



SAUDEE
Group Berhad

(Company No.: 838172-P)

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SECOND QUARTER ENDED 31 JANUARY 2020

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31.1.2020 RM'000	Preceding Year Corresponding Quarter 31.1.2019 RM'000	Current Year-To-Date 31.1.2020 RM'000	Preceding Year Corresponding Period 31.1.2019 RM'000
Revenue	19,464	20,837	38,142	40,163
Cost of sales	(23,866)	(15,903)	(38,727)	(31,680)
Gross (loss)/profit	(4,402)	4,934	(585)	8,483
Other operating income	475	176	532	720
Operating expenses	(4,029)	(3,991)	(7,046)	(7,017)
Finance costs	(460)	(514)	(947)	(1,060)
Share of results of an associate	(68)	-	(68)	32
(Loss)/Profit before tax	(8,484)	605	(8,114)	1,158
Tax income/(expense)	150	(245)	7	(422)
Net (loss)/profit for the financial period	(8,334)	360	(8,107)	736
Other comprehensive income for the financial period	-	-	-	-
Total comprehensive income for the financial period	(8,334)	360	(8,107)	736
(Loss)/Earnings per share (Note B11)				
Basic (Sen)	(6.08)	0.27	(5.92)	0.56
Diluted (Sen)	(6.08)	0.27	(5.92)	0.56



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Notes to Statement of Comprehensive Income

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31.1.2020 RM'000	Preceding Year Corresponding Quarter 31.1.2019 RM'000	Current Year-To-Date 31.1.2020 RM'000	Preceding Year Corresponding Period 31.1.2019 RM'000
Allowance for impairment loss on receivables	(1,138)	-	(1,138)	-
Allowance for slow moving inventories	(8,000)	-	(8,000)	-
Depreciation and amortisation	(1,255)	(1,321)	(2,493)	(2,674)
Forex (loss)/gain	(4)	97	(37)	529
Gain on disposal of property, plant and equipment	339	-	339	43
Interest expense	(460)	(514)	(947)	(1,060)
Interest income	33	25	51	67
Reversal of impairment loss on receivables	-	35	-	35

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 2019 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.



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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 JANUARY 2020

		UNAUDITED	AUDITED
		As at	As at
		31.1.2020	31.07.2019
	Note	RM'000	RM'000
Non-Current Assets			
Property, plant and equipment		35,272	38,381
Investment property		4,780	4,780
Investment in associate		269	337
Deferred taxation		2,583	2,583
		42,904	46,081
Current Assets			
Inventories		24,274	32,434
Receivables, deposits and prepayments		18,647	16,057
Current tax assets		1,162	815
Cash and cash equivalents		5,215	5,688
		49,298	54,994
TOTAL ASSETS		92,202	101,075
EQUITY AND LIABILITIES			
Equity			
Share capital		66,926	66,926
Treasury share		(118)	(118)
Reserves		(17,553)	(9,446)
TOTAL EQUITY		49,255	57,362
Non-Current Liabilities			
Long-term bank borrowings	B7	4,978	5,945
Deferred taxation		1,213	1,220
		6,191	7,165
Current Liabilities			
Trade and other payables and accruals		13,964	13,147
Short-term bank borrowings	B7	22,792	23,401
		36,756	36,548
TOTAL LIABILITIES		42,947	43,713
TOTAL EQUITY AND LIABILITIES		92,202	101,075
Net assets per ordinary share attributable to ordinary equity holder of the Company (RM)		0.36	0.42

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 2019 and the accompanying explanatory notes attached to the interim financial statements.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SECOND QUARTER
ENDED 31 JANUARY 2020**

	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
Balance as at 1.08.2019	66,926	(118)	2,637	4,500	(29,296)	12,713	57,362
Loss (representing total other comprehensive income) for the financial period						(8,107)	(8,107)
Balance as at 31.1.2020	66,926	(118)	2,637	4,500	(29,296)	4,606	49,255
Balance as at 1.08.2018	65,607	(118)	3,658	4,500	(29,296)	12,118	56,469
Profit (representing total other comprehensive income) for the financial period	-	-	-	-	-	736	736
Balance as at 31.1.2019	65,607	(118)	3,658	4,500	(29,296)	12,854	57,205

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 2019 and the accompanying explanatory notes attached to the interim financial statements.



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UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE SECOND QUARTER ENDED 31 JANUARY 2020

	Current Year-To-Date 31.1.2020 RM'000	Preceding Year Corresponding 31.1.2019 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/Profit before tax	(8,114)	1,158
Adjustments:		
Allowance for impairment loss on receivables	1,138	-
Allowance for slow moving inventories	8,000	-
Amortisation and depreciation	2,493	2,674
Gain on disposal of property, plant and equipment	(339)	(43)
Interest expense	947	1,060
Interest income	(51)	(67)
Share of results of an associate	68	(32)
Reversal of impairment loss on receivables	-	(35)
Unrealised (gain)/loss on foreign exchange	19	(125)
Operating profit before working capital changes	4,161	4,590
Decrease/(Increase) in inventories	160	(2,195)
(Increase)/Decrease in receivables	(3,728)	618
Increase/(Decrease) in payables	798	(1,445)
Cash generated from operations	1,391	1,568
Tax paid	(347)	(242)
Net cash from operating activities	1,044	1,326
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	51	67
Proceeds from disposal of property, plant and equipment	1,001	43
Purchase of property, plant and equipment	(46)	(16)
Net cash from investing activities	1,006	94
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term borrowings	(1,022)	(877)
Interest paid	(947)	(1,060)
Placement of term deposits pledged as security	(233)	(211)
Repayment of hire purchase obligations	(307)	(388)
Repayment of term loan	(668)	(532)
Net cash used in financing activities	(3,177)	(3,068)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,127)	(1,648)
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	(2,625)	(3,965)
CASH AND CASH EQUIVALENTS CARRIED FORWARD	(3,752)	(5,613)



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**UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE SECOND
QUARTER ENDED 31 JANUARY 2020**

	Current Year-To-Date Ended 31.1.2020 RM'000	Preceding Year Corresponding Period Ended 31.1.2019 RM'000
Fixed and short-term deposits with licensed banks	4,809	5,437
Cash and bank balances	406	393
Bank overdrafts	(4,158)	(6,006)
	1,057	(176)
Less: Fixed and short-term deposits with licensed banks pledged as security for credit facilities granted to the Group	(4,809)	(5,437)
	(3,752)	(5,613)

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 2019 and the accompanying explanatory notes attached to the interim financial statements.



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UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 31 JANUARY 2020

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

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 condensed consolidated interim financial statements should be read in conjunction with the Audited Financial Statements of the Group for the year ended 31 July 2019 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 significant accounting policies, methods of computation and basis of consolidation adopted by the Group for the preparation of the interim financial report are consistent with those adopted in the annual audited financial statements for the year ended 31 July 2019. The Group also applied the standards, IC Interpretations and amendment to standard that have been issued by the Malaysian Accounting Standards Board (“MASB”) with effective date for annual period beginning on or after 1 January 2019. Initial application of the standards is not expected to have any material impacts to the financial statements 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 2019 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.



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9. Segment Reporting

	Current Year-To-Date 31.1.2020 RM'000	Preceding Year Corresponding Period 31.1.2019 RM'000
Segment revenue		
Manufacture and sale of food products		
Manufacturing – FPP	23,736	28,908
Manufacturing – HORECA and OEM	7,471	5,618
Trading	6,935	5,637
Total Revenue for the financial period	38,142	40,163

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 2019 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 a Letter of Claim 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:-

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 ("the Claim").

PSSB has submitted an appeal letter on 31 October 2017 for the cancellation of the Claim 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. However Customs Department rejected the appeal of the Claim 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.

PSSB is in the process of submitting an appeal letter on remission of sales tax and penalty as per the claim 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.

Based on advice of the consultant, the directors are of the view that PSSB has good chance of success in the appeal for the remission, accordingly, no provision has been recognised in the financial statements.

Other than as disclosed above, the Group does not have any material contingent assets since the last audited financial statements for the financial year ended 31 July 2019.



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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 January 2020.

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.



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UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 31 JANUARY 2020

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

1. Review of Performance

	Individual Quarter			Cumulative Quarter		
	Current Year Quarter 31.1.2020 RM'000	Preceding Year Corresponding Quarter 31.1.2019 RM'000	Changes (Amount) RM'000	Current Year-To-Date 31.1.2020 RM'000	Preceding Year Corresponding Period 31.1.2019 RM'000	Changes (Amount) RM'000
Revenue – Manufacturing (FPP)	10,913	15,639	(4,726)	23,736	28,908	(5,172)
Revenue – Manufacturing (HORECA and OEM)	3,698	2,509	1,189	7,471	5,618	1,853
Revenue – Trading	4,853	2,689	2,164	6,935	5,637	1,298
Total Revenue	19,464	20,837	(1,373)	38,142	40,163	(2,021)
(Loss)/Profit Before Interest and Tax	(8,057)	1,094	(9,151)	(7,218)	2,151	(9,369)
(Loss)/Profit Before Tax	(8,484)	605	(9,089)	(8,114)	1,158	(9,272)
(Loss)/Profit After Tax	(8,334)	360	(8,694)	(8,107)	736	(8,843)

Revenue for the quarter under review decreased by RM1.37 million to RM19.46 million as compared to its preceding year corresponding quarter of RM20.84 million. The reduction in revenue were mainly due to the reduction of the sales of low margin FPP.

Nevertheless, the increase in sales of below had mitigated the decrease of revenue:

- 1) Food service sector namely HORECA as new products have been developed
- 2) Trading sales

The Group recorded loss before tax of RM8.48 million and RM8.11 million in current quarter and cumulative quarters respectively. The loss mainly due to provision of allowance for slow moving inventories of RM8.00 million and allowance for impairment loss on receivables of RM1.14 million.

This provision of allowance for slow moving inventories mainly due to followings:

1. The huge impact of Covid 19 pandemic toward the export market especially our current and expected future order from Japan has been cancelled. Therefore the Group has to provide allowance for slow moving inventories for products that are related to export market; and



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1. Review of Performance (Cont'd)

2. Further to the above, the Covid 19 pandemic has impacted low demand for both FPP and HORECA/OEM segment locally in the current quarter under review.
3. There is also increase of logistic cost as the Group required to support the order from local supermarket chain even no full load of delivery.

2. Variation of Results against Preceding Quarter

	Current Quarter ended 31.1.2020 RM'000	Preceding Quarter ended 31.10.2019 RM'000	Variance RM'000
Revenue – Manufacturing (FPP)	10,913	12,823	(1,910)
Revenue – Manufacturing (HORECA and OEM)	3,698	3,773	(75)
Revenue – Trading	4,853	2,082	2,771
Total revenue	<u>19,464</u>	<u>18,678</u>	<u>786</u>
(Loss)/Profit Before Interest and Tax	(8,057)	839	(8,896)
(Loss)/Profit Before Tax	(8,484)	370	(8,554)
(Loss)/Profit After Tax	<u>(8,334)</u>	<u>227</u>	<u>(8,561)</u>

The revenue for the current quarter ended 31 January 2020 was RM0.79 million higher than preceding quarter ended 31 October 2019. The slight increase in revenue were mainly due to the following reasons:-

- i) increase in trading sale
- ii) reduction in low margin FPP.

The Group recorded loss before tax of RM8.48 million during the quarter ended 31 January 2020 under review, decreased by RM8.55 million as compared to preceding quarter ended 31 October 2019.

The loss mainly due to the provision of allowance for slowing moving inventories of RM8.00 million and allowance for impairment loss on receivables of RM1.14 million in current quarter. The reason for the provision is as explained in Note 1 of Part B above.



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3. Prospects

Following the extension of MCO issued by Malaysian Government on 18 March 2020 to 14 April 2020, the Group foresees a downturn of business in coming quarters following the impact on the Covid 19 pandemic and restriction imposed by the Government as follows :

- 1) there will be a lost in export market sales especially our current and expected future order from Japan have been cancelled;
- 2) local sales from food services sector i.e HORECA was also affected as most of the restaurants, caterers and hotels been closed and orders maybe cancelled now and in future for at least 12 months before the order going back to normal level;
- 3) beside that, the FPP sector such as sausages, burger and nugget also seen decrease in demand from distributors during this crisis and the Group expected the impact at least 12 months to 18 months before back to normal;
- 4) due to loss in sales, the Group foresees there may need to write off or do a further provision for low moving inventories in coming quarter if this situation still continues;
- 5) this also may cause the Group incurs loss in machine hour by way of monthly instalment of loans and hire purchase. With the decrease in sales, it will put huge pressure for the Group to pay the loan and interest; and
- 6) finally, the Group also expects administrative and logistic costs will be increasing in coming quarters such as in-land transport charges and also import charges such as liner or shipping charges.
- 7) however, the Group will continue its effort in cost reduction and improved efficiency program to mitigate the impact.

4. Variance between Actual Profit and Forecast Profit

Not applicable.

5. Tax (Income)/Expense

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31.1.2020 RM'000	Preceding Year Corresponding Quarter 31.1.2019 RM'000	Current Year-To- Date 31.1.2020 RM'000	Preceding Year Corresponding Period 31.1.2019 RM'000
Current year				
Income tax	-	166	-	277
Deferred tax	(150)	79	(7)	145
	(150)	245	(7)	422

The tax credit for current quarter and cumulative quarters under review were due to reversal of deferred tax.

6. Status of Corporate Proposals

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



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7. Group Borrowings and Debt Securities

The Group's borrowings as at 31 January 2020 are as follows:-

	Secured RM'000	Unsecured RM'000	Total RM'000
Short term borrowings:-			
Bank overdrafts	4,158	-	4,158
Bankers' acceptances	16,820	-	16,820
Hire purchase payables	509	-	509
Term loan	999	306	1,305
	<u>22,486</u>	<u>306</u>	<u>22,792</u>
Long term borrowings:-			
Hire purchase payables	359	-	359
Term loan	4,619	-	4,619
	<u>4,978</u>	<u>-</u>	<u>4,978</u>
Total	<u>27,464</u>	<u>306</u>	<u>27,770</u>

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.



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11. (Loss)/Earnings Per Share

Basic

The basic (loss)/earnings per share has been calculated by dividing the Company's (loss)/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
	31.1.2020	Quarter	31.1.2020	Period
		31.1.2019		31.1.2019
(Loss)/Profit attributable to ordinary equity holders of the Company (RM'000)	<u>(8,334)</u>	<u>360</u>	<u>(8,107)</u>	<u>736</u>
Weighted average number of ordinary shares in issue ('000)	<u>137,049</u>	<u>132,139</u>	<u>137,049</u>	<u>132,139</u>
Basic (loss)earnings per Share (sen)	<u>(6.08)</u>	<u>0.27</u>	<u>(5.92)</u>	<u>0.56</u>

Diluted

The diluted (loss)/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.