</u>	<u>Proposed Amendment</u>				
Articles of Association Article 2	Articles of Association Article 2 To add the following new interpretation:- <table border="1" data-bbox="730 1397 1362 1973"> <thead> <tr> <th>WORDS</th> <th>MEANINGS</th> </tr> </thead> <tbody> <tr> <td>Qualifying Member(s)</td> <td> Shall mean: (a) a member(s) who pursuant to a renounceable rights issue by the Company, have subscribed for the shares in the Company; and/or (b) in the case of renouncee(s) who are not members, those who have subscribed for shares in the Company renounced to them; and/or (c) underwriter(s), who have been allotted with the said shares. </td> </tr> </tbody> </table>	WORDS	MEANINGS	Qualifying Member(s)	Shall mean: (a) a member(s) who pursuant to a renounceable rights issue by the Company, have subscribed for the shares in the Company; and/or (b) in the case of renouncee(s) who are not members, those who have subscribed for shares in the Company renounced to them; and/or (c) underwriter(s), who have been allotted with the said shares.
WORDS	MEANINGS				
Qualifying Member(s)	Shall mean: (a) a member(s) who pursuant to a renounceable rights issue by the Company, have subscribed for the shares in the Company; and/or (b) in the case of renouncee(s) who are not members, those who have subscribed for shares in the Company renounced to them; and/or (c) underwriter(s), who have been allotted with the said shares.				

CERTIFIED TRUE EXTRACT OF THE RESOLUTIONS IN RESPECT OF THE CORPORATE EXERCISES PASSED AT OUR EGM HELD ON 28 JANUARY 2016 (CONT'D)

SAUDEE GROUP BERHAD
(Company No.838172-P)
(Incorporated in Malaysia)

Extract of Minutes of the Extraordinary General Meeting of the Company held at ~~118, Belang~~ **118 FEB 2016**
CintaSayang Resort, PersiaranCintaSayang, 08000 Sungai Petani, Kedah on Monday,
January 28, 2016 at 9.00 a.m. (Continued...)

SPECIAL RESOLUTION (CONTINUED...)

2. PROPOSED AMENDMENT (CONTINUED...)

It was resolved that the following be approved:- (Continued...)

Stamp for Identification for the subsequent pages of the certified true copy of the main page dated.

Name of Secretary: Ooi Ean Hoon
(MAICSA 7057078)

<u>Existing</u>	<u>Proposed Amendment</u>
<p>Article 158</p> <p>The Company in general meeting may upon the recommendation of the Directors resolve that it is desirable to capitalise any part of the amount for the time being standing to the credit of any of the Company's reserve accounts or to the credit of the profit and loss account or otherwise available for distribution provided that such sum be not required for paying the dividends on any shares carrying a fixed cumulative preferential dividend and accordingly that such sum be set free for distribution amongst the members who would have been entitled thereto if distributed by way of dividend and in the same proportions on condition that the same be not paid in cash but be applied either in or towards paying up any amounts for the time being unpaid on any shares held by such members respectively or paying up in full unissued shares or debentures of the Company to be allotted and distributed credited as fully paid up to and amongst such members in the proportion aforesaid, or partly in the one way and partly in the other, and the Directors shall give effect to such resolution. A share premium account and a capital redemption reserve may, for the purposes of this Article, be applied only in the paying up of unissued shares to be issued to members of the Company as fully paid bonus shares.</p>	<p>Article 158</p> <p>Subject to the Act and applicable laws, the Company in General Meeting may upon the recommendation of the Directors resolve that it is desirable to capitalise any part of the amount for the time being standing to the credit of any of the Company's reserve accounts (including share premium account and capital redemption reserve) or to the credit of the profit and loss account or otherwise available for distribution, and accordingly that such sum be set free for distribution amongst, (i) the Members who would have been entitled thereto if distributed by way of dividend and in the same proportions on condition that the same be not paid in cash but be applied either in or towards paying up any amounts for the time being unpaid on any shares held by such Members respectively or paying up in full unissued shares or debentures of the Company to be allotted and distributed credited as fully paid up to and amongst such Members in the proportion aforesaid, or partly in the one way and partly in the other, OR (ii) to Qualifying Members only in proportion to which those Qualifying Members are entitled pursuant to a resolution of the Company in General Meeting to that effect, and the Directors shall give effect to such resolution. The Company's share premium account, capital reserve accounts and/or revaluation reserve (if any) may be applied in such manner as may be permitted by the Act, Listing Requirements and applicable laws as may be enforced from time to time.</p>

AND THAT the Board be and is hereby authorised to give effect to the Proposed Amendment and to take all steps and do all acts and things in any manner as they may deem necessary to complete, finalise, implement and give full effect to the Proposed Amendment."

Date: January 28, 2016

Certified True Extract


TAN KHANG KHIM


LOW AI CHOO

INFORMATION ON SAUDEE**1. HISTORY AND PRINCIPAL ACTIVITIES**

Our Company was incorporated in Malaysia under the Act as a public limited company on 11 November 2008. On 2 January 2009, our Company converted to a private limited company to facilitate the restructuring of our Company's shareholdings before being converted back to a public limited company on 8 January 2009. Our Company was listed on the Main Market of Bursa Securities on 12 November 2009. Our Company changed its name to Saudee Group Berhad on 6 December 2013.

Our Company is principally engaged in investment holding whilst the principal activities of our subsidiaries are set out in Section 5 of this Appendix.

2. SHARE CAPITAL

Our authorised share capital and issued and paid-up share capital as at the LPD are as follows:-

	No. of Saudee Shares	Par value (RM)	Total (RM)
Authorised	200,000,000	0.50	100,000,000
Issued and paid-up	90,000,000	0.50	45,000,000

As at the LPD, there were no changes in the issued and paid-up share capital of Saudee for the last three (3) years.

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INFORMATION ON SAUDEE (CONT'D)

3. SUBSTANTIAL SHAREHOLDERS

The effects of the Two-Call Rights Issue on the shareholdings of the substantial shareholders of Saudee based on the Company's Register of Substantial Shareholders as at the LPD are set out below:

Minimum Scenario^(a):

Name	As at the LPD		After the Two-Call Rights Issue		Proforma I		Proforma II					
	No. of shares '000		No. of shares '000		No. of shares '000		No. of shares '000					
	Direct	Indirect	Direct	Indirect	Direct	Indirect	Direct	Indirect				
TKK	23,536	26.15	^(b) 23,327	25.92	36,689	32.93	^(b) 31,602	28.36	56,418	39.30	^(b) 44,016	30.66
WSSB	23,327	25.92	-	-	31,602	28.36	-	-	44,016	30.66	-	-

Notes:

(a) In the event that the level of subscription for the Two-Call Rights Issue achieves the Minimum Subscription Level, the Identified Shareholders will not be required to subscribe for Rights Shares pursuant to the Additional Undertakings. However, in the event that the level of subscription for the Two-Call Rights Issue does not achieve the Minimum Subscription Level, the Identified Shareholders will be required to subscribe for such number of Rights Shares pursuant to the Additional Undertakings in order to achieve the Minimum Subscription Level.

(b) Deemed interested by virtue of his shareholdings in WSSB pursuant to Section 6A of the Act.

Maximum Scenario:

Name	As at the LPD		After the Two-Call Rights Issue		Proforma I		Proforma II					
	No. of shares '000		No. of shares '000		No. of shares '000		No. of shares '000					
	Direct	Indirect	Direct	Indirect	Direct	Indirect	Direct	Indirect				
TKK	23,536	26.15	^(a) 23,327	25.92	31,381	26.15	^(a) 31,102	25.92	43,149	26.15	^(a) 42,766	25.92
WSSB	23,327	25.92	-	-	31,102	25.92	-	-	42,766	25.92	-	-

Note:

(a) Deemed interested by virtue of his shareholdings in WSSB pursuant to Section 6A of the Act.

INFORMATION ON SAUDEE (CONT'D)

4. DIRECTORS

The particulars of our Directors are set out in the Corporate Directory section of this AP. The effects of the Two-Call Rights Issue on the shareholdings of the directors of Saudee based on the Company's Register of Directors' Shareholdings as at the LPD are set out below:

Minimum Scenario^(a):

Name	As at the LPD		Proforma I		Proforma II							
	After the Two-Call Rights Issue		After Proforma I and assuming full exercise of the Warrants		After Proforma I and assuming full exercise of the Warrants							
	Direct	Indirect	Direct	Indirect	Direct	Indirect						
No. of shares '000	%	No. of shares '000	%	No. of shares '000	%	No. of shares '000	%					
TKK	23,536	26.15	^(b) 23,327	25.92	36,689	32.93	^(b) 31,602	28.36	56,418	39.30	^(b) 44,016	30.66
Low Ai Choo	392	0.44	-	-	392	0.35	-	-	392	0.27	-	-
Tan Leong Chuin	3,600	4.00	-	-	3,600	3.23	-	-	3,600	2.51	-	-
Khoo Lay Tatt	-	-	-	-	-	-	-	-	-	-	-	-
Sim Yee Fuan	10	0.01	-	-	10	0.01	-	-	10	0.01	-	-
Ustaz Abdul Hamid Bin Sulaiman	-	-	-	-	-	-	-	-	-	-	-	-

Notes:

(a) In the event that the level of subscription for the Two-Call Rights Issue achieves the Minimum Subscription Level, the Identified Shareholders will not be required to subscribe for Rights Shares pursuant to the Additional Undertakings. However, in the event that the level of subscription for the Two-Call Rights Issue does not achieve the Minimum Subscription Level, the Identified Shareholders will be required to subscribe for such number of Rights Shares pursuant to the Additional Undertakings in order to achieve the Minimum Subscription Level.

(b) Deemed interested by virtue of his shareholdings in WSSB pursuant to Section 6A of the Act.

INFORMATION ON SAUDEE (CONT'D)

Maximum Scenario:

Name	As at the LPD		After the Two-Call Rights Issue		Proforma I		Proforma II					
	<-----Direct----->		<-----Indirect----->		<-----Direct----->		<-----Indirect----->					
	No. of shares '000	%	No. of shares '000	%	No. of shares '000	%	No. of shares '000	%				
TKK	23,536	26.15	(a)23,327	25.92	31,381	26.15	(a)31,102	25.92	43,149	26.15	(a)42,766	25.92
Low Ai Choo	392	0.44	-	-	522	0.44	-	-	718	0.44	-	-
Tan Leong Chuin	3,600	4.00	-	-	4,800	4.00	-	-	6,600	4.00	-	-
Khoo Lay Tatt	-	-	-	-	-	-	-	-	-	-	-	-
Sim Yee Fuan	10	0.01	-	-	13	0.01	-	-	18	0.01	-	-
Ustaz Abdul Hamid Bin Sulaiman	-	-	-	-	-	-	-	-	-	-	-	-

Note:

(a) Deemed interested by virtue of his shareholdings in WSSB pursuant to Section 6A of the Act.

INFORMATION ON SAUDEE (CONT'D)

5. SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINTLY CONTROLLED ENTITIES

Our subsidiaries as at the LPD are as follows:-

Name	Date/Place of incorporation	Issued and paid-up capital (RM)	Effective equity interest (%)	Principal activities
Saudi Cold Storage Sdn. Bhd.	22.05.1992/ Malaysia	2,400,000	100	Wholesaler and dealer of fresh and frozen foods
Perusahaan Saudee Sdn. Bhd.	19.02.1997/ Malaysia	2,100,002	100	Manufacture and dealer of processed poultry, beef products, frozen foods and bakery products
Nutriveg Sdn. Bhd.	06.03.2008/ Malaysia	2	100	Inactive
Sunwish Venture Sdn. Bhd.	05.08.2011/ Malaysia	1,000,000	100	Property development

As at the LPD, we do not have any associate companies or jointly controlled entities.

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INFORMATION ON SAUDEE (CONT'D)

6. PROFIT AND DIVIDEND RECORD

The profit and dividend record of our Group based on our audited consolidated financial statements for the past three (3) years up to FYE 31 May 2015 and the unaudited quarterly results for the six (6) month FPEs 30 November 2014 and 30 November 2015 are summarised as follows:-

	Audited			Unaudited	
	FYE 31 May 2013 (RM'000)	FYE 31 May 2014 (RM'000)	FYE 31 May 2015 (RM'000)	6 month FPE 30 November 2014 (RM'000)	6 month FPE 30 November 2015 (RM'000)
Revenue	145,552	149,111	166,850	80,842	76,850
Cost of goods sold	(124,092)	(129,286)	(148,789)	(72,072)	(69,011)
Gross profit	21,459	19,826	18,061	8,770	7,839
Other income	950	1,033	1,962	326	1,045
Administration and general expenses	(12,432)	(11,434)	(12,898)	(4,618)	(5,840)
Selling and distribution expenses	(6,496)	(5,467)	(6,009)	(3,714)	(4,066)
Finance cost	(2,649)	(2,934)	(3,295)	(1,596)	(1,752)
Profit/(Loss) before tax	832	1,023	(2,179)	(832)	(2,774)
Tax income/(expenses)	(510)	(273)	145	(32)	516
Profit/(Loss) for the financial year	322	750	(2,034)	(864)	(2,258)
Other comprehensive income:- <i>Items that will not be reclassified to profit or loss:-</i>					
- Revaluation increase of properties	-	-	2,848	-	-
- Deferred tax relating to revalued properties	-	(a)(87)	(b)(712)	-	-
Other comprehensive income for the financial year	-	(87)	2,136	-	-
Total comprehensive income for the financial year	322	663	102	(864)	(2,258)
Profit/(Loss) attributable to equity holders of the Company	322	750	(2,034)	(864)	(2,258)
Total comprehensive income attributable to equity holders of the Company	322	663	102	(864)	(2,258)
Earnings before interest, taxation, depreciation and amortisation	7,243	7,883	5,215	2,806	934
Weighted average number of Shares in issue ('000)	90,000	90,000	90,000	90,000	90,000
Gross profit margin (%)	14.74	13.30	10.82	10.85	10.20
Net profit margin (%)	0.22	0.50	(1.22)	(1.07)	(2.94)
EPS/(LPS) (sen):-					
- Basic	0.36	0.83	(2.26)	(0.96)	(2.51)
- Diluted	0.36	0.83	(2.26)	(0.96)	(2.51)

INFORMATION ON SAUDEE (CONT'D)

Notes:

- (a) *Being adjustment for deferred tax due to change in tax rate for properties revalued in previous years.*
- (b) *Being deferred tax for properties revalued during the year.*

Commentary on financial performance**FYE 31 MAY 2013**

Saudee Group recorded higher revenue of RM145.55 million for the audited FYE 31 May 2013 compared with RM129.28 million for the audited FYE 31 May 2012, mainly due to the higher demand of the FPP and the Trading Products. Our Group had intensified its sales promotion activities and above-the-line advertising programmes to enhance the building of brand equity. This led to the enlarging of the group's product penetration. In FYE 31 May 2013, revenue comprised of approximately RM68 million from the FPP and approximately RM78 million from the Trading Products.

The gross profit margin for the financial year under review was approximately 14.74%, representing a decrease of approximately 0.63% as compared to the gross profit margin of the preceding financial year of approximately 15.37%. The decrease in gross profit margin was mainly attributable to a higher sales mix percentage of trading of meat based products whose gross margins are lower as compared to the FPP.

In FYE 31 May 2013, Saudee Group recorded a profit before tax of RM0.83 million as compared to a loss before tax of RM4.12 million in the previous year. This was achieved through revenue enhancements, cut back actions via cost reductions and a decrease in allowance for slow moving inventory amounting to approximately RM1.66 million. During the year, the Group recorded an increase in net interest expense for financial liabilities amounting to approximately RM0.45 million and a decrease in impairment loss on loans and receivables amounting to approximately RM1.57 million.

FYE 31 MAY 2014

Saudee Group recorded higher revenue of RM149.11 million for the audited FYE 31 May 2014 compared with RM145.55 million for the audited FYE 31 May 2013, supported by the FPP production capacity increasing from an average of 568 metric tons per month in FYE 31 May 2013 to 700 metric tons per month FYE 31 May 2014, representing an increase of 23.2%. In FYE 31 May 2014, revenue comprised of approximately RM54 million from the FPP and approximately RM95 million from the Trading Products.

The gross profit margin for the financial year under review was approximately 13.30%, representing a decrease of approximately 1.44% as compared to the gross profit margin of the preceding financial year of approximately 14.74%. The decrease in gross profit margin was mainly attributable to an increase in the Trading Products sales against the FPP sales. This sales mix affected the overall gross profit margin as the Trading Products carry a lower gross profit margin.

Notwithstanding an increase in raw material prices and other utility costs in the year under review compared to the previous year, the Saudee Group recorded a profit before tax of RM1.02 million for FYE 31 May 2014 as compared to a profit before tax of RM0.83 million in the previous year. This represents a higher profit of RM0.19 million or an increase of approximately 23% compared to the previous year. This was largely attributable to higher sales during the first and second quarters of the year under review compared to the

INFORMATION ON SAUDEE (CONT'D)

corresponding quarters, as well as higher efficiency and lower production costs per unit during the year. During the year, the Group recorded an increase in net interest expense for financial liabilities amounting to approximately RM0.26 million and a decrease in impairment loss on loans and receivables amounting to approximately RM0.46 million.

FYE 31 MAY 2015

Saudee Group recorded higher revenue of RM166.85 million for the audited FYE 31 May 2015 compared with RM149.11 million for the audited FYE 31 May 2014. Our Group has also expanded its production capability into more specialty products. The upgrading of certain machines enabled the Group to supply to the hotel, restaurant and catering segment. In FYE 31 May 2015, revenue comprised of approximately RM60 million from the FPP and approximately RM107 million from the Trading Products.

The gross profit margin for the financial year under review was approximately 10.82%, representing a decrease of approximately 2.48% as compared to the gross profit margin of the preceding financial year of approximately 13.30%. Sales of the FPP which had been deteriorating in 2014 recovered in 2015 due to the aggressive sales campaign undertaken by the Group. The Trading Products sales continued to grow in 2015. The weakness in the ringgit against the USD however has an adverse impact on cost and margins as the Trading Products predominantly consist of imported meat and vegetables whilst the raw materials of FPP are mainly sourced overseas directly by the Group or indirectly from local importers. Cost increases severely squeezed margins in 2015 contributing to a lower gross profit margin.

In FYE 31 May 2015, Saudee Group recorded a loss before tax of RM2.18 million as compared to a profit before tax of RM1.02 million in the previous year mainly due to the decrease in gross profit margins and higher administration and general expenses. During the year, the Group fully impaired the balance of an investment by a non-active subsidiary, resulting in an impairment loss of approximately RM0.47 million and a decrease in impairment loss on loans and receivables of approximately RM0.10 million. The Group also recorded an increase in net interest expense for financial liabilities amounting to approximately RM0.42 million.

FPE 30 NOVEMBER 2015

Saudee Group recorded lower revenue of RM76.85 million for the six (6) month FPE 30 November 2015 compared with RM80.84 million for the six (6) month FPE 30 November 2014. In FPE 30 November 2015, revenue comprised of approximately RM30 million from the FPP and approximately RM47 million from the Trading Products.

The gross profit margin for the financial period under review was approximately 10.20%, representing a decrease of approximately 0.65% as compared to the gross profit margin of the corresponding period in the preceding financial year of approximately 10.85%. Sales declined as the management decided to temporarily reduce the sales of Trading Products in view of its low and volatile margins which is unattractive for the Group in view of the current market conditions. The management is in the process of transitioning to a more attractive sales model such that FPP with a higher profit margin contributes a larger proportion of the Saudee Group's future sales volume to replace the affected Trading Products through increase promotional activities and improvement to distribution networks. Whilst the reduction in Trading Products sales has improved the product mix in relation to increasing the percent of sales which carries a higher margin, cost increases continue to squeeze margins.

INFORMATION ON SAUDEE (CONT'D)

In FPE 30 November 2015, Saudee Group recorded a loss before tax of RM2.77 million as compared to a loss of RM0.83 million in the FPE in the previous year. This represents a higher loss of RM1.94 million or an increase of approximately 233% compared to the FPE in the previous year. This was largely due to a write down in slow moving stocks amounting to approximately RM 1.10 million.

7. HISTORICAL SHARE PRICE

The monthly highest and lowest closing market prices of the Saudee Shares traded on Bursa Securities for the past twelve (12) months are as follows:

	Low RM	High RM
2015		
March	0.40	0.47
April	0.43	0.55
May	0.49	0.57
June	0.46	0.59
July	0.47	0.56
August	0.40	0.50
September	0.42	0.48
October	0.47	0.54
November	0.48	0.53
December	0.50	0.53
2016		
January	0.48	0.52
February	0.46	0.50

Last transacted market price of Saudee Shares on 24 November 2015, being the last market date prior to the Announcement 0.52

Last transacted market price of Saudee Shares on 7 March 2016, being the latest practicable date prior to the printing of this AP 0.43

Last transacted market price of Saudee Shares on 4 March 2016, being the last market date prior to the ex-date 0.46

(Source: Bloomberg)

PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF SAUDEE AS AT 31 MAY 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON



Crowe Horwath AF 1018
Chartered Accountants
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+6 04 2278 011 Fax
www.crowehorwath.com.my
info.pg@crowehorwath.com.my

Date: **29 FEB 2016**

The Board of Directors
Saudee Group Berhad
Plot 331, Taman Perindustrian Sungai Petani Fasa 3
08000 Sungai Petani
Kedah

Dear Sirs

**SAUDEE GROUP BERHAD ("SAUDEE")
REPORT ON THE COMPILATION OF PRO FORMA CONSOLIDATED STATEMENTS OF
FINANCIAL POSITION AS AT 31 MAY 2015**

We have completed our assurance engagement to report on the compilation of pro forma consolidated statements of financial position of Saudee and its subsidiaries ("Saudee Group") as at 31 May 2015 by the directors of Saudee ("Directors"). The pro forma consolidated statements of financial position, together with the accompanying notes, are set out in Appendix I and stamped by us for the purposes of identification. The applicable criteria on the basis of which the Directors have compiled the pro forma consolidated statements of financial position are described in Note 2 of Appendix I.

The pro forma consolidated statements of financial position have been compiled by the Directors for inclusion in the Abridged Prospectus in connection with the Proposed Two-Call Rights Issue to illustrate the impacts on Saudee Group's financial position as at 31 May 2015 as if the Proposed Two-Call Rights Issue had taken place on that date. As part of this process, information about Saudee Group's financial position has been extracted by the Directors from the audited consolidated financial statements of Saudee Group for the financial year ended 31 May 2015, which were prepared in accordance with Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

Directors' Responsibility

The Directors are responsible for compiling the pro forma consolidated statements of financial position on the basis of the applicable criteria.

Our Responsibility

Our responsibility is to express an opinion about whether the pro forma consolidated statements of financial position have been compiled, in all material respects, by the Directors on the basis of the applicable criteria.

Offices in Malaysia:

Kuala Lumpur • Klang • Penang • Johor Bahru • Melaka • Muar • Kuching • Sibul • Bintulu • Miri • Kota Kinabalu • Labuan

PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF SAUDEE AS AT 31 MAY 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)



We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued and adopted by the Malaysian Institute of Accountants. This standard requires that we comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled, in all material respects, the pro forma consolidated statements of financial position on the basis of the applicable criteria.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma consolidated statements of financial position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma consolidated statements of financial position.

The purpose of the pro forma consolidated statements of financial position is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

A reasonable assurance engagement to report on whether the pro forma consolidated statements of financial position have been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma consolidated statements of financial position provide a reasonable basis for presenting the significant effects directly attributable to the events or transactions, and to obtain sufficient appropriate evidence about whether:-

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma consolidated statements of financial position reflect the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of Saudee Group, the events or transactions in respect of which the pro forma consolidated statements of financial position have been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma consolidated statements of financial position.

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

Opinion

In our opinion, the pro forma consolidated statements of financial position have been compiled, in all material respects, on the basis of the applicable criteria.

Offices in Malaysia:

Kuala Lumpur • Klang • Penang • Johor Bahru • Melaka • Muar • Kuching • Sibul • Bintulu • Miri • Kota Kinabalu • Labuan

PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF SAUDEE AS AT 31
MAY 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)



Other Matters

This letter has been prepared solely for the purpose stated above in connection with the Proposed Two-Call Rights Issue. As such, this letter should not be used for any other purpose without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this letter contrary to the aforesaid purpose.

Yours faithfully

A handwritten signature in black ink, appearing to be the initials "CH" with a long horizontal stroke extending to the right.

Crowe Horwath
Firm No: AF 1018
Chartered Accountants

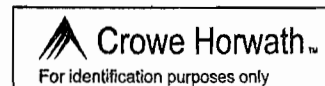
A handwritten signature in black ink, appearing to be "Eddy Chan Wai Hun" with a long horizontal stroke extending to the right.

Eddy Chan Wai Hun
Approval No: 2182/10/17(J)
Chartered Accountant

Offices in Malaysia:

Kuala Lumpur • Klang • Penang • Johor Bahru • Melaka • Muar • Kuching • Sibul • Bintulu • Miri • Kota Kinabalu • Labuan

PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF SAUDEE AS AT 31 MAY 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)



APPENDIX I

**SAUDEE GROUP BERHAD ("SAUDEE" OR "COMPANY")
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 MAY 2015**

Minimum Scenario

	Note	Audited as at 31.5.2015 RM'000	Pro Forma I RM'000	Pro Forma II RM'000
NON-CURRENT ASSETS				
Property, plant and equipment		40,697	40,697	40,697
Investment properties		3,870	3,870	3,870
		<u>44,567</u>	<u>44,567</u>	<u>44,567</u>
CURRENT ASSETS				
Property development costs		9,015	9,015	9,015
Inventories		29,639	29,639	29,639
Trade and other receivables		24,460	24,460	24,460
Prepayments		944	944	944
Current tax assets		352	352	352
Cash and cash equivalents	3	10,519	12,319	28,391
		<u>74,929</u>	<u>76,729</u>	<u>92,801</u>
CURRENT LIABILITIES				
Trade and other payables		15,555	15,555	15,555
Loans and borrowings - secured	4	38,125	33,125	33,125
		<u>53,680</u>	<u>48,680</u>	<u>48,680</u>
NET CURRENT ASSETS		21,249	28,049	44,121
NON-CURRENT LIABILITIES				
Loans and borrowings - secured		13,248	13,248	13,248
Deferred tax liabilities		2,986	2,986	2,986
		<u>16,234</u>	<u>16,234</u>	<u>16,234</u>
NET ASSETS		<u>49,582</u>	<u>56,382</u>	<u>72,454</u>
EQUITY				
Share capital	5	45,000	55,714	71,786
Revaluation surplus		3,867	3,867	3,867
Merger deficit		(29,297)	(29,297)	(29,297)
Warrant reserve	6	0	7,714	0
Retained profits	7	30,012	18,384	26,098
TOTAL EQUITY		<u>49,582</u>	<u>56,382</u>	<u>72,454</u>
No. of shares in issue ('000)		90,000	111,429	143,572
Net assets per share (RM)		0.55	0.51	0.50
Total borrowings (RM'000)		51,373	46,373	46,373
Gearing ratio (times)		1.04	0.82	0.64

PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF SAUDEE AS AT 31 MAY 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)



APPENDIX I

**SAUDEE GROUP BERHAD ("SAUDEE" OR "COMPANY")
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 MAY 2015**

Maximum Scenario

	Note	Audited as at 31.5.2015 RM'000	Pro Forma I RM'000	Pro Forma II RM'000
NON-CURRENT ASSETS				
Property, plant and equipment		40,697	40,697	40,697
Investment properties		3,870	3,870	3,870
		<u>44,567</u>	<u>44,567</u>	<u>44,567</u>
CURRENT ASSETS				
Property development costs		9,015	9,015	9,015
Inventories		29,639	29,639	29,639
Trade and other receivables		24,460	24,460	24,460
Prepayments		944	944	944
Current tax assets		352	352	352
Cash and cash equivalents	3	10,519	15,319	37,819
		<u>74,929</u>	<u>79,729</u>	<u>102,229</u>
CURRENT LIABILITIES				
Trade and other payables		15,555	15,555	15,555
Loans and borrowings - secured	4	38,125	33,125	33,125
		<u>53,680</u>	<u>48,680</u>	<u>48,680</u>
NET CURRENT ASSETS		21,249	31,049	53,549
NON-CURRENT LIABILITIES				
Loans and borrowings - secured		13,248	13,248	13,248
Deferred tax liabilities		2,986	2,986	2,986
		<u>16,234</u>	<u>16,234</u>	<u>16,234</u>
NET ASSETS		<u>49,582</u>	<u>59,382</u>	<u>81,882</u>
EQUITY				
Share capital	5	45,000	60,000	82,500
Revaluation surplus		3,867	3,867	3,867
Merger deficit		(29,297)	(29,297)	(29,297)
Warrant reserve	6	0	10,800	0
Retained profits	7	30,012	14,012	24,812
TOTAL EQUITY		<u>49,582</u>	<u>59,382</u>	<u>81,882</u>
No. of shares in issue ('000)		90,000	120,000	165,000
Net assets per share (RM)		0.55	0.49	0.50
Total borrowings (RM'000)		51,373	46,373	46,373
Gearing ratio (times)		1.04	0.78	0.57

PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF SAUDEE AS AT 31 MAY 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)

**APPENDIX I****SAUDEE GROUP BERHAD ("SAUDEE" OR "COMPANY")
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 MAY 2015****1. General Information**

Saudee proposes to undertake a renounceable two-call rights issue of up to 30,000,000 new ordinary shares of RM0.50 each in Saudee ("Saudee Share(s)") ("Rights Share(s)") on the basis of one (1) Rights Share for every three (3) existing Saudee Shares held on an entitlement date to be determined later, together with up to 45,000,000 free detachable warrants ("Warrant(s)") on the basis of three (3) Warrants for every two (2) Rights Shares subscribed by the shareholders of Saudee, at an indicative issue price of RM0.50 per Rights Share, of which the indicative first call of RM0.35 ("First Call") will be payable in cash on application and the indicative second call of RM0.15 ("Second Call") is to be capitalised from the Company's retained profits ("Proposed Two-Call Rights Issue").

The Proposed Two-Call Rights Issue will be undertaken on a minimum subscription level basis, where the Proposed Two-Call Rights Issue would entail a minimum issuance of 21,428,571 Rights Shares together with 32,142,855 Warrants to raise a minimum gross proceeds of approximately RM7.5 million ("Minimum Subscription Level").

2. Basis of Preparation

The pro forma consolidated statements of financial position of Saudee and its subsidiaries ("Saudee Group") have been compiled by the Directors for inclusion in the Abridged Prospectus in connection with the Proposed Two-Call Rights Issue to illustrate the impacts on Saudee Group's financial position as at 31 May 2015 as if the Proposed Two-Call Rights Issue had taken place on that date. As part of this process, information about Saudee Group's financial position has been extracted by the Directors from the audited consolidated financial statements of Saudee Group for the financial year ended 31 May 2015, which were prepared in accordance with Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

The pro forma consolidated statements of financial position have been prepared in a manner consistent with both the format of the financial statements and the accounting policies of Saudee Group.

For illustrative purposes, the effects of the Proposed Two-Call Rights Issue shall be based on the following two (2) scenarios:-

Minimum Scenario : Assuming that the Proposed Two-Call Rights Issue is undertaken on the Minimum Subscription Level basis.

Maximum Scenario : Assuming that all the entitled shareholders of Saudee fully subscribe to their entitlements of the Rights Shares.

PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF SAUDEE AS AT 31 MAY 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)



APPENDIX I

SAUDEE GROUP BERHAD ("SAUDEE" OR "COMPANY")
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 MAY 2015

2. Basis of Preparation (cont'd)

The pro forma effects of the Proposed Two-Call Rights Issue are as follows:-

Pro Forma I - Issuance of Rights Shares and Warrants

Minimum Scenario : Issuance of 21,428,571 Rights Shares together with 32,142,855 Warrants at an indicative issue price of RM0.50 per Rights Share, of which the First Call totalling RM7,500,000 will be payable in cash on application and the Second Call totalling RM3,214,286 is to be capitalised from the Company's retained profits. The indicative fair value of the Warrants amounting to RM7,714,285^(a) will be reclassified from retained profits to warrant reserve.

Maximum Scenario : Issuance of 30,000,000 Rights Shares together with 45,000,000 Warrants at an indicative issue price of RM0.50 per Rights Share, of which the First Call totalling RM10,500,000 will be payable in cash on application and the Second Call totalling RM4,500,000 is to be capitalised from the Company's retained profits. The indicative fair value of the Warrants amounting to RM10,800,000^(a) will be reclassified from retained profits to warrant reserve.

^(a) Computed based on the theoretical fair value of RM0.24 per Warrant, which was arrived at based on the Black-Scholes option pricing model.

The total estimated expenses of RM700,000 relating to the Proposed Two-Call Rights Issue will be deducted from retained profits.

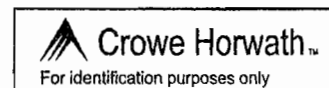
The proceeds from the Proposed Two-Call Rights Issue of RM5,000,000 will be utilised for the repayment of bank borrowings.

Pro Forma II - After Pro Forma I and assuming full exercise of Warrants

Minimum Scenario : Issuance of 32,142,855 Saudee Shares pursuant to the exercise of 32,142,855 Warrants at an indicative exercise price of RM0.50 per Warrant payable in cash. The warrant reserve of RM7,714,285 will be reclassified to retained profits upon full exercise of the Warrants.

Maximum Scenario : Issuance of 45,000,000 Saudee Shares pursuant to the exercise of 45,000,000 Warrants at an indicative exercise price of RM0.50 per Warrant payable in cash. The warrant reserve of RM10,800,000 will be reclassified to retained profits upon full exercise of the Warrants.

PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF SAUDEE AS AT 31 MAY 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)



APPENDIX I

**SAUDEE GROUP BERHAD ("SAUDEE" OR "COMPANY")
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 MAY 2015**

3. Cash and Cash Equivalents

	Minimum Scenario RM'000	Maximum Scenario RM'000
Audited as at 31 May 2015	10,519	10,519
Issuance of Rights Shares	7,500	10,500
Estimated expenses for Proposed Two-Call Rights Issue	(700)	(700)
Repayment of bank borrowings	(5,000)	(5,000)
As per Pro Forma I	12,319	15,319
Exercise of Warrants	16,072	22,500
As per Pro Forma II	28,391	37,819

4. Loans and Borrowings - Secured

	Minimum Scenario RM'000	Maximum Scenario RM'000
Audited as at 31 May 2015	38,125	38,125
Repayment of bank borrowings	(5,000)	(5,000)
As per Pro Forma I & II	33,125	33,125

5. Share Capital

	Minimum Scenario		Maximum Scenario	
	No. of Shares '000	RM'000	No. of Shares '000	RM'000
Audited as at 31 May 2015	90,000	45,000	90,000	45,000
Issuance of Rights Shares	21,429	10,714	30,000	15,000
As per Pro Forma I	111,429	55,714	120,000	60,000
Exercise of Warrants	32,143	16,072	45,000	22,500
As per Pro Forma II	143,572	71,786	165,000	82,500

PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF SAUDEE AS AT 31
MAY 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)



APPENDIX I

SAUDEE GROUP BERHAD ("SAUDEE" OR "COMPANY")
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 MAY 2015

6. Warrant Reserve

	Minimum Scenario RM'000	Maximum Scenario RM'000
Audited as at 31 May 2015	0	0
Issuance of Warrants	7,714	10,800
As per Pro Forma I	7,714	10,800
Exercise of Warrants	(7,714)	(10,800)
As per Pro Forma II	0	0

7. Retained Profits

	Minimum Scenario RM'000	Maximum Scenario RM'000
Audited as at 31 May 2015	30,012	30,012
Capitalisation for Second Call	(3,214)	(4,500)
Issuance of Warrants	(7,714)	(10,800)
Estimated expenses for Proposed Two-Call Rights Issue	(700)	(700)
As per Pro Forma I	18,384	14,012
Exercise of Warrants	7,714	10,800
As per Pro Forma II	26,098	24,812

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF SAUDEE FOR THE FYE 31 MAY 2015
TOGETHER WITH THE AUDITORS' REPORT THEREON**

Certified True Copy

EDDY CHAN WAI HUN C.A.(M), CPA

Crowe Horwath (AF 1018)

Chartered Accountants

Penang Office

Level 6, Wisma Penang Garden

42 Jalan Sultan Ahmad Shah

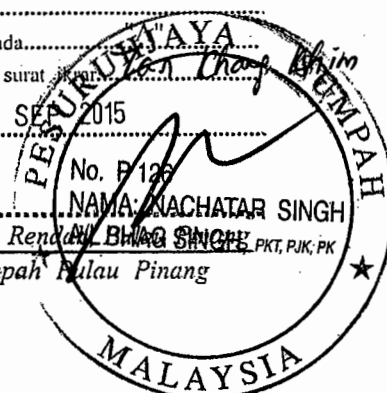
10050 Penang, Malaysia

Tel : 6 04 2277 061 Fax : 6 04 2278 011

Inilah Benda bukti bertanda.....
yang disebutkan didalam surat.....

Diikrar pada 04 SEP 2015

No. P 126
NAMA: NIACHATAR SINGH
Pengadil, Mahkamah Rendah Pulau Pinang, PKT, PJK, PK
Pesuruhjaya Sumpah Pulau Pinang



120 LEBUH PENANG
10200 PULAU PINANG

SAUDEE GROUP BERHAD

(Incorporated in Malaysia)

Company No: 838172-P

FINANCIAL REPORT

for the financial year ended 31 May 2015

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**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF SAUDEE FOR THE FYE 31 MAY 2015
TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

SAUDEE GROUP BERHAD

(Incorporated in Malaysia)
Company No: 838172-P

DIRECTORS' REPORT

The directors hereby submit their report and the audited financial statements of the Group and the Company for the financial year ended 31 May 2015.

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of investment holding. The principal activities of its subsidiaries are disclosed in Note 6 to the financial statements. There have been no significant changes in the nature of the principal activities of the Group and the Company during the financial year.

RESULTS

	The Group RM	The Company RM
Loss for the financial year	<u>(2,034,112)</u>	<u>(378,610)</u>

DIVIDENDS

No dividends were proposed, declared or paid by the Company since the end of the previous financial year.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES OR DEBENTURES

There was no issue of shares or debentures by the Company during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

No share options were granted by the Company during the financial year.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF SAUDEE FOR THE FYE 31 MAY 2015
TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

SAUDEE GROUP BERHAD

(Incorporated in Malaysia)
Company No: 838172-P

DIRECTORS' REPORT

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would render the amount written off for bad debts or the amount of the allowance made for doubtful debts inadequate to any substantial extent.

CURRENT ASSETS

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

At the date of this report, the directors are not aware of any circumstances that would render the values attributed to the current assets in the financial statements of the Group and the Company 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 the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

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

- (i) any charge on the assets of the Group or 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 in respect of the Group or the Company that has arisen since the end of the financial year.

No contingent liability or other liability of the Group or 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 the Company to meet their obligations as and when they fall due.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF SAUDEE FOR THE FYE 31 MAY 2015
TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

SAUDEE GROUP BERHAD

(Incorporated in Malaysia)
Company No: 838172-P

DIRECTORS' REPORT

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 in the financial statements of the Group and the Company that would render any amount stated in the respective financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Group and the Company for 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 or the Company for the financial year in which this report is made.

DIRECTORS OF THE COMPANY

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

Tan Khang Khim
Low Ai Choo
Khoo Lay Tatt
Sim Yee Fuan
Ustaz Haji Abdul Hamid Bin Sulaiman
Tan Leong Chuin

Particulars of the interests in shares in the Company of the directors in office at the end of the financial year, as shown in the Register of Directors' Shareholdings, are as follows:-

Name of Director	Number of Ordinary Shares of RM0.50 Each					
	Direct Interest			Deemed Interest		
	Balance at 1.6.2014	Bought	Sold	Balance at 31.5.2015	Balance at 1.6.2014	Balance at 31.5.2015
Tan Khang Khim	25,435,675	0	(3,600,000)	21,835,675	23,326,811	23,326,811
Low Ai Choo	391,510	0	0	391,510	0	0
Sim Yee Fuan	10,000	0	0	10,000	0	0
Tan Leong Chuin	0	3,600,000	0	3,600,000	0	0

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

Save as disclosed above, none of the other directors in office at the end of the financial year held any interests in shares in the Company or its related corporations during the financial year.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF SAUDEE FOR THE FYE 31 MAY 2015
TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

SAUDEE GROUP BERHAD

(Incorporated in Malaysia)
Company No: 838172-P

DIRECTORS' REPORT

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than the directors' remuneration disclosed in the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Neither during nor at the end of the financial year, was the Company a party to any arrangement 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 04 SEP 2015



Tan Khang Khim



Low Ai Choo

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF SAUDEE FOR THE FYE 31 MAY 2015
TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

SAUDEE GROUP BERHAD

(Incorporated in Malaysia)
Company No: 838172-P

STATEMENT BY DIRECTORS

We, Tan Khang Khim and Low Ai Choo, being two of the directors of Saudee Group Berhad, do hereby state that in the opinion of the directors, the financial statements set out on pages 9 to 54 give a true and fair view of the financial position of the Group and the Company as at 31 May 2015 and of their financial performance and cash flows for the financial year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

In the opinion of the directors, the supplementary information set out on page 55 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 Disclosures 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 04 SEP 2015


Tan Khang Khim


Low Ai Choo

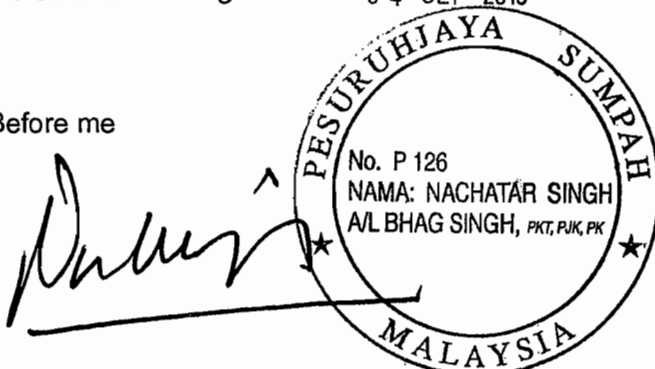
STATUTORY DECLARATION

I, Tan Khang Khim, being the director primarily responsible for the financial management of Saudee Group Berhad, do solemnly and sincerely declare that the financial statements set out on pages 9 to 54 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
Tan Khang Khim at Georgetown in
the State of Penang on this 04 SEP 2015


Tan Khang Khim

Before me



**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF SAUDEE FOR THE FYE 31 MAY 2015
TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**



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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
SAUDEE GROUP BERHAD**

(Incorporated in Malaysia)
Company No: 838172-P

Report on the Financial Statements

We have audited the financial statements of Saudee Group Berhad, which comprise the statements of financial position as at 31 May 2015 of the Group and the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 9 to 54.

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 requirements of the Companies Act 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF SAUDEE FOR THE FYE 31 MAY 2015
TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
SAUDEE GROUP BERHAD (cont'd)**

(Incorporated in Malaysia)
Company No: 838172-P

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and the Company as at 31 May 2015 and of their financial performance and cash flows for the financial year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 25 to the financial statements which describes the nature of the contingent liabilities relating to the Royal Malaysian Customs Department's claims against a subsidiary and the premise on which no provision has been recognised by the directors.

Report on Other Legal and Regulatory Requirements

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

- (i) 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.
- (ii) 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.
- (iii) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

The supplementary information set out on page 55 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 Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants ("the 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.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF SAUDEE FOR THE FYE 31 MAY 2015
TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
SAUDEE GROUP BERHAD (cont'd)**

(Incorporated in Malaysia)
Company No: 838172-P

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.

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Crowe Horwath
Firm No: AF 1018
Chartered Accountants

Date: 04 SEP 2015

Penang

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Eddy Chan Wai Hun
Approval No: 2182/10/15(J)
Chartered Accountant

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF SAUDEE FOR THE FYE 31 MAY 2015
TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

SAUDEE GROUP BERHAD

(Incorporated in Malaysia)
Company No: 838172-P

"A"

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MAY 2015**

	Note	2015 RM	2014 RM
NON-CURRENT ASSETS			
Property, plant and equipment	4	40,696,893	34,218,910
Investment properties	5	3,870,000	3,200,000
		<u>44,566,893</u>	<u>37,418,910</u>
CURRENT ASSETS			
Property development costs	7	9,014,600	10,355,600
Inventories	8	29,639,428	27,884,461
Trade and other receivables	9	24,460,305	27,104,901
Financial assets at fair value through profit or loss	10	300	0
Prepayments		943,654	569,624
Current tax assets		351,818	78,955
Cash and cash equivalents	11	10,518,883	10,956,597
		<u>74,928,988</u>	<u>76,950,138</u>
CURRENT LIABILITIES			
Trade and other payables	12	15,554,689	10,257,789
Loans and borrowings - secured	13	38,125,506	37,926,084
Financial liabilities at fair value through profit or loss	10	0	48,930
		<u>53,680,195</u>	<u>48,232,803</u>
NET CURRENT ASSETS		21,248,793	28,717,335
NON-CURRENT LIABILITIES			
Loans and borrowings - secured	13	13,247,489	14,261,732
Deferred tax liabilities	14	2,986,000	2,394,000
		<u>16,233,489</u>	<u>16,655,732</u>
NET ASSETS		<u>49,582,197</u>	<u>49,480,513</u>
EQUITY			
Share capital	15	45,000,000	45,000,000
Revaluation surplus		3,867,195	1,731,399
Merger deficit		(29,296,614)	(29,296,614)
Retained profits		30,011,616	32,045,728
TOTAL EQUITY		<u>49,582,197</u>	<u>49,480,513</u>

Certified True Copy

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EDDY CHAN WAI HUN C.A.(M), CPA

Crowe Horwath (AF 1018)
Chartered Accountants
Penang Office
Level 6, Wisma Penang Garden
42 Jalan Sultan Ahmad Shah
10050 Penang, Malaysia
Tel : 6 04 2277 061 Fax : 6 04 2278 011

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF SAUDEE FOR THE FYE 31 MAY 2015
TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

SAUDEE GROUP BERHAD

(Incorporated in Malaysia)
Company No: 838172-P

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 MAY 2015**

	Note	2015 RM	2014 RM
Revenue	16	166,850,084	149,111,377
Cost of goods sold		(148,788,862)	(129,285,712)
Gross profit		<u>18,061,222</u>	<u>19,825,665</u>
Other income		1,961,681	1,032,909
Administrative and general expenses		(12,897,753)	(11,434,456)
Selling and distribution expenses		(6,009,254)	(5,467,348)
Finance costs		(3,294,514)	(2,933,607)
(Loss)/Profit before tax	17	<u>(2,178,618)</u>	<u>1,023,163</u>
Tax income/(expense)	19	144,506	(273,230)
(Loss)/Profit for the financial year		<u>(2,034,112)</u>	<u>749,933</u>
Other comprehensive income:-			
<i>Items that will not be reclassified to profit or loss:-</i>			
- Revaluation increase of properties		2,847,728	0
- Deferred tax relating to revalued properties		(711,932)	(87,000)
Other comprehensive income for the financial year		<u>2,135,796</u>	<u>(87,000)</u>
Total comprehensive income for the financial year		<u>101,684</u>	<u>662,933</u>
(Loss)/Earnings per share:-	20		
- Basic (sen)		<u>(2.26)</u>	<u>0.83</u>
- Diluted (sen)		<u>(2.26)</u>	<u>0.83</u>

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF SAUDEE FOR THE FYE 31 MAY 2015
TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

SAUDEE GROUP BERHAD

(Incorporated in Malaysia)

Company No: 838172-P

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 MAY 2015**

	Share capital RM	Non-distributable		Distributable	Total equity RM
		Revaluation surplus RM	Merger deficit RM	Retained profits RM	
Balance at 1 June 2013	45,000,000	1,818,399	(29,296,614)	31,295,795	48,817,580
Deferred tax relating to revalued properties (representing other comprehensive income for the financial year)	0	(87,000)	0	0	(87,000)
Profit for the financial year	0	0	0	749,933	749,933
Total comprehensive income for the financial year	0	(87,000)	0	749,933	662,933
Balance at 31 May 2014	45,000,000	1,731,399	(29,296,614)	32,045,728	49,480,513
Revaluation increase of properties	0	2,847,728	0	0	2,847,728
Deferred tax relating to revalued properties	0	(711,932)	0	0	(711,932)
Other comprehensive income for the financial year	0	2,135,796	0	0	2,135,796
Loss for the financial year	0	0	0	(2,034,112)	(2,034,112)
Total comprehensive income for the financial year	0	2,135,796	0	(2,034,112)	101,684
Balance at 31 May 2015	45,000,000	3,867,195	(29,296,614)	30,011,616	49,582,197

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF SAUDEE FOR THE FYE 31 MAY 2015
TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

SAUDEE GROUP BERHAD

(Incorporated in Malaysia)

Company No: 838172-P

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2015**

	Note	2015 RM	2014 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/Profit before tax		(2,178,618)	1,023,163
Adjustments for:-			
Depreciation		4,301,161	4,182,951
Gain on disposal of property, plant and equipment		(387)	(96,291)
Gain on fair value adjustment of investment properties		(670,000)	(400,000)
Impairment loss on loans and receivables		677,293	227,509
Impairment loss on property, plant and equipment		466,666	0
Interest expense		3,294,514	2,933,607
Interest income		(201,949)	(257,149)
Property, plant and equipment written off		950	200,075
Revaluation increase of properties		(358,892)	0
Reversal of allowance for slow moving inventories		(50,223)	(44,768)
Reversal of impairment loss on loans and receivables		(544,197)	0
Unrealised (gain)/loss on financial instruments at fair value through profit or loss		(300)	48,930
Operating profit before working capital changes		<u>4,736,018</u>	<u>7,818,027</u>
Changes in:-			
Property development costs		1,341,000	998,535
Inventories		(1,704,744)	(4,615,467)
Receivables and prepayments		2,137,470	(2,516,925)
Payables		5,296,900	1,500,157
Financial instruments at fair value through profit or loss		(48,930)	27,656
Cash generated from operations		<u>11,757,714</u>	<u>3,211,983</u>
Tax paid		(355,656)	(375,080)
Tax refunded		107,367	739,502
Net cash from operating activities		<u>11,509,425</u>	<u>3,576,405</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		201,949	257,149
Proceeds from disposal of property, plant and equipment		1,701	130,436
Purchase of property, plant and equipment	21	<u>(7,378,447)</u>	<u>(1,957,976)</u>
Net cash used in investing activities		<u>(7,174,797)</u>	<u>(1,570,391)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
(Decrease)/Increase in short-term loans and borrowings (net)		(803,543)	2,693,558
Interest paid		(3,294,514)	(2,965,120)
Repayment of hire purchase obligations		(770,407)	(640,355)
Repayment of term loans		(787,988)	(1,499,910)
(Placement)/Withdrawal of term deposits pledged as security		(1,378,124)	1,644,441
Net cash used in financing activities		<u>(7,034,576)</u>	<u>(767,386)</u>
Net (decrease)/increase in cash and cash equivalents		(2,699,948)	1,238,628
Cash and cash equivalents brought forward		863,600	(375,028)
Cash and cash equivalents carried forward	11	<u>(1,836,348)</u>	<u>863,600</u>

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

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**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF SAUDEE FOR THE FYE 31 MAY 2015
TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

SAUDEE GROUP BERHAD

(Incorporated in Malaysia)
Company No: 838172-P

**STATEMENT OF FINANCIAL POSITION
As At 31 MAY 2015**

	Note	2015 RM	2014 RM
NON-CURRENT ASSETS			
Investments in subsidiaries	6	57,258,787	57,258,787
CURRENT ASSETS			
Other receivables	9	4,299,504	4,682,835
Prepayments		25,320	32,184
Current tax assets		1,584	1,870
Cash and cash equivalents	11	42,005	70,163
		<u>4,368,413</u>	<u>4,787,052</u>
CURRENT LIABILITIES			
Other payables	12	17,128,710	17,168,739
		<u>17,128,710</u>	<u>17,168,739</u>
NET CURRENT LIABILITIES			
		<u>(12,760,297)</u>	<u>(12,381,687)</u>
NET ASSETS			
		<u>44,498,490</u>	<u>44,877,100</u>
EQUITY			
Share capital	15	45,000,000	45,000,000
Accumulated losses		(501,510)	(122,900)
TOTAL EQUITY		<u>44,498,490</u>	<u>44,877,100</u>

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF SAUDEE FOR THE FYE 31 MAY 2015
TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

SAUDEE GROUP BERHAD

(Incorporated in Malaysia)

Company No: 838172-P

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 MAY 2015**

	Note	2015 RM	2014 RM
Revenue	16	500,000	0
Other income		166	397
Administrative and general expenses		(878,776)	(334,458)
Loss before tax	17	<u>(378,610)</u>	<u>(334,061)</u>
Tax expense	19	0	(43)
Loss for the financial year		<u>(378,610)</u>	<u>(334,104)</u>
Other comprehensive income for the financial year		0	0
Total comprehensive income for the financial year		<u>(378,610)</u>	<u>(334,104)</u>

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF SAUDEE FOR THE FYE 31 MAY 2015
TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

SAUDEE GROUP BERHAD

(Incorporated in Malaysia)
Company No: 838172-P

**STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 MAY 2015**

	Share capital RM	Retained profits/ (Accumulated losses) RM	Total equity RM
Balance at 1 June 2013	45,000,000	211,204	45,211,204
Loss (representing total comprehensive income) for the financial year	0	(334,104)	(334,104)
Balance at 31 May 2014	<u>45,000,000</u>	<u>(122,900)</u>	<u>44,877,100</u>
Loss (representing total comprehensive income) for the financial year	0	(378,610)	(378,610)
Balance at 31 May 2015	<u>45,000,000</u>	<u>(501,510)</u>	<u>44,498,490</u>

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF SAUDEE FOR THE FYE 31 MAY 2015
TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

SAUDEE GROUP BERHAD

(Incorporated in Malaysia)

Company No: 838172-P

**STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2015**

	Note	2015 RM	2014 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(378,610)	(334,061)
Adjustments for:-			
Dividend income		(500,000)	0
Impairment loss on loans and receivables		584,557	0
Interest income		(166)	(397)
Operating loss before working capital changes		(294,219)	(334,458)
Changes in:-			
Receivables and prepayments		(194,362)	(584)
Payables		(40,029)	349,678
Cash (absorbed by)/generated from operations		(528,610)	14,636
Tax paid		(1,754)	(2,070)
Tax refunded		2,040	2,357
Net cash (used in)/from operating activities		(528,324)	14,923
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received		500,000	0
Interest received		166	397
Net cash from investing activities		500,166	397
Net (decrease)/increase in cash and cash equivalents		(28,158)	15,320
Cash and cash equivalents brought forward		70,163	54,843
Cash and cash equivalents carried forward	11	42,005	70,163

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF SAUDEE FOR THE FYE 31 MAY 2015
TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

SAUDEE GROUP BERHAD

(Incorporated in Malaysia)
Company No: 838172-P

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2015**

1. GENERAL INFORMATION

The Company is a public company limited by shares, incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

The principal activity of the Company is that of investment holding. The principal activities of its subsidiaries are disclosed in Note 6.

The registered office of the Company is located at 57-G Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Penang and its principal place of business is located at Plot 331, Taman Perindustrian Sungai Petani Fasa 3, 08000 Sungai Petani, Kedah.

The consolidated financial statements set out on pages 9 to 12 together with the notes thereto cover the Company and its subsidiaries ("the Group"). The separate financial statements of the Company set out on pages 13 to 16 together with the notes thereto cover the Company solely.

The presentation currency of the financial statements is Ringgit Malaysia ("RM").

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 04 SEP 2015

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation of Financial Statements

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

The following FRSs became effective for the financial year under review:-

FRS	Effective for annual periods beginning on or after
IC Interpretation 21 <i>Levies</i>	1 January 2014
Amendments to FRS 10, FRS 12 and FRS 127 <i>Investment Entities</i>	1 January 2014
Amendments to FRS 132 <i>Offsetting Financial Assets and Financial Liabilities</i>	1 January 2014
Amendments to FRS 136 <i>Recoverable Amount Disclosures for Non-Financial Assets</i>	1 January 2014
Amendments to FRS 139 <i>Novation of Derivatives and Continuation of Hedge Accounting</i>	1 January 2014

The adoption of the above FRSs did not result in any significant changes in the accounting policies of the Group and the Company.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF SAUDEE FOR THE FYE 31 MAY 2015
TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

SAUDEE GROUP BERHAD

(Incorporated in Malaysia)
Company No: 838172-P

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2015**

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Future Accounting Standards

Financial Reporting Standards

For the existing FRS Framework, the Malaysian Accounting Standards Board ("MASB") has issued the following FRSs which are not yet effective:-

FRS (Issued as at the end of the reporting period)	Effective for annual periods beginning on or after
FRS 9 <i>Financial Instruments</i> (IFRS 9 <i>Financial Instruments</i> as issued by IASB in July 2014)	1 January 2018
FRS 14 <i>Regulatory Deferral Accounts</i>	1 January 2016
Amendments to FRS 10, FRS 12 and FRS 128 <i>Investment Entities: Applying the Consolidation Exception</i>	1 January 2016
Amendments to FRS 10 and FRS 128 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	1 January 2016
Amendments to FRS 11 <i>Accounting for Acquisitions of Interests in Joint Operations</i>	1 January 2016
Amendments to FRS 101 <i>Disclosure Initiative</i>	1 January 2016
Amendments to FRS 116 and FRS 138 <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>	1 January 2016
Amendments to FRS 119 <i>Defined Benefit Plans: Employee Contributions</i>	1 July 2014
Amendments to FRS 127 <i>Equity Method in Separate Financial Statements</i>	1 January 2016
Amendments to FRSs contained in the document entitled " <i>Annual Improvements to FRSs 2010 - 2012 Cycle</i> "	1 July 2014
Amendments to FRSs contained in the document entitled " <i>Annual Improvements to FRSs 2011 - 2013 Cycle</i> "	1 July 2014
Amendments to FRSs contained in the document entitled " <i>Annual Improvements to FRSs 2012 - 2014 Cycle</i> "	1 January 2016

Management foresees that the initial application of the above FRSs will not have any significant impacts on the financial statements except as follows:-

FRS 9 *Financial Instruments*

FRS 9 *Financial Instruments*, which replaces FRS 139 *Financial Instruments: Recognition and Measurement*, sets out the requirements for recognising and measuring financial instruments. The major changes introduced by FRS 9 (that are relevant to the Group and the Company) relate to the classification and measurement of financial assets. Under FRS 9, financial assets are classified as subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both the business model within which they are held and their contractual cash flow characteristics. Management foresees that the adoption of these new classifications will not result in any significant changes in the existing measurement bases of financial assets of the Group and the Company.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF SAUDEE FOR THE FYE 31 MAY 2015
TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

SAUDEE GROUP BERHAD

(Incorporated in Malaysia)
Company No: 838172-P

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2015**

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Future Accounting Standards (cont'd)

Malaysian Financial Reporting Standards

In November 2011, the MASB issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards ("MFRS") Framework. The issuance was made in conjunction with the MASB's plan to converge with International Financial Reporting Standards ("IFRS") in 2012. The MFRS Framework is a fully IFRS-compliant framework and equivalent to IFRSs.

The MFRS Framework is to be applied by all entities other than private entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 *Agriculture* and/or IC Interpretation 15 *Agreements for the Construction of Real Estate*, including their parents, significant investors and joint venturers ("Transitioning Entities"). As announced by the MASB on 2 September 2014, Transitioning Entities are allowed to defer the adoption of the MFRS Framework to annual periods beginning on or after 1 January 2017.

Being a Transitioning Entity as defined above, the Group and the Company have elected to continue preparing their financial statements in accordance with the FRS Framework and will first present the financial statements in accordance with the MFRS Framework for the financial year ending 31 May 2018. Management is currently examining the financial impacts of transition to the MFRS Framework.

2.3 Basis of Consolidation

A subsidiary is an entity that is controlled by another entity. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to the end of the reporting period using the following methods:-

<u>Subsidiary</u>	<u>Method</u>
Saudi Cold Storage Sdn. Bhd.	Merger
Perusahaan Saudee Sdn. Bhd.	Merger
Nutriveg Sdn. Bhd.	Acquisition
Sunwish Venture Sdn. Bhd.	Acquisition

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF SAUDEE FOR THE FYE 31 MAY 2015
TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

SAUDEE GROUP BERHAD

(Incorporated in Malaysia)

Company No: 838172-P

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2015**

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**2.3 Basis of Consolidation (cont'd)****Merger Method**

The merger method is used for business combination involving entities under common control which is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. Under the merger method, the results of the combining entities are presented as if the entities had been combined throughout the reporting period. The cost of merger is cancelled against the par value of shares acquired and any difference arising from the cancellation is taken to equity. Intragroup balances, transactions, income and expenses are eliminated in full on consolidation.

Acquisition Method

Under the acquisition method, the consideration transferred, the identifiable assets acquired and the liabilities assumed are measured at their acquisition-date fair values. The components of non-controlling interests that are present ownership interests are measured at the present ownership instruments' proportionate share in the recognised amounts of the identifiable net assets acquired. All other components of non-controlling interests are measured at their acquisition-date fair values. In a business combination achieved in stages, the previously held equity interest in the acquiree is remeasured at its acquisition-date fair value and any resulting gain or loss is recognised in profit or loss. All acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss as incurred.

Goodwill at the acquisition date is measured as the excess of (a) over (b) below:-

- (a) the aggregate of:-
 - (i) the acquisition-date fair value of the consideration transferred;
 - (ii) the amount of any non-controlling interests; and
 - (iii) in a business combination achieved in stages, the acquisition-date fair value of the previously held equity interest in the acquiree.
- (b) the net of the acquisition-date fair values of the identifiable assets acquired and the liabilities assumed.

Goodwill is recognised as an asset at the aforementioned amount less accumulated impairment losses, if any. The impairment policy is disclosed in Note 2.8. When the above (b) exceeds (a), the excess represents a bargain purchase gain and, after reassessment, is recognised in profit or loss.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF SAUDEE FOR THE FYE 31 MAY 2015
TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

SAUDEE GROUP BERHAD

(Incorporated in Malaysia)
Company No: 838172-P

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2015**

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**2.3 Basis of Consolidation (cont'd)****Acquisition Method (cont'd)**

A subsidiary is consolidated from the acquisition date, being the date on which control is obtained, and continues to be consolidated until the date when control is lost. Intragroup balances, transactions, income and expenses are eliminated in full on consolidation. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Upon loss of control of a subsidiary, the assets (including any goodwill) and liabilities of, and any non-controlling interests in the subsidiary are derecognised. All amounts recognised in other comprehensive income in relation to the subsidiary are accounted for on the same basis as would be required if the related assets or liabilities had been directly disposed of. Any consideration received and any investment retained in the former subsidiary are recognised at their fair values. The resulting difference is then recognised as a gain or loss in profit or loss.

2.4 Property, Plant and Equipment

Property, plant and equipment are stated at cost or at valuation less accumulated depreciation and accumulated impairment losses, if any. The impairment policy is disclosed in Note 2.8.

Revaluations of land and buildings are made with sufficient regularity at an interval of not more than five years such that the carrying amounts of the assets do not differ materially from their fair values at the end of the reporting period.

A revaluation increase is recognised in other comprehensive income and accumulated in equity as revaluation surplus or recognised in profit or loss to the extent that the increase reverses a revaluation decrease of the same asset previously recognised in profit or loss. A revaluation decrease is recognised in profit or loss or recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of the same asset.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF SAUDEE FOR THE FYE 31 MAY 2015
TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

SAUDEE GROUP BERHAD

(Incorporated in Malaysia)

Company No: 838172-P

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2015**

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 Property, Plant and Equipment (cont'd)

Leasehold land is depreciated on a straight-line basis over the lease term of 47 years. Capital work-in-progress is not depreciated. Other property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets using the following annual rates:-

Buildings	2%
Plant, machinery and factory equipment	10%
Furniture, fittings and office equipment	10-50%
Electrical installation and renovation	2-10%
Motor vehicles	20%

The residual value, useful life and depreciation method of an asset are reviewed at least at the end of each reporting period and any changes in expectations from previous estimates are accounted for prospectively as changes in accounting estimates.

2.5 Investment Properties

Investment property, being a property held to earn rentals and/or for capital appreciation, is stated at fair value. Any gain or loss arising from a change in the fair value of investment property is recognised in profit or loss.

2.6 Investments in Subsidiaries

As required by the Companies Act 1965, the Company prepares separate financial statements in addition to the consolidated financial statements. In the separate financial statements of the Company, investments in subsidiaries are stated at cost less impairment losses, if any. The impairment policy is disclosed in Note 2.8.

2.7 Property Development Activities

Land held for property development is stated at cost less accumulated impairment losses, if any. The impairment policy is disclosed in Note 2.8. The portion of land where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle is classified as non-current assets.

Property development revenue comprises the selling price agreed in the sale and purchase agreement and any additional revenue due to variation in development work. Property development costs comprise costs associated with the acquisition of land, costs related directly to a specific development project and other costs attributable to development activities in general and can be allocated to the project.

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2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**2.7 Property Development Activities (cont'd)**

When the outcome of a development activity can be estimated reliably, property development revenue and costs attributable to the development units sold are recognised in profit or loss by reference to the stage of completion of the development activity at the end of the reporting period. The stage of completion is determined by reference to the proportion that property development costs incurred to date bear to the estimated total costs.

When the outcome of a development activity cannot be estimated reliably, property development revenue is recognised in profit or loss only to the extent of property development costs incurred that are probable to be recoverable whereas property development costs attributable to the development units sold are recognised in profit or loss in the period in which they are incurred. Any expected loss on a development project is recognised in profit or loss immediately.

2.8 Impairment of Non-financial Assets

At the end of each reporting period, the Group and the Company assess whether there is any indication that a non-financial asset, other than inventories and investment properties stated at fair value, may be impaired. If any such indication exists, the recoverable amount of the asset, being the higher of its fair value less costs of disposal and its value in use, is estimated. Irrespective of whether there is any indication of impairment, goodwill is tested for impairment annually. Any excess of the carrying amount of the asset over its recoverable amount represents an impairment loss and is recognised in profit or loss or, in respect of a revalued asset, treated as a revaluation decrease.

An impairment loss on an asset, other than goodwill, is reversed if there has been a change in the estimates used to determine the recoverable amount and it is reversed only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised. The reversal is recognised in profit or loss or, in respect of a revalued asset, treated as a revaluation increase. An impairment loss on goodwill is not reversed.

2.9 Inventories

Inventories of materials and goods are valued at the lower of cost (determined principally on the first-in, first-out basis) and net realisable value. Cost consists of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and costs necessary to make the sale.

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2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**2.10 Financial Assets**

Financial assets of the Group and the Company consist of receivables, derivatives and cash and cash equivalents.

Recognition and Measurement

A financial asset is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the financial instrument. A financial asset is initially recognised at fair value plus, in the case of a financial asset not at fair value through profit or loss, directly attributable transaction costs. The subsequent measurement of a financial asset depends on its classification as follows:-

(i) Financial assets at fair value through profit or loss

All derivatives, except for those designated as hedges, are classified as held for trading under this category. After initial recognition, such financial assets are measured at fair value. Any gain or loss arising from a change in the fair value is recognised in profit or loss.

(ii) Loans and receivables

All receivables and cash and cash equivalents are classified under this category. After initial recognition, such financial assets are measured at amortised cost using the effective interest method. Any gain or loss is recognised in profit or loss when the financial asset is derecognised or impaired as well as through the amortisation process.

A financial asset is derecognised when, and only when, the contractual rights to the cash flows from the financial asset have expired or all the risks and rewards of ownership have been substantially transferred.

Impairment

At the end of each reporting period, the Group and the Company assess whether there is any objective evidence that a financial asset or group of financial assets classified under loans and receivables is impaired. If any such evidence exists, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted using the asset's original effective interest rate. The asset's carrying amount is reduced through the use of an allowance account and the impairment loss is recognised in profit or loss. The gross carrying amount and the associated allowance are written off when there is no realistic prospect of future recovery.

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2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**2.10 Financial Assets (cont'd)****Impairment (cont'd)**

If, in a subsequent period, 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 to the extent that the increased carrying amount does not exceed what the amortised cost would have been had no impairment loss been recognised at the reversal date. The reversal is recognised in profit or loss.

2.11 Financial Liabilities

Financial liabilities of the Group and the Company consist of payables, loans and borrowings and derivatives (including financial guarantee contracts).

Recognition and Measurement

A financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the financial instrument. A financial liability is initially recognised at fair value less, in the case of a financial liability not at fair value through profit or loss, directly attributable transaction costs. After initial recognition, all financial liabilities, except for financial liabilities at fair value through profit or loss and financial guarantee contracts, are measured at amortised cost using the effective interest method. Any gain or loss is recognised in profit or loss when the financial liability is derecognised as well as through the amortisation process.

(i) Financial liabilities at fair value through profit or loss

All derivatives, except for financial guarantee contracts or those designated as hedges, are classified as held for trading under this category. After initial recognition, such financial liabilities are measured at fair value. Any gain or loss arising from a change in the fair value is recognised in profit or loss.

(ii) Financial guarantee contracts

After initial recognition at fair value, if any, financial guarantee contracts are measured at the higher of the amount initially recognised less appropriate amortisation and the estimate of any probable obligation.

A financial liability is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires.

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2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**2.12 Leases****Finance Lease**

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee.

A finance lease, including hire purchase, is initially recognised as an asset and liability at the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The minimum lease payments are subsequently apportioned between the finance charge and the reduction of the outstanding liability so as to produce a constant periodic rate of interest on the remaining balance of the liability. The depreciation policy for depreciable leased assets is consistent with that for equivalent owned assets.

Operating Lease

An operating lease is a lease other than a finance lease.

Lease payments under an operating lease are recognised in profit or loss on a straight-line basis over the lease term.

2.13 Foreign Currency Transactions and Translation

The consolidated financial statements and separate financial statements of the Company are presented in Ringgit Malaysia, which is also the Company's functional currency, being the currency of the primary economic environment in which the entity operates. Items included in the financial statements of each individual entity within the Group are measured using the individual entity's own functional currency.

A foreign currency transaction is recorded in the functional currency using the exchange rate at transaction date. At the end of the reporting period, foreign currency monetary items are translated into the functional currency using the closing rate. Foreign currency non-monetary items measured at cost are translated using the exchange rate at transaction date whereas those measured at fair value are translated using the exchange rate at valuation date. Exchange differences arising from the settlement or translation of monetary items are recognised in profit or loss. Any exchange component of the gain or loss on a non-monetary item is recognised on the same basis as that of the gain or loss, i.e. in profit or loss or in other comprehensive income.

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2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**2.14 Share Capital**

Ordinary shares are classified as equity. Transaction costs that relate to the issue of new shares are accounted for as a deduction from equity.

Dividends on shares declared and unpaid at the end of the reporting period are recognised as a liability whereas dividends proposed or declared after the reporting period are disclosed in the notes to the financial statements.

2.15 Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Group and the Company use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. The valuation techniques used include the following:-

- (i) Market approach - which uses prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets, liabilities or a group of assets and liabilities.
- (ii) Cost approach - which reflects the amount that would be required currently to replace the service capacity of an asset.
- (iii) Income approach - which converts future amounts (e.g. cash flows or income and expenses) to a single current (i.e. discounted) amount.

The inputs to valuation techniques used to measure fair value are categorised into the following levels of fair value hierarchy:-

- (i) Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- (ii) Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- (iii) Level 3 - unobservable inputs for the asset or liability.

Any transfers between the levels of fair value hierarchy are deemed to have occurred at the end of the reporting period.

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**NOTES TO THE FINANCIAL STATEMENTS
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2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**2.15 Fair Value Measurement (cont'd)****Non-financial Assets**

The fair values of land and buildings are measured using the market comparison approach. Under this approach, the fair values are derived from observable market data such as prices per square foot for comparable properties in similar locations (i.e. Level 2).

Financial Assets and Financial Liabilities

The carrying amounts of receivables, cash and cash equivalents, payables and loans and borrowings which are short-term in nature or repayable on demand are reasonable approximations of fair values. The fair values of long-term loans and borrowings are measured using present value technique by discounting the expected future cash flows using observable current market interest rates for similar liabilities (i.e. Level 2).

The fair value of forward exchange contract is measured using present value technique by discounting the difference between contractual forward price and observable current market forward price using risk-free interest rate (i.e. Level 2).

2.16 Income Recognition

Income from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer.

Dividend income is recognised when the shareholder's right to receive payment is established.

Interest income is recognised using the effective interest method.

2.17 Employee Benefits**Short-term Employee Benefits**

Short-term employee benefits such as wages, salaries, bonuses and social security contributions are recognised in profit or loss in the period in which the associated services are rendered by the employee.

Defined Contribution Plans

As required by law, employers in Malaysia make contributions to the statutory pension scheme, Employees Provident Fund ("EPF"). Contributions to defined contribution plans are recognised in profit or loss in the period in which the associated services are rendered by the employee.

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2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**2.18 Borrowing Costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, which is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the cost of the asset, until such time as the asset is substantially ready for its intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.19 Income Taxes

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

Current tax represents 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 by the end of the reporting period.

Deferred tax is provided for under the liability method in respect of all temporary differences between the carrying amount of an asset or liability and its tax base except for those temporary differences associated with goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and affects neither accounting nor taxable results at the time of the transaction.

A deferred tax liability is recognised for all taxable temporary differences whereas a deferred tax asset is recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted by the end of the reporting period.

2.20 Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, term deposits that are withdrawable on demand 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. For the purpose of statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

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**NOTES TO THE FINANCIAL STATEMENTS
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3. JUDGEMENTS AND ESTIMATION UNCERTAINTY**Judgements Made in Applying Accounting Policies**

In the process of applying the accounting policies of the Group and the Company, management is not aware of any judgements, apart from those involving estimations, that can significantly affect the amounts recognised in the financial statements.

Sources of Estimation Uncertainty

The key assumptions about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:-

Allowance for inventories

Reviews are made periodically by management on inventories for excess inventories, obsolescence and decline in net realisable value below cost. These reviews require the use of judgements and estimates. Possible changes in these estimates may result in revisions to the valuation of inventories. The carrying amounts of inventories are disclosed in Note 8.

Impairment of loans and receivables

The Group and the Company make allowance for impairment based on an assessment of the recoverability of loans and receivables. Allowance is applied to loans and receivables when there is objective evidence that the balances may not be recoverable. Management specifically analyses historical bad debts, customer concentration, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of the allowance for impairment. Where expectations are different from previous estimates, the difference will impact on the carrying amounts of loans and receivables as disclosed in Note 9.

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4. PROPERTY, PLANT AND EQUIPMENT
The Group

Cost/Valuation	Short-term leasehold land RM	Buildings RM	Plant, machinery and factory equipment RM	Furniture, fittings and office equipment RM	Electrical installation and renovation RM	Motor vehicles RM	Capital work-in-progress RM	Total RM
Balance at 1 June 2013	2,450,000	9,627,612	33,914,809	4,925,470	5,428,250	3,433,541	0	59,779,682
Additions	0	0	2,266,935	471,425	206,421	996,850	0	3,941,631
Disposals/Write-offs	0	0	(207,394)	(236,301)	(37,001)	(450,654)	0	(931,350)
Balance at 31 May 2014	2,450,000	9,627,612	35,974,350	5,160,594	5,597,670	3,979,737	0	62,789,963
Representing:-								
Cost	0	77,612	35,974,350	5,160,594	5,597,670	3,979,737	0	50,789,963
Valuation	2,450,000	9,550,000	0	0	0	0	0	12,000,000
	2,450,000	9,627,612	35,974,350	5,160,594	5,597,670	3,979,737	0	62,789,963
Balance at 1 June 2014	2,450,000	9,627,612	35,974,350	5,160,594	5,597,670	3,979,737	0	62,789,963
Additions	0	0	1,564,167	369,853	506,713	58,000	5,542,721	8,041,454
Disposals/Write-offs	0	0	(11,131)	(229,411)	(98,000)	0	0	(338,542)
Revaluation	1,550,000	372,388	0	0	0	0	0	1,922,388
Balance at 31 May 2015	4,000,000	10,000,000	37,527,386	5,301,036	6,006,383	4,037,737	5,542,721	72,415,263
Representing:-								
Cost	0	0	37,527,386	5,301,036	6,006,383	4,037,737	5,542,721	58,415,263
Valuation	4,000,000	10,000,000	0	0	0	0	0	14,000,000
	4,000,000	10,000,000	37,527,386	5,301,036	6,006,383	4,037,737	5,542,721	72,415,263

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4. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Short-term leasehold land RM	Buildings RM	Plant, machinery and factory equipment RM	Furniture, fittings and office equipment RM	Electrical installation and renovation RM	Motor vehicles RM	Capital work-in- progress RM	Total RM
Depreciation and Impairment Losses								
Balance at 1 June 2013	156,440	613,286	17,238,518	2,211,042	1,734,403	2,875,643	0	24,829,332
Accumulated depreciation	0	0	255,900	0	0	0	0	255,900
Accumulated impairment losses	156,440	613,286	17,494,418	2,211,042	1,734,403	2,875,643	0	25,085,232
Depreciation	52,185	205,068	2,615,084	559,763	490,176	260,675	0	4,182,951
Disposals/Write-offs	0	0	(203,903)	(36,718)	(5,858)	(450,651)	0	(697,130)
Balance at 31 May 2014	208,625	818,354	19,649,699	2,734,087	2,218,721	2,685,667	0	28,315,153
Accumulated depreciation	0	0	255,900	0	0	0	0	255,900
Accumulated impairment losses	208,625	818,354	19,905,599	2,734,087	2,218,721	2,685,667	0	28,571,053
Depreciation	52,185	205,068	2,538,188	606,337	526,282	373,101	0	4,301,161
Disposals/Write-offs	0	0	(11,129)	(227,149)	(98,000)	0	0	(336,278)
Impairment loss	0	0	466,666	0	0	0	0	466,666
Revaluation	(260,810)	(1,023,422)	0	0	0	0	0	(1,284,232)
Balance at 31 May 2015	0	0	22,176,758	3,113,275	2,647,003	3,058,768	0	30,995,804
Accumulated depreciation	0	0	722,566	0	0	0	0	722,566
Accumulated impairment losses	0	0	22,899,324	3,113,275	2,647,003	3,058,768	0	31,718,370
Carrying Amount								
Balance at 1 June 2013	2,293,560	9,014,326	16,420,391	2,714,428	3,693,847	557,898	0	34,694,450
Balance at 31 May 2014	2,241,375	8,809,258	16,068,751	2,426,507	3,378,949	1,294,070	0	34,218,910
Balance at 31 May 2015	4,000,000	10,000,000	14,628,062	2,187,761	3,359,380	978,969	5,542,721	40,696,893

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4. PROPERTY, PLANT AND EQUIPMENT (cont'd)

The short-term leasehold land and buildings were revalued to fair values on 31 May 2015 based on appraisals performed by independent professional valuers using the market comparison approach. The appraised values were derived from observable prices per square foot for comparable properties in similar locations (i.e. Level 2). Had the land and buildings been carried under the cost model, the total carrying amounts of their entire classes that would have been recognised in the financial statements are as follows:-

	2015 RM	2014 RM
Short-term leasehold land	2,098,590	2,148,615
Buildings	8,908,621	9,124,492
	<u>11,007,211</u>	<u>11,273,107</u>

The short-term leasehold land and buildings have been pledged as security for credit facilities granted to the Group.

The carrying amounts of property, plant and equipment acquired under hire purchase financing which remained outstanding as at the end of the reporting period are as follows:-

	2015 RM	2014 RM
Plant, machinery and factory equipment	2,777,908	2,303,632
Motor vehicles	710,678	957,350
	<u>3,488,586</u>	<u>3,260,982</u>

5. INVESTMENT PROPERTIES

The Group

<u>At Fair Value</u>	Freehold land RM
Balance at 1 June 2013	2,800,000
Fair value adjustment	400,000
Balance at 31 May 2014	<u>3,200,000</u>
Fair value adjustment	670,000
Balance at 31 May 2015	<u>3,870,000</u>

The fair values of investment properties were measured based on appraisals performed by independent professional valuers using the market comparison approach. The appraised values were derived from observable prices per square foot for comparable properties in similar locations (i.e. Level 2).

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5. INVESTMENT PROPERTIES (cont'd)

Certain freehold land with total carrying amount of RM363,000 (2014 : RM300,000) has been pledged as security for credit facilities granted to the Group.

6. INVESTMENTS IN SUBSIDIARIES

The Company

	2015 RM	2014 RM
Unquoted shares, at cost	57,463,546	57,463,546
Impairment losses	<u>(204,759)</u>	<u>(204,759)</u>
	<u>57,258,787</u>	<u>57,258,787</u>

The details of the subsidiaries are as follows:-

Name of Subsidiary	Principal Place of Business/ Country of Incorporation	Effective Ownership Interest		Principal Activity
		2015	2014	
Saudi Cold Storage Sdn. Bhd.	Malaysia	100%	100%	Wholesaler and dealer of fresh and frozen foods
Perusahaan Saudee Sdn. Bhd.	Malaysia	100%	100%	Manufacturer and dealer of processed poultry, beef products, frozen foods and bakery products
Sunwish Venture Sdn. Bhd.	Malaysia	100%	100%	Property development
Nutriveg Sdn. Bhd.	Malaysia	100%	100%	Inactive

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7. PROPERTY DEVELOPMENT COSTS

The Group	2015 RM	2014 RM
Balance at 1 June		
- Leasehold land	7,168,107	7,168,107
- Development costs	3,187,493	4,186,028
	10,355,600	11,354,135
Development costs incurred	159,000	262,760
Development costs refunded/reversed	(1,500,000)	(1,261,295)
Balance at 31 May		
- Leasehold land	7,168,107	7,168,107
- Development costs	1,846,493	3,187,493
	<u>9,014,600</u>	<u>10,355,600</u>

The leasehold land has been pledged as security for credit facilities granted to the Group.

8. INVENTORIES

The Group	2015 RM	2014 RM
Raw materials	8,411,848	9,697,566
Packing materials	1,303,511	957,044
Work-in-progress	704,156	884,681
Finished goods	11,429,080	11,949,929
Goods-in-transit	7,790,833	4,395,241
	<u>29,639,428</u>	<u>27,884,461</u>

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9. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Trade receivables:-				
- Related party*	637,657	1,572,541	0	0
- Allowance for impairment	(178,409)	(178,409)	0	0
	459,248	1,394,132	0	0
- Unrelated parties	24,624,684	26,626,556	0	0
- Allowance for impairment	(754,269)	(1,021,923)	0	0
	23,870,415	25,604,633	0	0
	<u>24,329,663</u>	<u>26,998,765</u>	<u>0</u>	<u>0</u>
Other receivables:-				
- Subsidiaries	0	0	5,481,835	5,281,835
- Allowance for impairment	0	0	(1,184,557)	(600,000)
	0	0	4,297,278	4,681,835
- Unrelated parties	130,642	106,136	2,226	1,000
	<u>130,642</u>	<u>106,136</u>	<u>4,299,504</u>	<u>4,682,835</u>
	<u>24,460,305</u>	<u>27,104,901</u>	<u>4,299,504</u>	<u>4,682,835</u>

* Being a company in which a close family member of certain directors has a substantial financial interest

Trade Receivables

Trade receivables are unsecured, non-interest bearing and generally on 7 to 120 day terms. The amount owing by related party has been subject to renegotiated credit terms and is expected to be recovered as follows:-

	The Group	
	2015 RM	2014 RM
Within 1 year	459,248	1,134,355
Later than 1 year and not later than 2 years	0	259,777
	<u>459,248</u>	<u>1,394,132</u>

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9. TRADE AND OTHER RECEIVABLES (cont'd)

Trade Receivables (cont'd)

The movements in allowance for impairment are as follows:-

	The Group	
	2015 RM	2014 RM
Balance at 1 June	1,200,332	1,570,774
Impairment loss recognised	677,293	227,509
Impairment loss reversed	(544,197)	0
Impairment loss written off	(400,750)	(597,951)
Balance at 31 May	<u>932,678</u>	<u>1,200,332</u>

All the above impairment losses were individually determined after considering the adverse financial conditions of the debtors who have defaulted/delayed in payments.

The ageing analysis of trade receivables not impaired is as follows:-

	The Group	
	2015 RM	2014 RM
Not past due	16,719,556	14,525,098
Past due 1 to 90 days	6,393,663	6,497,705
Past due 91 to 360 days	1,201,242	5,975,962
Past due more than 360 days	15,202	0
	<u>24,329,663</u>	<u>26,998,765</u>

Trade receivables that are neither past due nor impaired mainly relate to creditworthy customers who have regular transactions and good payment records with the Group.

Management determines credit risk concentration in terms of counterparties. As at 31 May 2015, there was 1 (2014 : 1) major customer that accounted for 10% or more of the Group's trade receivables and the total outstanding balance due from this major customer amounted to RM3,197,274 (2014 : RM6,698,275).

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9. TRADE AND OTHER RECEIVABLES (cont'd)**Other Receivables**

Other receivables are unsecured and non-interest bearing. The amounts owing by subsidiaries are repayable on demand. The amounts owing by unrelated parties mainly consist of refundable deposits which have no fixed repayment terms.

The movements in allowance for impairment are as follows:-

	The Company	
	2015 RM	2014 RM
Balance at 1 June	600,000	600,000
Impairment loss recognised	584,557	0
Balance at 31 May	<u>1,184,557</u>	<u>600,000</u>

All the above impairment losses were individually determined after considering the adverse financial conditions of the debtors who have defaulted/delayed in payments.

10. FINANCIAL ASSETS/(LIABILITIES) AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group

	2015 RM	2014 RM
Derivatives classified as held for trading, at fair value	<u>300</u>	<u>(48,930)</u>

Derivatives consist of forward exchange contracts which are used to hedge the exposure to currency risk. The Group does not apply hedge accounting. As at 31 May 2015, the Group had contracts with financial institutions due within 1 year to buy approximately USD301,000 (2014 : USD1,648,000) and sell approximately RM1,097,000 (2014 : RM5,354,000) at contractual forward rates.

The fair values of forward exchange contracts were quoted by the financial institutions, which normally measured the fair values using present value technique by discounting the differences between contractual forward prices and observable current market forward prices using risk-free interest rate (i.e. Level 2).

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11. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Term deposits with licensed banks (fixed rate)	7,822,252	6,444,128	0	0
Cash and bank balances	2,696,631	4,512,469	42,005	70,163
	<u>10,518,883</u>	<u>10,956,597</u>	<u>42,005</u>	<u>70,163</u>

The term deposits have been pledged as security for credit facilities granted to the Group. Accordingly, they are not freely available for use.

The effective interest rates of term deposits as at 31 May 2015 ranged from 2.75% to 3.30% (2014 : 2.75% to 3.15%) per annum.

For the purpose of statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits as follows:-

	The Group		The Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Cash and cash equivalents	10,518,883	10,956,597	42,005	70,163
Bank overdrafts	(4,532,979)	(3,648,869)	0	0
Term deposits pledged as security	(7,822,252)	(6,444,128)	0	0
	<u>(1,836,348)</u>	<u>863,600</u>	<u>42,005</u>	<u>70,163</u>

12. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Trade payables:-				
- Related party*	0	17,610	0	0
- Unrelated parties	12,103,568	7,269,175	0	0
	<u>12,103,568</u>	<u>7,286,785</u>	<u>0</u>	<u>0</u>
Other payables:-				
- Subsidiary	0	0	17,069,875	17,128,432
- Unrelated parties	3,451,121	2,971,004	58,835	40,307
	<u>3,451,121</u>	<u>2,971,004</u>	<u>17,128,710</u>	<u>17,168,739</u>
	<u>15,554,689</u>	<u>10,257,789</u>	<u>17,128,710</u>	<u>17,168,739</u>

* Being a company in which a close family member of certain directors has a substantial financial interest

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12. TRADE AND OTHER PAYABLES (cont'd)

The currency profile of trade and other payables is as follows:-

	The Group		The Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Ringgit Malaysia	5,759,106	8,493,135	17,128,710	17,168,739
US Dollar	9,795,583	1,745,387	0	0
Euro	0	19,267	0	0
	<u>15,554,689</u>	<u>10,257,789</u>	<u>17,128,710</u>	<u>17,168,739</u>

Trade and other payables are generally short-term in nature or repayable on demand and their carrying amounts will approximate to the remaining contractual undiscounted cash flows.

Trade Payables

Trade payables are unsecured, non-interest bearing and generally on 7 to 90 day terms.

Other Payables

Other payables are unsecured and non-interest bearing. The amount owing to subsidiary is repayable on demand. The amounts owing to unrelated parties mainly consist of sundry payables and accruals for operating expenses which are generally due within 30 to 90 days.

13. LOANS AND BORROWINGS - SECURED

The Group

	2015 RM	2014 RM
Hire purchase payables (fixed rate)	2,568,610	2,676,010
Banker acceptances (fixed rate)	31,993,789	32,797,332
Bank overdrafts (floating rate)	4,532,979	3,648,869
Term loans (floating rate)	12,277,617	13,065,605
	<u>51,372,995</u>	<u>52,187,816</u>
Disclosed as:-		
- Current liabilities	38,125,506	37,926,084
- Non-current liabilities	13,247,489	14,261,732
	<u>51,372,995</u>	<u>52,187,816</u>

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13. LOANS AND BORROWINGS - SECURED (cont'd)

Hire purchase payables are secured against the assets acquired thereunder (Note 4). Other loans and borrowings are secured against certain property, plant and equipment (Note 4), investment properties (Note 5), leasehold land (Note 7) and term deposits (Note 11).

The effective interest rates of loans and borrowings as at 31 May 2015 ranged from 4.47% to 8.85% (2014 : 4.25% to 8.60%) per annum.

Except for hire purchase payables and term loans, loans and borrowings are generally short-term in nature or repayable on demand and their carrying amounts will approximate to the remaining contractual undiscounted cash flows.

Hire Purchase Payables

Hire purchase payables are repayable over 3 to 7 years. The repayment analysis is as follows:-

	2015 RM	2014 RM
Minimum hire purchase payments:-		
- Within 1 year	902,827	851,841
- Later than 1 year and not later than 2 years	850,377	746,996
- Later than 2 years and not later than 5 years	1,133,900	1,472,517
Total contractual undiscounted cash flows	2,887,104	3,071,354
Future finance charges	(318,494)	(395,344)
Present value of hire purchase payables:-		
- Within 1 year	755,510	687,112
- Later than 1 year and not later than 2 years	751,679	632,728
- Later than 2 years and not later than 5 years	1,061,421	1,356,170
	<u>2,568,610</u>	<u>2,676,010</u>

The fair values of hire purchase payables are measured using present value technique by discounting the expected future cash flows using observable current market interest rates for similar liabilities (i.e. Level 2). The fair values measured are considered to be reasonably close to the carrying amounts reported as the observable current market interest rates also approximate to the effective interest rates of hire purchase payables.

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13. LOANS AND BORROWINGS - SECURED (cont'd)

Term Loans

Term loans are repayable over 15 years. The repayment analysis is as follows:-

	2015 RM	2014 RM
Gross loan instalments:-		
- Within 1 year	1,737,595	1,737,525
- Later than 1 year and not later than 2 years	1,710,371	1,711,168
- Later than 2 years and not later than 5 years	4,967,770	4,975,364
- Later than 5 years	9,954,777	11,747,505
Total contractual undiscounted cash flows	18,370,513	20,171,562
Future finance charges	(6,092,896)	(7,105,957)
Present value of term loans:-		
- Within 1 year	843,228	792,771
- Later than 1 year and not later than 2 years	863,213	810,724
- Later than 2 years and not later than 5 years	2,828,739	2,646,971
- Later than 5 years	7,742,437	8,815,139
	<u>12,277,617</u>	<u>13,065,605</u>

The fair values of term loans are measured using present value technique by discounting the expected future cash flows using observable current market interest rates for similar liabilities (i.e. Level 2). The fair values measured are considered to be reasonably close to the carrying amounts reported as the observable current market interest rates also approximate to the effective interest rates of term loans.

14. DEFERRED TAX LIABILITIES

The Group

	2015 RM	2014 RM
Balance at 1 June	2,394,000	2,307,000
Deferred tax (income)/expense recognised in:-		
- Profit or loss	(188,932)	72,000
- Other comprehensive income	711,932	87,000
Deferred tax liabilities under/(over) provided in prior year	69,000	(72,000)
Balance at 31 May	<u>2,986,000</u>	<u>2,394,000</u>

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14. DEFERRED TAX LIABILITIES (cont'd)

	2015 RM	2014 RM
In respect of:-		
- Taxable/(Deductible) temporary differences of:-		
- Property, plant and equipment	3,267,000	2,587,000
- Investment properties	140,000	107,000
- Inventories	(87,000)	(123,000)
- Financial instruments	(147,000)	(177,000)
- Unused capital allowances	(153,000)	0
- Unused tax losses	(34,000)	0
	<u>2,986,000</u>	<u>2,394,000</u>

As at 31 May 2015, the future availability of deductible temporary differences, unused capital allowances and unused tax losses for which no deferred tax assets have been recognised is as follows:-

	2015 RM	2014 RM
Deductible temporary differences of property development costs	748,000	380,000
Unused capital allowances	161,000	161,000
Unused tax losses	275,000	253,000
	<u>1,184,000</u>	<u>794,000</u>

15. SHARE CAPITAL

	2015 RM	2014 RM
Authorised:-		
200,000,000 ordinary shares of RM0.50 each	<u>100,000,000</u>	<u>100,000,000</u>
Issued and fully paid-up:-		
90,000,000 ordinary shares of RM0.50 each	<u>45,000,000</u>	<u>45,000,000</u>

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16. REVENUE

	The Group		The Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Sale of goods	166,850,084	149,111,377	0	0
Dividend income	0	0	500,000	0
	<u>166,850,084</u>	<u>149,111,377</u>	<u>500,000</u>	<u>0</u>

17. (LOSS)/PROFIT BEFORE TAX

	The Group		The Company	
	2015 RM	2014 RM	2015 RM	2014 RM
(Loss)/Profit before tax is arrived at after charging:-				
Auditors' remuneration:-				
- Current year	75,000	70,000	17,000	15,000
- Prior year	7,000	3,000	2,000	3,000
Depreciation	4,301,161	4,182,951	0	0
Directors' remuneration:-				
- Fees	144,000	144,000	144,000	144,000
- Other emoluments	848,631	848,643	17,500	17,500
Fee expense for financial instruments not at fair value through profit or loss	174,708	159,092	81	72
Impairment loss on loans and receivables:-				
- Subsidiary	0	0	584,557	0
- Other related party	0	178,409	0	0
- Unrelated parties	677,293	49,100	0	0
Impairment loss on property, plant and equipment*	466,666	0	0	0
Interest expense for financial liabilities not at fair value through profit or loss	3,294,514	2,933,607	0	0
Loss on financial instruments at fair value through profit or loss (classified as held for trading)	0	22,118	0	0
Property, plant and equipment written off	950	200,075	0	0

* Included in administrative and general expenses

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17. (LOSS)/PROFIT BEFORE TAX (cont'd)

	The Group		The Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Realised loss on foreign exchange	104,542	136,836	0	0
Rental of equipment	269,975	163,973	0	0
Rental of premises	372,612	263,119	0	0
and crediting:-				
Dividend income from subsidiaries	0	0	500,000	0
Gain on disposal of property, plant and equipment	387	96,291	0	0
Gain on fair value adjustment of investment properties	670,000	400,000	0	0
Gain on financial instruments at fair value through profit or loss (classified as held for trading)	47,386	0	0	0
Interest income for financial assets not at fair value through profit or loss	201,949	257,149	166	397
Revaluation increase of properties	358,892	0	0	0
Reversal of allowance for slow moving inventories	50,223	44,768	0	0
Reversal of impairment loss on loans and receivables	544,197	0	0	0

18. EMPLOYEE BENEFITS EXPENSE

	The Group		The Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Short-term employee benefits	10,667,964	10,112,730	161,500	161,500
Defined contribution plan	890,633	737,519	0	0
	<u>11,558,597</u>	<u>10,850,249</u>	<u>161,500</u>	<u>161,500</u>

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19. TAX (INCOME)/EXPENSE

	The Group		The Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Tax based on results for the year:-				
- Malaysian income tax	10,000	272,000	0	0
- Deferred tax	(188,932)	72,000	0	0
	<u>(178,932)</u>	<u>344,000</u>	<u>0</u>	<u>0</u>
Tax (over)/under provided in prior years:-				
- Malaysian income tax	(34,574)	1,230	0	43
- Deferred tax	69,000	(72,000)	0	0
	<u>(144,506)</u>	<u>273,230</u>	<u>0</u>	<u>43</u>

The numerical reconciliation between the applicable tax rate, which is the statutory income tax rate, and the average effective tax rate on results for the year is as follows:-

	The Group		The Company	
	2015 %	2014 %	2015 %	2014 %
Applicable tax rate	(25.00)	25.00	(25.00)	(25.00)
Non-deductible expenses	19.49	38.41	58.02	25.00
Non-taxable income	(6.15)	(0.93)	(33.02)	0.00
Reinvestment allowances claimed	(1.03)	(37.15)	0.00	0.00
Effect of differential tax rates	0.00	(7.82)	0.00	0.00
Increase in unrecognised deferred tax assets	4.48	16.11	0.00	0.00
Average effective tax rate	<u>(8.21)</u>	<u>33.62</u>	<u>0.00</u>	<u>0.00</u>

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20. (LOSS)/EARNINGS PER SHARE

The Group

The basic (loss)/earnings per share is calculated by dividing the Group's (loss)/profit for the financial year by the weighted average number of ordinary shares in issue during the financial year as follows:-

	2015	2014
(Loss)/Profit for the financial year (RM)	<u>(2,034,112)</u>	<u>749,933</u>
Weighted average number of shares in issue	<u>90,000,000</u>	<u>90,000,000</u>
Basic (loss)/earnings per share (sen)	<u>(2.26)</u>	<u>0.83</u>

The diluted (loss)/earnings per share equals the basic (loss)/earnings per share as the Company did not have any dilutive potential ordinary shares during the financial year.

21. NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS

The Group

Purchase of Property, Plant and Equipment

	2015 RM	2014 RM
Cost of property, plant and equipment purchased	8,041,454	3,941,631
Amount financed through hire purchase	<u>(663,007)</u>	<u>(1,983,655)</u>
Net cash disbursed	<u>7,378,447</u>	<u>1,957,976</u>

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22. RELATED PARTY DISCLOSURES

Significant transactions with related parties during the financial year are as follows:-

	The Group		The Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Key management personnel compensation:-				
- Short-term employee benefits	905,041	905,041	161,500	161,500
- Defined contribution plan	87,590	87,602	0	0
	992,631	992,643	161,500	161,500
Dividends declared from subsidiaries	0	0	500,000	0
Commission charged by other related party*	0	370,454	0	0
Purchase of goods from other related party*	0	46,914	0	0
Sale of goods to other related party*	0	1,129,800	0	0

* Being a company in which a close family member of certain directors has a substantial financial interest

23. SEGMENT REPORTING

The Group

Operating Segments

For management purposes, the Group is organised into business units based on their products and services and has the following reportable operating segments:-

- (i) Manufacture and sale of food products
- (ii) Property development

No operating segments have been aggregated to form the above reportable segments.

The accounting policies and measurement bases of the segment items reported are the same as those disclosed in Note 2.

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23. SEGMENT REPORTING (cont'd)

Operating Segments (cont'd)

	Manufacture and sale of food products RM	Property development RM	Total RM
<u>2015</u>			
Segment assets	110,404,767	9,091,114	119,495,881
Additions to non-current assets	8,041,454	0	8,041,454
Segment liabilities	65,667,122	4,246,562	69,913,684
Segment loss	(1,641,528)	(392,584)	(2,034,112)
Included in the measure of segment loss are:-			
- External revenue	166,850,084	0	166,850,084
- Interest income	201,949	0	201,949
- Gain on fair value adjustment of investment properties	670,000	0	670,000
- Revaluation increase of properties	358,892	0	358,892
- Reversal of allowance for slow moving inventories	50,223	0	50,223
- Reversal of impairment loss on loans and receivables	544,197	0	544,197
- Other non-cash income	300	0	300
- Interest expense	2,950,588	343,926	3,294,514
- Depreciation	4,301,161	0	4,301,161
- Impairment loss on loans and receivables	677,293	0	677,293
- Impairment loss on property, plant and equipment	466,666	0	466,666
- Property, plant and equipment written off	950	0	950
- Tax income	144,506	0	144,506
<u>2014</u>			
Segment assets	102,937,254	11,431,794	114,369,048
Additions to non-current assets	3,941,631	0	3,941,631
Segment liabilities	60,253,877	4,634,658	64,888,535
Segment profit/(loss)	1,255,552	(505,619)	749,933

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23. SEGMENT REPORTING (cont'd)

Operating Segments (cont'd)

	Manufacture and sale of food products RM	Property development RM	Total RM
<u>2014 (cont'd)</u>			
Included in the measure of segment profit/(loss) are:-			
- External revenue	149,111,377	0	149,111,377
- Interest income	257,149	0	257,149
- Gain on fair value adjustment of investment properties	400,000	0	400,000
- Reversal of allowance for slow moving inventories	44,768	0	44,768
- Interest expense	2,605,105	328,502	2,933,607
- Depreciation	4,182,951	0	4,182,951
- Impairment loss on loans and receivables	227,509	0	227,509
- Property, plant and equipment written off	200,075	0	200,075
- Other non-cash expenses	48,930	0	48,930
- Tax expense	273,230	0	273,230
	<u>273,230</u>	<u>0</u>	<u>273,230</u>

Geographical Information

Information about geographical areas has not been reported separately as the Group operates and generates revenue principally within Malaysia.

Major Customers

The Group does not have any major customer that contributed 10% or more of its total revenue.

24. COMMITMENT FOR PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

The Group

	2015 RM	2014 RM
Contracted but not provided for	<u>4,749,000</u>	<u>658,000</u>

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF SAUDEE FOR THE FYE 31 MAY 2015
TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

SAUDEE GROUP BERHAD

(Incorporated in Malaysia)
Company No: 838172-P

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2015**

25. CONTINGENT LIABILITIES - UNSECURED

The Group

A subsidiary, Perusahaan Saudee Sdn. Bhd. ("PSSB") received two Letters of Claims from the Royal Malaysian Customs Department ("Customs Department") under Section 30(1) of Sales Tax Act 1972 for non-payment of sales tax and late penalties as follows:-

- (i) Letter of Claim dated 19 January 2015 for sales tax amounting to RM1,333,914.62 covering period 1 November 2011 to 31 October 2014 relating to sales of beef burgers and rabbit burgers and penalty amounting to RM323,676.19 up to 31 January 2015 ("Claim 1"); and
- (ii) Letter of Claim dated 25 February 2015 for sales tax amounting RM6,154,017.63 covering period 1 January 2012 to 31 October 2014 relating to sales of frozen chicken burgers, sausages, nuggets, balls and fried chicken said to be packed in air-tight containers and penalty amounting to RM1,499,023.53 up to 24 February 2015 ("Claim 2").

PSSB has engaged consultant and legal adviser ("Professional Team") to appeal for the claims. In relation to Claim 1, the Professional Team is in the process of discussing with the Director General of Customs why the claim is premature and to seek cancellation of the said claim for the sales tax and penalty involved. The Professional Team is of the view that there are valid reasons to substantiate the PSSB's appeal to the Director General of Customs for withdrawing their said claim for the sales tax and penalty. In relation to Claim 2, the matter has been brought to the Customs Appeal Tribunal against the decision of the Director of General of Customs over the claims. The Customs Appeal Tribunal has fixed 15 September 2015 as the next mention date for the hearing of the dispute over the said claim by the Customs Department. The Customs Department are alleging the packaging of the finished products of PSSB are air-tight and therefore subject to sales tax. The Professional Team is of the view that Claim 2 by the Customs Department is misconceived and there are meritorious grounds for it to be set aside. There are sufficient evidence and case laws supporting that the packaging used by PSSB on the alleged taxable goods are not air-tight and therefore should not be subject to payment of sales tax.

Based on the positive views of the Professional Team, the directors are of the opinion that it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Accordingly, no provision has been recognised in the financial statements in respect of the claims.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF SAUDEE FOR THE FYE 31 MAY 2015
TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

SAUDEE GROUP BERHAD

(Incorporated in Malaysia)
Company No: 838172-P

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2015**

25. CONTINGENT LIABILITIES - UNSECURED (cont'd)

The Company

The Company has entered into financial guarantee contracts to provide financial guarantees to financial institutions for credit facilities granted to certain subsidiaries up to a total limit of approximately RM56,416,000 (2014 : RM61,690,000). The total utilisation of these credit facilities as at 31 May 2015 amounted to approximately RM38,768,000 (2014 : RM34,882,000).

The aforementioned financial guarantee contracts should have been recognised in the statement of financial position in accordance with the recognition and measurement policies as stated in Note 2.11. After considering that the probability of the subsidiaries defaulting on the credit lines is remote, the financial guarantee contracts have not been recognised as the fair values on initial recognition are not expected to be material.

26. FINANCIAL RISK MANAGEMENT

The activities of the Group expose it to certain financial risks, including credit risk, liquidity risk, currency risk and interest rate risk. The overall financial risk management objective of the Group is to ensure that adequate financial resources are available for business development whilst minimising the potential adverse impacts of financial risks on its financial position, performance and cash flows.

The aforementioned financial risk management objective and its related policies and processes explained below have remained unchanged from the previous financial year.

Credit Risk

The Group's exposure to credit risk arises mainly from receivables, derivative financial assets and deposits placed with financial institutions. The maximum credit risk exposure of these financial assets is best represented by their respective carrying amounts in the statement of financial position. The Company is also exposed to credit risk in respect of its financial guarantees provided for credit facilities granted to certain subsidiaries. The maximum credit risk exposure of these financial guarantees is the total utilisation of the credit facilities granted as disclosed in Note 25.

As the Group only deals with reputable financial institutions, the credit risk associated with derivative financial assets and deposits placed with them is minimal. The Group manages its credit risk exposure of receivables by assessing counterparties' financial standings on an ongoing basis, setting and monitoring counterparties' limits and credit terms.

Liquidity Risk

The Group's exposure to liquidity risk relates to its ability to meet obligations associated with financial liabilities as and when they fall due. The remaining contractual maturities of financial liabilities are disclosed in their respective notes.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF SAUDEE FOR THE FYE 31 MAY 2015
TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

SAUDEE GROUP BERHAD

(Incorporated in Malaysia)
Company No: 838172-P

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2015**

26. FINANCIAL RISK MANAGEMENT (cont'd)

Liquidity Risk (cont'd)

The Group practises prudent liquidity risk management to minimise the mismatch of financial assets and liabilities whilst maintaining sufficient cash and the availability of funding through standby credit facilities.

Currency Risk

The Group's exposure to currency risk arises mainly from transactions entered into in currencies other than its functional currency, i.e. Ringgit Malaysia ("RM"). The major foreign currency transacted is US Dollar ("USD").

The Group observes the movements in exchange rates and acts accordingly to minimise its exposure to currency risk. Where necessary, the Group enters into derivative contracts to hedge the exposure.

Based on a symmetric basis which uses the foreign currency as a stable denominator, the following table demonstrates the sensitivity of profit or loss to changes in exchange rates that were reasonably possible at the end of the reporting period, with all other variables held constant:-

	The Group	
	(Increase)/ Decrease in Loss 2015 RM	Increase/ (Decrease) in Profit 2014 RM
Appreciation of USD against RM by 10%	(734,669)	(130,904)
Depreciation of USD against RM by 10%	<u>734,669</u>	<u>130,904</u>

Interest Rate Risk

The Group's exposure to interest rate risk arises mainly from interest-bearing financial instruments, namely term deposits and loans and borrowings.

The Group observes the movements in interest rates and always strives to obtain the most favourable rates available for new financing or during repricing. It is also the Group's policy to maintain a mix of fixed and floating rate financial instruments.

As the Group does not account for its fixed rate financial instruments at fair value through profit or loss or as available-for-sale, any change in interest rates at the end of the reporting period would not affect its profit or loss or other comprehensive income. For floating rate financial instruments stated at amortised cost, the following table demonstrates the sensitivity of profit or loss to changes in interest rates that were reasonably possible at the end of the reporting period, with all other variables held constant:-

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF SAUDEE FOR THE FYE 31 MAY 2015
TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

SAUDEE GROUP BERHAD

(Incorporated in Malaysia)
Company No: 838172-P

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2015**

26. FINANCIAL RISK MANAGEMENT (cont'd)

Interest Rate Risk (cont'd)

	The Group	
	(Increase)/ Decrease In Loss 2015 RM	Increase/ (Decrease) In Profit 2014 RM
Increase in interest rates by 50 basis points	(78,486)	(78,213)
Decrease in interest rates by 50 basis points	<u>78,486</u>	<u>78,213</u>

27. CAPITAL MANAGEMENT

The overall capital management objective of the Group is to safeguard its ability to continue as a going concern so as to provide fair returns to owners and benefits to other stakeholders. In order to meet this objective, the Group always strives to maintain an optimal capital structure to reduce the cost of capital and sustain its business development.

The Group considers its total equity and total loans and borrowings to be the key components of its capital structure and may, from time to time, adjust the dividend payouts, purchase own shares, issue new shares, sell assets, raise or redeem debts, where necessary, to maintain an optimal capital structure. The Group monitors capital using a debt-to-equity ratio, which is calculated as total loans and borrowings divided by total equity as follows:-

	The Group	
	2015 RM	2014 RM
Total loans and borrowings	51,372,995	52,187,816
Total equity	49,582,197	49,480,513
Total capital	<u>100,955,192</u>	<u>101,668,329</u>
Debt-to-equity ratio	<u>104%</u>	<u>105%</u>

The aforementioned capital management objective, policies and processes have remained unchanged from the previous financial year.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF SAUDEE FOR THE FYE 31 MAY 2015
TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

SAUDEE GROUP BERHAD

(Incorporated in Malaysia)

Company No: 838172-P

SUPPLEMENTARY INFORMATION - REALISED AND UNREALISED PROFITS OR LOSSES

	The Group		The Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Total retained profits/(accumulated losses) of the Company and its subsidiaries:-				
- Realised	52,569,121	56,067,663	(501,510)	(122,900)
- Unrealised	(1,138,419)	(1,951,651)	0	0
	<u>51,430,702</u>	<u>54,116,012</u>	<u>(501,510)</u>	<u>(122,900)</u>
Consolidation adjustments and eliminations	(21,419,086)	(22,070,284)	0	0
Total retained profits/(accumulated losses) as per statement of financial position	<u>30,011,616</u>	<u>32,045,728</u>	<u>(501,510)</u>	<u>(122,900)</u>

The above supplementary information 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 Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

THE LATEST UNAUDITED QUARTERLY RESULTS OF SAUDEE FOR THE SIX (6) MONTH FPE
30 NOVEMBER 2015 INCLUDING THE EXPLANATORY NOTES THEREON



SAUDEE
Group Berhad

(Company No.: 838172-P)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)

CERTIFIED TRUE COPY

19 FEB 2016

Secretary
Ooi Ean Hoon
(MAICSA 7057078)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT AND LOSS AND OTHER
COMPREHENSIVE INCOME FOR THE SECOND QUARTER ENDED 30 NOVEMBER 2015

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30.11.2015 RM'000	Preceding Year Corresponding Quarter 30.11.2014 RM'000	Current Year-To-Date 30.11.2015 RM'000	Preceding Year Corresponding Period 30.11.2014 RM'000
Revenue	33,567	39,336	76,850	80,842
Cost of sales	(31,607)	(35,150)	(69,011)	(72,072)
Gross profit	1,960	4,186	7,839	8,770
Other operating income	274	40	1,045	326
Operating expenses	(4,662)	(4,429)	(9,906)	(8,332)
Finance costs	(898)	(830)	(1,752)	(1,596)
Loss before tax	(3,326)	(1,033)	(2,774)	(832)
Tax income/(expense)	675	42	516	(32)
Net loss for the financial period	(2,651)	(991)	(2,258)	(864)
Other comprehensive income for the financial period	-	-	-	-
Total comprehensive income for the financial period	(2,651)	(991)	(2,258)	(864)
Loss per share (Note B10) Basic (Sen)	(2.95)	(1.10)	(2.51)	(0.96)

**THE LATEST UNAUDITED QUARTERLY RESULTS OF SAUDEE FOR THE SIX (6) MONTH FPE
30 NOVEMBER 2015 INCLUDING THE EXPLANATORY NOTES THEREON (CONT'D)**



SAUDEE
Group Berhad
(Company No.: 838172-P)
(Incorporated in Malaysia with limited liability under the Companies Act, 1965)

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19 FEB 2016

Name of Secretary: Ooi Ean Hoon
(MAICSA 7057078)

Notes to Statement of Profit and Loss and Other Comprehensive Income

	Individual Quarter		Cumulative Quarters	
	Current Year Quarter 30.11.2015 RM'000	Preceding Year Corresponding Quarter 30.11.2014 RM'000	Current Year-To-Date 30.11.2015 RM'000	Preceding Year Corresponding Period 30.11.2014 RM'000
Allowance for slow moving inventories	1,100	-	1,100	-
Depreciation and amortisation	(1,051)	(1,075)	(2,098)	(2,140)
Forex Gain - unrealised	-	-	18	-
Forex Gain/(Loss) - realised	45	(44)	55	(44)
Impairment loss on loans and receivables	-	-	(596)	-
Interest expense	(898)	(830)	(1,752)	(1,586)
Interest income	67	49	142	98
Loss on disposal of property, plant and equipment	(2)	-	(2)	-
Reversal of impairment loss on loans and receivables	418	-	729	-

Notes:

The Condensed Consolidated Statement of Profit and Loss and Other Comprehensive Income should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 May 2015 and the accompanying explanatory notes attached to the interim financial statements.

Save as disclosed above, the other items as required under Appendix 9B, Part A (16) of the Bursa Securities Main Market Listing Requirements are not applicable.

**THE LATEST UNAUDITED QUARTERLY RESULTS OF SAUDEE FOR THE SIX (6) MONTH FPE
30 NOVEMBER 2015 INCLUDING THE EXPLANATORY NOTES THEREON (CONT'D)**



SAUDEE
Group Berhad

(Company No.: 838172-P)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)

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19 FEB 2016

Name of Secretary: Ooi Ean Hoon
(MAICSA 7057078)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 NOVEMBER
2015**

		UNAUDITED	AUDITED
		As at	As at
		30.11.2015	31.05.2015
		RM'000	RM'000
Non-Current Assets	Note		
Property, plant and equipment		39,060	40,697
Investment property		3,870	3,870
		42,930	44,567
Current Assets			
Property development costs		9,015	9,015
Inventories		25,546	29,639
Receivables, deposits and prepayments		28,810	25,404
Current tax assets		471	352
Cash and cash equivalents		9,799	10,519
		73,641	74,929
TOTAL ASSETS		116,571	119,496
EQUITY AND LIABILITIES			
Equity			
Share capital		45,000	45,000
Reserves		2,324	4,582
TOTAL EQUITY		47,324	49,582
Non-Current Liabilities			
Long-term bank borrowings	B7	14,812	13,247
Deferred taxation		2,413	2,986
		17,225	16,233
Current Liabilities			
Trade and other payables and accruals		9,666	15,555
Short-term bank borrowings	B7	42,356	38,126
		52,022	53,681
TOTAL LIABILITIES		69,247	69,914
TOTAL EQUITY AND LIABILITIES		116,571	119,496
Net assets per ordinary share attributable to ordinary equity holder of the Company (RM)		0.53	0.55

Notes:

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 May 2015 and the accompanying explanatory notes attached to the interim financial statements.

THE LATEST UNAUDITED QUARTERLY RESULTS OF SAUDEE FOR THE SIX (6) MONTH FPE 30 NOVEMBER 2015 INCLUDING THE EXPLANATORY NOTES THEREON (CONT'D)



SAUDEE
Group Berhad
(Company No.: 838172-P)

(Formerly known as Sinaria Corporation Berhad)
(Incorporated in Malaysia with limited liability under the Companies Act, 1965)

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19 FEB 2016

Name of Secretary: Ooi Ean Hoon
(MAICSA 7057078)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SECOND QUARTER ENDED 30 NOVEMBER 2015

	Share Capital RM'000	Share Premium RM'000	Non Distributable Reserves Share Revaluation Reserve RM'000	Merger Deficit RM'000	Distributable Retained Profits RM'000	Total RM'000
Balance as at 01.06.2015	45,000	-	3,867	(29,296)	30,011	49,582
Other comprehensive income for the financial period	-	-	-	-	-	-
Loss for the financial period	-	-	-	-	(2,258)	(2,258)
Total comprehensive income for the financial period	-	-	-	-	(2,258)	(2,258)
Balance as at 30.11.2015	45,000	-	3,867	(29,296)	27,753	47,324
Balance as at 01.06.2014	45,000	-	1,731	(29,296)	32,046	49,481
Other comprehensive income for the financial period	-	-	-	-	-	-
Loss for the financial period	-	-	-	-	(864)	(864)
Total comprehensive income for the financial period	-	-	-	-	(864)	(864)
Balance as at 30.11.2014	45,000	-	1,731	(29,296)	31,182	48,617

Notes:

The Condensed Consolidated Statement of Changes In Equity should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 May 2015 and the accompanying explanatory notes attached to the interim financial statements.

**THE LATEST UNAUDITED QUARTERLY RESULTS OF SAUDEE FOR THE SIX (6) MONTH FPE
30 NOVEMBER 2015 INCLUDING THE EXPLANATORY NOTES THEREON (CONT'D)**



SAUDEE
Group Berhad

(Company No.: 838172-P)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)

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Name of Secretary: Ooi Ean Hoon
(MAICSA 7057078)

**UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE SECOND
QUARTER ENDED 30 NOVEMBER 2015**

	Current Year-To-Date 30.11.2015 RM'000	Preceding Year Corresponding 30.11.2014 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(2,774)	(832)
Adjustments:		
Allowance for slow moving inventories	1,100	-
Amortisation and depreciation	2,098	2,140
Impairment loss on loans and receivables	596	-
Interest expense	1,752	1,586
Interest income	(142)	(98)
Loss from disposal of plant, property and equipment	2	-
Reversal of impairment loss on loans and receivables	(729)	-
Unrealised gain on foreign exchange	(18)	-
Operating profit before working capital changes	1,885	2,796
Property development costs	-	1,182
Decrease/(Increase) in inventories	2,993	(30)
Increase in receivables	(3,273)	(2,581)
Decrease in payables	(5,871)	(1,147)
Cash (absorbed by)/generated from operations	(4,266)	220
Tax paid	(176)	(179)
Net cash (used in)/from operating activities	(4,442)	41
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	142	98
Proceeds from disposal of plant, property and equipment	2	1
Purchase of plant, property and equipment	(465)	(1,793)
Net cash used in investing activities	(321)	(1,694)
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of term loan	3,000	-
Net increase in short-term borrowings	3,511	1,176
Interest paid	(1,752)	(1,586)
Repayment of term loan	(575)	(387)
Repayment of hire purchase obligations	(391)	(168)
Net cash from/(used in) financing activities	3,793	(965)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(970)	(2,618)
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	5,986	7,307
CASH AND CASH EQUIVALENTS CARRIED FORWARD	5,016	4,689

**THE LATEST UNAUDITED QUARTERLY RESULTS OF SAUDEE FOR THE SIX (6) MONTH FPE
30 NOVEMBER 2015 INCLUDING THE EXPLANATORY NOTES THEREON (CONT'D)**



SAUDEE
Group Berhad
(Company No.: 838172-P)
(Incorporated in Malaysia with limited liability under the Companies Act, 1965)

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19 FEB 2016

Name of Secretary: Ooi Ean Hoon
(MAICSA 7057078)

**UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE SECOND
QUARTER ENDED 30 SEPTEMBER 2015**


	Current Year-To-Date Ended 30.11.2015 RM'000	Preceding Year Corresponding Period Ended 30.11.2014 RM'000
Fixed and short-term deposits with licensed banks *	7,957	6,626
Cash and bank balances	1,842	2,275
Bank overdrafts	(4,783)	(4,212)
	5,016	4,689

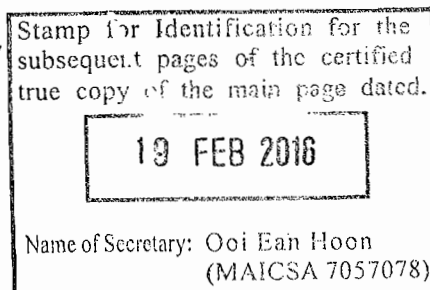
* The time deposits of the Group have been pledged as security for credit facilities granted to the Group.

Notes:

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 May 2015 and the accompanying explanatory notes attached to the interim financial statements.

**THE LATEST UNAUDITED QUARTERLY RESULTS OF SAUDEE FOR THE SIX (6) MONTH FPE
30 NOVEMBER 2015 INCLUDING THE EXPLANATORY NOTES THEREON (CONT'D)**


SAUDEE
 Group Berhad
 (Company No.: 838172-P)
 (Incorporated in Malaysia with limited liability under the Companies Act, 1965)



**UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED
30 NOVEMBER 2015**

**PART A – SELECTED EXPLANATORY NOTES PURSUANT TO THE FINANCIAL REPORTING
STANDARDS (“FRS”) 134: INTERIM FINANCIAL REPORTING**

1 Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with Financial Reporting Standard (“FRS”) 134 - Interim Financial Reporting and Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. These financial statements also comply with IAS 34: Interim Financial Reporting issued by the International Accounting Standard Board (IASB).

The condensed consolidated interim financial statements should be read in conjunction with the Audited Financial Statements of the Group for the year ended 31 May 2015 and the accompanying explanatory notes attached. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group.

2. Changes in accounting policies

The quarterly consolidated interim financial statements have been prepared by applying accounting policies consistent with that used in the most recent audited financial statements for the year ended 31 May 2015 except for the adoption of the new/ revised/ amendments to FRS which are applicable to the Group with effective date for annual periods beginning on or after 1 July 2014.

Management foresees that the initial application of the new/ revised/ amendments FRSs will not have any significant impacts on the financial statements.


Malaysian Financial Reporting Standards (“MFRS”) Framework

In November 2011, the MASB issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (“MFRS”) Framework. The issuance was made in conjunction with the MASB’s plan to converge with International Financial Reporting Standards (“IFRS”) in 2012. The MFRS Framework is a fully IFRS-compliant framework and equivalent to IFRSs.

The MFRS Framework is to be applied by all entities other than private entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 *Agriculture* and/or IC Interpretation 15 *Agreements for the Construction of Real Estate*, including their parents, significant investors and joint venturers (“Transitioning Entities”). As announced by the MASB on 2 September 2014, Transitioning Entities are allowed to defer the adoption of the MFRS Framework to annual periods beginning on or after 1 January 2017.

Being a Transitioning Entity as defined above, the Group and the Company have elected to continue preparing their financial statements in accordance with the FRS Framework and will first present the financial statements in accordance with the MFRS Framework for the financial year ending 31 May 2018. Management is currently examining the financial impacts of transition to the MFRS Framework.

THE LATEST UNAUDITED QUARTERLY RESULTS OF SAUDEE FOR THE SIX (6) MONTH FPE 30 NOVEMBER 2015 INCLUDING THE EXPLANATORY NOTES THEREON (CONT'D)



SAUDEE
Group Berhad
(Company No.: 838172-P)
(Incorporated in Malaysia with limited liability under the Companies Act, 1965)

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19 FEB 2016

Name of Secretary: Ooi Ean Hoon
(MAICSA 7057078)

3. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the preceding audited financial statements of the Company and its subsidiaries for the financial year ended 31 May 2015 were not subject to any qualification.

4. Seasonal or Cyclical Factors

The Group's performance is not significantly affected by seasonal or cyclical factors.

5. Unusual Items

There was no item, which is unusual because of their nature, size or incidence that has affected the assets, liabilities, equity, net income or cash flows of the Group for the current quarter.

6. Material Changes in Estimates

There were no changes in estimates of amounts that have had a material effect in the current quarter.

7. Debt and Equity Securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the current quarter.


8. Dividend Paid

There was no dividend paid in the current quarter.

9. Segment Reporting

	Current Year-To-Date 30.11.2015 RM'000	Preceding Year Corresponding Period 30.11.2014 RM'000
Segment revenue		
Manufacture and sale of food products		
Manufacturing	53,197	51,404
Trading	56,723	68,022
	<u>109,920</u>	<u>119,426</u>
Elimination	(33,070)	(38,584)
	<u>76,850</u>	<u>80,842</u>
Property development	-	-
Total Revenue for the financial period	<u>76,850</u>	<u>80,842</u>

THE LATEST UNAUDITED QUARTERLY RESULTS OF SAUDEE FOR THE SIX (6) MONTH FPE 30 NOVEMBER 2015 INCLUDING THE EXPLANATORY NOTES THEREON (CONT'D)



SAUDEE
Group Berhad
(Company No.: 838172-P)
(Incorporated in Malaysia with limited liability under the Companies Act, 1965)

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19 FEB 2016

Name of Secretary: Ooi Ean Hoon
(MAICSA 7057078)

9. Segment Reporting (cont'd)

For the financial period ended 30 Nov 2015	Manufacture and sale of food products RM'000	Property development RM'000	Total RM'000
Segment assets	107,477	9,094	116,571
Additions to non-current assets	465	-	465
Segment liabilities	65,179	4,068	69,247
Segment loss	(2,058)	(200)	(2,258)
Included in the measure of segment loss are:-			
Allowance for slow moving inventories	1,100	-	1,100
Depreciation	2,098	-	2,098
Impairment loss on loans and receivables	596	-	596
Interest expense	1,592	160	1,752
Interest income	142	-	142
Loss on disposal of property, plant and equipment	2	-	2
Reversal of impairment loss on loans and receivables	729	-	729
Tax income	260	-	260
For the financial period ended 30 Nov 2014	Manufacture and sale of food products RM'000	Property development RM'000	Total RM'000
Segment assets	104,300	9,274	113,574
Additions to non-current assets	1,793	-	1,793
Segment liabilities	60,381	4,577	64,958
Segment loss	(684)	(180)	(864)
Included in the measure of segment loss are:-			
Depreciation	2,140	-	2,140
Interest expense	1,401	185	1,586
Interest income	98	-	98
Tax expense	32	-	32

Segmental reporting by geographical location is not applicable as the Group's operations are substantially carried out in Malaysia.

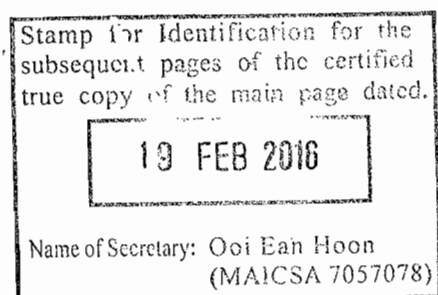
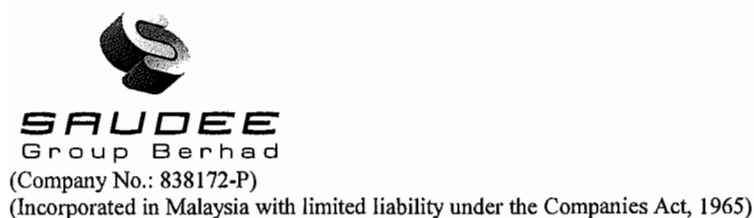
10. Events subsequent to the Balance Sheet date

There were no events subsequent to the end of the financial period ended 30 November 2015 that have not been reflected in the interim financial statements as at the date of this report.

11. Changes in the Composition of the Group

There were no changes in the composition of the Group during the quarter under review.

**THE LATEST UNAUDITED QUARTERLY RESULTS OF SAUDEE FOR THE SIX (6) MONTH FPE
30 NOVEMBER 2015 INCLUDING THE EXPLANATORY NOTES THEREON (CONT'D)**



12. Contingent liabilities or contingent assets

A subsidiary, Perusahaan Saudee Sdn. Bhd. ("PSSB") received two Letters of Claims from the Royal Malaysian Customs Department ("Customs Department") under Section 30(1) of Sales Tax Act 1972 for non-payment of sales tax and late penalties as follows:-

- (i) Letter of Claim dated 19 January 2015 for sales tax amounting to RM1,333,914.62 covering period 1 November 2011 to 31 October 2014 relating to sales of beef burgers and rabbit burgers and penalty amounting to RM323,676.19 up to 31 January 2015 ("Claim 1"); and
- (ii) Letter of Claim dated 25 February 2015 for sales tax amounting RM6,154,017.63 covering period 1 January 2012 to 31 October 2014 relating to sales of frozen chicken burgers, sausages, nuggets, balls and fried chicken said to be packed in air-tight containers and penalty amounting to RM1,499,023.53 up to 24 February 2015 ("Claim 2").

PSSB has engaged consultant and legal adviser ("Professional Team") to appeal for the claims. In relation to Claim 1, the Professional Team is in the process of discussing with the Director General of Customs and is making an appeal to the Ministry of Finance as to why the claim is premature and to seek cancellation of the said claim for the sales tax and penalty involved. The Professional Team is of the view that there are valid reasons to substantiate the PSSB's appeal to the Director General of Customs and the Ministry of Finance for withdrawing the Customs' claim for the sales tax and penalty. In relation to Claim 2, the Professional Team has now considered to make an appeal for the remission of the sales tax and penalties involved directly to the Ministry of Finance. Accordingly the appeal to the Customs Appeal Tribunal for this matter was withdrawn on the 22 December 2015 as there cannot be duplicity of action. The Professional Team is in the midst of preparing the supporting documents for the said appeal to the Minister of Finance for the remission of the sales tax and penalty involved under section 33 of the Sales Tax Act 1972. The Customs Department are alleging the packaging of the finished products of PSSB are air-tight and therefore subject to sales tax. The Professional Team is of the view that Claim 2 by the Customs Department is misconceived and there are meritorious grounds for it to be set aside. There are sufficient evidence and case laws supporting that the packaging used by PSSB on the alleged taxable goods are not air-tight and therefore should not be subject to payment of sales tax.


Based on the positive views of the Professional Team, the directors are of the opinion that it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Accordingly, no provision has been recognised in the financial statements in respect of the claims.

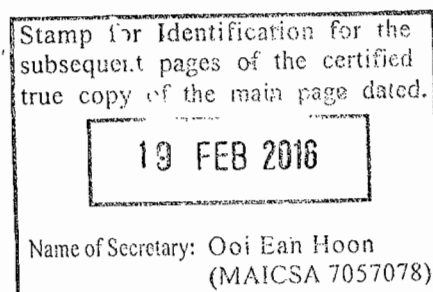
The Group does not have any material contingent assets since the last audited financial statements for the financial year ended 31 May 2015.

13. Capital Commitments

	As at 30.11.2015 Approved and Contracted for RM'000	As at 31.05.2015 Approved and Contracted for RM'000
Property, plant & equipment	5,338	4,749

**THE LATEST UNAUDITED QUARTERLY RESULTS OF SAUDEE FOR THE SIX (6) MONTH FPE
30 NOVEMBER 2015 INCLUDING THE EXPLANATORY NOTES THEREON (CONT'D)**


SAUDEE
 Group Berhad
 (Company No.: 838172-P)
 (Incorporated in Malaysia with limited liability under the Companies Act, 1965)



**UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED
30 NOVEMBER 2015**

**PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING
REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

1. Review of Performance

The revenue for the Group for the current quarter ended 30 November 2015 (Q2, 2016) decreased by RM 5.8 million to RM 33.6 million compared to its corresponding quarter ended 30 November 2015 (Q2, 2015) of RM 39.4 million. This represented a 15% reduction in turnover which is predominantly in the trading business and it comes about as a part of management's decision to set a lower trading volume in selected trading businesses that are adversely affected by the rising strength of the USD and which provides very thin profit margins that can be easily wiped out by adverse currency exchange rate fluctuations. The management is in the process of transitioning to a different business model for these affected trading products so as to provide a more favourable trading condition for the Group for these products.

Gross profit for Q2, 2016 was reduced by RM 2.2 million or 53% to RM 2.0 million compared to Q2, 2015. In Q2, 2016, the Group wrote off RM 1.1 million in slow moving stocks which is reflected in the results of the reporting quarter. Cost increases continue to squeeze margins as the Group has resisted increases to the selling price of its products. Q2, 2016 also saw a significant increase in expenditure in new production development as the Group prepares for new product launches. Overall, the loss before tax for Q2, 2016 was RM 3.3 million compared to a loss of RM 1.0 in the corresponding quarter.

On a year to date basis, cumulative revenue for the financial period ended 30 November 2015 decreased by RM 4.0 million or 5% to RM 76.9 million compared to its corresponding cumulative period ended 30 November 2014. The reduction in cumulative revenue is wholly attributable to the reduction in trading sales whilst cumulative sales of manufactured products increased by RM 1.6 million.

Cumulative gross profit for the financial period ended 30 November 2015 at RM 7.8 million was lower by RM 0.9 million compared to its corresponding period. This resulted in a cumulative loss before tax for the period ended 30 November 2015 of RM 2.8 million compared to a loss of RM 0.8 million in the corresponding period. The write off of slow moving stocks mentioned earlier and increases in operating expenditure led to the higher loss in the current period.

2. Variation of Results against Preceding Quarter

	Current Quarter ended 30.11.2015 RM'000	Preceding Quarter ended 31.08.2015 RM'000	Variance RM'000
Revenue	33,567	43,283	(9,716)
(Loss)/Profit Before Tax	(2,651)	552	(2,816)

The revenue for the current quarter ended 30 November 2015 was RM 9.7 million lower than its preceding quarter and trading business accounted for RM 8.9 million of the revenue reduction. The loss before tax is contributed by the RM 1.1 million write off in slow moving stocks as well as the squeeze on margins due to cost increases and various new product development underway.

**THE LATEST UNAUDITED QUARTERLY RESULTS OF SAUDEE FOR THE SIX (6) MONTH FPE
30 NOVEMBER 2015 INCLUDING THE EXPLANATORY NOTES THEREON (CONT'D)**



SAUDEE
Group Berhad

(Company No.: 838172-P)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)

Stamp for Identification for the subsequent pages of the certified true copy of the main page dated.

19 FEB 2016

Name of Secretary: Ooi Ean Hoon
(MAICSA 7057078)

3. Current Year Prospects

The current year is expected to continue to be challenging with the weak ringgit and GST affecting market conditions. This continuing situation has been anticipated by the management and the management has put a lot of focus on new product development on higher end products which attract better margins.

The current year should witness the Group's new and current products going to markets both locally and abroad. Complementing the new projects in the pipeline, the Group is aggressively developing its overseas market. Recently, the Group has secured a foothold in Japan for its products and other countries are being strongly targeted.

To augment these new projects and expansion, Saudee Group is having a Rights Issue of new shares and this exercise is expected to be completed in the first quarter of the year 2016.

4. Variance between Actual Profit and Forecast Profit

Not applicable.

5. Taxation

	Individual Quarter		Cumulative Quarters	
	Current Year 30.11.2015 RM'000	Preceding Year Corresponding Quarter 30.11.2014 RM'000	Current Year-To- Date 30.11.2015 RM'000	Preceding Year Corresponding Period 30.11.2014 RM'000
Current year				
Income tax	266	42	(57)	(32)
Deferred tax	409	-	456	-
	675	42	399	(32)
Prior year				
Deferred tax	-	-	117	-
	-	-	117	-
	675	42	516	(32)


The tax income for the current quarter and year to date under review are due to over provision of tax expenses in previous quarter and reversal of deferred tax.

6. Status of Corporate Proposals

There was no corporate proposal being carried out during the period under review save for the proposed renounceable two-call rights issue of up to 30,000,000 new ordinary shares of RM0.50 each in the Company ("Rights Share(s)") on the basis of one (1) Rights Share for every three (3) existing shares held on an entitlement date to be determined later, together with up to 45,000,000 free detachable warrants ("Warrant(s)") on the basis of three (3) Warrants for every two (2) Rights Shares subscribed by the shareholders of the Company ("Proposed Two-Call Rights Issue").

The approvals from Bursa Malaysia Securities Berhad and shareholders have been obtained on 18 December 2015 and 28 January 2016 respectively.

THE LATEST UNAUDITED QUARTERLY RESULTS OF SAUDEE FOR THE SIX (6) MONTH FPE
30 NOVEMBER 2015 INCLUDING THE EXPLANATORY NOTES THEREON (CONT'D)



SAUDEE
Group Berhad
(Company No.: 838172-P)
(Incorporated in Malaysia with limited liability under the Companies Act, 1965)

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19 FEB 2016

Name of Secretary: Ooi Ean Hoon
(MAICSA 7057078)

7. **Group Borrowings and Debt Securities**

The Group's borrowings as at 30 November 2015 are as follows:-

	Secured RM'000	Unsecured RM'000	Total RM'000
Short term borrowings:-			
Bank overdrafts	4,783	-	4,783
Bankers' acceptances	35,505	-	35,505
Hire purchase payables	740	-	740
Term loan	809	519	1,328
	<u>41,837</u>	<u>519</u>	<u>42,356</u>
Long term borrowings:-			
Hire purchase payables	1,438	-	1,438
Term loan	11,064	2,310	13,374
	<u>12,502</u>	<u>2,310</u>	<u>14,812</u>
Total	<u>54,339</u>	<u>2,829</u>	<u>57,168</u>

8. **Material Litigation**

There were no material litigations for the current financial period to date.

9. **Proposed Dividend**

There was no dividend proposed or declared for the current quarter under review.

10. **Loss Per Share**

Basic

The basic loss per share has been calculated by dividing the Company's profit for the current financial quarter and current financial year to-date by the number of ordinary shares in issue during the current financial quarter and current financial year under review.

	Individual Quarter		Cumulative Quarters	
	Current Quarter 30.11.2015	Preceding Year Corresponding Quarter 30.11.2014	Current Year 30.11.2015	Preceding Year Corresponding Period 30.11.2014
Loss attributable to ordinary Equity holders of the Company (RM'000)	(2,651)	(991)	(2,258)	(864)
Weighted average number of ordinary shares in issue ('000)	90,000	90,000	90,000	90,000
Basic loss per Share (cent)	<u>(2.95)</u>	<u>(1.10)</u>	<u>(2.51)</u>	<u>(0.96)</u>

Diluted

The Company does not have any convertible share or convertible financial instruments for the current financial quarter under review.

**THE LATEST UNAUDITED QUARTERLY RESULTS OF SAUDEE FOR THE SIX (6) MONTH FPE
30 NOVEMBER 2015 INCLUDING THE EXPLANATORY NOTES THEREON (CONT'D)**



SAUDEE
Group Berhad

(Company No.: 838172-P)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)

Stamp for Identification for the subsequent pages of the certified true copy of the main page dated.

19 FEB 2016

Name of Secretary: Ooi Ean Hoon
(MAICSA 7057078)

11. Disclosure of realised and unrealised profits

The breakdown of retained profits of the Group as at the reporting date, into realised and unrealised profits or losses, pursuant to the directive, is as follows:

	As at 30.11.2015 RM'000	As at 31.05.2015 RM'000
Total retained profits of the Company and its subsidiaries:-		
Realised	49,531	52,569
Unrealised	(500)	(1,139)
	49,031	51,430
Consolidation adjustments and eliminations	(21,278)	(21,419)
Total group retained profits as per consolidated financial statements	27,753	30,011

The determination of realised and unrealised profits or losses is based on the Guidance of 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*, issued by the Malaysian Institute of Accountants on 20 December 2010. The disclosure of realised and unrealised profits or losses is made solely for complying with the disclosure requirements as stipulated in the directive of Bursa Malaysia Securities Bhd and is not made for any other purposes.

12. Authorisation for issue

The interim financial report was authorised for issue by the Board of Directors in accordance with a resolution of the Board.

DIRECTORS' REPORT



SAUDEE
Group Berhad
[838172-P]

(Formerly known as Sinaria Corporation Berhad)

Date: 29 FEB 2016

Registered Office:

57-G, Persiaran Bayan Indah
Bayan Bay, Sungai Nibong
11900 Penang

To: The Shareholders of Saudee Group Berhad

Dear Sir/Madam,

On behalf of the Board of Directors of Saudee Group Berhad ("**Saudee**" or "**the Company**") ("**Board**"), and after making due enquiries, I report that save as disclosed in this Abridged Prospectus, during the period from 31 May 2015 (being the date to which the last audited financial statements of Saudee and its subsidiaries ("**Saudee Group**") have been made up) to the date of hereof (being a date not earlier than fourteen (14) days before the date of issuance of this Abridged Prospectus):

- (a) the business of the Saudee Group has, in the opinion of the Board, been satisfactorily maintained;
- (b) in the opinion of the Board, no circumstance has arisen since the last audited financial statements of the Saudee Group which has adversely affected the trading or the value of the assets of the Saudee Group;
- (c) the current assets of the Saudee Group appear in the books at values which are believed to be realisable in the ordinary course of business;
- (d) save as disclosed in this Abridged Prospectus, there is no other contingent liability by reason of any guarantee or indemnity given by the Saudee Group;
- (e) there has been no default or any known event since the last audited financial statements of the Saudee Group, that could give rise to a default situation, on payments of either interest and/or principal sums in relation to any borrowings; and
- (f) save as disclosed in this Abridged Prospectus, since the latest audited financial results of the Saudee Group for the financial year ended 31 May 2015, there has been no material change in the published reserves or any unusual factors affecting the profits of the Saudee Group since the last audited financial statements of the Saudee Group.

Yours faithfully,

For and on behalf of the Board of
SAUDEE GROUP BERHAD

TAN KHANG KHIM
Executive Chairman

ADDITIONAL INFORMATION

1. SHARE CAPITAL

- (i) Save for the Rights Shares, Warrants and new Shares to be issued pursuant to the exercise of the Warrants, no other securities will be issued or allotted on the basis of this AP later than twelve (12) months after the date of the issuance of this AP.
- (ii) As at the LPD, there is no founder, management, deferred shares or preference shares in the share capital of our Company. There is only one (1) class of shares in our Company, namely ordinary share of RM0.50 each, all of which rank *pari passu* with one another.
- (iii) All the Rights Shares and the new Saudee Shares to be issued pursuant to the exercise of the Warrants shall, upon allotment and issue, rank *pari passu* in all respects with the then existing Saudee Shares of the Company, except that such Shares shall not be entitled to any dividends, rights, allotments and/or other distributions which may be declared, made or paid to the shareholders, the entitlement date of which is prior to allotment date of the such Shares.
- (iv) Save for the Rights Shares with Warrants under the Two-Call Rights Issue, no other person has been or is entitled to be granted an option to subscribe for any securities of the Company and no capital of the Company is under any option or agreed conditionally or unconditionally to be put under any option as at the date of this AP.

2. ARTICLES OF ASSOCIATION

The provisions in our Articles of Association in relation to the remuneration of our Directors are as follows:-

Article 105

The fees of the Directors shall be such fixed sum as shall from time to time be determined by an ordinary resolution of the Company and shall (unless such resolution otherwise provided) be divisible among the Directors as they may agree, or, failing agreement, equally, except that any Director who shall hold office for part only of the period in respect of which such fees are payable shall be entitled only to rank in such division for a proportion of the fees related to the period during which he has held office provided always that -

- (a) fees payable to non-executive Directors shall be by a fixed sum, and not by a commission on or percentage of profits or turnover;
- (b) salaries payable to executive Directors may not include a commission on or percentage of turnover;
- (c) fees payable to Directors shall not be increased except pursuant to a resolution passed at a general meeting, where notice of the proposed increase has been given in the notice convening the meeting; and
- (d) any fee paid to an alternate Director shall be agreed upon between himself and the Director nominating him and shall be paid out of the remuneration of the latter.

ADDITIONAL INFORMATION (CONT'D)

Article 106

- (1) The Directors shall be entitled to be reimbursed for all travelling or such reasonable expenses as may be incurred in attending and returning from meetings of the Directors or of any committee of the Directors or general meetings or otherwise howsoever in or about the business of the Company in the course of the performance of their duties as Directors.
- (2) If by arrangement with the Directors, any Director shall perform or render any special duties or services outside his ordinary duties as a Director in particular without limiting to the generality of the foregoing if any Director being willing shall be called upon to perform extra services or to make any special exertions in going or residing away from his usual place of business or residence for any of the purposes of the Company or in giving special attention to the business of the Company as a member of a committee of Directors, the Directors may pay him special remuneration, in addition to his Director's fees, and such special remuneration may be by way of a fixed sum, or otherwise as may be arranged.

3. MATERIAL CONTRACTS

Save as disclosed below, as at LPD, our Group has not entered into any material contracts (including contracts not reduced into writing), not being contracts entered into in the ordinary course of business during the two (2) years immediately preceding the date of this AP:-

- (i) the Deed Poll dated 2 February 2016 executed by our Company constituting the Warrants; and
- (ii) the Sale and Purchase Agreement dated 15 February 2016 entered between Sunwish Venture Sdn Bhd, our wholly-owned subsidiary ("**SVSB**") and Kinheng Furniture Sdn Bhd ("**KFSB**") whereby SVSB disposes all that piece of sixty (60) years leasehold vacant industrial land held under Individual Title No. H.S.(M) 9550, PT 2371, Mukim Sungai Buloh, Daerah Petaling, Negeri Selangor measuring 13,718 square meters to KFSB for a cash consideration of RM8,800,000 (goods and services tax (GST) exclusive).

4. MATERIAL LITIGATIONS, CLAIMS OR ARBITRATION

Save as disclosed below, as at LPD, the Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and there are no proceedings pending or threatened against the Group, or of any facts likely to give rise to any proceedings, which might materially or adversely affect the financial position or business of the Group:

Perusahaan Saudee Sdn Bhd ("**PSSB**") received two Letters of Claim from the Royal Malaysian Customs Department ("**Customs Department**") under Section 30(1) of Sales Tax Act 1972 for on-payment of sales tax and late penalties as follows:

- (i) Letter of Claim dated 19 January 2015 for sales tax amounting to RM1,333,914.62 covering period 1 November 2011 to 31 October 2014 relating to sales of beef burgers and rabbit burgers and penalty amounting to RM323,676.19 up to 31 January 2015 ("**Claim 1**"); and

ADDITIONAL INFORMATION (CONT'D)

- (ii) Letter of Claim dated 25 February 2015 for sales tax amounting to RM6,154,017.63 covering period 1 January 2012 to 31 October 2014 relating to sales of frozen chicken burgers, sausages, nuggets, balls and fried chicken said to be packed in air-tight containers and penalty amounting to RM1,499,023.53 up to 24 February 2015 (“**Claim 2**”).

PSSB has engaged a consultant and legal adviser to appeal for the claims. In relation to Claim 1, PSSB is the midst of preparing an appeal to the Ministry of Finance (“**MOF**”) as to why the claim is premature and to seek cancellation of the said claim for the sales tax and penalty involved. Our Board is of the view that there are valid reasons to substantiate the company’s appeal to the Director General of Customs for withdrawing their said claim for the sales tax and penalty. In relation to Claim 2, the matter has been withdrawn from the Customs Appeal Tribunal and PSSB is the midst of preparing an appeal to MOF on the Customs Department’s allegation pertaining to the packaging of the finished products of PSSB being air-tight and therefore subject to sales tax. Our Board is of the view that for Claim 2 there are meritorious grounds for appeal to the MOF.

5. GENERAL

- (i) None of our Directors has any existing or proposed service contracts with our Company or our subsidiaries, excluding contracts expiring or determinable by the employing company without payments or compensation (other than statutory compensation) within one (1) year from the date of this AP.
- (ii) Save as disclosed in this AP, the financial conditions and operations of our Group are not affected by the following:-
- (a) known trends, demands, commitments, events or uncertainties that will or are likely to materially increase or decrease the liquidity of our Group;
 - (b) material information including trade factors or risks, which are unlikely to be known or anticipated by the general public and which could materially affect our profits;
 - (c) material commitments for capital expenditure, save as disclosed in section 9.4 of this AP;
 - (d) substantial increase in revenue;
 - (e) unusual or infrequent events or transactions or any significant economic changes that materially affect the amount of reported income from the operations of our Group; and
 - (f) known trends or uncertainties that have had or that our Group reasonably expects will have a material favourable or unfavourable impact on revenues or operating income of our Group.

ADDITIONAL INFORMATION (CONT'D)

6. CONSENTS

The written consents of the Principal Adviser, Company Secretaries, Solicitors, Share Registrar, Principal Bankers and Bloomberg Finance L.P. to the inclusion in this AP of their names in the form, manner and context in which they appear have been given and have not subsequently been withdrawn before the issuance of this AP.

The written consents of the Auditors/Reporting Accountants to the inclusion in this AP of its name, Reporting Accountants' letter accompanying the proforma consolidation statements of financial position of Saudee as at 31 May 2015 and the auditors' report accompanying the audited consolidated financial statements of Saudee for the FYE 31 May 2015 in the form, manner and context in which they appear have been given and have not subsequently been withdrawn before the issuance of this AP.

7. DOCUMENTS FOR INSPECTION

Copies of the following documents will be made available for inspection at the registered office of the Company at 57-G Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Penang, during normal business hours (except Saturday, Sunday and public holidays) for a period of twelve (12) months from the date of this AP:-

- (i) the Memorandum and Articles of Association of Saudee;
- (ii) the Deed Poll;
- (iii) the audited and consolidated financial statements of Saudee for the past three (3) FYE 31 May 2013, 31 May 2014 and 31 May 2015;
- (iv) the latest unaudited quarterly results of Saudee for the six (6) month FPEs 30 November 2015 and 30 November 2014;
- (v) Proforma Consolidated Statements of Financial Position of Saudee as at 31 May 2015 together with the Reporting Accountants' letter thereon as set out in Appendix III of this AP;
- (vi) our Directors' Report as set out in Appendix VI of this AP;
- (vii) the material contracts referred to in Section 3 above;
- (viii) the relevant cause papers in respect of the material claims referred to in Section 4 above;
- (ix) the letters of consent referred to in Section 6 above; and
- (x) the irrevocable undertaking letters by the Identified Shareholders as referred to in Section 5 of this AP.

ADDITIONAL INFORMATION (CONT'D)

8. RESPONSIBILITY STATEMENTS

This AP together with the accompanying documents have been seen and approved by our Board and they collectively and individually, accept full responsibility for the accuracy of the information given and confirm that, after having made all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts if omitted would make any statement in these documents false or misleading.

Affin Hwang IB being the Principal Adviser for the Two-Call Rights Issue, acknowledges that, based on all available information and to the best of their knowledge and belief, this AP constitutes a full and true disclosure of all material facts concerning the Two-Call Rights Issue.

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