



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 FIRST QUARTER ENDED 31 OCTOBER 2020

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31.10.2020 RM'000	Preceding Year Corresponding Quarter 31.10.2019 RM'000	Current Year-To-Date 31.10.2020 RM'000	Preceding Year Corresponding Period 31.10.2019 RM'000
Revenue	19,726	18,678	19,726	18,678
Cost of sales	(17,549)	(14,861)	(17,549)	(14,861)
Gross profit	2,177	3,817	2,177	3,817
Other operating income	427	57	427	57
Operating expenses	(2,127)	(3,017)	(2,127)	(3,017)
Finance costs	(362)	(487)	(362)	(487)
Share of results of an associate	45	-	45	-
Profit before tax	160	370	160	370
Tax income/(expense)	105	(143)	105	(143)
Net profit for the financial period	265	227	265	227
Other comprehensive income for the financial period	-	-	-	-
Total comprehensive income for the financial period	265	227	265	227
Earnings per share (Note B11)				
Basic (Sen)	0.17	0.17	0.17	0.17
Diluted (Sen)	0.17	0.17	0.17	0.17



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Notes to Statement of Comprehensive Income

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31.10.2020 RM'000	Preceding Year Corresponding Quarter 31.10.2019 RM'000	Current Year-To-Date 31.10.2020 RM'000	Preceding Year Corresponding Period 31.10.2019 RM'000
Depreciation and amortisation	(1,121)	(1,238)	(1,121)	(1,238)
Forex gain/(loss)	50	(33)	50	(33)
Gain on disposal of investment properties	158	-	158	-
Loss on disposal of property, plant and equipment	(22)	-	(22)	-
Interest expense	(362)	(487)	(362)	(487)
Interest income	13	18	13	18
Property, plant and equipment written off	(1)	-	(1)	-
Reversal of impairment loss on receivables	135	-	135	-

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 2020 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 OCTOBER 2020

	Note	UNAUDITED As at 31.10.2020 RM'000	AUDITED As at 31.07.2020 RM'000
Non-Current Assets			
Property, plant and equipment		34,315	35,246
Investment property		550	4,882
Investment in associate		308	263
Right of use assets		186	186
		35,359	40,577
Current Assets			
Inventories		9,440	10,628
Receivables, deposits and prepayments		21,309	16,782
Current tax assets		793	636
Cash and cash equivalents		5,237	6,906
		36,779	34,952
TOTAL ASSETS		72,138	75,529
EQUITY AND LIABILITIES			
Equity			
Share capital		75,639	68,660
Treasury share		(118)	(118)
Reserves		(39,229)	(39,494)
TOTAL EQUITY		36,292	29,048
Non-Current Liabilities			
Long-term bank borrowings	B7	6,067	6,576
Lease liability		63	63
Deferred taxation		977	1,419
		7,107	8,058
Current Liabilities			
Trade and other payables and accruals		12,657	17,250
Lease liability		127	127
Short-term bank borrowings	B7	15,753	21,046
Current tax liabilities		202	-
		28,739	38,423
TOTAL LIABILITIES		35,846	46,481
TOTAL EQUITY AND LIABILITIES		72,138	75,529
Net assets per ordinary share attributable to ordinary equity holder of the Company (RM)		0.23	0.20

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 2020 and the accompanying explanatory notes attached to the interim financial statements.



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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FIRST QUARTER ENDED 31 OCTOBER 2020

	Share Capital RM'000	Treasury Shares RM'000	Revaluation Reserve RM'000	Non Distributable Reserves Warrant Reserve RM'000	ESOS Reserve RM'000	Merger Deficit RM'000	Distributable Retained Profits RM'000	Total RM'000
Balance as at 1.08.2020	68,660	(118)	3,129	4,500	-	(29,296)	(17,827)	29,048
Profit (representing total other comprehensive income) for the financial period	-	-	-	-	-	-	265	265
Transaction with owners:								
Issuance of shares	7,109							7,109
Shares issued expenses	(130)							(130)
	6,979	-	-	-	-	-	-	6,979
Balance as at 31.10.2020	75,639	(118)	3,129	4,500	-	(29,296)	(17,562)	36,292
Balance as at 1.08.2019	66,926	(118)	2,637	4,500	-	(29,296)	12,713	57,362
Profit (representing total other comprehensive income) for the financial period	-	-	-	-	-	-	227	227
Balance as at 31.10.2019	66,926	(118)	2,637	4,500	-	(29,296)	12,940	57,589

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 2020 and the accompanying explanatory notes attached to the interim financial statements.



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UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE FIRST QUARTER ENDED 31 OCTOBER 2020

	Current Year-To-Date 31.10.2020 RM'000	Preceding Year Corresponding 31.10.2019 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	160	370
Adjustments:		
Amortisation and depreciation	1,121	1,238
Loss on disposal of property, plant and equipment	22	-
Gain on disposal of investment properties	(158)	-
Interest expense	362	487
Interest income	(13)	(18)
Property, plant and equipment written off	1	-
Share of results of an associate	(45)	-
Reversal of impairment loss on receivables	(135)	-
Unrealised gain on foreign exchange	(49)	-
Operating profit before working capital changes	1,266	2,077
Decrease in inventories	1,188	46
Decrease/(Increase) in receivables	98	(1,194)
Decrease in payables	(4,544)	(405)
Cash (used in)/generated from operations	(1,992)	524
Tax paid	(292)	(174)
Net cash (used in)/from operating activities	(2,284)	350
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	13	18
Proceeds from disposal of property, plant and equipment	48	-
Purchase of property, plant and equipment	(261)	-
Net cash (used in)/from investing activities	(200)	18
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term borrowings	(5,922)	(643)
Interest paid	(362)	(487)
Issuance of shares	6,979	-
Withdrawn/(Placement) of term deposits pledged as security	368	(106)
Repayment of hire purchase obligations	(123)	(132)
Repayment of term loan	(116)	(330)
Net cash from/(used in) financing activities	824	(1,698)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,660)	(1,330)
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	(1,433)	(2,625)
CASH AND CASH EQUIVALENTS CARRIED FORWARD	(3,093)	(3,955)



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UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE FIRST QUARTER ENDED 31 OCTOBER 2020

	Current Year-To-Date Ended 31.10.2020 RM'000	Preceding Year Corresponding Period Ended 31.10.2019 RM'000
Fixed and short-term deposits with licensed banks	5,141	4,682
Cash and bank balances	96	192
Bank overdrafts	(3,189)	(4,147)
	2,048	727
Less: Fixed and short-term deposits with licensed banks pledged as security for credit facilities granted to the Group	(5,141)	(4,682)
	(3,093)	(3,955)

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 2020 and the accompanying explanatory notes attached to the interim financial statements.



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UNAUDITED INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 OCTOBER 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 2020 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 2020. 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 2020. 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 2020 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 except the issuance of 14,637,000 new ordinary shares through private placement at an issue price of RM0.4857 per share.

8. Dividend Paid

There was no dividend paid in the current quarter.



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9. Segment Reporting

	Current Year-To-Date 31.10.2020 RM'000	Preceding Year Corresponding Period 31.10.2019 RM'000
Segment revenue		
Manufacture and sale of food products		
Manufacturing – FPP	11,526	12,823
Manufacturing – HORECA and OEM	3,776	3,773
Trading	4,424	2,082
Total Revenue for the financial period	19,726	18,678

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 2020 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 in relation to 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.

On 29 July 2020, PSSB submitted 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.

The Group does not have any material contingent assets since the last audited financial statements for the financial year ended 31 July 2020.



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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 October 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 FIRST QUARTER ENDED 31 OCTOBER 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 31.10.2020 RM'000	Preceding Year Corresponding Quarter 31.10.2019 RM'000	Changes (Amount) RM'000	Current Year-To-Date 31.10.2020 RM'000	Preceding Year Corresponding Period 31.10.2019 RM'000	Changes (Amount) RM'000
Revenue – Manufacturing (FPP)	11,526	12,823	(1,297)	11,526	12,823	(1,297)
Revenue – Manufacturing (HORECA and OEM)	3,776	3,773	3	3,776	3,773	3
Revenue – Trading	4,424	2,082	2,342	4,424	2,082	2,342
Total Revenue	19,726	18,678	1,048	19,726	18,678	1,048
Profit Before Interest and Tax	509	839	(330)	509	839	(330)
Profit Before Tax	160	370	(210)	160	370	(210)
Profit After Tax	265	227	38	265	227	38

Revenue for the quarter under review (Q1 2021 vs Q1 2020) increased by RM1.05 million to RM19.73 million as compared to its preceding year corresponding quarter of RM18.68 million with PAT of RM0.27 million in current quarter as compared to its preceding year corresponding quarter of RM0.23 million.

The slight increase in sales were due to below:-

- 1) Increase in trading sales in order to sustain the business during this Pandemic period although the margin generated from trading sales is low; and
- 2) Decrease in demand of high margin FPP product due to imposed of CMCO during the quarter under review.



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2. Variation of Results against Preceding Quarter

	Current Quarter ended 31.10.2020 RM'000	Preceding Quarter ended 31.7.2020 RM'000	Variance RM'000
Revenue – Manufacturing (FPP)	11,526	10,165	1,361
Revenue – Manufacturing (HORECA and OEM)	3,776	7,800	(4,024)
Revenue – Trading	4,424	2,933	1,491
Total revenue	<u>19,726</u>	<u>20,898</u>	<u>(1,172)</u>
Profit/(Loss) Before Interest and Tax	509	(70)	579
Profit/(Loss) Before Tax	160	(278)	438
Profit/(Loss) After Tax	<u>265</u>	<u>(2,827)</u>	<u>3,092</u>

The revenue for the current quarter ended 31 October 2020 was RM1.17 million lower than preceding quarter ended 31 July 2020.

The decrease in revenue were mainly due to the following reasons:-

- 1) Decrease in HORECA and OEM segment as many F&B outlets experience less customers during CMCO period thus the demand reduced significantly;
- 2) Increase in trading sale in Q1 2021 in order to sustain the business; and
- 3) Increase in FPP from lower margin product range.

However the Group generated PAT of RM0.27 million for the quarter under review as compared to preceding quarter of loss of RM2.83 million.

3. Prospects

Following the MCO, CMCO and RMCO for the period from 18 March 2020 to 31 December 2020 imposed by Malaysian Government, the Group foresee a recovery of business in coming quarters as follows:

- 1) The FPP sector such as sausages, burger and nugget will recover at slower pace and the Group expected it will impact us for at least 12 months to 18 months before back to normal;
- 2) However, the Group will continue its effort in cost reduction and improve efficiency program to mitigate the impact and concentrate on low margin FPP products to fulfil the demand.

4. Variance between Actual Profit and Forecast Profit

Not applicable.



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5. Tax (Income)/Expense

	Individual Quarter		Cumulative Quarter	
	Current Year 31.10.2020 RM'000	Preceding Year Corresponding Quarter 31.10.2019 RM'000	Current Year-To- Date 31.10.2020 RM'000	Preceding Year Corresponding Period 31.10.2019 RM'000
Current year				
Income tax	-	143	-	143
RPGT	337	-	337	-
Deferred tax	(442)	-	(442)	-
	(105)	143	(105)	143

The tax credit for the quarter under review is due to reversal of deferred tax assets.

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 - Secured

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

	RM'000
Short term borrowings:-	
Bank overdrafts	3,189
Bankers' acceptances	10,710
Hire purchase payables	440
Term loan	1,414
	<u>15,753</u>
Long term borrowings:-	
Hire purchase payables	95
Term loan	5,972
	<u>6,067</u>
Total	<u>21,820</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.



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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 Quarter 31.10.2020	Preceding Year Corresponding Quarter 31.10.2019	Current Year 31.10.2020	Preceding Year Corresponding Period 31.10.2019
Profit attributable to ordinary equity holders of the Company (RM'000)	265	227	265	227
Weighted average number of ordinary shares in issue ('000)	159,129	137,049	159,129	137,049
Basic earnings per Share (sen)	0.17	0.17	0.17	0.17

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.