



SAUDEE
Group Berhad

(Company No.: 838172-P)

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

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)



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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.



SAUDEE
Group Berhad

(Company No.: 838172-P)

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 NOVEMBER 2015

	Note	UNAUDITED As at 30.11.2015 RM'000	AUDITED As at 31.05.2015 RM'000
Non-Current Assets			
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.



SAUDEE
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(Company No.: 838172-P)

(Formerly known as Sinaria Corporation Berhad)

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

	<-----Non Distributable Reserves----->			Distributable		
	Share Capital RM'000	Share Premium RM'000	Revaluation Reserve RM'000	Merger Deficit RM'000	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.



SAUDEE
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(Company No.: 838172-P)

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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



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**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.



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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.



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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
	<hr/>	<hr/>
	109,920	119,426
Elimination	(33,070)	(38,584)
	<hr/>	<hr/>
	76,850	80,842
Property development	-	-
Total Revenue for the financial period	<hr/> 76,850	<hr/> 80,842

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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
<hr/>			
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.



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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	<u>5,338</u>	<u>4,749</u>



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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.



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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 Quarter	Preceding Year Corresponding Quarter	Current Year-To-Date	Preceding Year Corresponding Period
	30.11.2015	30.11.2014	30.11.2015	30.11.2014
	RM'000	RM'000	RM'000	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.



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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
	41,837	519	42,356
Long term borrowings:-			
Hire purchase payables	1,438	-	1,438
Term loan	11,064	2,310	13,374
	12,502	2,310	14,812
Total	54,339	2,829	57,168

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 Current Quarter 30.11.2015	Preceding Year Corresponding Quarter 30.11.2014	Cumulative Quarters 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)	(2.95)	(1.10)	(2.51)	(0.96)

Diluted

The Company does not have any convertible share or convertible financial instruments for the current financial quarter under review.



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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)
	<hr/> 49,031	<hr/> 51,430
Consolidation adjustments and eliminations	(21,278)	(21,419)
Total group retained profits as per consolidated financial statements	<hr/> 27,753	<hr/> 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.