

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FIRST QUARTER ENDED 31 OCTOBER 2018**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31.10.2018 RM'000	Preceding Year Corresponding Quarter 31.10.2017 RM'000	Current Year-To-Date 31.10.2018 RM'000	Preceding Year Corresponding Period 31.10.2017 RM'000
Revenue	19,326	31,761	19,326	31,761
Cost of sales	(15,777)	(26,573)	(15,777)	(26,573)
Gross profit	3,549	5,188	3,549	5,188
Other operating income	544	252	544	252
Operating expenses	(3,026)	(4,186)	(3,026)	(4,186)
Finance costs	(546)	(520)	(546)	(520)
Share of results of an associate	32	-	32	-
Profit before tax	553	734	553	734
Tax expense	(177)	(320)	(177)	(320)
Net profit for the financial period	<b>376</b>	<b>414</b>	<b>376</b>	<b>414</b>
Other comprehensive income for the financial period	-	-	-	-
Total comprehensive income for the financial period	<b>376</b>	<b>414</b>	<b>376</b>	<b>414</b>
Earnings per share (Note B11)				
Basic (Sen)	0.28	0.35	0.28	0.35
Diluted (Sen)	0.28	0.35	0.28	0.35

**Notes to Statement of Comprehensive Income**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31.10.2018 RM'000	Preceding Year Corresponding Quarter 31.10.2017 RM'000	Current Year-To-Date 31.10.2018 RM'000	Preceding Year Corresponding Period 31.10.2017 RM'000
Depreciation and amortisation	(1,353)	( 1,256)	(1,353)	(1,256)
Forex gain - unrealised	125	-	125	-
Forex gain - realised	307	203	307	203
Gain on disposal of property, plant and equipment	43	-	43	-
Interest expense	(546)	(520)	(546)	(520)
Interest income	42	-	42	-

**Notes:**

*The Unaudited 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 July 2018 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.

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 OCTOBER 2018**

	Note	UNAUDITED As at 31.10.2018 RM'000	AUDITED As at 31.07.2018 RM'000
<b>Non-Current Assets</b>			
Property, plant and equipment		42,249	43,602
Investment property		4,560	4,560
Investment in associate		348	316
		47,157	48,478
<b>Current Assets</b>			
Inventories		33,821	33,732
Receivables, deposits and prepayments		19,459	21,970
Current tax assets		645	525
Cash and cash equivalents		5,935	6,144
		59,860	62,371
<b>TOTAL ASSETS</b>		<b>107,017</b>	<b>110,849</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		65,607	65,607
Treasury share		(118)	(118)
Reserves		(3,688)	(4,064)
<b>TOTAL EQUITY</b>		61,801	61,425
<b>Non-Current Liabilities</b>			
Long-term bank borrowings	B7	7,194	7,680
Deferred taxation		731	665
		7,925	8,345
<b>Current Liabilities</b>			
Trade and other payables and accruals		8,770	11,198
Short-term bank borrowings	B7	28,521	29,881
		37,291	41,079
<b>TOTAL LIABILITIES</b>		45,216	49,424
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>107,017</b>	<b>110,849</b>
Net assets per ordinary share attributable to ordinary equity holder of the Company (RM)		0.47	0.46

**Notes:**

*The Unaudited 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 July 2018 and the accompanying explanatory notes attached to the interim financial statements.*



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

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

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FIRST QUARTER ENDED  
31 OCTOBER 2018**

	Share Capital RM'000	Treasury Shares 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
<b>Balance as at 01.08.2018</b>	65,607	(118)	3,658	4,500	(29,296)	17,074	<b>61,425</b>
Profit (representing total other comprehensive income) for the financial period	-	-	-	-	-	376	<b>376</b>
<b>Balance as at 31.10.2018</b>	<b>65,607</b>	<b>(118)</b>	<b>3,658</b>	<b>4,500</b>	<b>(29,296)</b>	<b>17,450</b>	<b>61,801</b>
<b>Balance as at 01.08.2017</b>	60,000	-	3,126	4,500	(29,296)	19,848	<b>58,178</b>
Profit (representing total other comprehensive income) for the financial period	-	-	-	-	-	414	<b>414</b>
<b>Balance as at 31.10.2017</b>	<b>60,000</b>	<b>-</b>	<b>3,126</b>	<b>4,500</b>	<b>(29,296)</b>	<b>20,262</b>	<b>58,592</b>

**Notes:**

*The Unaudited 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 July 2018 and the accompanying explanatory notes attached to the interim financial statements.*

**UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE FIRST QUARTER  
ENDED 31 OCTOBER 2018**

	<b>Current Year-To-Date 31.10.2018 RM'000</b>	<b>Preceding Year Corresponding 31.10.2017 RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	553	734
Adjustments:		
Amortisation and depreciation	1,353	1,256
Gain on disposal of property, plant and equipment	(43)	-
Interest expense	546	520
Interest income	(42)	-
Share of results of an associate	(32)	-
Unrealised gain on foreign exchange	(125)	-
Operating profit before working capital changes	2,210	2,510
(Increase)/Decrease in inventories	(89)	5,119
Decrease in receivables	2,511	1,271
(Decrease)/Increase in payables	(2,303)	1,263
Cash generated from operations	2,329	10,163
Tax paid	(231)	(18)
Net cash from operating activities	2,098	10,145
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	42	-
Proceeds from disposal of property, plant and equipment	43	-
Purchase of plant, property and equipment	-	(28)
Net cash from/(used in) investing activities	85	(28)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Decrease in short-term borrowings	(2,731)	(8,812)
Interest paid	(546)	(520)
Placement of term deposits pledged as security	(118)	(30)
Repayment of hire purchase obligations	(198)	(184)
Repayment of term loan	(307)	(283)
Net cash used in financing activities	(3,900)	(9,829)
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(1,717)</b>	<b>288</b>
<b>CASH AND CASH EQUIVALENTS BROUGHT FORWARD</b>	<b>(3,965)</b>	<b>(2,542)</b>
<b>CASH AND CASH EQUIVALENTS CARRIED FORWARD</b>	<b>(5,682)</b>	<b>(2,254)</b>



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**UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE FIRST QUARTER ENDED 31 OCTOBER 2018**

	<b>Current Year-To-Date Ended 31.10.2018 RM'000</b>	<b>Preceding Year Corresponding Period Ended 31.10.2017 RM'000</b>
Fixed and short-term deposits with licensed banks	5,344	6,109
Cash and bank balances	591	3,497
Bank overdrafts	(6,273)	(5,751)
	(338)	3,855
Less: Fixed and short-term deposits with licensed banks pledged as security for credit facilities granted to the Group	(5,344)	(6,109)
	<b>(5,682)</b>	<b>(2,254)</b>

**Notes:**

*The Unaudited Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 July 2018 and the accompanying explanatory notes attached to the interim financial statements.*

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 OCTOBER 2018**

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

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**1 Basis of Preparation**

The interim financial statements are unaudited and have been prepared in accordance with Malaysian Financial Reporting Standard (“MFRS”) 134 - Interim Financial Reporting and Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The Group adopted the Malaysian Financial Reporting Standards (“MFRS”) on 1 August 2018 with a transition date of 1 August 2018. This is the Group's first MFRS compliant interim financial report for the year ending 31 July 2019, and MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards* has been applied.

The condensed consolidated interim financial statements should be read in conjunction with the Audited Financial Statements of the Group for the year ended 31 July 2018 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 accounting policies and methods of computation adopted for the interim financial report are consistent with those adopted for the annual audited financial statements for the financial year ended 31 July 2018, except for the adoption of new MFRSs which are effective for financial period beginning on or after 1 January 2018. The adoption of new MFRSs did not result in any significant changes in the accounting policies of the Group.

**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 July 2018 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

	<b>Current Year-To-Date 31.10.2018 RM'000</b>	<b>Preceding Year Corresponding Period 31.10.2017 RM'000</b>
Segment revenue		
<b>Manufacture and sale of food products</b>		
Manufacturing	14,718	24,265
Trading	4,608	7,496
Total Revenue for the financial period	<b>19,326</b>	<b>31,761</b>

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 31 October 2018 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 from 1 November 2011 to 31 October 2014 relating to sales of beef burgers and rabbit burgers said to be packed in air-tight containers 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 from 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 submitted an appeal letter on 31 October 2017 for the cancellation of both Claim 1 and Claim 2 to Customs Department based on the lab test concluded by PSSB which supports that the requirement to be classified as "air-tight" container under the Customs Duties Order 2017 is not met. Further to the appeal, Customs Department has approved and agreed to withdraw Claim 2 with effect from 27 July 2018 vide their letter dated 9 October 2018. However Customs Department rejected the appeal of Claim 1 and instructed PSSB to make the payment. PSSB has complied with the instructions of Customs Department without prejudice and made the 10% upfront payment amounting to RM165,760 and the remaining balance shall be based on the instalment payments for 36 months approved by Customs Department.



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

PSSB is in the process of submitting an appeal letter on remission of sales tax and penalty as per claim 1 to the Ministry of Finance on the basis of PSSB has submitted for cancellation of sales tax license in 2002 due to the information received from Customs Department that sales tax is not applicable and Customs Department has accepted the cancellation.

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 after having consulted the view of an appointed professional advisor.

The Group does not have any material contingent assets since the last audited financial statements for the financial year ended 31 July 2018.

## **13. Capital Commitments**

There were no capital commitments during the current period under review.

## **14. Financial Instruments**

### **Derivatives**

There were no outstanding derivatives as at 31 October 2018.

### **Fair Value Changes of Financial Liabilities**

The Group does not remeasure its financial liabilities at fair value after the initial recognition.

### **Fair Value**

The Group uses 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 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.

As at end of the current quarter under review, the carrying amounts of receivables, cash and cash equivalents and payables which are short-term in nature or repayable on demand are reasonable approximations of fair values.

There were no transfers between levels of fair value hierarchy during the current quarter under review.

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 OCTOBER 2018**

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

**1. Review of Performance**

The Group recorded profit before tax of RM0.55 million in current quarter, a slight decrease of RM0.18 million as compared to preceding year corresponding quarter. This mainly due to the decrease in revenue by RM12.5 million to RM19.3 million compared to preceding year corresponding quarter of RM31.8 million. However, the impact of decrease in revenue toward performance of the Group have been mitigated by the following reasons:

- i) increase in gross profit margin due to change of product mix, increase the sales of those high margin product and reduce in trading business i.e. those with low margin product; and
- ii) reduce in operating expenses such as logistic and handling cost due to reducing in trading business.

**2. Variation of Results against Preceding Quarter**

	<b>Current Quarter ended 31.10.2018 RM'000</b>	<b>Preceding Quarter ended 31.7.2018 RM'000</b>	<b>Variance RM'000</b>
Revenue – Manufacturing (FPP)	14,718	11,402	3,316
Revenue – Trading	4,608	1,608	3,000
Total revenue	19,326	13,010	6,316
Profit/(Loss) Before Tax	553	(5,990)	6,543

The revenue for the current quarter ended 31 October 2018 was RM6.3 million higher than preceding quarter. The increase in revenue mainly due to the increase in revenue from “Food Services” and OEM products.

The Group recorded profit before tax of RM0.55 million during the quarter ended 31 October 2018 instead of loss before tax of RM6.0 million in preceding quarter ended 31 July 2018. The improving result obtained due to reasons below:-

- i) the revenue contributed from higher margin products mix such as “Food Services” and OEM products.
- ii) impairment loss on loans and receivables and allowance for slow moving inventories recognised in preceding quarter.

**3. Prospects**

The financial year ending 31 July 2019 for the remaining quarters should reflect a more balanced focus on revenue growth, cost efficiency and cash generation.

In line with refined strategies, the Group has continued to scale down the “Low Profit Margin” products and continue its support on “Food Services” products.

**4. Variance between Actual Profit and Forecast Profit**

Not applicable.

## 5. Taxation

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31.10.2018 RM'000	Preceding Year Corresponding Quarter 31.10.2017 RM'000	Current Year-To- Date 31.10.2018 RM'000	Preceding Year Corresponding Period 31.10.2017 RM'000
Current year				
Income tax	111	250	111	250
Deferred tax	66	70	64	70
	<b>177</b>	<b>320</b>	<b>177</b>	<b>320</b>

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

## 6. Status of Corporate Proposals

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

## 7. Group Borrowings and Debt Securities

The Group's borrowings as at 31 October 2018 are as follows:-

	Secured RM'000	Unsecured RM'000	Total RM'000
<b>Short term borrowings:-</b>			
Bank overdrafts	6,273	-	6,273
Bankers' acceptances	20,279	-	20,279
Hire purchase payables	666	-	666
Term loan	623	680	1,303
	<b>27,841</b>	<b>680</b>	<b>28,521</b>
<b>Long term borrowings:-</b>			
Hire purchase payables	1,032	-	1,032
Term loan	5,681	481	6,162
	<b>6,713</b>	<b>481</b>	<b>7,194</b>
<b>Total</b>	<b>34,554</b>	<b>1,161</b>	<b>35,715</b>

## 8. Material Litigation

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

## 9. Material Event

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

## 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 Quarter	
	Current	Preceding Year	Current	Preceding Year
	Quarter	Corresponding	Year	Corresponding
	31.10.2018	Quarter	31.10.2018	Period
		31.10.2017		31.10.2017
Profit attributable to ordinary equity holders of the Company (RM'000)	376	414	376	414
Weighted average number of ordinary shares in issue ('000)	132,139	120,000	132,139	120,000
Basic earnings per Share (cent)	0.28	0.35	0.28	0.35

### Diluted

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

## 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.