



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 2016

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30.11.2016 RM'000	Preceding Year Corresponding Quarter 30.11.2015 RM'000	Current Year-To-Date 30.11.2016 RM'000	Preceding Year Corresponding Period 30.11.2015 RM'000
Revenue	29,698	33,567	64,282	76,850
Cost of sales	(24,614)	(31,607)	(53,585)	(69,011)
Gross profit	5,084	1,960	10,697	7,839
Other operating income	551	274	794	1,045
Operating expenses	(4,638)	(4,662)	(9,133)	(9,906)
Finance costs	(856)	(898)	(1,766)	(1,752)
Profit/(Loss) before tax	141	(3,326)	592	(2,774)
Tax (expense)/income	(135)	675	(279)	516
Net profit/(loss) for the financial period	6	(2,651)	313	(2,258)
Other comprehensive income for the financial period	-	-	-	-
Total comprehensive income for the financial period	6	(2,651)	313	(2,258)
Earnings/(Loss) per share (Note B11)				
Basic (Sen)	0.01	(2.83)	0.26	(2.41)
Diluted (Sen)	0.01	(2.83)	0.26	(2.41)



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Notes to Statement of Profit and Loss and Other Comprehensive Income

	Individual Quarter		Cumulative Quarters	
	Current Year Quarter 30.11.2016 RM'000	Preceding Year Corresponding Quarter 30.11.2015 RM'000	Current Year-To-Date 30.11.2016 RM'000	Preceding Year Corresponding Period 30.11.2015 RM'000
Depreciation and amortisation	(1,238)	(1,051)	(2,471)	(2,098)
Forex gain/(loss) - unrealised	-	-	-	18
Forex gain/(loss) - realised	(10)	45	-	55
Impairment loss on loans and receivables	(17)	-	(669)	(596)
Interest expense	(856)	(898)	(1,766)	(1,752)
Interest income	74	67	162	142
Inventories written off	-	(1,100)	-	(1,100)
Loss on disposal of property, plant and equipment	-	(2)	-	(2)
Property, plant and equipment written off	(2)	-	(2)	-
Reversal of impairment loss on loans and receivables	436	418	526	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 2016 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 2016

		UNAUDITED	AUDITED
		As at	As at
		30.11.2016	31.05.2016
	Note	RM'000	RM'000
Non-Current Assets			
Property, plant and equipment		42,861	44,138
Investment property		4,280	4,280
		47,141	48,418
Current Assets			
Property development costs		8,800	8,800
Inventories		32,783	36,193
Receivables, deposits and prepayments		28,346	28,276
Current tax assets		324	441
Cash and cash equivalents		12,526	12,205
		82,779	85,915
TOTAL ASSETS		129,920	134,333
EQUITY AND LIABILITIES			
Equity			
Share capital		60,000	60,000
Reserves		(3,837)	(4,150)
TOTAL EQUITY		56,163	55,850
Non-Current Liabilities			
Long-term bank borrowings	B7	13,581	14,383
Deferred taxation		2,269	2,284
		15,850	16,667
Current Liabilities			
Trade and other payables and accruals		14,414	17,537
Short-term bank borrowings	B7	43,493	44,279
		57,907	61,816
TOTAL LIABILITIES		73,757	78,483
TOTAL EQUITY AND LIABILITIES		129,920	134,333
Net assets per ordinary share attributable to ordinary equity holder of the Company (RM)		0.47	0.47

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 2016 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)

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SECDOND QUARTER ENDED 30 NOVEMBER 2016

	Share Capital RM'000	Non Distributable Reserves Revaluation Reserve RM'000	Warrant Reserve RM'000	Merger Deficit RM'000	Distributable Retained Profits RM'000	Total RM'000
Balance as at 01.06.2016	60,000	3,867	4,500	(29,296)	16,779	55,850
Profit (representing total other comprehensive income) for the financial period	-	-	-	-	313	313
Balance as at 30.11.2016	60,000	3,867	4,500	(29,296)	17,092	56,163
Balance as at 01.06.2015	45,000	3,867	-	(29,296)	30,011	49,582
Loss (representing total other 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

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 2016 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 2016

	Current Year-To-Date 30.11.2016 RM'000	Preceding Year Corresponding 30.11.2015 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before tax	592	(2,774)
Adjustments:		
Amortisation and depreciation	2,471	2,098
Impairment loss on loans and receivables	669	596
Interest expense	1,766	1,752
Interest income	(162)	(142)
Inventories written off	-	1,100
Loss on disposal of property, plant and equipment	-	2
Property, plant and equipment written off	2	-
Reversal of impairment loss on loans and receivables	(526)	(729)
Unrealised gain on foreign exchange	-	(18)
Operating profit before working capital changes	4,812	1,885
Decrease in inventories	3,410	2,993
Increase in receivables	(213)	(3,273)
Decrease in payables	(3,123)	(5,871)
Cash generated from/(absorbed by) operations	4,886	(4,266)
Tax paid	(177)	(176)
Net cash from/(used in) operating activities	4,709	(4,442)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	162	142
Proceeds from disposal of property, plant and equipment	-	2
Purchase of plant, property and equipment	(432)	(465)
Net cash used in investing activities	(270)	(321)
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of term loan	-	3,000
(Decrease)/Increase in short-term borrowings	(438)	3,511
Interest paid	(1,766)	(1,752)
Placement of term deposits pledged as security	(1,056)	(135)
Repayment of hire purchase obligations	(883)	(391)
Repayment of term loan	(691)	(575)
Net cash (used in)/from financing activities	(4,834)	3,658
NET DECREASE IN CASH AND CASH EQUIVALENTS	(395)	(1,105)
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	(3,085)	(1,836)
CASH AND CASH EQUIVALENTS CARRIED FORWARD	(3,480)	(2,941)



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**UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE SECOND
QUARTER ENDED 30 NOVEMBER 2016**

	Current Year-To-Date Ended 30.11.2016 RM'000	Preceding Year Corresponding Period Ended 30.11.2015 RM'000
Fixed and short-term deposits with licensed banks	11,295	7,957
Cash and bank balances	1,231	1,842
Bank overdrafts	(4,711)	(4,783)
	7,815	5,016
Less: Fixed and short-term deposits with licensed banks pledged as security for credit facilities granted to the Group	(11,295)	(7,957)
	(3,480)	(2,941)

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 2016 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 2016

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 2016 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 2016.

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 28 October 2015, Transitioning Entities are allowed to defer the adoption of the MFRS Framework to annual periods beginning on or after 1 January 2018.

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 2019. Management is currently examining the financial impacts of transition to the MFRS Framework.

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 2016 were not subject to any qualification.

4. Seasonal or Cyclical Factors

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



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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 30.11.2016 RM'000	Preceding Year Corresponding Period 30.11.2015 RM'000
Segment revenue		
Manufacture and sale of food products		
Manufacturing	28,946	29,981
Trading	35,336	46,869
	64,282	76,850
Property development	-	-
Total Revenue for the financial period	64,282	76,850

For the financial period ended 30 November 2016	Manufacture and sale of food products RM'000	Property development RM'000	Total RM'000
Segment assets	121,051	8,869	129,920
Additions to non-current assets	1,196	-	1,196
Segment liabilities	69,155	4,602	73,757
Segment profit/(loss)	493	(180)	313
Included in the measure of segment loss are:-			
Depreciation	(2,471)	-	(2,471)
Impairment loss on loans and receivables	(669)	-	(669)
Interest expense	(1,621)	(145)	(1,766)
Interest income	157	5	162
Property, plant and equipment written off	(2)	-	(2)
Reversal of impairment loss on loans and receivables	526	-	526
Tax expense	(279)	-	(279)



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9. Segment Reporting (cont'd)

For the financial period ended 30 November 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:-			
Depreciation	(2,098)	-	(2,098)
Impairment loss on loans and receivables	(596)	-	(596)
Interest expense	(1,592)	(160)	(1,752)
Interest income	142	-	142
Inventories written off	1,100	-	1,100
Loss on disposal of property, plant and equipment	2	-	2
Reversal of impairment loss on loans and receivables	729	-	729
Tax income	516	-	516

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 2016 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.

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").



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12. Contingent liabilities or contingent assets (cont'd)

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 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 for withdrawing the Customs’ claim for the sales tax and penalty. 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 2016.

13. Capital Commitments

	As at 30.11.2016	As at 31.05.2016
	Contracted but	Contracted but
	Not Provided for	Not Provided for
	RM’000	RM’000
Property, plant & equipment	-	2,052



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UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 NOVEMBER 2016

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 2016 (Q2, 2017) decreased by RM3.9 million to RM29.7 million compared to its corresponding quarter ended 30 November 2015 (Q2, 2016) of RM33.6 million. The Group recorded profit before tax of RM0.14 million, an improvement of RM3.47 million as compared to its preceding year corresponding quarter (Q2, 2016) of loss before tax of RM3.33 million.

On a year to date basis, cumulative revenue for the financial period ended 30 November 2016 (cumulative Q2, 2017) decreased by RM12.6 million to RM64.3 million as compared to its corresponding cumulative period ended 30 November 2015 (cumulative Q2, 2016) of RM76.9 million. The Group recorded profit before tax of RM0.59 million for cumulative Q2, 2017, an increase of RM3.36 million as compared to cumulative Q2, 2016 of loss before tax of RM2.77 million

The impact of the reduction in revenue toward the result of the Group have been mitigated by the following reasons:

- i) increase in gross profit margin due to change of product composition, increase the volume of those high margin product i.e. Further Processed Products (FPP) and reduce in trading business i.e. those with low margin product; and
- ii) reduce in operating expenses due to reducing in trading business.

2. Variation of Results against Preceding Quarter

	Current Quarter ended 30.11.2016 RM'000	Preceding Quarter ended 31.08.2016 RM'000	Variance RM'000
Revenue – Manufacturing (FPP)	14,424	14,522	(98)
Revenue – Trading	15,274	20,062	(4,788)
Revenue – Property development	-	-	-
Total revenue	29,698	34,584	(4,886)
Profit Before Tax	141	451	(310)

The revenue for the current quarter ended 30 November 2016 (Q2, 2017) was RM4.9 million lower than its preceding quarter ended 31 August 2016 (Q1, 2017) which was contributed mainly from the decrease in trading business of RM4.8 million.

Q1, 2017 generated a profit before tax of RM0.14 million compare to RM0.45 million in Q1, 2017. The reduction in profit before tax mainly due to reduce in revenue.



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3. Prospects

The financial year ending 31 May 2017 should witness the Group's new and current products going to markets both locally and abroad. The Group is introducing into the market a new range of innovative products such as smoked sausages, smoked chicken and other smoked products. The Group is also in collaboration with a few strategic partners to produce new halal food product to cater to the local and exports market. The product, manufactured under a patented technology, has a significant untapped market both locally and overseas and is also expected to make a significant contribution to the Group's result when implemented within the coming 12 months.

4. Variance between Actual Profit and Forecast Profit

Not applicable.

5. Taxation

	Individual Quarter		Cumulative Quarters	
	Current Year Quarter 30.11.2016 RM'000	Preceding Year Corresponding Quarter 30.11.2015 RM'000	Current Year-To- Date 30.11.2016 RM'000	Preceding Year Corresponding Period 30.11.2015 RM'000
Current period				
Income tax	(79)	266	(294)	(57)
Deferred tax	(56)	409	(40)	456
	(135)	675	(334)	399
Prior year				
Deferred tax	-	-	55	117
	(135)	675	(279)	516

The tax expense for the quarter under review is higher than 24% due to certain expenses are not tax deductible.



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6. Status of Corporate Proposals

There were no corporate proposals announced but not completed as at the date of this interim financial report.

The status of the utilisation of the proceeds from Rights Issue as at 16 January 2017 (being the latest practicable date) was as follows:-

Details of Utilisation	Intended Timeframe for the Utilisation of Proceeds from the Completion of Right Issue	Proposed	Actual	Deviation	Balance
		Utilisation	Utilisation		
		RM'000	RM'000	RM'000	RM'000
Repayment of bank borrowing	Within 12 months	5,000	5,000	-	-
Working capital	Within 12 months	4,800	4,857	57	-
Estimated expenses for Rights Issue	Upon completion	700	643	(57)	-
Total		10,500	10,500	-	-

7. Group Borrowings and Debt Securities

The Group's borrowings as at 30 November 2016 are as follows:-

	Secured	Unsecured	Total
	RM'000	RM'000	RM'000
Short term borrowings:-			
Bank overdrafts	4,711	-	4,711
Bankers' acceptances	36,481	-	36,481
Hire purchase payables	886	-	886
Term loan	851	564	1,415
	42,929	564	43,493
Long term borrowings:-			
Hire purchase payables	1,655	-	1,655
Term loan	10,182	1,744	11,926
	11,837	1,744	13,581
Total	54,766	2,308	57,074

8. Material Litigation

There were no material litigations for the current financial period to date.



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9. Material Event

On 15 February 2016, the Board of Directors of SAUDEE has announced that Sunwish Venture Sdn. Bhd. (“SVSB”), a wholly-owned property development subsidiary of SAUDEE, has on February 15, 2016 entered in to a Sales and Purchase Agreement (“SPA”) with Kinheng Furniture Sdn. Bhd. (“the Purchaser”) to dispose its development property for RM8.8 million. The SPA is conditional upon the SVSB obtaining the relevant state authority’s consent for the sale and transfer of the Land in favour of the Purchaser. The state authority’s consent has been obtained on 1 June 2016. The sale is expected to complete by 28 February 2017 (Q3, 2017).

10. Proposed Dividend

There was no dividend proposed or declared for the current quarter under review.

11. Earnings Per Share

Basic

The basic earnings 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	Preceding Year	Current	Preceding Year
	Quarter	Corresponding	Year	Corresponding
	30.11.2016	Quarter	30.11.2016	Period
		30.11.2015		30.11.2015
Profit/(Los) attributable to ordinary equity holders of the Company (RM’000)	6	(2,651)	313	(2,258)
Weighted average number of ordinary shares in issue (‘000)				
Issued ordinary shares as at beginning of the period under review	120,000	90,000	120,000	90,000
Effect of Rights Shares issued	-	3,668	-	3,668
	<u>120,000</u>	<u>93,668</u>	<u>120,000</u>	<u>93,668</u>
Basic earnings/(loss) per Share (cent)	<u>0.01</u>	<u>(2.83)</u>	<u>0.26</u>	<u>(2.41)</u>

Diluted

The diluted earnings per share equal the basic earnings per share due to the anti-dilutive effect of the warrants which has been ignored in calculating the diluted earnings per share.



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12. 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 30.11.2016 RM'000	As at 31.05.2016 RM'000
Total retained profits of the Company and its subsidiaries:-		
Realised	33,504	33,041
Unrealised	(17)	8
	<hr/> 33,487	<hr/> 33,049
Consolidation adjustments and eliminations	(16,395)	(16,270)
Total group retained profits as per consolidated financial statements	<hr/> 17,092	<hr/> 16,779

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.

13. Authorisation for issue

The interim financial report was authorised for issue by the Board of Directors in accordance with a resolution of the Board.