



**SAUDEE**  
Group Berhad  
[838172-P]



**Serving you only  
the best in quality food**

Annual Report 2015



### Serving you only the best in quality food

The SAUDEE Group of Companies was incorporated in 1985 out of the recognition of the food industry's need for convenient cost-effective high-quality products. Saudi Gold has grown to be one of the most recognised food brands in the Northern Malaysian Region. The Company manufactures and markets food products such as sausages, burgers, nuggets and is looking towards expanding overseas. Through its innovative methods, these packaged foods although frozen still retains its nutritional value, something consumers look for when purchasing convenient foods. The logo with the waiter serving on silver platter signifies that Saudi Gold only serves consumers the best in quality food.



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# NOTICE OF ANNUAL GENERAL MEETING



NOTICE IS HEREBY GIVEN that the Seventh Annual General Meeting of the Company will be held at Helang Hall, Cinta Sayang Resort, Persiaran Cinta Sayang, 08000 Sungai Petani, Kedah on Monday, 30 November 2015 at 9.00 a.m. for the following purposes:-

## AGENDA

1. To receive the Audited Financial Statements of the Company for the year ended 31 May 2015 together with the Reports of the Directors and of the Auditors thereon. (Please refer to Note A)
2. To approve the payment of the Directors' fee of an amount up to RM144,000/- for the financial year ending 31 May 2016. (Resolution 1)
3. To re-elect the following Directors retiring under Article 97(1) of the Articles of Association of the Company, and who, being eligible offer themselves for re-election:-
  - a. Tan Khang Khim (Resolution 2)
  - b. Sim Yee Fuan (Resolution 3)
4. To re-appoint Messrs. Crowe Horwath as Auditors of the Company for the ensuing year and to authorize the Board of Directors to fix their remuneration. (Resolution 4)

## SPECIAL BUSINESS

5. To consider and if thought fit, to pass the following resolutions:-

### ORDINARY RESOLUTIONS

- a) Authority to Issue Shares (Resolution 5)

"That pursuant to Section 132D of the Companies Act, 1965 and approvals from the Bursa Malaysia Securities Berhad ("Bursa Securities") and other relevant governmental/regulatory authorities where such authority shall be necessary, the Board of Directors be authorised to issue and allot shares in the Company from time to time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Board of Directors may, in its absolute discretion, deem fit provided that the aggregate number of shares to be issued shall not exceed ten per centum (10%) of the issued share capital (excluding treasury shares) of the Company for the time being, and that the Board of Directors be empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Securities."

- b) Renewal of Authority to Purchase its own Shares (Resolution 6)

"That subject to the Companies Act, 1965, provisions of the Company's Memorandum and Articles of Association ("M&A") and the requirements of the Bursa Securities and other relevant governmental and regulatory authorities where such authority shall be necessary, the Board of Directors be authorised to purchase its own shares through Bursa Securities, subject to the following:-

- i) The maximum aggregate number of shares which may be purchased by the Company shall not exceed ten per centum (10%) of the issued and paid-up ordinary share capital of the Company at any point in time;
- ii) The maximum fund to be allocated by the Company for the purpose of purchasing the Company's shares shall not exceed the retained profits and/or share premium account of the Company. As at the latest financial year ended 31 May 2015, the audited accumulated losses of the Company is RM501,510.00. As at 22 October 2015, the Retained Profits and Share Premium of the Company is RM5,413,381.00 and RMNIL respectively;



### SPECIAL BUSINESS (Cont'd)

b) Renewal of Authority to Purchase its own Shares (Cont'd) (Resolution 6)

- iii) The authority conferred by this resolution will be effective immediately upon the passing of this resolution and shall continue to be in force until the conclusion of the next AGM of the Company, at which time it shall lapse unless by ordinary resolution passed at that meeting, the authority is renewed either unconditionally or subject to conditions or the expiration of the period within which the next AGM is required by law to be held or unless revoked or varied by ordinary resolution passed by the shareholders in a general meeting, whichever occurs first;
- iv) Upon completion of the purchase(s) of the shares by the Company, the shares shall be dealt with in the following manner:-
- to cancel the shares so purchased; or
  - to retain the shares so purchased in treasury for distribution as dividend to the shareholders and/or resell on the market of the Bursa Securities or subsequently cancelled; or
  - retain part of the shares so purchased as treasury shares and cancel the remainder.

The Directors of the Company be and are hereby authorised to take all such steps as are necessary and entering into all other agreements, arrangements and guarantees with any party or parties to implement, finalise and give full effect to the aforesaid purchase with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments, if any, as may be imposed by the relevant authorities from time to time to implement or to effect the purchase of its own shares in accordance with the Companies Act, 1965, provisions of the Company's M&A, the requirements of the Bursa Securities and any other regulatory authorities, and other relevant approvals."

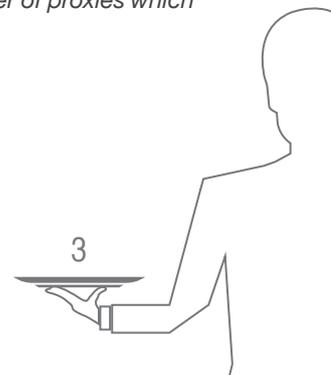
6. To transact any other business of which due notice shall have been given in accordance with the Companies Act, 1965.

By Order of the Board

HOW WEE LING (MAICSA 7033850)  
OOI EAN HOON (MAICSA 7057078)  
Secretaries  
Penang  
30 October 2015

#### NOTES:

- A. *This Agenda item is meant for discussion only as the provision of Section 169(1) of the Companies Act, 1965 and the Company's Articles of Association do not require a formal approval of the shareholders and hence, is not put forward for voting.*
1. *For the purpose of determining a member who shall be entitled to attend and vote at the AGM, the Company shall be requesting the Record of Depositors as at 20 November 2015. Only a depositor whose name appears on the Record of Depositors as at 20 November 2015 shall be entitled to attend, speak and vote at the said meeting as well as for appointment of proxy(ies) to attend, speak and vote on his/her stead.*
2. *A Member of the Company entitled to attend and vote is entitled to appoint up to two (2) proxies to attend, speak and vote in his place. A proxy may but need not be a Member and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. If a Member appoints two (2) proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.*
3. *Where a member of the company is an exempt authorised nominee which holds ordinary shares in the company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account it holds.*





## NOTES: (Cont'd)

- The instrument appointing the proxy shall be in writing, executed by or on behalf of the appointor. In the case of a corporate member, the instrument appointing a proxy must be either under its common seal or under the hand of its officer or attorney duly authorised.*
- The instrument appointing a proxy must be deposited at the Registered Office, 57-G Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Penang, Malaysia at least 48 hours before the time for holding the Meeting or any adjournments thereof.*

## Explanatory Note on Special Business:

### 1. Resolution pursuant to the Authority to issue Shares

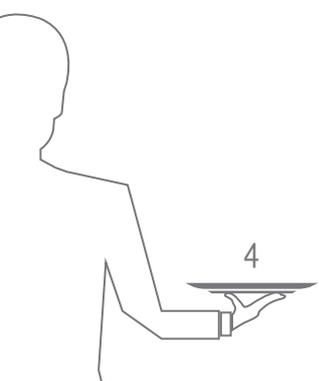
The proposed Resolution No. 5 [Item 5(a)], if passed, will grant a renewed general mandate (Mandate 2015) and empower the Directors of the Company to issue and allot shares up to an amount not exceeding in total ten per centum (10%) of the issued share capital of the Company from time to time and for such purposes as the Directors consider would be in the interest of the Company. In order to avoid any delay and costs involved in convening a general meeting, it is thus appropriate to seek shareholders' approval. This authority will, unless revoked or varied by the Company in general meeting, expire at the next Annual General Meeting of the Company.

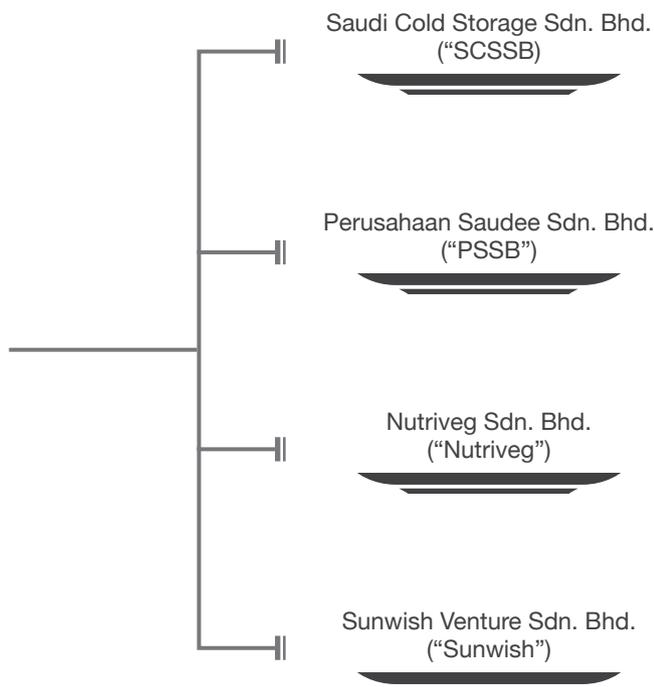
The Mandate 2015 will provide flexibility to the Company for allotment of shares for any possible fund raising activities, including but not limited for further placing of shares, for the purpose of funding future investment(s), acquisition(s) and/or working capital.

As at the date of this Notice, the Company did not issue any shares pursuant to the mandate granted to the Directors at the Sixth Annual General Meeting. The Company did not issue any share pursuant to the mandate granted because there was no investment, acquisition or working capital that required fund raising activity.

### 2. Resolution pursuant to the Authority to Purchase its own Shares

The proposed Resolution No. 6 [Item 5(b)], if passed, will give the Directors of the Company authority to purchase its own shares up to ten per centum (10%) of the issued and paid-up share capital of the Company. In order to avoid any delay and costs involved in convening a general meeting, it is thus appropriate to seek shareholders' approval. This authority, unless revoked or varied by the shareholders of the Company in general meeting, will expire at the conclusion of the next Annual General Meeting.

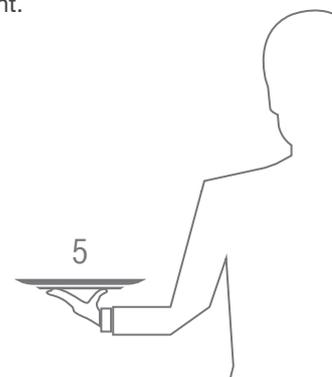




## Principal Activities

Saudee Group Berhad ("SAUDEE") is principally involved in investment holding. The subsidiaries of SAUDEE as of 31 May 2015 were as follows:-

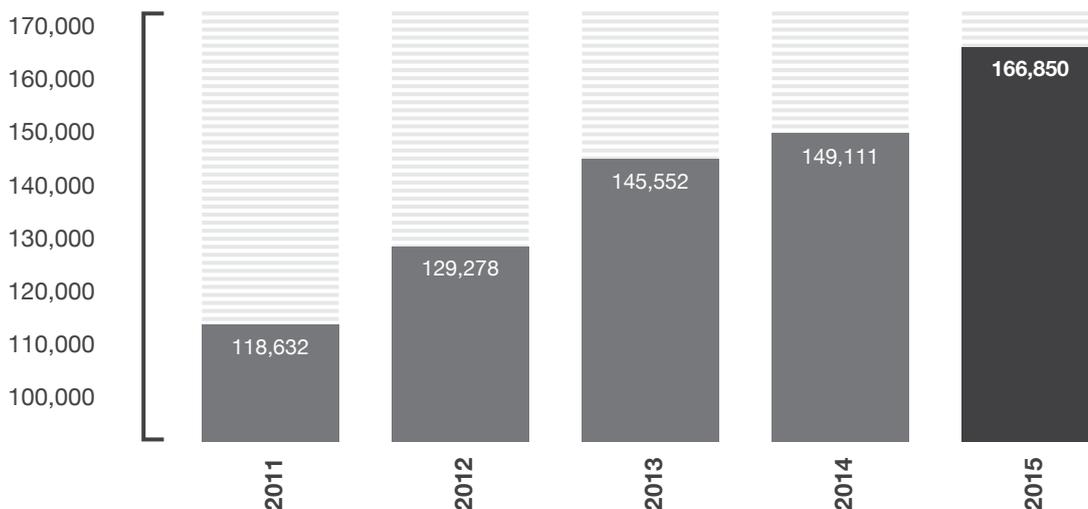
Subsidiary	Date and Place of Incorporation	Date of Acquisition	Effective Equity Interest (%)	Principal Activities
SCSSB	22.05.1992 Malaysia	3 September 2009	100	Wholesaler and dealer of fresh and frozen foods.
PSSB	19.02.1997 Malaysia	3 September 2009	100	Manufacturer and dealer of processed poultry, beef products, frozen foods and bakery products.
Nutriveg	06.03.2008 Malaysia	3 September 2009	100	Inactive.
Sunwish	05.08.2011 Malaysia	10 October 2011	100	Property development.



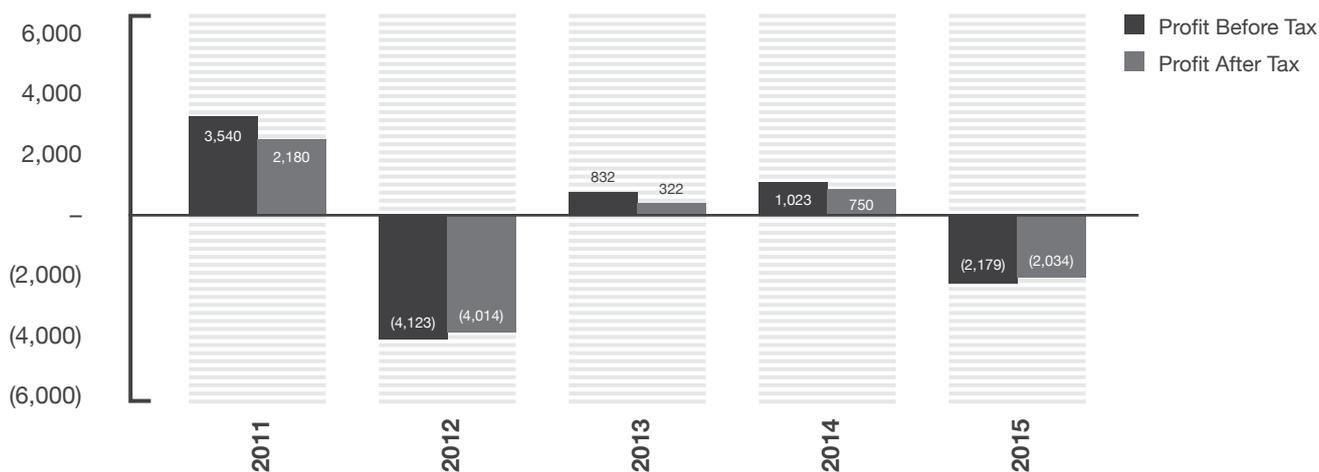
# FINANCIAL HIGHLIGHTS



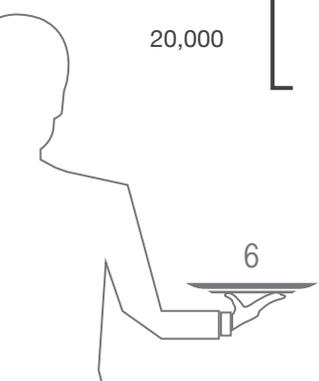
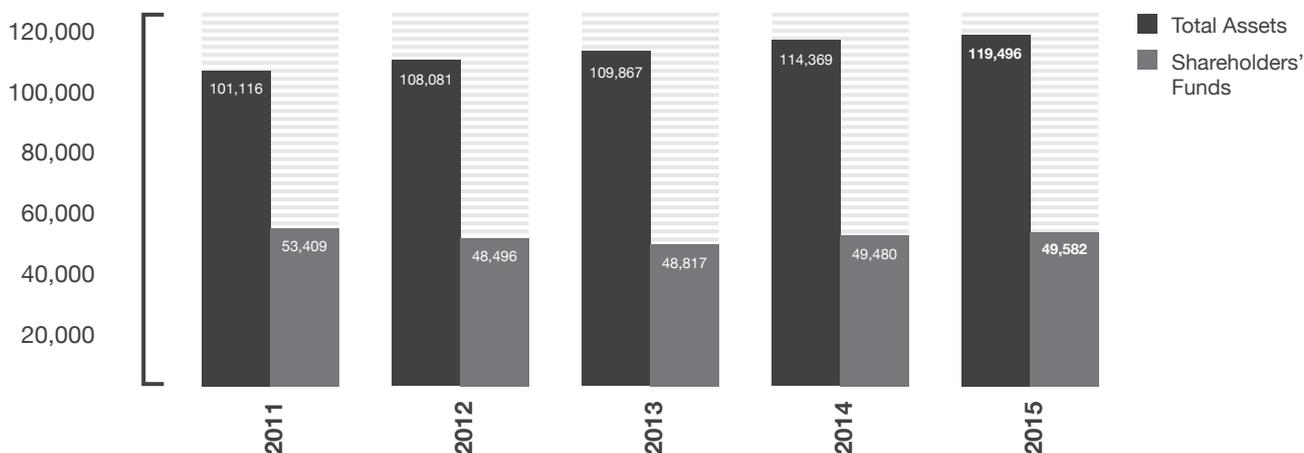
## Revenue (RM'000)



## Profit/(Loss) Before Taxation / Profit/(Loss) After Taxation (RM'000)

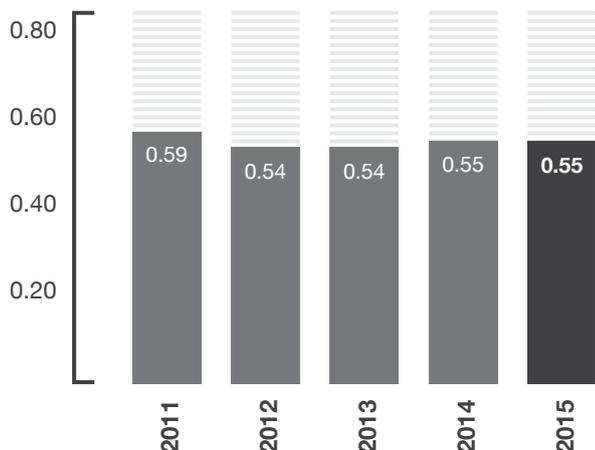


## Total Assets / Shareholders' Funds (RM'000)

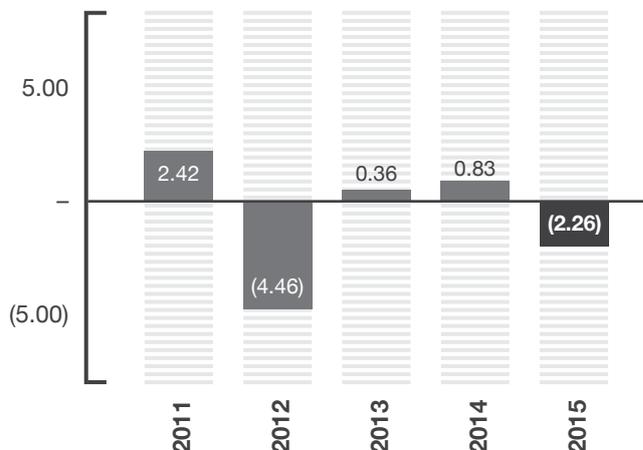




**Net Assets Per Share (RM)**

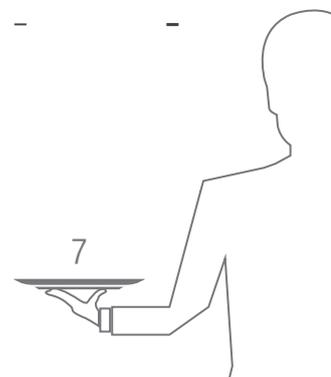


**Earnings/(Loss) Per Share (Sen)**



**Five-Year Group Financial Highlights**

	2011	2012	2013	2014	2015
<b>KEY RESULTS (RM'000)</b>					
Revenue	118,632	129,278	145,552	149,111	<b>166,850</b>
Profit/(Loss) Before Tax	3,540	(4,123)	832	1,023	<b>(2,179)</b>
Profit/(Loss) After Tax	2,180	(4,014)	322	750	<b>(2,034)</b>
EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation)	7,968	1,196	7,243	7,883	<b>5,215</b>
<b>OTHER KEY DATA</b>					
Total Assets (RM'000)	101,116	108,081	109,867	114,369	<b>119,496</b>
Total Liabilities (RM'000)	47,707	59,585	61,050	64,889	<b>69,913</b>
Share Capital ('000)	90,000	90,000	90,000	90,000	<b>90,000</b>
Shareholders' Funds (RM'000)	53,409	48,496	48,817	49,480	<b>49,582</b>
<b>FINANCIAL RATIOS</b>					
Return on Shareholders' Funds%	4.08	(8.28)	0.66	1.52	<b>(4.10)</b>
Current Ratio (times)	1.55	1.45	1.62	1.60	<b>1.40</b>
Earnings/(Loss) Per Share (Sen)	2.42	(4.46)	0.36	0.83	<b>(2.26)</b>
Net Assets Per Share (RM)	0.59	0.54	0.54	0.55	<b>0.55</b>
Dividend Per Share (Sen)	1.00	-	-	-	-





## Board of Directors

**Tan Khang Khim**  
Executive Chairman

**Tan Leong Chuin**  
Executive Director

**Low Ai Choo**  
Executive Director

**Sim Yee Fuan**  
Independent Non-Executive Director

**Khoo Lay Tatt**  
Independent Non-Executive Director

**Ustaz Abdul Hamid Bin Sulaiman**  
Independent Non-Executive Director

## Nominating Committee

**Ustaz Abdul Hamid Bin Sulaiman**  
Chairman  
(Independent Non-Executive Director)

**Sim Yee Fuan**  
Member  
(Independent Non-Executive Director)

**Khoo Lay Tatt**  
Member  
(Independent Non-Executive Director)

## Audit Committee

**Khoo Lay Tatt**  
Chairman  
(Independent Non-Executive Director)

**Sim Yee Fuan**  
Member  
(Independent Non-Executive Director)

**Ustaz Abdul Hamid Bin Sulaiman**  
Member  
(Independent Non-Executive Director)

## Risk Management Committee

Chairman  
**Tan Leong Chuin**

Adviser  
**Khoo Lay Tatt**

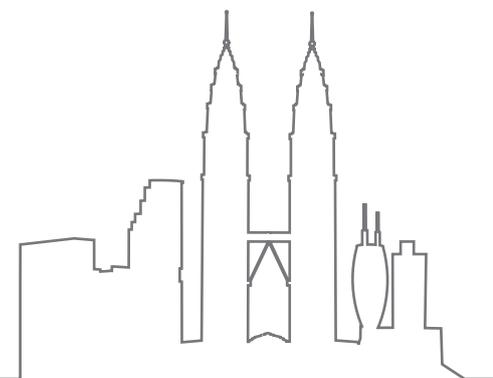
Members  
**Representative(s) from each major business units / divisions to be identified by the management from time to time.**

## Remuneration Committee

**Khoo Lay Tatt**  
Chairman  
(Independent Non-Executive Director)

**Tan Khang Khim**  
Member  
(Executive Chairman)

**Ustaz Abdul Hamid Bin Sulaiman**  
Member  
(Independent Non-Executive Director)



## Company Secretary

Ooi Ean Hoon (MAICSA 7057078)  
How Wee Ling (MAICSA 7033850)

## Registered Office

57-G, Persiaran Bayan Indah  
Bayan Bay, Sungai Nibong  
11900 Penang  
Tel : +60 (4) 640 8933  
Fax : +60 (4) 643 8911

## Head Office

Plot 331, Taman Perindustrian  
Sungai Petani, Fasa III  
08000 Sungai Petani  
Kedah Darul Aman  
Tel : +60 (4) 442 6800  
Fax : +60 (4) 442 6801  
E-mail : saudeegroup@saudee.com  
Website : www.saudee.com

## Share Registrar

Agriteum Share Registration  
Services Sdn. Bhd.  
2nd Floor, Wisma Penang Garden  
42, Jalan Sultan Ahmad Shah  
10050 Penang  
Tel : +60 (4) 228 2321  
Fax : +60 (4) 227 2391

## Auditors

Crowe Horwath  
Chartered Accountants  
Level 6, Wisma Penang Garden  
42, Jalan Sultan Ahmad Shah  
10050 Penang

## Solicitor

Wong Beh & Toh  
Suite 4, 1st Floor, No. 173 & 174  
Jalan Kelab Cinta Sayang  
Taman Ria Jaya  
08000 Sungai Petani  
Kedah Darul Aman

## Principal Bankers

Bank Islam Malaysia Berhad  
Amlslamic Bank Berhad

## Stock Exchange Listing

Main Market of Bursa Malaysia  
Securities Berhad  
Sector : Consumer Products  
Stock Name : SAUDEE  
Stock Code : 5157



Tan Khang Khim is the co-founder of the SAUDEE Group. He was appointed to our Board on 11 November 2008 as our Group Managing Director and later was re-designated as Chairman on 29 July 2010.

He has been in the food processing industry for over 30 years. After completing his secondary school in 1970, he assisted his late father, Mr Tan Eng Teen in the family business involved in the distribution and wholesaling of Wall's Ice Cream products in Kedah. In 1988, He joined his late father in Saudi Frozen, a sole proprietorship registered under the name of his late father, involved in the importation and distribution of frozen foods such as beef, mutton, chicken, fish, vegetables and so forth. In 1992, he founded the SAUDEE Group which took over the business of Saudi Frozen and expanded the Group's manufacturing activities in the production of nuggets, frankfurters, drummet, balls, minced meat, banana cake, roti canai and pita bread under the in-house brands of "Saudi" and "Deli-Deli"

His business acumen and sound technical knowledge in the food industry is an invaluable asset to the Group. He is responsible for the overall business planning and development, product research and development, transformation and modernisation of the food production process through automation and the formulation of the companies' strategic plans and policies.

### **Tan Khang Khim, 63, Malaysian**

*Executive Chairman / Member of Remuneration Committee*

Tan Leong Chuin was appointed to our Board as an Executive Director on 4 April 2013.

He graduated from Ohio State University with a Bachelor of Science in Food Science and Technology in 2004 and a Master in Business Administration (MBA) from University of San Francisco in 2008.

Upon graduation, he started his career as a dairy production technician in a major dairy production plant in Los Angeles, California. He left for his MBA studies after spending one and half years in Alta Dena Dairy. After his MBA studies, he spend another year working for a Alameda based telecommunication company as a corporate development analyst, with primary function in driving the company's merger and acquisition activities. During his time with UTStarcom, he was involved in completing three divestiture deals, freeing up over USD100 million much needed cash during the US credit crunch. He left US in October 2009 and subsequently joined Renoir Consulting as a management consultant. When in Renoir, his client includes Titan Kimia Nusantara (Indonesia), Asia Timber Product Ltd (China), and Celcom (Malaysia) Berhad. He is specialised in strategy implementation and change management.

Mr. Tan is responsible for the development and implementation of business and corporate strategies and plans of Saudee Group.

### **Tan Leong Chuin, 34, Malaysian**

*Executive Director*

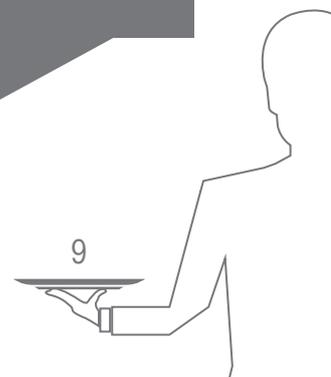
Low Ai Choo was appointed to our Board as an Executive Director on 11 November 2008.

She completed her secondary education from Sekolah Menengah Batu Dua in Sungai Petani, Kedah in 1981. She joined Saudi Frozen as an Administrative Assistant in 1988. She is also a Director and one of the founding members of the SAUDEE Group.

She is the spouse of Mr Tan Khang Khim and she is currently assisting Mr Tan in the administrative matters of our Group.

### **Low Ai Choo, 52, Malaysian**

*Executive Director*





Sim Yee Fuan was appointed to our Board on 10 September 2009.

He graduated from University of Malaya with Bachelor of Accounting (Honour) and obtained his professional qualification from Malaysian Institute of Certified Public Accountants (MICPA). He holds a Master Degree in Business Administration from Northern University of Malaysia. He is a Chartered Accountant registered with the Malaysia Institute of Accountants (MIA).

He started his career with Bank Negara Malaysia ("BNM") from 1991 to 1995 and had gained the banking experience in Balance of Payment Department (now known as Foreign Exchange Administration Department) and Bank Examination 1 Department (now known as Banking Supervision Department). During 1995 to 2006, he was attached to public listed companies on the Bursa Securities where his job responsibilities were in the areas of accounting, finance and corporate management. Presently he is a Director and Group General Manager of Unimech Group Berhad, a company listed on the Bursa Securities. He is also an Independent Non-Executive Director of Eurospan Holdings Berhad and SCH Group Berhad.

### **Sim Yee Fuan, 49, Malaysian**

*Independent Non-Executive Director /  
Member of Audit Committee and Nominating Committee*

Khoo Lay Tatt was appointed to our Board on 27 April 2010.

He graduated from Tunku Abdul Rahman College with an Institute of Chartered Secretaries and Administrators (ICSA) professional degree and a Diploma in Commerce – Business Management in 1996. Upon graduation, he started his career in May 1996 as Company Secretarial Officer in the Corporate & Legal Division of a commercial bank. He left the bank as an Executive cum Company Secretary of its subsidiaries in year 2000. He joined a Secretarial Services firm in Penang as the Assistant Manager and left the said firm in year 2005 as a Senior Manager. During his tenure, he was involved in numerous initial public offerings and corporate exercises undertaken by listed companies.

He is a Chartered Secretary by profession and also a Certified Financial Planner (CFP) and a Certified Member of Financial Planning Association of Malaysia (FPAM). He is also a Fellow member of the Institute of Chartered Secretaries and Administrators (ICSA / MAICSA).

Mr. Khoo also sits on the Board of three public companies listed on the Main Market of Bursa Securities, namely, Dufu Technology Corp. Berhad as Senior Independent, Non-Executive Director, ACME Holdings Berhad and P.I.E. Industrial Berhad as Independent Non-Executive Director.

### **Khoo Lay Tatt, 42, Malaysian**

*Independent Non-Executive Director /  
Chairman of Audit Committee and Remuneration Committee /  
Member of Nominating Committee*

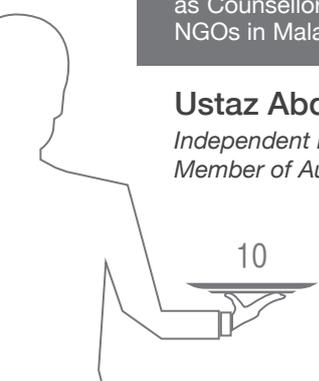
Ustaz Abdul Hamid Bin Sulaiman was appointed to our Board on 26 July 2010.

He completed his secondary education in Sekolah Menengah Pendang, Kedah in 1968 and obtained the Certificate of Religion (Thanawi) from Madrasah Tarbiyah Islamiyah in 1971. He served in the Malaysian Army (Mechanical Engineering) for 22 years from 1972 to 1991. He completed his Certificate in Building and Plumbing from Institut Kemahiran Mara, Sungai Petani in 1993. In 2012, Ustaz was awarded Diploma in Islamic Medicine by Persatuan Perubatan Islam Darul Ansar Malaysia.

He has been playing an advisory role in relation to Halal and Islamic knowledge. Besides performing his official duties as Counsellor on marriage and family matters since year 1995 until todate, he is also plays an active role in several NGOs in Malaysia and is actively involved in social and community works.

### **Ustaz Abdul Hamid Bin Sulaiman, 63, Malaysian**

*Independent Non-Executive Director / Chairman of Nominating Committee /  
Member of Audit Committee and Remuneration Committee*





### Additional Information on Directors:

#### (i) Family Relationships and Substantial Shareholders

Save for the undermentioned relationship, none of the Directors has family relationship with any other Directors or substantial shareholders of the Company:-

- a) Tan Khang Khim, Executive Chairman of the Company is the husband of Low Ai Choo, an Executive Director of the Company;
- b) Tan Leong Chuin, Executive Director of the Company is the nephew of Tan Khang Khim and Low Ai Choo.

#### (ii) Directors' Shareholdings

Details of the Directors' shareholdings in the Company are disclosed on page 89 of this Annual Report.

#### (iii) No Conflict of Interest

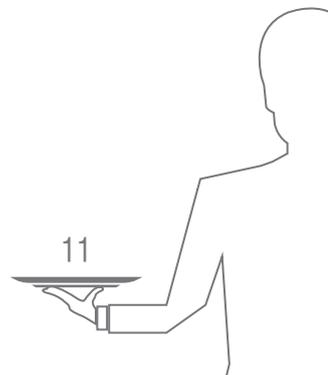
All Directors of the Company do not have any conflict of interest with the Company.

#### (iv) Non-Conviction of Offences

All the Directors have not been convicted with any offences other than traffic offences in the past 10 years.

#### (v) Attendance at Board Meetings

Please refer to Statement on Corporate Governance on page 20 of this Annual Report.





*Dear Shareholders,*

*On behalf of the Board of Directors, I would like to present to you, the Annual Report and Audited Financial Statements for the year ended 31 May 2015.*

### Financial and Operating Highlights

Saudee Group's financial performance for the year ended 31 May 2015 recorded revenues of RM166.85 million, a 12% improvement compared to RM149.11 million for the corresponding period in 2014. The Trading division recorded the highest growth at 26% compared to last year, with revenue clocking in at RM108.9 million (FY2014 –RM86.5 million). The FPP (Further Process Products) division recorded revenue of RM57.8 million from previous year's revenue of RM62.5 million. This represent a decrease of RM4.6 million or 7%. In absolute Ringgit terms, the Group recorded higher revenues compared to the same period in 2014. However, gross profit has reduced by RM1.76 million, from RM19.82 million in corresponding period in 2014 to RM18.06 million, a decrease of 8.9%. The decrease in gross profit is mainly attributed to the decrease in FPP sales, which contributed to higher gross profit compared to the trading. The weak performance of the FPP division was largely due to the drop in consumption after the introduction of GST. The ongoing national rationalization of subsidy, coupled with the weakening of Ringgit against US Dollar in Q3, has increase the raw material prices and other utility cost. Moreover, the competitive nature of our industry also made it hard to quickly raise our product price to match the rapid rise in cost. As a result, the Group recorded a net loss of RM2.034 million.

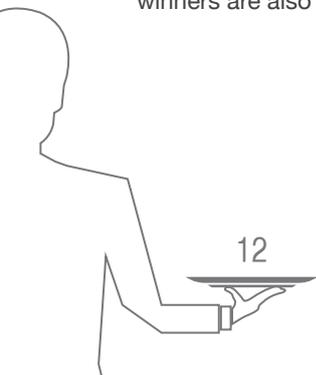
On the operating front, the group continued to achieve better performance in the financial year under review. FPP production yield continued to record above 92%. Besides, the production volume continued to stay above 700 metric tons per month, which is 90% of our total capacity. More importantly, the Group has also expanded its production capability into more specialty products. The upgrading of certain machines has enabled the company to branch into hotels and F&B segment.

### Geographical Expansion

For the financial year under review, total revenue generated from export was RM1.2 million, an increase of RM137,187 or 13% from last financial year. The increment of export sales was mainly due to sales into Thailand market. Besides, our current export destinations like Indonesia and Vietnam have also seen volume improvement. Further effort will be taken up to explore more new markets in the ASEAN and West Asia region. At the time of printing of this Annual Report, the Group has concluded export agreement with importers from Japan, Myanmar, and Brunei, thus bringing our global footprint to 6 countries.

### Award

On 27 May 2015, one of our product, Grill Bratwurst, won the MIFT (Malaysia Institute of Food Technology) Product Innovation Gold Award. The Award is to recognize and honor the local food processors and manufacturers for their efforts towards producing outstanding food products. Winners were evaluated and judged vigorously by a panel of industry experts. The winners are also allowed to incorporate the award logo onto the product label.





### Outlook and Business Prospect

The Group's business prospect will be hugely impacted by the unfavorable currency exchange, as well as other macroeconomic factors such as the GST and the rise in cost of living. Major raw material prices especially raw beef and trimming will rise significantly, hence will reduce certain products' gross profit further. Besides, the Group's trading division is also expected to record significantly lower revenue due to the adverse fluctuation of our currency exchange rates against the major trading currencies.

In view of the current challenging conditions, the management is aware of the need to develop new business activities to replace the drop in trading volume. The Group is anticipating new product launches and its growing export volumes to be a major thrust for FY 2016. On top of that, the partnership with Angkasa is also expected to reach full swing and contribute significantly in additional FPP sales volume. The Group is cautiously optimistic of turning profit in FY 2016, barring unforeseen circumstances.

### Corporate Social Responsibility

Corporate Social Responsibility ("CSR") is an integral part of the Group's practise in carrying out its business activities. To this end, the Group has undertaken considerable effort in enhancing the wellbeing of the Group's employees as well as that of the larger society and general environment.

The Group believes that employees' involvement is vital to the success of the Group. The Group strives to motivate and retain the best employees by providing continuous training by sending them to attend relevant courses to upgrade their knowledge and skills within their job scope. For the financial year under review, the Group has supported many social responsibility events such as World Diabetes Awareness Program, charity fun run and so on. Further, the Group has also organized a medical camp and blood donation day in support of local blood bank, while also providing our local communities with free medical check-up.

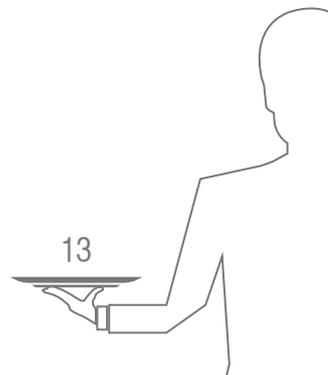
### Appreciations

On behalf of the Board of Directors, I wish to express my sincere gratitude to the management and staff for their unparalleled dedication and commitment to the Group's economic wellbeing. I would also like to thank our valued customers, suppliers, governmental authorities, bankers and other stakeholders for their trust and continued support to the Group.

Last but not least, I would also like to thank my fellow Directors for their continued dedication and hard work put in this past financial year. Suffice to say, all of us are committed to the task and challenges as the Group forges to realize our mission to be the leading Halal meal solution provider in the ASEAN region.

Thank you.

**Tan Khang Khim**  
*Executive Chairman*





The Board of Directors (“the Board”) of Saudee Group Berhad (“SAUDEE” or “the Company”) recognises the importance of good corporate governance and is committed to ensure that good corporate governance is being practised throughout the Company and its subsidiaries (“the Group”) in order to safeguard stakeholders’ interests as well as enhancing shareholders’ value.

This Statement sets out the manner in which the Group has applied and the extent of compliance with the principles and recommendations as set out in the Malaysian Code on Corporate Governance 2012 (“MCCG 2012” or “the Code”).

## 1. Establish Clear Roles and Responsibilities

### 1.1 Functions of the Board

The Board is responsible for the overall performance of the Group and focuses mainly on the strategic management, performance monitoring and measurement, enterprise risk management, standards of conduct and critical business issues. The Board comprises directors who are entrepreneurs and experienced professionals in the fields of marketing, operations and finance. All these different skills put together enable the Board to effectively lead and control the Company.

To assist in the discharge of its stewardship role, the Board has established Board Committees, namely the Audit Committee, Nominating Committee, Remuneration Committee and Risk Management Committee to examine specific issues within their respective Terms of Reference (“ToR”) as approved by the Board and report to the Board with their recommendations. The ultimate responsibility for decision making, however, lies with the Board.

Key matters reserved for the Board’s approval include amongst other matters, the business continuity plan, issuance of new securities, business restructuring, and acquisitions/disposals of material assets. All Board’s decisions are recorded in the minutes, including the deliberation for each decision, along with actions to be taken and the individuals responsible for implementation. Relevant Board decisions are communicated to the Senior Management for implementation within a reasonable timeframe.

The Board has direct access to Senior Management and has unrestricted and immediate access to information relating to the Group’s business and affairs in the discharge of their duties. The Board will consider inviting the Senior Management to attend meetings for reporting on major issues relating to their respective responsibility.

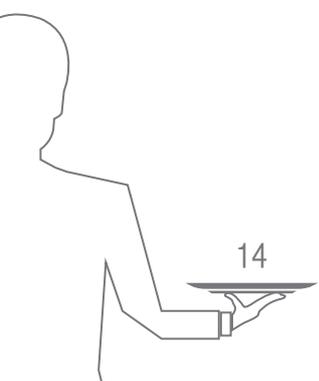
Periodic briefings on the Group’s prospects and performance are also conducted for the Directors to ensure that the Board is well informed on the Group’s operational, financial and corporate issues.

The Board Committees are entrusted with specific responsibilities to oversee the Group’s affairs, with authority to act on behalf of the Board in accordance with their respective ToR. At each Board meeting, the Chairman of the relevant Board Committees will report to the Board on key issues deliberated by the Board Committees at their respective meetings.

### 1.2 Roles and responsibilities of the Board

In discharging its stewardship, the Board is constantly mindful of safeguarding the interests of the Group’s stakeholders and is ultimately responsible for the performance of the Group. The Board assumes the following core responsibilities:-

- Reviewing and adopting strategic plans for the Group and monitoring thereof;
- Overseeing the conduct of the Group’s business to evaluate whether the business is being properly managed;
- Identifying principal risks and ensuring the implementation of appropriate systems to manage these risks;
- Reviewing the competence of the senior management and to ensure sufficient succession planning including appointing, training, fixing the compensation of and, where appropriate, replacing senior management;
- Developing and implementing an investor relation programme or shareholder communication policy for the Company; and
- Reviewing the adequacy and the integrity of the Group’s internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.





### 1. Establish Clear Roles and Responsibilities (Cont'd)

#### 1.3 Ethical standards through Code of Ethics

The Company's Codes of Ethics for Directors continue to govern the standards of ethics and good conduct expected of Directors.

As a measure to govern the conduct of its employees, the Company has in place its Whistleblower Policy and Procedures ("WPP"). The WPP seek to foster an environment where integrity and ethical behaviour are maintained and any illegal or improper action and/or wrongdoing in the Group may be exposed. The Board has overall responsibility to oversee the implementation of the WPP and all whistle-blowing reports are to be addressed to the respective personnel as assigned pursuant to the Groups' WPP. This mechanism will allow the stakeholders of SAUDEE to report concerns about alleged unethical behaviour, actual or suspected fraud within the Group, or improper business conduct affecting the Group and about business improvement opportunities.

#### 1.4 Strategies promoting sustainability

The Board promotes good corporate governance in the application of sustainability practices throughout the Group, the benefits of which are believed to translate into better corporate performance. A report on sustainability activities, demonstrating SAUDEE's commitment to the global environmental, social, governance and sustainability agenda, is detailed in the Corporate Social Responsibility Statement of this Annual Report.

#### 1.5 Access to information and advice

The Directors have individual and independent access to the advice and dedicated support services of the Company Secretaries in ensuring the effective functioning of the Board. The Directors may seek advice from the Management on issues under their respective purview. The Directors may also interact directly with the Management, or request further explanation, information or updates on any aspect of the Company's operations or business concerns from them.

Senior Management of the Group and external advisers are invited to attend Board meetings to provide additional insights and professional views, advice and explanations on specific items on the meeting agenda. Besides direct access to Management, Directors may obtain independent professional advice at the Company's expense, in furtherance of their duties, subject to the approval of the Executive Chairman or the Board, depending on the quantum of the fees involved.

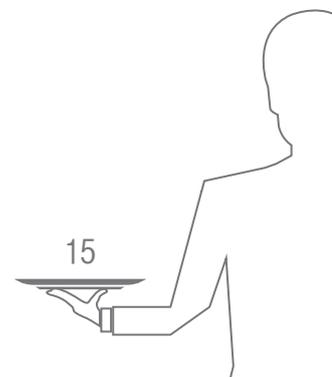
#### 1.6 Qualified and competent Company Secretaries

Both Company Secretaries of the Company have legal credentials, and are qualified to act as company secretary under Section 139A of the Companies Act 1965. The Company Secretaries play an advisory role to the Board in relation to the Company's constitution, Board's policies and procedures and compliance with the relevant regulatory requirements, codes or guidance and legislations. The Company Secretaries support the Board by ensuring that all Board meetings are properly conducted and deliberations at the Board and Board Committee meetings are well captured and recorded. The Company Secretaries also keep the Board updated on changes in the Listing Requirements and directives issued by the regulatory authorities, and the resultant implications to the Company and the Directors in relation to their duties and responsibilities.

#### 1.7 Board Charter

The document clearly sets out the roles and responsibilities of the Board and Board Committees and the processes and procedures for convening their meetings. It serves as a reference and primary induction literature providing prospective and existing Board members and Management insights into the fiduciary and leadership functions of the Directors of SAUDEE.

The Board reviews its charter regularly, to keep it up to date with changes in regulations and best practices and ensure its effectiveness and relevance to the Board's objectives.





## 2. Strengthen Composition

### 2.1 Nominating Committee ("NC")

The Nominating Committee was set up by the Board to ensure it has a proper balance, size and the required mix of skills, experience and core competencies to govern the organisation towards achieving its intended goals and objectives.

The membership of the Nominating Committee is as follows:-

Chairman : Ustaz Abdul Hamid Bin Sulaiman – Independent Non-Executive Director  
Members : Sim Yee Fuan – Independent Non-Executive Director  
            Khoo Lay Tatt – Independent Non-Executive Director

The NC of SAUDEE assumes the following core responsibilities:-

- formulating the nomination, selection and succession policies for members of the Board;
- review the structure, size and diversity (including without limitation, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service) of the Board;
- consider the election criteria and develop procedures for the sourcing and election of candidates to stand for election by SAUDEE's shareholders ("Shareholders") or to fill casual vacancies of Directors;
- identify and nominate candidates to the Board for it to recommend to Shareholders for election as Directors;
- undertake an assessment of its Independent Directors annually;
- review the training needs for the Directors regularly; and
- establishing a set of quantitative and qualitative performance criteria to evaluate the performance of each member of the Board, each Board Committee and reviewing the performance of the Board as a whole.

The activities carried out by the NC during the financial year ended 31 May 2015 in discharging its functions are as follows:-

- reviewed the structure, size and diversity (including without limitation, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service) of the Board;
- reviewed the training needs for the Directors;
- established a set of quantitative and qualitative performance criteria to evaluate the performance of each member of the Board, each Board Committee and reviewing the performance of the Board as a whole;
- established an assessment form for assessment of independency of its Independent Directors; and
- undertaken review of independency of Independent Directors.

### 2.2. Develop, maintain and review criteria for recruitment and annual assessment of Directors

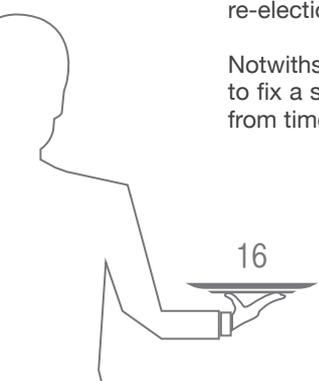
The Company has in place its procedures and criteria for appointment of new directors. All candidates for appointment are first considered by the NC, taking into account the mix of skills, competencies, experience, professionalism and other relevant qualities required to well manage the business, with the aim to meet the current and future needs of the Board composition. The NC also evaluates the candidates' character and ability to commit sufficient time to the Group. Other factors considered for appointment of Independent Director will include the level of independence of the candidate.

The NC will also be reviewing the composition of respective board committee of the Company to ensure its effectiveness in functioning.

The NC has also established a set of quantitative and qualitative performance criteria to evaluate the performance of each member of the Board, each Board Committee and reviewing the performance of the Board as a whole. The criteria for assessment of Directors shall include attendance record, intensity of participation at meetings, quality of interventions and special contributions.

In accordance with the Company's Articles of Association ("AA"), all Directors are subject to re-election by shareholders at the Annual General Meeting ("AGM") following their appointment. At least one-third (1/3) of the remaining Directors shall retire from office at each AGM at least once in every three (3) years, but shall be eligible for re-election.

Notwithstanding the recommendation of the MCCG 2012, the Board is presently of the view that there is no necessity to fix a specific gender diversity policy. However, the Board will endeavor to tap talent from human capital market from time to time and will give consideration on achieving a more balanced gender diversity.





### 2. Strengthen Composition (Cont'd)

#### 2.3 Remuneration policies

The Remuneration Committee (RC) is responsible for, inter-alia, recommending to the Board the remuneration policy for, including the establishment of a formal and transparent methodology in determining the remuneration of Executive Directors and Non-Executive Directors and to review changes to the policy and methodology as necessary; review the existing level of remuneration of Executive Directors and to recommend their remuneration to the Board based on the Company's and their individual performance to ensure they commensurate with the scope of responsibilities held. The Committee also ensures the level of remuneration for Non-Executive Directors are linked to their level of responsibilities undertaken and contributions to the effective functioning of the Board.

The membership of the RC is as follows:-

Chairman : Khoo Lay Tatt – Independent Non-Executive Director  
Members : Tan Khang Khim – Executive Chairman  
Ustaz Abdul Hamid Bin Sulaiman – Independent Non-Executive Director

The policy practiced on Directors' remuneration by the RC is to provide the remuneration packages necessary to attract, retain and motivate Directors of the quality required to manage the business of the Group and to align the interest of the Directors with those of the shareholders. The Directors play no part in deciding their own remuneration and shall abstain from discussing or voting on their own remuneration.

The current remuneration policy of the Group is summarised as follows:-

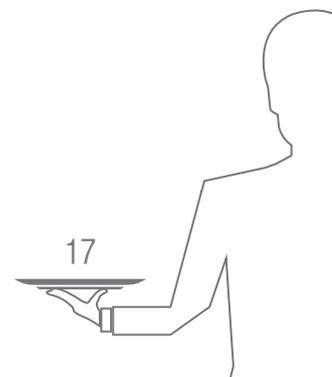
- The Directors' salary for Executive Directors are set at a competitive level for similar roles within comparable markets, reflect the performance of the director, skills and experience as well as responsibility undertaken.
- Directors' Fees are based on a standard fixed fee and are subject to approval by its shareholders at the AGM.
- Meeting Allowance – All the Directors' are entitled to a fixed amount of allowance paid in accordance with the number of meeting attended during the year.
- Benefits-in-kind – only Executive Directors of the Group are entitled to benefits-in-kind provided by the Group.
- The RC may obtain independent professional advice in formulating the remuneration package of its Directors.

Details of Directors' remuneration for the financial year ended 31 May 2015 were as follows:-

- Aggregate remuneration of the Directors categorized into appropriate components:-

Category	Fee (RM)	Salaries (RM)	Bonus & Other emoluments (RM)	Allowances (RM)	Total (RM)
Executive					
- Company	60,000	-	-	9,000	69,000
- Subsidiaries*	-	684,000	147,131	-	831,131
Non-Executive Directors^					
- Company	84,000	-	-	8,500	92,500
- Subsidiaries*	-	-	-	-	-
<b>Total</b>	<b>144,000</b>	<b>684,000</b>	<b>147,131</b>	<b>17,500</b>	<b>992,631</b>

\* Subject to shareholders' approval at the forthcoming Annual General Meeting.





## 2. Strengthen Composition (Cont'd)

### 2.3 Remuneration policies (Cont'd)

II. The number of Directors whose total remuneration fall within the following bands:-

Range of Remuneration	Number of Directors	
	Executive	Non-Executive
Below RM50,000	–	3
RM150,001 to RM200,000	1	–
RM250,001 to RM300,000	1	–
RM400,001 to RM450,000	1	–

Details of the remuneration of each Director are not disclosed as the Board is of the view that the transparency and accountability aspects of corporate governance on disclosure of Directors' remuneration are appropriately served by the above disclosures.

## 3. Reinforce Independence

### 3.1 Annual Assessment of Independence

The NC played an important role to assist the Board in assessing the independence of Non-Executive Directors of the Company on annual basis. Based on the assessment conducted by the NC, the Board is generally satisfied with the level of independence demonstrated by all the Independent Directors of the Company and their ability to act in the best interest of the Company.

The NC develops the criteria to assess independence of Independent Directors, include but not limited to directors' background, family relationships, interest of shareholdings in the Company and related party transactions with the Group (if any).

With respect to the re-election of Mr. Sim Yee Fuan, the Independent Director of the Company seeking for re-election at the forthcoming Seventh AGM of the Company, the Board has conducted an assessment of Mr. Sim's performance as Independent Director and is of the opinion that he has demonstrated that he is independent from the Management and free from business relationship that might interfere with the exercise of independent judgement, objectivity or the ability to act in the best interest of the Company. Therefore, the Board unanimously recommends and supports the proposed re-election of Mr. Sim Yee Fuan.

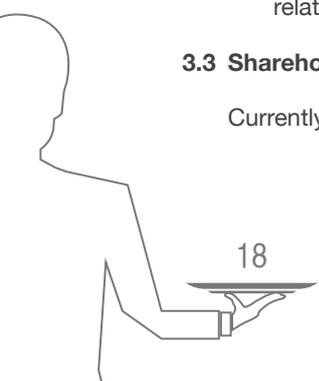
### 3.2 Tenure of Independent Directors

Notwithstanding the recommendation of the MCCG 2012, the Board is presently of the view that there is no necessity to fix a maximum tenure limit for Directors as there are significant advantages to be gained from the long-serving Directors who possess tremendous insight and knowledge of the Company's businesses and affairs. Similarly, the Board does not set a time-frame on how long an Independent Director should serve on the Board, mainly for the following reasons:-

- The ability of a Director to serve effectively as an Independent Director is very much dependent on his calibre, qualification, experience and personal qualities, particularly his integrity and objectivity, and has no real connection to his tenure as an Independent Director.
- NC conducts an annual assessment of Independent Directors in respect of inter alia their skills, experience and contributions, and whether the Independent Directors are able to discharge their duties with unbiased judgement. Furthermore, the NC also reviews the Directors Profile of Independent Directors and assess its family relationship, interest of shareholdings in the Company and related party transactions with the Group (if any).

### 3.3 Shareholders' approval to retain an Independent Director who has served for more than 9 years

Currently, all the Independent Directors of the Company served less than a tenure of 9 years in the Company.





### 3. Reinforce Independence (Cont'd)

#### 3.4 Separation of roles of Chairman and Managing Director

The role of Managing Director is presently assumed by the Executive Chairman, Mr. Tan Khang Khim, he is mainly responsible for the overall business planning and development, product research and development, transformation and modernisation of the food production process through automation and the formulation of the Companies' strategic plans and policies and the Board's effectiveness and conduct. He is assisted by the other Executive Directors and the Senior Management for the overall development and expansion of marketing networks as well as implementation of sales, distribution, and promotional activities and day-to-day operations of SAUDEE Group, making strategic business decision and implementing Board policies and decisions. As an Executive Chairman, Mr. Tan always promotes an open environment for debate and ensures effective contributions from Non-Executive Directors and exercises control over the quality, quantity and timeliness of information flow between the Board and Management. At a general meeting, the Executive Chairman plays a role in fostering constructive dialogue between shareholders, Board and Management.

The Board is of the opinion that the vast experience of Mr. Tan Khang Khim would enable him to be well equipped to interact with global leaders of the industry and build relationships with stakeholders. He has also exercised his due care in the interest of the Company and shareholders during his tenure as an Executive Chairman of the Company and provided objectivity in decision-making and ensured effective conduct of the Board of Directors' Meeting.

The Board also assumes various functions and responsibilities that are required of them by regulatory authorities, as specified in guidelines and directives issued from time to time.

#### 3.5 Composition of the Board

The Board currently has seven (6) members comprising the Executive Chairman, two (2) Executive Directors and three (3) Independent Non-Executive Directors. This composition complies with Para 15.02 of the Bursa Securities Main Market Listing Requirements ("Main LR") whereby the Company must have at least two (2) Directors or one-third (1/3) of the Board, whichever is higher, who are Independent Directors.

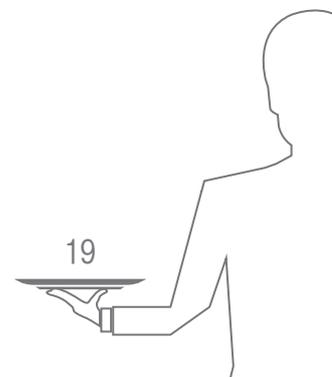
In the event of any vacancy in the Board resulting in the non-compliance with the above, the Company must fill the vacancy within three (3) months. The Board is of the opinion that the interests of shareholders of the Company are fairly represented by the current Board composition and its size constitutes an effective Board of the Company.

The presence of the three (3) Independent Non-Executive Directors is essential in providing guidance, unbiased, fully balanced and independent views, advice and judgement to many aspects of the Group's strategy so as to safeguard the interests of minority shareholders and to ensure that high standards of conduct and integrity are maintained by the Group.

The Board is mindful to the recommendation that the board must comprise a majority of independent directors where the Chairman of the Company is not an independent director. The Non-Executive Directors are independent of management and are free from any business or other relationships that could materially interfere with the exercise of independent judgement. They scrutinize the decision taken by the Board and provide objective challenge to the management. While the Board is responsible for creating the framework and policies within which the Group should be operating, the management is accountable for the execution of the expressed policies and attainment of the Group's expressed corporate objectives. This demarcation reinforces the supervisory role of the Board.

The Board has not nominated a Senior Independent Non-Executive Director to whom concerns may be conveyed as the Board is of the opinion that given the strong independent element of the Board, any concern regarding the Group may be conveyed by shareholders or investors to any of the Independent Directors at the following address and such concerns will be reviewed and addressed by the Board accordingly.

Mr. Khoo Lay Tatt/ Mr. Sim Yee Fuan/ Ustaz Abdul Hamid Bin Sulaiman  
SAUDEE Group Berhad  
57-G Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Penang  
Email : management@saudee.com





## 4. Foster Commitment

### 4.1 Time Commitment

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of SAUDEE. This is evidenced by the attendance record of the Directors at Board meetings.

The Board meets on a quarterly basis with additional meetings held whenever necessary. The Board met Five (5) times during the year under review. The attendance record for each Director at Directors' meeting for the financial year ended 31 May 2015 are as follows:-

Director	No. of meetings attended
Tan Khang Khim	5/5
Low Ai Choo	5/5
Khoo Lay Tatt	5/5
Ustaz Abdul Hamid Bin Sulaiman	5/5
Sim Yee Fuan	5/5
Tan Leong Chuin	5/5

To ensure that the Directors have the time to focus and fulfill their roles and responsibilities effectively and in line with the Listing Requirements, a Director of SAUDEE must not hold directorships of more than five (5) Public Listed Companies and must be able to commit sufficient time to SAUDEE.

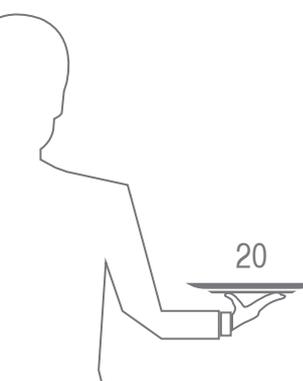
The Directors are required to submit an update on their other directorships from time to time for monitoring of the number of directorships held by the Directors of SAUDEE and for notification to Companies Commission of Malaysia accordingly.

### 4.2 Continuing Training Programme

The Directors are mindful that they should continue to attend training programmes to enhance their skills and knowledge where relevant, as well as to keep abreast with the changing regulatory and corporate governance developments.

The details of trainings attended by the Directors during the financial year are as follows:-

Director	Date	Description	No. of Day Spend
Tan Khang Khim	12 September 2014	GST Awareness & Workshop	1
Tan Leong Chuin	12 September 2014	GST Awareness & Workshop	1
Low Ai Choo	12 September 2014	GST Awareness & Workshop	1





### 4. Foster Commitment (Cont'd)

#### 4.2 Continuing Training Programme (Cont'd)

Director	Date	Description	No. of Day Spend
Sim Yee Fuan	1 & 2 August 2014	UHY Goods & Services Tax (GST) organized by Unimech Group Berhad	2
	8 September 2014	Global Market Outlook organized by United Overseas Bank Berhad	1
	21 September 2014	Tax Seminar & Planning Opportunities organized by SH Group of Companies	1
	25 September 2014	Economic Briefing organized by Hong Leong Bank Berhad	1
	12 March 2015	FX & Economic Outlooks Briefing & Product Updates organized by RHB Bank Berhad	1
	24 March 2015	Foreign Exchange and Online Banking Seminar organized by AmBank (M) Berhad	1
	16 April 2015	Global Market Outlook organized by United Overseas Bank Berhad	1
Khoo Lay Tatt	14 October 2014	Risk Management and internal control for "An integrated assurance on Risk Management and Internal control-is our line of Defence Adequate and effective" organized by Bursa Malaysia Berhad	1
	24 November 2014	An overview of GST organized by Taipei Investor Association	1/2
	25 November 2014	2015 Tax Budget organized by Malaysian Institute of Accountants	1
	16 December 2014	Audit Committee Institute Breakfast Roundtable titled "The Impact of Cyber Security at Board Levels" organized by KPMG	1/2
Ustaz Abdul Hamid Bin Sulaiman	6 April 2015	Nominating Committee Programme 2 – "Effective Board Evaluations" organized by Bursa Malaysia Berhad	1

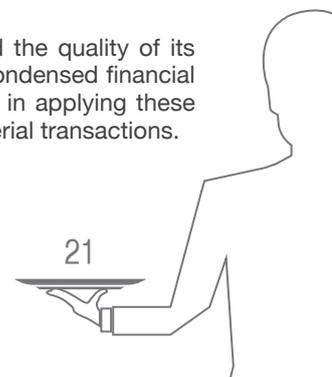
### 5. Uphold Integrity in Financial Reporting

#### 5.1 Compliance with applicable financial reporting standards

The Board aims to provide and present a balanced and meaningful assessment of the Group's financial performance and prospects at the end of each financial year, primarily through annual financial statements, announcement of results to shareholders as well as the Chairman's Statement in the annual report.

Details of the Directors' Responsibility in the preparation of the Group's financial statements are disclosed in page 30 of this Annual Report 2015.

The Board is assisted by the AC in overseeing the Group's financial reporting processes and the quality of its financial reporting. The AC reviews the Group's annual financial statements and the quarterly condensed financial statements focusing particularly on changes in accounting policies, Management's judgement in applying these accounting policies as well as assumptions and estimates applied in accounting for certain material transactions.





## 5. Uphold Integrity in Financial Reporting (Cont'd)

### 5.2 Assessment of suitability and independence of external auditors

The AC had obtain written assurance from its external auditors, Messrs. Crowe Horwath, confirming that they are, and have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

After having satisfied with the performance of Messrs. Crowe Horwath and its audit independence, the AC recommended the re-appointment of Messrs. Crowe Horwath to the Board for approval by its shareholders at the forthcoming Seventh AGM.

## 6. Recognise and Manage Risk

### 6.1 Sound framework to manage risk

The Board is fully aware of its responsibility to safeguard and enhance the value of shareholders in the Group. The Board has continuously placed emphasis on the need for maintaining a sound system of internal control. The internal control systems are designed to manage and mitigate rather than eliminate the risk of failure in achieving the Company's corporate objective and safeguarding the Company's assets as well as investors interests.

The Board acknowledges that risk management is a continuous process. The Board through the RMC which was formed on 24 January 2014 regularly monitors, reviews and oversees the risk management processes designed and implemented by Management are in accordance with the Group's strategic vision and overall risk appetite. The Board affirms its tone at the top regarding the importance of effective risk management and internal control and ensures that all the relevant processes and activities are properly and effectively disseminated and shared with appropriate levels of employees of the Group.

A Risk Management Committee Meeting chaired by Mr. Tan Leong Chuin was held during the year to discuss the review on the risks of the Major Subsidiaries as set out in the Enterprise Risk Management Report dated 18 November 2013 with the business / operations head.

### 6.2 Internal Audit Function

The Group has engaged the services of an independent professional firm to provide much of the assurance it requires regarding the effectiveness as well as the adequacy and integrity of the Group's systems of internal control. The internal auditors report directly to the Audit Committee on its activities based on the approved annual Internal Audit Plans. Its principal role is to provide independent assurance on the adequacy and effectiveness of governance, risk management and internal control processes.

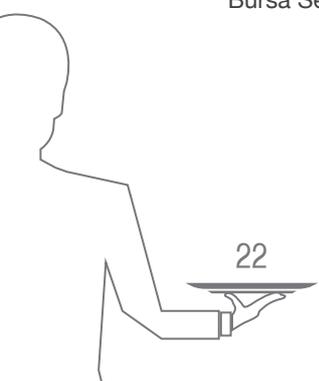
The Statement on Risk Management and Internal Control set out on pages 27 to 28 of this Annual Report provides an overview of the state of risk management and internal controls within the Group.

## 7. Ensure Timely and High Quality Disclosure

### 7.1 Corporate Disclosure Policy

The Board is mindful on the importance of maintaining a proper corporate disclosure procedures with the aim to provide shareholders and investors with comprehensive, accurate and quality information on a timely basis. Personnel and working team for preparing the disclosure will conduct due diligence and proper verification, as well as coordinate the efficient disclosure of material information to the investing public.

The Board exercise close monitoring of all price sensitive information potentially required to be released to Bursa Securities and makes material announcements to Bursa Securities in a timely manner as required. In line with best practices, the Board strives to disclose price sensitive information to the public as soon as practicable through Bursa Securities and the company's website.





### 7. Ensure Timely and High Quality Disclosure (Cont'd)

#### 7.2 Leverage on information technology for effective dissemination of information

In line with the recommendation by the Main LR and the Code, material information is disseminated to shareholders and investors on a timely basis. These information, which could be accessed through Bursa Securities website at [www.bursamalaysia.com](http://www.bursamalaysia.com), include:-

- Quarterly announcements
- Annual reports
- Circular to shareholders
- Other important announcements

The Group also maintains a website at <http://www.saudee.com> which provides information, qualitative and quantitative, on the Group's operations and corporate developments.

### 8. Strengthen Relationship between Company and Shareholders

#### 8.1 Encourage shareholder participation at general meetings

SAUDEE dispatches its notice of AGM to shareholders at least 21-days before the AGM. The adequate time given to shareholders allows them to make necessary arrangements to attend and participate either in person, by corporate representative, by proxy or by attorney.

The Company allows a member to appoint a proxy who may not be a member of the Company. If the proxy is not a member of the Company, he/she need not be an advocate, an approved company auditor or a person approved by the Companies Commission of Malaysia. SAUDEE has also removed the limit on the number of proxies to be appointed by an exempt authorised nominee with shares in the Company for Omnibus account to allow greater participation of beneficial owners of shares at general meetings of the Company. The AA of the Company further accord proxies the same rights as members to attend, speak and vote at the general meeting. Essentially, a corporate representative, proxy or attorney is entitled to attend, speak and vote both on a show of hands and on a poll as if they were a member of the Company.

The Board will consider adopting electronic voting to facilitate greater shareholder participation at general meetings, and to ensure accurate and efficient outcomes of the voting process.

#### 8.2 Encourage poll voting

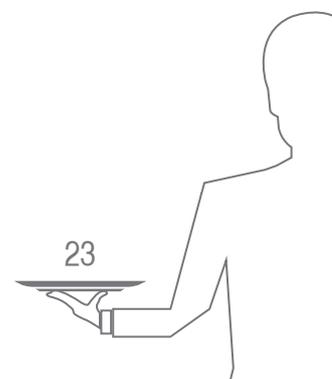
At the Sixth AGM of the Company held on 24 November 2014, no substantive resolutions were put forth for approval, thus, the resolutions were voted on by a show of hands.

#### 8.3 Effective Communication and proactive engagement

During the General Meetings of the Company, the Chairman of Meeting will invite shareholders to raise questions pertaining to the Company's financial statements and other items for adoption at the meeting, before putting a resolution to vote. The Directors, Management and external auditors were in attendance to respond to the shareholders' queries.

In addition to the above, the Company will look into allocation of time during AGM for dialogue with shareholders to address the issues concerning the Group and to make arrangement for Officers of the Company to present and handle other face-to-face enquiries from shareholders.

This statement was made in accordance with a resolution of the Board dated 27 October 2015.





## Composition

### *Chairman*

Khoo Lay Tatt  
Independent Non-Executive Director

### *Member*

Sim Yee Fuan  
Independent Non-Executive Director

Ustaz Abdul Hamid Bin Sulaiman  
Independent Non-Executive Director

## Terms of Reference

The Committee is governed by the following terms of reference:-

### 1. Objective

The principal activities of the Audit Committee is to assist the Board of Directors in discharging its statutory duties and responsibilities relating to accounting and reporting practices of the Group. In addition, the committee shall:-

- Evaluate the quality of the audit conducted by the internal and external auditors;
- Provide assurance that the financial information presented by management is relevant, reliable and timely;
- Oversee compliance with laws and regulations and observance of a proper code of conduct; and
- Determine the adequacy of the Group's control environment.

### 2. Composition

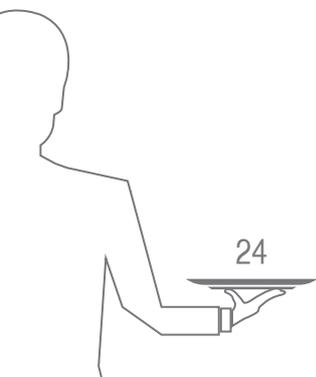
- The Audit Committee shall be appointed by the Board of Directors from amongst their members and comprising not less than three (3) members, exclusively Non-Executive Directors of whom majority shall be the Independent Directors.
- At least one of the members of the Audit Committee must be a member of the Malaysian Institute of Accountants, or if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years of working experience and either must have passed the examinations specified in Part I of the schedule of Accountants Act, 1967, or must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountant Act, 1967 or fulfills such other requirements as prescribed or approved by the Bursa Securities.
- The members of the Audit Committee shall elect a chairman among their number who shall be an Independent director. No alternate director shall be appointed as a member of the Audit Committee.
- If a member of the Audit Committee, for whatsoever reason ceases to be a member with a result that the number of members is reduced below three (3), the Board of Directors shall, within three (3) months of the events, appoints such number of new members as may be required to make the minimum number of three (3) members.

### 3. Meetings

The Committee is at liberty to determine the frequency of the meetings as least four times annually. The quorum shall consist of two (2) members, where the majority of members present must be independent directors.

#### Attendance of the Meetings

- the external auditors may be invited to attend the meetings. The Committee may invite any person to be in attendance to assist in its deliberations. The other directors and employees attend any particular audit committee meeting only at the audit committee's invitation, specific to the relevant meeting.
- the Company Secretary shall be the Secretary of the Committee and shall be responsible for drawing up the agenda with concurrence of the chairperson and circulating it, supporting by explanatory documentation to committee members prior to each meeting.





### Terms of Reference (Cont'd)

#### 4. Authority

- The Audit Committee is authorized by the Board of Directors shall have the authority to investigate any matter within its terms of reference and shall have unlimited access to both the internal and external auditors, as well as the employees of the Group. All employees are directed to co-operate with any request made by the Committee.
- The Committee shall have unlimited access to all information and documents relevant to its activities, to the internal and external auditors, and to senior management of the Group.
- The Committee shall have the authority to obtain independent legal or other professional advice as it considers necessary.
- The Committee shall be able to convene meetings with the external/internal auditors, excluding the attendance of the other directors and employees of the Company, whenever deemed necessary.
- The Audit Committee shall have the power to establish Sub-Audit Committee(s) to carry out certain investigation on behalf of the Committee in such manner, as the Committee deem fit and necessary.

#### 5. Duties and Responsibilities

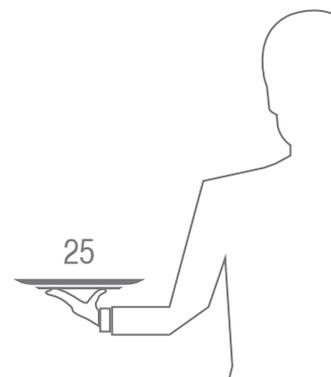
The duties of the Audit Committee include the followings:-

- a) to consider the appointment or re-appointment of external auditors, the audit fee and matter relating to the resignation or dismissal of auditors, if any;
- b) to review with the external auditors the audit plan, their evaluation of the system of internal accounting controls, their letter to management and the management's response;
- c) to review the quarterly and annual financial statements before submission to the Board of Directors for approval, focusing particularly on:-
  - Changes in accounting policies and practices;
  - Significant and unusual events;
  - Significant adjustments resulting from the audit;
  - The going concern assumption; and
  - Compliance with accounting standard and other legal requirements
- d) to discuss problems and reservations arising from the interim and final audits, and any matter the external/internal auditors may wish to discuss.
- e) to do the followings where an internal audit function exists;
  - Review the adequacy of the scope, function, competency and resources of the internal audit function and that it has the necessary authority to carry out its work;
  - Review the internal audit programme and results of the internal audit process and where necessary ensure that appropriate action is taken on the recommendations of the internal audit function;
  - Review any appraisal or assessment of the performance of members of the internal audit function;
  - Approve any appointment or termination of senior staff members of the internal audit function;
  - Review the resignation of internal audit staff members and provide the staff member the opportunity to submit his reasons for resigning; and
  - To consider major findings of Internal investigations and management's response.
- f) to consider any related party transaction and conflict of interest situation that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of management integrity; and
- g) to consider other topics as defined by the Board.

#### 6. Reporting

The Committee is authorized to regulate its own procedure and in particular the calling of meetings, the notice to be given of such meetings, the voting and proceeding thereat, the keeping of minutes and the custody, production and inspection of such meetings.

The Minutes of the meetings shall be concluded by the Secretary of the Committee to the Committee members and all the other Board members.





## Terms of Reference (Cont'd)

### 7. Attendance at Meetings

The information on the attendance of each member at the Committee meeting held during the financial year ended 31 May 2015 ("FY 2015") is as follows:-

Member	No. of Meeting Held	Attendance
Khoo Lay Tatt	5	5
Sim Yee Fuan	5	5
Ustaz Abdul Hamid Bin Sulaiman	5	5

### 8. Activities of the Audit Committee

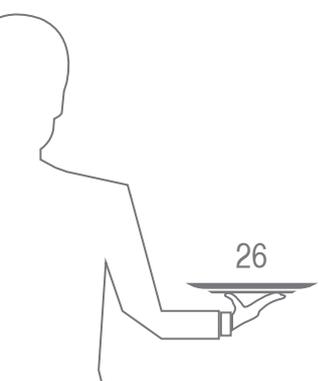
The activities carried out by the Committee during the FY 2015 in the discharge of its duties and responsibilities are as follows:-

- Reviewed the draft quarterly results of the Group and the recommendation of the same to the Board for approval.
- Reviewed the compliance on the Bursa Securities Main Market Listing Requirements, Malaysian Code on Corporate Governance and other statutory requirements.
- Discussed with the external auditors before the audit commences, the nature and scope of the audit.
- Reviewed the external auditors' management letter and management's response.
- Reviewed any related party transactions and conflict of interest situation that may arise within the Company or Group and to monitor any inter-company transaction or any transaction between the Company and any related parties outside the Group.
- Reviewed the quarterly and year-end financial statements of the Company and the Group and thereafter submit them to the Board for approval.

### 9. Internal Audit Function

The Group has engaged the services of an independent professional accounting and consulting firm, Messrs UHY to provide much of the assurance it requires regarding the effectiveness as well as the adequacy and integrity of the Group's systems of internal control. Messrs UHY reports directly to the Audit Committee on its activities based on the approved annual Internal Audit Plans. Its principal role is to provide independent assurance on the adequacy and effectiveness of governance, risk management and internal control processes. During the FY 2015, Internal Auditors have conducted review internal control of its subsidiaries focusing on the areas such as Systems of Internal Control on Procurement, Sales and marketing, Inventory Management and Conversion and Production and presented its findings together with recommendation and management action plan to Audit Committee for review. The annual cost for the Group's internal audit function is RM18,000.

Information pertaining to the Company's internal controls is shown in the Statement on Internal Control set out on page 27 to 28 of this Annual Report.





## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Malaysian Code on Corporate Governance 2012 (“MCCG 2012”) requires public listed companies to maintain a sound system of risk management and internal control to safeguard shareholders’ investments and company’s assets. Under the provisions of the Bursa Malaysia Securities Berhad Main Market Listing Requirements (“Main Listing Requirements”), paragraph 15.26(b), Directors of public listed companies are required to produce a statement on the state of the company’s internal control in their Annual Report.

The Board of Directors (“Board”) continues with its commitment to maintain sound systems of risk management and internal control throughout Saudee Group Berhad and its subsidiaries (“Group”) and in compliance with the Main Listing Requirements and the Statement on Risk Management and Internal Control (Guidelines for Directors of Listed Issuers) (“Internal Control Guidelines”). The Board is pleased to provide the following statement which outlines the nature and scope of risk management and internal control of the Group during the financial year in review.

### Board Responsibility

The Board acknowledges the importance of sound risk management and internal control being embedded into the culture, processes and structures of the Group. The systems of internal control cover risk management and financial, organizational, operational, project and compliance controls. The Board affirms its overall responsibility for the Group’s systems of internal control and for reviewing the effectiveness and efficiency of those systems to ensure its viability and robustness. It should be noted, however, that such systems are designed to manage, rather than eliminate, risks of failure to achieve corporate objectives. Inherently, it can only provide reasonable and not absolute assurance against material misstatement or loss.

The Group has established an ongoing process for identifying, evaluating, monitoring and managing significant risks faced, or potentially exposed to, by the Group in pursuing its corporate objectives. The adequacy and effectiveness of this process have been continually reviewed by the Board and are in accordance with the Internal Control Guidelines.

### Control Structure and Environment

In furtherance to the Board’s commitment to maintain sound systems of risk management and internal control, the Board continues to maintain and implement a strong structure and environment for the proper conduct of the Group’s business operations as follows:-

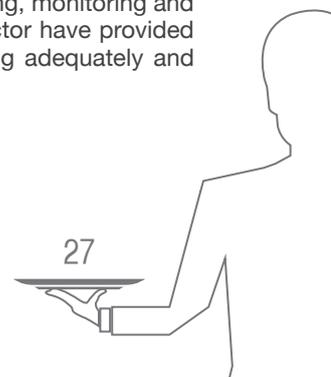
- The Board meets at least quarterly and has set a schedule of matters which is required to be brought to its attention for discussion, thus ensuring that it maintains full and effective supervision over appropriate controls. In addition, the Board is kept updated on the Group’s activities and its operations on a regular basis;
- An organization structure with well-defined scopes of responsibility, clear lines of accountability, and appropriate levels of delegated authority;
- A process of hierarchical reporting which provides for a documented and auditable trail of accountability;
- A set of documented internal policies and procedures for operational and human resource management, which is subject to regular review and improvement. A documented delegation of authority with clear lines of accountability and responsibility serves as a tool of reference in identifying the approving authority for various transactions including matters that require Board’s approval;
- Regular and relevant information provided to management, covering financial and operational performance and key business indicators, for effective monitoring and decision making;
- Regular visits to operating units by members of the Board and senior management.

### Risk Management

The Group has established sound risk management practices to safeguard the Group’s business interest from risk events that may impede the achievement of business strategy, enable value creation and growth through identification of opportunities and provide assurance to the Groups’ various stakeholders.

A Risk management Committee comprising of members of the Board and the management was set up and met during the year to review the Enterprise Risk Management report and to deliberate and to take follow up actions on the risks identified.

Management is accountable to the Board for the implementation of the processes in identifying, evaluating, monitoring and reporting of risks and internal control. On an annual basis, the Executive Chairman and Executive Director have provided the Board the assurance that the Group’s risk management and internal control systems are operating adequately and effectively, in all material aspects, to ensure achievement of corporate objectives.



# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL *(Cont'd)*



## Internal Audit Function

The Board acknowledges the importance of the internal audit function and has engaged the services of an independent professional consulting firm, Messrs UHY to provide much of the assurance it requires regarding the effectiveness as well as the adequacy and integrity of the Group's systems of internal control.

The internal audit adopts a risk-based approach in developing its audit plan which addresses all the core auditable areas of the Group based on their risk profile. Scheduled internal audits are carried out by the internal auditors based on the audit plan presented to and approved by the Audit Committee. The audit focuses on areas with high risk and inadequate controls to ensure that an adequate action plan has been put in place to improve the controls.

For those areas with high risk and adequate controls, the audit ascertains that the risks are effectively mitigated by the controls.

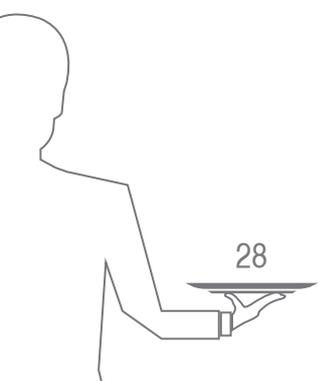
The Audit Committee has full and direct access to the internal auditors and the Audit Committee receives reports on all internal audits performed. The Internal Auditors continue to independently and objectively monitor compliance with regard to policies and procedures, and the effectiveness of the internal controls systems. Significant findings and recommendations for improvement are highlighted to Management and the Audit Committee, with periodic follow-up of the implementation of action plans. The Management is responsible for ensuring that corrective actions were implemented accordingly.

Based on the internal auditors' reports for the financial year ended 31 May 2015, there is a reasonable assurance that the Group's systems of internal control are generally adequate and appear to be working satisfactorily. A number of minor internal control weaknesses were identified during the financial year, all of which have been, or are being, addressed. None of the weaknesses have resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's annual report.

The Board continues to review and implement measures to strengthen the internal control environment of the Group.

This statement has been reviewed by the external auditors pursuant to the scope set out in the Recommended Practice Guide ("RPG") 5 (Revised), Guidance for Auditors on Engagements to report on the Statement On Risk Management and Internal Control included in Annual Report issued by the Malaysian Institute of Accountants ("MIA"). The external auditors have reported to the Board that nothing has come to their attention that causes them to believe that the statement is not prepared, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control : Guidelines for Directors of Listed Issuers to be set out, nor is factually inaccurate.

This statement is issued in accordance with a resolution of the Directors dated 27 October 2015.





## Utilisation of Proceeds

During the financial year, there were no proceeds raised by the Company from any corporate proposal.

## Share Buy-Back

During the financial year, there were no share buy-back by the Company.

## Options, Warrants or Convertible Securities

No options, warrants or convertibles securities were issued by the Company during the financial year.

## American Depository Receipt (ADR) or Global Depository Receipt (GDR) Programme

During the financial year, the Company did not sponsor any such programme.

## Imposition of Sanctions and/or Penalties

There were no material sanction and/or penalties imposed on the Company and its subsidiary companies, Directors or management by the regulatory bodies.

## Non-Audit Fees

The amount of non-audit fees incurred for services rendered to the Company and its subsidiary companies for the financial year by the Company's Auditors, or a firm or company affiliated to the Auditors' firm is RM14,650.

## Profit Forecast and Unaudited Results Deviation

There was no profit forecast issued by the Group during the financial year.

The audited consolidated results during the financial year of the Group did not deviate by more than 10% of the unaudited consolidated results of the Group as announced via the BURSALINK on [www.bursamalaysia.com](http://www.bursamalaysia.com) on 31 July 2015.

## Profit Guarantee

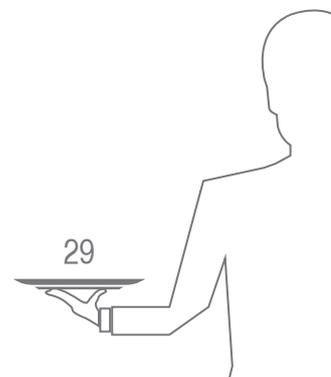
There was no profit guarantee issued by the Group during the financial year.

## Employee Share Scheme

There was no Employee Share Scheme implemented by the Company during the financial year.

## Material Contract

Neither SAUDEE nor its subsidiaries have entered into any contracts which are material (not being contracts entered into in the ordinary course of business) involving Directors' and substantial shareholders interests either still subsisting as at 31 May 2015 or since the end of the previous financial year.



## STATEMENT OF DIRECTORS' RESPONSIBILITIES



The Directors are required to prepare audited financial statements that give a true and fair view of the state of affairs, including the cash flow and results, of the Group and the Company as at the end of each financial year.

In preparing these financial statements, the Directors have considered the following:-

- that the Group and the Company have used appropriate accounting policies, and are consistently applied;
- that reasonable and prudent judgements and estimates were made;
- that the approved accounting standards in Malaysia have been adopted; and
- that the preparation of the financial statements on a going concern basis.

The Directors are responsible for ensuring that the Company and subsidiary companies maintain proper accounting records which disclose with reasonable accuracy the financial position of the Group and the Company, and which enable them to ensure that the financial statements comply with the Companies Act, 1965.

The Directors have general responsibility for taking such steps that are reasonably available to them to safeguard the assets of the Group and the Company, and to prevent and detect fraud and other irregularities.

This statement was made in accordance with a resolution of the Board dated 27 October 2015.



# FINANCIAL STATEMENTS

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# DIRECTORS' REPORT



The directors hereby submit their report and the audited financial statements of the Group and the Company for the financial year ended 31 May 2015.

## Principal Activities

The principal activity of the Company is that of investment holding. The principal activities of its subsidiaries are disclosed in Note 6 to the financial statements. There have been no significant changes in the nature of the principal activities of the Group and the Company during the financial year.

## Results

	The Group RM	The Company RM
Loss for the financial year	(2,034,112)	(378,610)

## Dividends

No dividends were proposed, declared or paid by the Company since the end of the previous financial year.

## Reserves and Provisions

There were no material transfers to or from reserves or provisions during the financial year apart from those disclosed in the financial statements.

## Issue of Shares or Debentures

There was no issue of shares or debentures by the Company during the financial year.

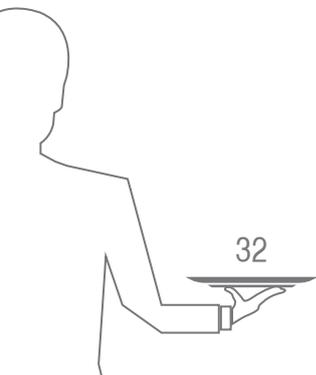
## Options Granted Over Unissued Shares

No share options were granted by the Company during the financial year.

## Bad and Doubtful Debts

Before the financial statements of the Group and the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would render the amount written off for bad debts or the amount of the allowance made for doubtful debts inadequate to any substantial extent.





### Current Assets

Before the financial statements of the Group and the Company were made out, the directors took reasonable steps to ascertain whether any current assets, other than debts, were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the Group and the Company and to the extent so ascertained were written down to an amount that they might be expected to realise.

At the date of this report, the directors are not aware of any circumstances that would render the values attributed to the current assets in the financial statements of the Group and the Company misleading.

### Valuation Methods

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and the Company misleading or inappropriate.

### Contingent and Other Liabilities

At the date of this report, there does not exist:-

- (i) any charge on the assets of the Group or the Company that has arisen since the end of the financial year which secures the liabilities of any other person; or
- (ii) any contingent liability in respect of the Group or the Company that has arisen since the end of the financial year.

No contingent liability or other liability of the Group or the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and the Company to meet their obligations as and when they fall due.

### Change of Circumstances

At the date of this report, the directors are not aware of any circumstances, not otherwise dealt with in this report or in the financial statements of the Group and the Company that would render any amount stated in the respective financial statements misleading.

### Items of an Unusual Nature

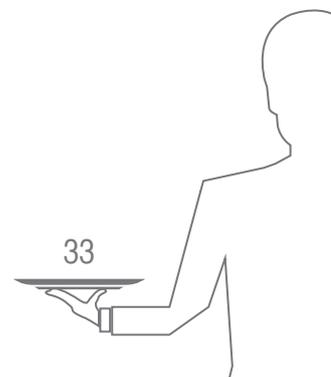
The results of the operations of the Group and the Company for the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group or the Company for the financial year in which this report is made.

### Directors of the Company

The directors who served since the date of the last report are:-

Tan Khang Khim  
Low Ai Choo  
Khoo Lay Tatt  
Sim Yee Fuan  
Ustaz Haji Abdul Hamid Bin Sulaiman  
Tan Leong Chuin





## Directors of the Company (Cont'd)

Particulars of the interests in shares in the Company of the directors in office at the end of the financial year, as shown in the Register of Directors' Shareholdings, are as follows:-

Name of Director	Number of Ordinary Shares of RM0.50 Each					
	Balance at 1.6.2014	Direct Interest		Balance at 31.5.2015	Deemed Interest	
		Bought	Sold		Balance at 1.6.2014	Balance at 31.5.2015
Tan Khang Khim	25,435,675	0	(3,600,000)	21,835,675	23,326,811	23,326,811
Low Ai Choo	391,510	0	0	391,510	0	0
Sim Yee Fuan	10,000	0	0	10,000	0	0
Tan Leong Chuin	0	3,600,000	0	3,600,000	0	0

By virtue of his interests in shares in the Company, Tan Khang Khim is also deemed to have interests in shares in the subsidiaries to the extent of the Company's interests, pursuant to Section 6A of the Companies Act 1965.

Save as disclosed above, none of the other directors in office at the end of the financial year held any interests in shares in the Company or its related corporations during the financial year.

## Directors' Benefits

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than the directors' remuneration disclosed in the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Neither during nor at the end of the financial year, was the Company a party to any arrangement whose object is to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## Auditors

The auditors, Messrs. Crowe Horwath, have expressed their willingness to continue in office.

**Signed in Accordance with a Resolution of the Directors  
Dated 4 September 2015**

**Tan Khang Khim**

**Low Ai Choo**



## STATEMENT BY DIRECTORS

We, Tan Khang Khim and Low Ai Choo, being two of the directors of Saudee Group Berhad, do hereby state that in the opinion of the directors, the financial statements set out on pages 38 to 80 give a true and fair view of the financial position of the Group and the Company as at 31 May 2015 and of their financial performance and cash flows for the financial year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

In the opinion of the directors, the supplementary information set out on page 81 is prepared, in all material respects, in accordance with Guidance on Special Matter No. 1 *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

**Signed in Accordance with a Resolution of the Directors  
Dated 4 September 2015**

**Tan Khang Khim**

**Low Ai Choo**

## STATUTORY DECLARATION

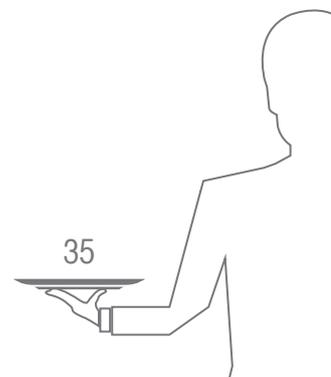
I, Tan Khang Khim, being the director primarily responsible for the financial management of Saudee Group Berhad, do solemnly and sincerely declare that the financial statements set out on pages 38 to 80 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by Tan Khang Khim  
at Georgetown in the State of Penang on this  
4 September 2015

**Tan Khang Khim**

Before me

**Nachatar Singh A/L Bhag Singh**  
Commissioner for Oaths



# INDEPENDENT AUDITORS' REPORT

to the Members of SAUDEE GROUP BERHAD



## Report on the Financial Statements

We have audited the financial statements of Saudee Group Berhad, which comprise the statements of financial position as at 31 May 2015 of the Group and the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 38 to 80.

### *Directors' Responsibility for the Financial Statements*

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

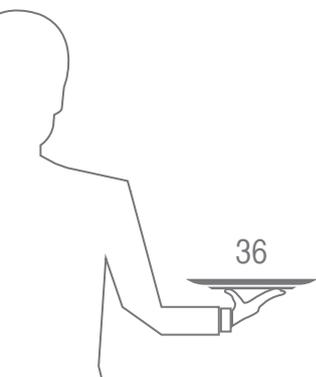
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Group and the Company as at 31 May 2015 and of their financial performance and cash flows for the financial year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

### *Emphasis of Matter*

Without qualifying our opinion, we draw attention to Note 25 to the financial statements which describes the nature of the contingent liabilities relating to the Royal Malaysian Customs Department's claims against a subsidiary and the premise on which no provision has been recognised by the directors.





## INDEPENDENT AUDITORS' REPORT to the Members of SAUDEE GROUP BERHAD (*Cont'd*)

### Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report the following:-

- (i) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (ii) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (iii) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

The supplementary information set out on page 81 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1 *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants ("the MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

### Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

#### **Crowe Horwath**

Firm No: AF 1018

Chartered Accountants

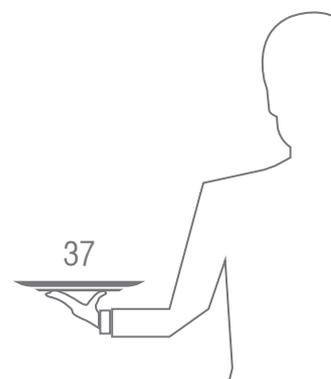
**Eddy Chan Wai Hun**

Approval No: 2182/10/15(J)

Chartered Accountant

Date: 4 September 2015

Penang



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 MAY 2015



	Note	2015 RM	2014 RM
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	4	40,696,893	34,218,910
Investment properties	5	3,870,000	3,200,000
		<b>44,566,893</b>	<b>37,418,910</b>
<b>CURRENT ASSETS</b>			
Property development costs	7	9,014,600	10,355,600
Inventories	8	29,639,428	27,884,461
Trade and other receivables	9	24,460,305	27,104,901
Financial assets at fair value through profit or loss	10	300	0
Prepayments		943,654	569,624
Current tax assets		351,818	78,955
Cash and cash equivalents	11	10,518,883	10,956,597
		<b>74,928,988</b>	<b>76,950,138</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	12	15,554,689	10,257,789
Loans and borrowings - secured	13	38,125,506	37,926,084
Financial liabilities at fair value through profit or loss	10	0	48,930
		<b>53,680,195</b>	<b>48,232,803</b>
<b>NET CURRENT ASSETS</b>		<b>21,248,793</b>	<b>28,717,335</b>
<b>NON-CURRENT LIABILITIES</b>			
Loans and borrowings - secured	13	13,247,489	14,261,732
Deferred tax liabilities	14	2,986,000	2,394,000
		<b>16,233,489</b>	<b>16,655,732</b>
<b>NET ASSETS</b>		<b>49,582,197</b>	<b>49,480,513</b>
<b>EQUITY</b>			
Share capital	15	45,000,000	45,000,000
Revaluation surplus		3,867,195	1,731,399
Merger deficit		(29,296,614)	(29,296,614)
Retained profits		30,011,616	32,045,728
<b>TOTAL EQUITY</b>		<b>49,582,197</b>	<b>49,480,513</b>

The annexed notes form an integral part of these financial statements.

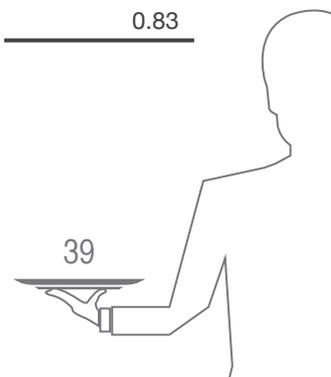


# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the Financial Year ended 31 MAY 2015

	Note	2015 RM	2014 RM
Revenue	16	166,850,084	149,111,377
Cost of goods sold		(148,788,862)	(129,285,712)
Gross profit		18,061,222	19,825,665
Other income		1,961,681	1,032,909
Administrative and general expenses		(12,897,753)	(11,434,456)
Selling and distribution expenses		(6,009,254)	(5,467,348)
Finance costs		(3,294,514)	(2,933,607)
(Loss)/Profit before tax	17	(2,178,618)	1,023,163
Tax income/(expense)	19	144,506	(273,230)
(Loss)/Profit for the financial year		(2,034,112)	749,933
Other comprehensive income:-			
<i>Items that will not be reclassified to profit or loss:-</i>			
- Revaluation increase of properties		2,847,728	0
- Deferred tax relating to revalued properties		(711,932)	(87,000)
Other comprehensive income for the financial year		2,135,796	(87,000)
Total comprehensive income for the financial year		101,684	662,933
(Loss)/Earnings per share:-	20		
- Basic (sen)		(2.26)	0.83
- Diluted (sen)		(2.26)	0.83

The annexed notes form an integral part of these financial statements.



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the Financial Year ended 31 MAY 2015



	Share capital	Non-distributable		Distributable	Total equity
		Revaluation surplus	Merger deficit	Retained profits	
	RM	RM	RM	RM	RM
Balance at 1 June 2013	45,000,000	1,818,399	(29,296,614)	31,295,795	48,817,580
Deferred tax relating to revalued properties (representing other comprehensive income for the financial year)	0	(87,000)	0	0	(87,000)
Profit for the financial year	0	0	0	749,933	749,933
Total comprehensive income for the financial year	0	(87,000)	0	749,933	662,933
Balance at 31 May 2014	45,000,000	1,731,399	(29,296,614)	32,045,728	49,480,513
Revaluation increase of properties	0	2,847,728	0	0	2,847,728
Deferred tax relating to revalued properties	0	(711,932)	0	0	(711,932)
Other comprehensive income for the financial year	0	2,135,796	0	0	2,135,796
Loss for the financial year	0	0	0	(2,034,112)	(2,034,112)
Total comprehensive income for the financial year	0	2,135,796	0	(2,034,112)	101,684
Balance at 31 May 2015	<b>45,000,000</b>	<b>3,867,195</b>	<b>(29,296,614)</b>	<b>30,011,616</b>	<b>49,582,197</b>

The annexed notes form an integral part of these financial statements.

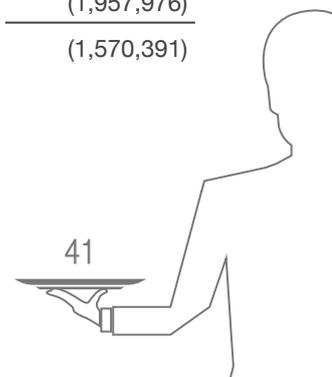


# CONSOLIDATED STATEMENT OF CASH FLOWS

for the Financial Year ended 31 MAY 2015

	2015	2014
Note	RM	RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Loss)/Profit before tax	<b>(2,178,618)</b>	1,023,163
Adjustments for:-		
Depreciation	<b>4,301,161</b>	4,182,951
Gain on disposal of property, plant and equipment	<b>(387)</b>	(96,291)
Gain on fair value adjustment of investment properties	<b>(670,000)</b>	(400,000)
Impairment loss on loans and receivables	<b>677,293</b>	227,509
Impairment loss on property, plant and equipment	<b>466,666</b>	0
Interest expense	<b>3,294,514</b>	2,933,607
Interest income	<b>(201,949)</b>	(257,149)
Property, plant and equipment written off	<b>950</b>	200,075
Revaluation increase of properties	<b>(358,892)</b>	0
Reversal of allowance for slow moving inventories	<b>(50,223)</b>	(44,768)
Reversal of impairment loss on loans and receivables	<b>(544,197)</b>	0
Unrealised (gain)/loss on financial instruments at fair value through profit or loss	<b>(300)</b>	48,930
Operating profit before working capital changes	<b>4,736,018</b>	7,818,027
Changes in:-		
Property development costs	<b>1,341,000</b>	998,535
Inventories	<b>(1,704,744)</b>	(4,615,467)
Receivables and prepayments	<b>2,137,470</b>	(2,516,925)
Payables	<b>5,296,900</b>	1,500,157
Financial instruments at fair value through profit or loss	<b>(48,930)</b>	27,656
Cash generated from operations	<b>11,757,714</b>	3,211,983
Tax paid	<b>(355,656)</b>	(375,080)
Tax refunded	<b>107,367</b>	739,502
Net cash from operating activities	<b>11,509,425</b>	3,576,405
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	<b>201,949</b>	257,149
Proceeds from disposal of property, plant and equipment	<b>1,701</b>	130,436
Purchase of property, plant and equipment	<b>(7,378,447)</b>	(1,957,976)
Net cash used in investing activities	<b>(7,174,797)</b>	(1,570,391)

The annexed notes form an integral part of these financial statements.



# CONSOLIDATED STATEMENT OF CASH FLOWS

for the Financial Year ended 31 MAY 2015 (Cont'd)



	Note	2015 RM	2014 RM
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
(Decrease)/Increase in short-term loans and borrowings (net)		<b>(803,543)</b>	2,693,558
Interest paid		<b>(3,294,514)</b>	(2,965,120)
Repayment of hire purchase obligations		<b>(770,407)</b>	(640,355)
Repayment of term loans		<b>(787,988)</b>	(1,499,910)
(Placement)/Withdrawal of term deposits pledged as security		<b>(1,378,124)</b>	1,644,441
Net cash used in financing activities		<b>(7,034,576)</b>	(767,386)
Net (decrease)/increase in cash and cash equivalents		<b>(2,699,948)</b>	1,238,628
Cash and cash equivalents brought forward		<b>863,600</b>	(375,028)
Cash and cash equivalents carried forward	11	<b>(1,836,348)</b>	863,600

The annexed notes form an integral part of these financial statements.

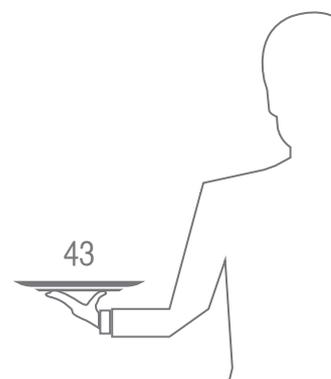


# STATEMENT OF FINANCIAL POSITION

as at 31 MAY 2015

	Note	2015 RM	2014 RM
<b>NON-CURRENT ASSETS</b>			
Investments in subsidiaries	6	57,258,787	57,258,787
<b>CURRENT ASSETS</b>			
Other receivables	9	4,299,504	4,682,835
Prepayments		25,320	32,184
Current tax assets		1,584	1,870
Cash and cash equivalents	11	42,005	70,163
		<b>4,368,413</b>	<b>4,787,052</b>
<b>CURRENT LIABILITIES</b>			
Other payables	12	17,128,710	17,168,739
		<b>17,128,710</b>	<b>17,168,739</b>
<b>NET CURRENT LIABILITIES</b>		<b>(12,760,297)</b>	<b>(12,381,687)</b>
<b>NET ASSETS</b>		<b>44,498,490</b>	<b>44,877,100</b>
<b>EQUITY</b>			
Share capital	15	45,000,000	45,000,000
Accumulated losses		(501,510)	(122,900)
<b>TOTAL EQUITY</b>		<b>44,498,490</b>	<b>44,877,100</b>

The annexed notes form an integral part of these financial statements.



# STATEMENT OF COMPREHENSIVE INCOME

for the Financial Year ended 31 MAY 2015



	Note	2015 RM	2014 RM
Revenue	16	500,000	0
Other income		166	397
Administrative and general expenses		(878,776)	(334,458)
Loss before tax	17	(378,610)	(334,061)
Tax expense	19	0	(43)
Loss for the financial year		(378,610)	(334,104)
Other comprehensive income for the financial year		0	0
Total comprehensive income for the financial year		(378,610)	(334,104)

The annexed notes form an integral part of these financial statements.

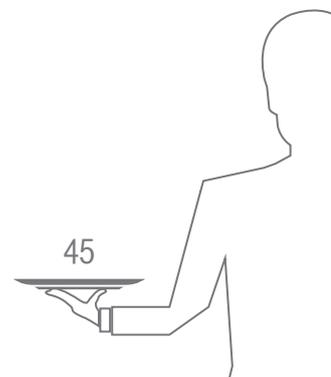


## STATEMENT OF CHANGES IN EQUITY

for the Financial Year ended 31 MAY 2015

	Share capital	Retained profits/ (Accumulated losses)	Total equity
	RM	RM	RM
Balance at 1 June 2013	45,000,000	211,204	45,211,204
Loss (representing total comprehensive income) for the financial year	0	(334,104)	(334,104)
Balance at 31 May 2014	45,000,000	(122,900)	44,877,100
Loss (representing total comprehensive income) for the financial year	0	(378,610)	(378,610)
Balance at 31 May 2015	<b>45,000,000</b>	<b>(501,510)</b>	<b>44,498,490</b>

The annexed notes form an integral part of these financial statements.



# STATEMENT OF CASH FLOWS

for the Financial Year ended 31 MAY 2015



	Note	2015 RM	2014 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before tax		(378,610)	(334,061)
Adjustments for:-			
Dividend income		(500,000)	0
Impairment loss on loans and receivables		584,557	0
Interest income		(166)	(397)
Operating loss before working capital changes		(294,219)	(334,458)
Changes in:-			
Receivables and prepayments		(194,362)	(584)
Payables		(40,029)	349,678
Cash (absorbed by)/generated from operations		(528,610)	14,636
Tax paid		(1,754)	(2,070)
Tax refunded		2,040	2,357
Net cash (used in)/from operating activities		(528,324)	14,923
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Dividends received		500,000	0
Interest received		166	397
Net cash from investing activities		500,166	397
Net (decrease)/increase in cash and cash equivalents		(28,158)	15,320
Cash and cash equivalents brought forward		70,163	54,843
Cash and cash equivalents carried forward	11	42,005	70,163

The annexed notes form an integral part of these financial statements.



# NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year ended 31 MAY 2015

## 1. General Information

The Company is a public company limited by shares, incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

The principal activity of the Company is that of investment holding. The principal activities of its subsidiaries are disclosed in Note 6.

The registered office of the Company is located at 57-G Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Penang and its principal place of business is located at Plot 331, Taman Perindustrian Sungai Petani Fasa 3, 08000 Sungai Petani, Kedah.

The consolidated financial statements set out on pages 38 to 42 together with the notes thereto cover the Company and its subsidiaries ("the Group"). The separate financial statements of the Company set out on pages 43 to 46 together with the notes thereto cover the Company solely.

The presentation currency of the financial statements is Ringgit Malaysia ("RM").

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 4 September 2015.

## 2. Significant Accounting Policies

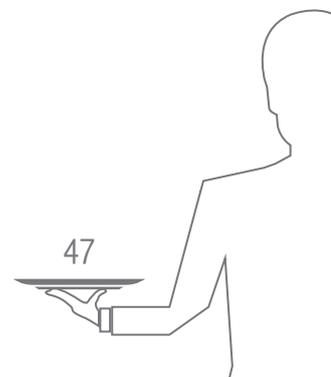
### 2.1 Basis of Preparation of Financial Statements

The financial statements of the Group and the Company are prepared under the historical cost convention, modified to include other bases of measurement as disclosed in other sections of the significant accounting policies, and in accordance with Financial Reporting Standards ("FRSs") and the requirements of the Companies Act 1965 in Malaysia.

The following FRSs became effective for the financial year under review:-

FRS	Effective for annual periods beginning on or after
IC Interpretation 21 <i>Levies</i>	1 January 2014
Amendments to FRS 10, FRS 12 and FRS 127 <i>Investment Entities</i>	1 January 2014
Amendments to FRS 132 <i>Offsetting Financial Assets and Financial Liabilities</i>	1 January 2014
Amendments to FRS 136 <i>Recoverable Amount Disclosures for Non-Financial Assets</i>	1 January 2014
Amendments to FRS 139 <i>Novation of Derivatives and Continuation of Hedge Accounting</i>	1 January 2014

The adoption of the above FRSs did not result in any significant changes in the accounting policies of the Group and the Company.



# NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year ended 31 MAY 2015 (Cont'd)



## 2. Significant Accounting Policies (Cont'd)

### 2.2 Future Accounting Standards

#### Financial Reporting Standards

For the existing FRS Framework, the Malaysian Accounting Standards Board ("MASB") has issued the following FRSs which are not yet effective:-

FRS (Issued as at the end of the reporting period)	Effective for annual periods beginning on or after
FRS 9 <i>Financial Instruments</i> (IFRS 9 <i>Financial Instruments</i> as issued by IASB in July 2014)	1 January 2018
FRS 14 <i>Regulatory Deferral Accounts</i>	1 January 2016
Amendments to FRS 10, FRS 12 and FRS 128 <i>Investment Entities: Applying the Consolidation Exception</i>	1 January 2016
Amendments to FRS 10 and FRS 128 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	1 January 2016
Amendments to FRS 11 <i>Accounting for Acquisitions of Interests in Joint Operations</i>	1 January 2016
Amendments to FRS 101 <i>Disclosure Initiative</i>	1 January 2016
Amendments to FRS 116 and FRS 138 <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>	1 January 2016
Amendments to FRS 119 <i>Defined Benefit Plans: Employee Contributions</i>	1 July 2014
Amendments to FRS 127 <i>Equity Method in Separate Financial Statements</i>	1 January 2016
Amendments to FRSs contained in the document entitled "Annual Improvements to FRSs 2010 - 2012 Cycle"	1 July 2014
Amendments to FRSs contained in the document entitled "Annual Improvements to FRSs 2011 - 2013 Cycle"	1 July 2014
Amendments to FRSs contained in the document entitled "Annual Improvements to FRSs 2012 - 2014 Cycle"	1 January 2016

Management foresees that the initial application of the above FRSs will not have any significant impacts on the financial statements except as follows:-

#### FRS 9 *Financial Instruments*

FRS 9 *Financial Instruments*, which replaces FRS 139 *Financial Instruments: Recognition and Measurement*, sets out the requirements for recognising and measuring financial instruments. The major changes introduced by FRS 9 (that are relevant to the Group and the Company) relate to the classification and measurement of financial assets. Under FRS 9, financial assets are classified as subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both the business model within which they are held and their contractual cash flow characteristics. Management foresees that the adoption of these new classifications will not result in any significant changes in the existing measurement bases of financial assets of the Group and the Company.



## 2. Significant Accounting Policies (*Cont'd*)

### 2.2 Future Accounting Standards (*Cont'd*)

#### Malaysian Financial Reporting Standards

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.

### 2.3 Basis of Consolidation

A subsidiary is an entity that is controlled by another entity. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to the end of the reporting period using the following methods:-

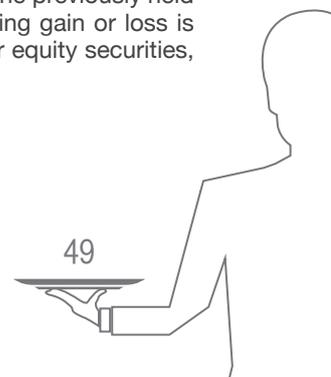
<u>Subsidiary</u>	<u>Method</u>
Saudi Cold Storage Sdn. Bhd.	Merger
Perusahaan Saudee Sdn. Bhd.	Merger
Nutriveg Sdn. Bhd.	Acquisition
Sunwish Venture Sdn. Bhd.	Acquisition

#### Merger Method

The merger method is used for business combination involving entities under common control which is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. Under the merger method, the results of the combining entities are presented as if the entities had been combined throughout the reporting period. The cost of merger is cancelled against the par value of shares acquired and any difference arising from the cancellation is taken to equity. Intragroup balances, transactions, income and expenses are eliminated in full on consolidation.

#### Acquisition Method

Under the acquisition method, the consideration transferred, the identifiable assets acquired and the liabilities assumed are measured at their acquisition-date fair values. The components of non-controlling interests that are present ownership interests are measured at the present ownership instruments' proportionate share in the recognised amounts of the identifiable net assets acquired. All other components of non-controlling interests are measured at their acquisition-date fair values. In a business combination achieved in stages, the previously held equity interest in the acquiree is remeasured at its acquisition-date fair value and any resulting gain or loss is recognised in profit or loss. All acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss as incurred.



# NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year ended 31 MAY 2015 (Cont'd)



## 2. Significant Accounting Policies (Cont'd)

### 2.3 Basis of Consolidation (Cont'd)

#### Acquisition Method (Cont'd)

Goodwill at the acquisition date is measured as the excess of (a) over (b) below:-

- (a) the aggregate of:-
  - (i) the acquisition-date fair value of the consideration transferred;
  - (ii) the amount of any non-controlling interests; and
  - (iii) in a business combination achieved in stages, the acquisition-date fair value of the previously held equity interest in the acquiree.
- (b) the net of the acquisition-date fair values of the identifiable assets acquired and the liabilities assumed.

Goodwill is recognised as an asset at the aforementioned amount less accumulated impairment losses, if any. The impairment policy is disclosed in Note 2.8. When the above (b) exceeds (a), the excess represents a bargain purchase gain and, after reassessment, is recognised in profit or loss.

A subsidiary is consolidated from the acquisition date, being the date on which control is obtained, and continues to be consolidated until the date when control is lost. Intragroup balances, transactions, income and expenses are eliminated in full on consolidation. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Upon loss of control of a subsidiary, the assets (including any goodwill) and liabilities of, and any non-controlling interests in the subsidiary are derecognised. All amounts recognised in other comprehensive income in relation to the subsidiary are accounted for on the same basis as would be required if the related assets or liabilities had been directly disposed of. Any consideration received and any investment retained in the former subsidiary are recognised at their fair values. The resulting difference is then recognised as a gain or loss in profit or loss.

### 2.4 Property, Plant and Equipment

Property, plant and equipment are stated at cost or at valuation less accumulated depreciation and accumulated impairment losses, if any. The impairment policy is disclosed in Note 2.8.

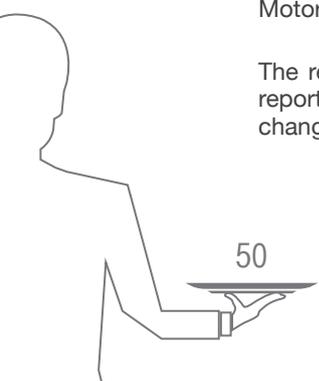
Revaluations of land and buildings are made with sufficient regularity at an interval of not more than five years such that the carrying amounts of the assets do not differ materially from their fair values at the end of the reporting period.

A revaluation increase is recognised in other comprehensive income and accumulated in equity as revaluation surplus or recognised in profit or loss to the extent that the increase reverses a revaluation decrease of the same asset previously recognised in profit or loss. A revaluation decrease is recognised in profit or loss or recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of the same asset.

Leasehold land is depreciated on a straight-line basis over the lease term of 47 years. Capital work-in-progress is not depreciated. Other property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets using the following annual rates:-

Buildings	2%
Plant, machinery and factory equipment	10%
Furniture, fittings and office equipment	10 - 50%
Electrical installation and renovation	2 - 10%
Motor vehicles	20%

The residual value, useful life and depreciation method of an asset are reviewed at least at the end of each reporting period and any changes in expectations from previous estimates are accounted for prospectively as changes in accounting estimates.





### 2. Significant Accounting Policies (Cont'd)

#### 2.5 Investment Properties

Investment property, being a property held to earn rentals and/or for capital appreciation, is stated at fair value. Any gain or loss arising from a change in the fair value of investment property is recognised in profit or loss.

#### 2.6 Investments in Subsidiaries

As required by the Companies Act 1965, the Company prepares separate financial statements in addition to the consolidated financial statements. In the separate financial statements of the Company, investments in subsidiaries are stated at cost less impairment losses, if any. The impairment policy is disclosed in Note 2.8.

#### 2.7 Property Development Activities

Land held for property development is stated at cost less accumulated impairment losses, if any. The impairment policy is disclosed in Note 2.8. The portion of land where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle is classified as non-current assets.

Property development revenue comprises the selling price agreed in the sale and purchase agreement and any additional revenue due to variation in development work. Property development costs comprise costs associated with the acquisition of land, costs related directly to a specific development project and other costs attributable to development activities in general and can be allocated to the project.

When the outcome of a development activity can be estimated reliably, property development revenue and costs attributable to the development units sold are recognised in profit or loss by reference to the stage of completion of the development activity at the end of the reporting period. The stage of completion is determined by reference to the proportion that property development costs incurred to date bear to the estimated total costs.

When the outcome of a development activity cannot be estimated reliably, property development revenue is recognised in profit or loss only to the extent of property development costs incurred that are probable to be recoverable whereas property development costs attributable to the development units sold are recognised in profit or loss in the period in which they are incurred. Any expected loss on a development project is recognised in profit or loss immediately.

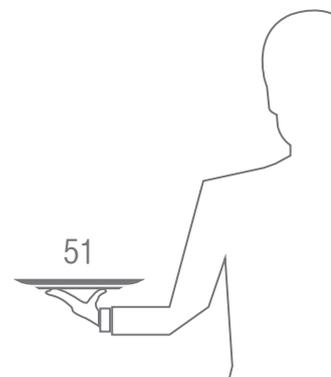
#### 2.8 Impairment of Non-financial Assets

At the end of each reporting period, the Group and the Company assess whether there is any indication that a non-financial asset, other than inventories and investment properties stated at fair value, may be impaired. If any such indication exists, the recoverable amount of the asset, being the higher of its fair value less costs of disposal and its value in use, is estimated. Irrespective of whether there is any indication of impairment, goodwill is tested for impairment annually. Any excess of the carrying amount of the asset over its recoverable amount represents an impairment loss and is recognised in profit or loss or, in respect of a revalued asset, treated as a revaluation decrease.

An impairment loss on an asset, other than goodwill, is reversed if there has been a change in the estimates used to determine the recoverable amount and it is reversed only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised. The reversal is recognised in profit or loss or, in respect of a revalued asset, treated as a revaluation increase. An impairment loss on goodwill is not reversed.

#### 2.9 Inventories

Inventories of materials and goods are valued at the lower of cost (determined principally on the first-in, first-out basis) and net realisable value. Cost consists of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and costs necessary to make the sale.



# NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year ended 31 MAY 2015 (Cont'd)



## 2. Significant Accounting Policies (Cont'd)

### 2.10 Financial Assets

Financial assets of the Group and the Company consist of receivables, derivatives and cash and cash equivalents.

#### Recognition and Measurement

A financial asset is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the financial instrument. A financial asset is initially recognised at fair value plus, in the case of a financial asset not at fair value through profit or loss, directly attributable transaction costs. The subsequent measurement of a financial asset depends on its classification as follows:-

#### (i) Financial assets at fair value through profit or loss

All derivatives, except for those designated as hedges, are classified as held for trading under this category. After initial recognition, such financial assets are measured at fair value. Any gain or loss arising from a change in the fair value is recognised in profit or loss.

#### (ii) Loans and receivables

All receivables and cash and cash equivalents are classified under this category. After initial recognition, such financial assets are measured at amortised cost using the effective interest method. Any gain or loss is recognised in profit or loss when the financial asset is derecognised or impaired as well as through the amortisation process.

A financial asset is derecognised when, and only when, the contractual rights to the cash flows from the financial asset have expired or all the risks and rewards of ownership have been substantially transferred.

#### Impairment

At the end of each reporting period, the Group and the Company assess whether there is any objective evidence that a financial asset or group of financial assets classified under loans and receivables is impaired. If any such evidence exists, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted using the asset's original effective interest rate. The asset's carrying amount is reduced through the use of an allowance account and the impairment loss is recognised in profit or loss. The gross carrying amount and the associated allowance are written off when there is no realistic prospect of future recovery.

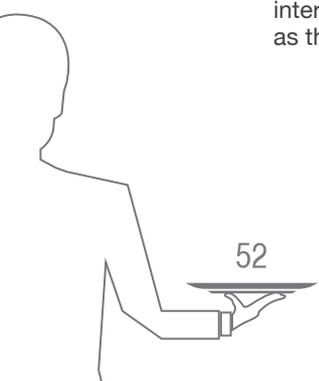
If, in a subsequent period, the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the increased carrying amount does not exceed what the amortised cost would have been had no impairment loss been recognised at the reversal date. The reversal is recognised in profit or loss.

### 2.11 Financial Liabilities

Financial liabilities of the Group and the Company consist of payables, loans and borrowings and derivatives (including financial guarantee contracts).

#### Recognition and Measurement

A financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the financial instrument. A financial liability is initially recognised at fair value less, in the case of a financial liability not at fair value through profit or loss, directly attributable transaction costs. After initial recognition, all financial liabilities, except for financial liabilities at fair value through profit or loss and financial guarantee contracts, are measured at amortised cost using the effective interest method. Any gain or loss is recognised in profit or loss when the financial liability is derecognised as well as through the amortisation process.





### 2. Significant Accounting Policies (Cont'd)

#### 2.11 Financial Liabilities (Cont'd)

##### Recognition and Measurement (Cont'd)

##### (i) Financial liabilities at fair value through profit or loss

All derivatives, except for financial guarantee contracts or those designated as hedges, are classified as held for trading under this category. After initial recognition, such financial liabilities are measured at fair value. Any gain or loss arising from a change in the fair value is recognised in profit or loss.

##### (ii) Financial guarantee contracts

After initial recognition at fair value, if any, financial guarantee contracts are measured at the higher of the amount initially recognised less appropriate amortisation and the estimate of any probable obligation.

A financial liability is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires.

#### 2.12 Leases

##### Finance Lease

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee.

A finance lease, including hire purchase, is initially recognised as an asset and liability at the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The minimum lease payments are subsequently apportioned between the finance charge and the reduction of the outstanding liability so as to produce a constant periodic rate of interest on the remaining balance of the liability. The depreciation policy for depreciable leased assets is consistent with that for equivalent owned assets.

##### Operating Lease

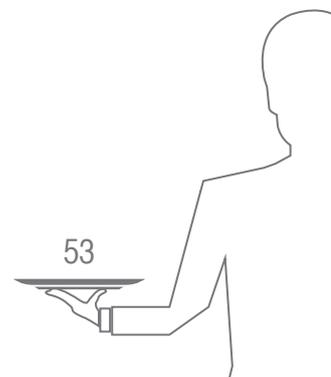
An operating lease is a lease other than a finance lease.

Lease payments under an operating lease are recognised in profit or loss on a straight-line basis over the lease term.

#### 2.13 Foreign Currency Transactions and Translation

The consolidated financial statements and separate financial statements of the Company are presented in Ringgit Malaysia, which is also the Company's functional currency, being the currency of the primary economic environment in which the entity operates. Items included in the financial statements of each individual entity within the Group are measured using the individual entity's own functional currency.

A foreign currency transaction is recorded in the functional currency using the exchange rate at transaction date. At the end of the reporting period, foreign currency monetary items are translated into the functional currency using the closing rate. Foreign currency non-monetary items measured at cost are translated using the exchange rate at transaction date whereas those measured at fair value are translated using the exchange rate at valuation date. Exchange differences arising from the settlement or translation of monetary items are recognised in profit or loss. Any exchange component of the gain or loss on a non-monetary item is recognised on the same basis as that of the gain or loss, i.e. in profit or loss or in other comprehensive income.



# NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year ended 31 MAY 2015 (Cont'd)



## 2. Significant Accounting Policies (Cont'd)

### 2.14 Share Capital

Ordinary shares are classified as equity. Transaction costs that relate to the issue of new shares are accounted for as a deduction from equity.

Dividends on shares declared and unpaid at the end of the reporting period are recognised as a liability whereas dividends proposed or declared after the reporting period are disclosed in the notes to the financial statements.

### 2.15 Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Group and the Company use 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 valuation techniques used include the following:-

- (i) Market approach - which uses prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets, liabilities or a group of assets and liabilities.
- (ii) Cost approach - which reflects the amount that would be required currently to replace the service capacity of an asset.
- (iii) Income approach - which converts future amounts (e.g. cash flows or income and expenses) to a single current (i.e. discounted) amount.

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.

Any transfers between the levels of fair value hierarchy are deemed to have occurred at the end of the reporting period.

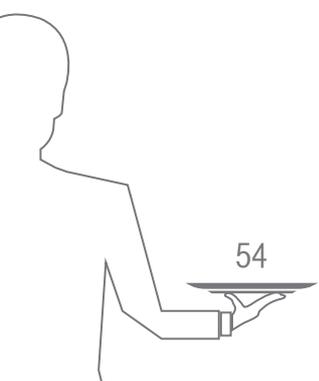
### Non-financial Assets

The fair values of land and buildings are measured using the market comparison approach. Under this approach, the fair values are derived from observable market data such as prices per square foot for comparable properties in similar locations (i.e. Level 2).

### Financial Assets and Financial Liabilities

The carrying amounts of receivables, cash and cash equivalents, payables and loans and borrowings which are short-term in nature or repayable on demand are reasonable approximations of fair values. The fair values of long-term loans and borrowings are measured using present value technique by discounting the expected future cash flows using observable current market interest rates for similar liabilities (i.e. Level 2).

The fair value of forward exchange contract is measured using present value technique by discounting the difference between contractual forward price and observable current market forward price using risk-free interest rate (i.e. Level 2).





### 2. Significant Accounting Policies (Cont'd)

#### 2.16 Income Recognition

Income from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer.

Dividend income is recognised when the shareholder's right to receive payment is established.

Interest income is recognised using the effective interest method.

#### 2.17 Employee Benefits

##### Short-term Employee Benefits

Short-term employee benefits such as wages, salaries, bonuses and social security contributions are recognised in profit or loss in the period in which the associated services are rendered by the employee.

##### Defined Contribution Plans

As required by law, employers in Malaysia make contributions to the statutory pension scheme, Employees Provident Fund ("EPF"). Contributions to defined contribution plans are recognised in profit or loss in the period in which the associated services are rendered by the employee.

#### 2.18 Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, which is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the cost of the asset, until such time as the asset is substantially ready for its intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

#### 2.19 Income Taxes

Income taxes for the year comprise current tax and deferred tax.

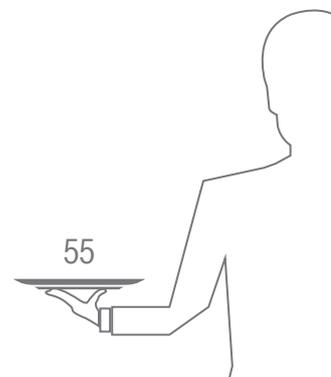
Current tax represents the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided for under the liability method in respect of all temporary differences between the carrying amount of an asset or liability and its tax base except for those temporary differences associated with goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and affects neither accounting nor taxable results at the time of the transaction.

A deferred tax liability is recognised for all taxable temporary differences whereas a deferred tax asset is recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted by the end of the reporting period.

#### 2.20 Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, term deposits that are withdrawable on demand and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.



# NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year ended 31 MAY 2015 (Cont'd)



## 3. Judgements and Estimation Uncertainty

### Judgements Made in Applying Accounting Policies

In the process of applying the accounting policies of the Group and the Company, management is not aware of any judgements, apart from those involving estimations, that can significantly affect the amounts recognised in the financial statements.

### Sources of Estimation Uncertainty

The key assumptions about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:-

#### Allowance for inventories

Reviews are made periodically by management on inventories for excess inventories, obsolescence and decline in net realisable value below cost. These reviews require the use of judgements and estimates. Possible changes in these estimates may result in revisions to the valuation of inventories. The carrying amounts of inventories are disclosed in Note 8.

#### Impairment of loans and receivables

The Group and the Company make allowance for impairment based on an assessment of the recoverability of loans and receivables. Allowance is applied to loans and receivables when there is objective evidence that the balances may not be recoverable. Management specifically analyses historical bad debts, customer concentration, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of the allowance for impairment. Where expectations are different from previous estimates, the difference will impact on the carrying amounts of loans and receivables as disclosed in Note 9.



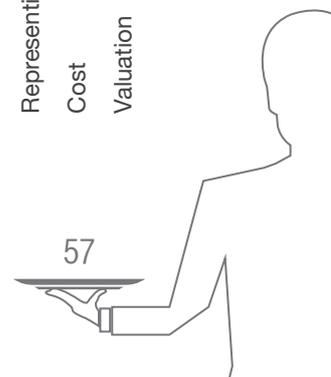
## NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year ended 31 MAY 2015 (Cont'd)

### 4. Property, Plant and Equipment

The Group

	Short-term leasehold land	Buildings	Plant, machinery and factory equipment	Furniture, fittings and office equipment	Electrical installation and renovation	Motor vehicles	Capital work-in-progress	Total
	RM	RM	RM	RM	RM	RM	RM	RM
<u>Cost/Valuation</u>								
Balance at 1 June 2013	2,450,000	9,627,612	33,914,809	4,925,470	5,428,250	3,433,541	0	59,779,682
Additions	0	0	2,266,935	471,425	206,421	996,850	0	3,941,631
Disposals/Write-offs	0	0	(207,394)	(236,301)	(37,001)	(450,654)	0	(931,350)
Balance at 31 May 2014	2,450,000	9,627,612	35,974,350	5,160,594	5,597,670	3,979,737	0	62,789,963
Representing:-								
Cost	0	77,612	35,974,350	5,160,594	5,597,670	3,979,737	0	50,789,963
Valuation	2,450,000	9,550,000	0	0	0	0	0	12,000,000
	2,450,000	9,627,612	35,974,350	5,160,594	5,597,670	3,979,737	0	62,789,963
Balance at 1 June 2014	2,450,000	9,627,612	35,974,350	5,160,594	5,597,670	3,979,737	0	62,789,963
Additions	0	0	1,564,167	369,853	506,713	58,000	5,542,721	8,041,454
Disposals/Write-offs	0	0	(11,131)	(229,411)	(98,000)	0	0	(338,542)
Revaluation	1,550,000	372,388	0	0	0	0	0	1,922,388
Balance at 31 May 2015	4,000,000	10,000,000	37,527,386	5,301,036	6,006,383	4,037,737	5,542,721	72,415,263
Representing:-								
Cost	0	0	37,527,386	5,301,036	6,006,383	4,037,737	5,542,721	58,415,263
Valuation	4,000,000	10,000,000	0	0	0	0	0	14,000,000
	4,000,000	10,000,000	37,527,386	5,301,036	6,006,383	4,037,737	5,542,721	72,415,263



# NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year ended 31 MAY 2015 (Cont'd)



## 4. Property, Plant and Equipment (Cont'd)

The Group

	Short-term leasehold land	Buildings	Plant, machinery and factory equipment	Furniture, fittings and office equipment	Electrical installation and renovation	Motor vehicles	Capital work-in-progress	Total
	RM	RM	RM	RM	RM	RM	RM	RM
<u>Depreciation and Impairment Losses</u>								
Balance at 1 June 2013	156,440	613,286	17,238,518	2,211,042	1,734,403	2,875,643	0	24,829,332
Accumulated depreciation	0	0	255,900	0	0	0	0	255,900
Accumulated impairment losses	156,440	613,286	17,494,418	2,211,042	1,734,403	2,875,643	0	25,085,232
Depreciation	52,185	205,068	2,615,084	559,763	490,176	260,675	0	4,182,951
Disposals/Write-offs	0	0	(203,903)	(36,718)	(5,858)	(450,651)	0	(697,130)
Balance at 31 May 2014	208,625	818,354	19,649,699	2,734,087	2,218,721	2,685,667	0	28,315,153
Accumulated depreciation	0	0	255,900	0	0	0	0	255,900
Accumulated impairment losses	208,625	818,354	19,905,599	2,734,087	2,218,721	2,685,667	0	28,571,053
Depreciation	52,185	205,068	2,538,188	606,337	526,282	373,101	0	4,301,161
Disposals/Write-offs	0	0	(11,129)	(227,149)	(98,000)	0	0	(336,278)
Impairment loss	0	0	466,666	0	0	0	0	466,666
Revaluation	(260,810)	(1,023,422)	0	0	0	0	0	(1,284,232)
Balance at 31 May 2015	0	0	22,176,758	3,113,275	2,647,003	3,058,768	0	30,995,804
Accumulated depreciation	0	0	722,566	0	0	0	0	722,566
Accumulated impairment losses	0	0	22,899,324	3,113,275	2,647,003	3,058,768	0	31,718,370



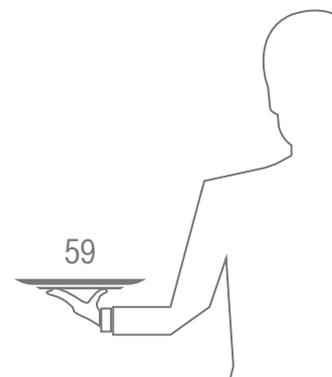
## NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year ended 31 MAY 2015 (Cont'd)

### 4. Property, Plant and Equipment (Cont'd)

The Group

	Short-term leasehold land	Buildings	Plant, machinery and factory equipment	Furniture, fittings and office equipment	Electrical installation and renovation	Motor vehicles	Capital work-in- progress	Total
	RM	RM	RM	RM	RM	RM	RM	RM
<u>Carrying Amount</u>								
Balance at 1 June 2013	2,293,560	9,014,326	16,420,391	2,714,428	3,693,847	557,898	0	34,694,450
Balance at 31 May 2014	2,241,375	8,809,258	16,068,751	2,426,507	3,378,949	1,294,070	0	34,218,910
Balance at 31 May 2015	<b>4,000,000</b>	<b>10,000,000</b>	<b>14,628,062</b>	<b>2,187,761</b>	<b>3,359,380</b>	<b>978,969</b>	<b>5,542,721</b>	<b>40,696,893</b>



# NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year ended 31 MAY 2015 (Cont'd)



## 4. Property, Plant and Equipment (Cont'd)

The short-term leasehold land and buildings were revalued to fair values on 31 May 2015 based on appraisals performed by independent professional valuers using the market comparison approach. The appraised values were derived from observable prices per square foot for comparable properties in similar locations (i.e. Level 2). Had the land and buildings been carried under the cost model, the total carrying amounts of their entire classes that would have been recognised in the financial statements are as follows:-

	2015	2014
	RM	RM
Short-term leasehold land	2,098,590	2,148,615
Buildings	8,908,621	9,124,492
	<b>11,007,211</b>	<b>11,273,107</b>

The short-term leasehold land and buildings have been pledged as security for credit facilities granted to the Group.

The carrying amounts of property, plant and equipment acquired under hire purchase financing which remained outstanding as at the end of the reporting period are as follows:-

	2015	2014
	RM	RM
Plant, machinery and factory equipment	2,777,908	2,303,632
Motor vehicles	710,678	957,350
	<b>3,488,586</b>	<b>3,260,982</b>

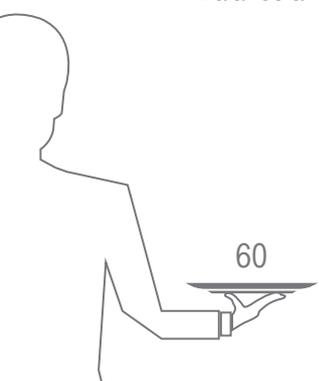
## 5. Investment Properties

The Group

	Freehold land
	RM

At Fair Value

Balance at 1 June 2013	2,800,000
Fair value adjustment	400,000
Balance at 31 May 2014	3,200,000
Fair value adjustment	670,000
Balance at 31 May 2015	<b>3,870,000</b>





## NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year ended 31 MAY 2015 (Cont'd)

### 5. Investment Properties (Cont'd)

The fair values of investment properties were measured based on appraisals performed by independent professional valuers using the market comparison approach. The appraised values were derived from observable prices per square foot for comparable properties in similar locations (i.e. Level 2).

Certain freehold land with total carrying amount of RM363,000 (2014 : RM300,000) has been pledged as security for credit facilities granted to the Group.

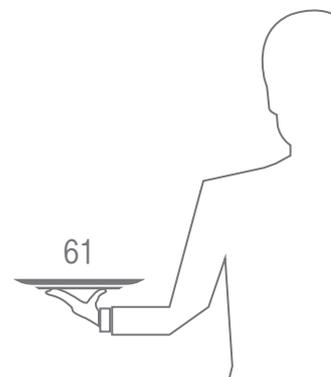
### 6. Investments in Subsidiaries

The Company

	2015	2014
	RM	RM
Unquoted shares, at cost	57,463,546	57,463,546
Impairment losses	<u>(204,759)</u>	<u>(204,759)</u>
	<u>57,258,787</u>	<u>57,258,787</u>

The details of the subsidiaries are as follows:-

Name of Subsidiary	Principal Place of Business/ Country of Incorporation	Effective Ownership Interest		Principal Activity
		2015	2014	
Saudi Cold Storage Sdn. Bhd.	Malaysia	100%	100%	Wholesaler and dealer of fresh and frozen foods
Perusahaan Saudee Sdn. Bhd.	Malaysia	100%	100%	Manufacturer and dealer of processed poultry, beef products, frozen foods and bakery products
Sunwish Venture Sdn. Bhd.	Malaysia	100%	100%	Property development
Nutriveg Sdn. Bhd.	Malaysia	100%	100%	Inactive



# NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year ended 31 MAY 2015 (Cont'd)



## 7. Property Development Costs

The Group

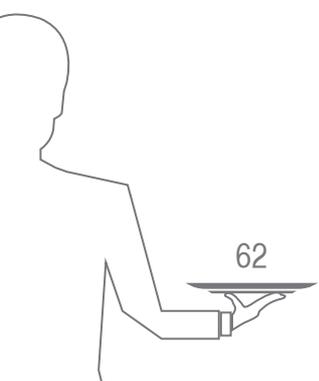
	2015	2014
	RM	RM
Balance at 1 June		
- Leasehold land	7,168,107	7,168,107
- Development costs	3,187,493	4,186,028
	<b>10,355,600</b>	11,354,135
Development costs incurred	159,000	262,760
Development costs refunded/reversed	(1,500,000)	(1,261,295)
Balance at 31 May		
- Leasehold land	7,168,107	7,168,107
- Development costs	1,846,493	3,187,493
	<b>9,014,600</b>	10,355,600

The leasehold land has been pledged as security for credit facilities granted to the Group.

## 8. Inventories

The Group

	2015	2014
	RM	RM
Raw materials	8,411,848	9,697,566
Packing materials	1,303,511	957,044
Work-in-progress	704,156	884,681
Finished goods	11,429,080	11,949,929
Goods-in-transit	7,790,833	4,395,241
	<b>29,639,428</b>	27,884,461





## NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year ended 31 MAY 2015 (Cont'd)

### 9. Trade and Other Receivables

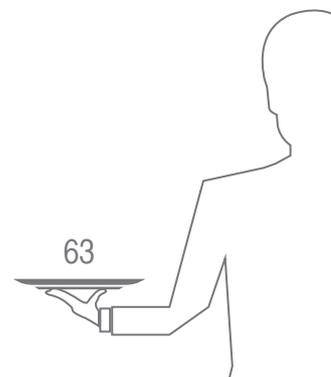
	The Group		The Company	
	2015	2014	2015	2014
	RM	RM	RM	RM
Trade receivables:-				
- Related party *	637,657	1,572,541	0	0
- Allowance for impairment	(178,409)	(178,409)	0	0
	459,248	1,394,132	0	0
- Unrelated parties	24,624,684	26,626,556	0	0
- Allowance for impairment	(754,269)	(1,021,923)	0	0
	23,870,415	25,604,633	0	0
	24,329,663	26,998,765	0	0
Other receivables:-				
- Subsidiaries	0	0	5,481,835	5,281,835
- Allowance for impairment	0	0	(1,184,557)	(600,000)
	0	0	4,297,278	4,681,835
- Unrelated parties	130,642	106,136	2,226	1,000
	130,642	106,136	4,299,504	4,682,835
	24,460,305	27,104,901	4,299,504	4,682,835

\* Being a company in which a close family member of certain directors has a substantial financial interest

#### Trade Receivables

Trade receivables are unsecured, non-interest bearing and generally on 7 to 120 day terms. The amount owing by related party has been subject to renegotiated credit terms and is expected to be recovered as follows:-

	The Group	
	2015	2014
	RM	RM
Within 1 year	459,248	1,134,355
Later than 1 year and not later than 2 years	0	259,777
	459,248	1,394,132



## NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year ended 31 MAY 2015 (Cont'd)



### 9. Trade and Other Receivables (Cont'd)

#### Trade Receivables (Cont'd)

The movements in allowance for impairment are as follows:-

	The Group	
	2015	2014
	RM	RM
Balance at 1 June	1,200,332	1,570,774
Impairment loss recognised	677,293	227,509
Impairment loss reversed	(544,197)	0
Impairment loss written off	(400,750)	(597,951)
Balance at 31 May	<u>932,678</u>	<u>1,200,332</u>

All the above impairment losses were individually determined after considering the adverse financial conditions of the debtors who have defaulted/delayed in payments.

The ageing analysis of trade receivables not impaired is as follows:-

	The Group	
	2015	2014
	RM	RM
Not past due	16,719,556	14,525,098
Past due 1 to 90 days	6,393,663	6,497,705
Past due 91 to 360 days	1,201,242	5,975,962
Past due more than 360 days	15,202	0
	<u>24,329,663</u>	<u>26,998,765</u>

Trade receivables that are neither past due nor impaired mainly relate to creditworthy customers who have regular transactions and good payment records with the Group.

Management determines credit risk concentration in terms of counterparties. As at 31 May 2015, there was 1 (2014 : 1) major customer that accounted for 10% or more of the Group's trade receivables and the total outstanding balance due from this major customer amounted to RM3,197,274 (2014 : RM6,698,275).



## NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year ended 31 MAY 2015 (Cont'd)

### 9. Trade and Other Receivables (Cont'd)

#### Other Receivables

Other receivables are unsecured and non-interest bearing. The amounts owing by subsidiaries are repayable on demand. The amounts owing by unrelated parties mainly consist of refundable deposits which have no fixed repayment terms.

The movements in allowance for impairment are as follows:-

	The Company	
	2015	2014
	RM	RM
Balance at 1 June	600,000	600,000
Impairment loss recognised	584,557	0
Balance at 31 May	<u>1,184,557</u>	<u>600,000</u>

All the above impairment losses were individually determined after considering the adverse financial conditions of the debtors who have defaulted/delayed in payments.

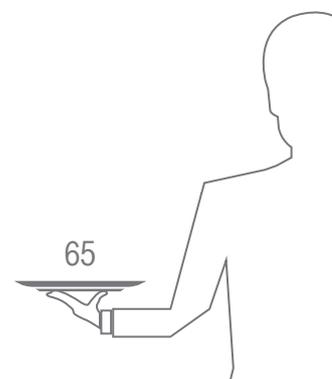
### 10. Financial Assets/(Liabilities) at Fair Value through Profit or Loss

#### The Group

	2015	2014
	RM	RM
Derivatives classified as held for trading, at fair value	<u>300</u>	<u>(48,930)</u>

Derivatives consist of forward exchange contracts which are used to hedge the exposure to currency risk. The Group does not apply hedge accounting. As at 31 May 2015, the Group had contracts with financial institutions due within 1 year to buy approximately USD301,000 (2014 : USD1,648,000) and sell approximately RM1,097,000 (2014 : RM5,354,000) at contractual forward rates.

The fair values of forward exchange contracts were quoted by the financial institutions, which normally measured the fair values using present value technique by discounting the differences between contractual forward prices and observable current market forward prices using risk-free interest rate (i.e. Level 2).



# NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year ended 31 MAY 2015 (Cont'd)



## 11. Cash and Cash Equivalents

	The Group		The Company	
	2015	2014	2015	2014
	RM	RM	RM	RM
Term deposits with licensed banks (fixed rate)	7,822,252	6,444,128	0	0
Cash and bank balances	2,696,631	4,512,469	42,005	70,163
	<b>10,518,883</b>	<b>10,956,597</b>	<b>42,005</b>	<b>70,163</b>

The term deposits have been pledged as security for credit facilities granted to the Group. Accordingly, they are not freely available for use.

The effective interest rates of term deposits as at 31 May 2015 ranged from 2.75% to 3.30% (2014 : 2.75% to 3.15%) per annum.

For the purpose of statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits as follows:-

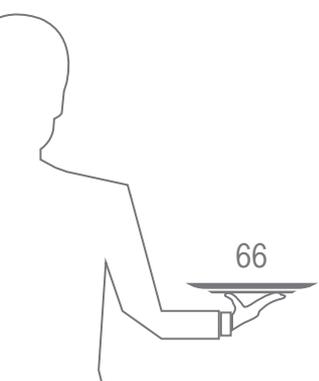
	The Group		The Company	
	2015	2014	2015	2014
	RM	RM	RM	RM
Cash and cash equivalents	10,518,883	10,956,597	42,005	70,163
Bank overdrafts	(4,532,979)	(3,648,869)	0	0
Term deposits pledged as security	(7,822,252)	(6,444,128)	0	0
	<b>(1,836,348)</b>	<b>863,600</b>	<b>42,005</b>	<b>70,163</b>

## 12. Trade and Other Payables

	The Group		The Company	
	2015	2014	2015	2014
	RM	RM	RM	RM

Trade payables:-

- Related party *	0	17,610	0	0
- Unrelated parties	12,103,568	7,269,175	0	0
	<b>12,103,568</b>	<b>7,286,785</b>	<b>0</b>	<b>0</b>





## NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year ended 31 MAY 2015 (Cont'd)

### 12. Trade and Other Payables (Cont'd)

	The Group		The Company	
	2015	2014	2015	2014
	RM	RM	RM	RM
Other payables:-				
- Subsidiary	0	0	17,069,875	17,128,432
- Unrelated parties	3,451,121	2,971,004	58,835	40,307
	<b>3,451,121</b>	2,971,004	<b>17,128,710</b>	17,168,739
	<b>15,554,689</b>	10,257,789	<b>17,128,710</b>	17,168,739

\* Being a company in which a close family member of certain directors has a substantial financial interest

The currency profile of trade and other payables is as follows:-

	The Group		The Company	
	2015	2014	2015	2014
	RM	RM	RM	RM
Ringgit Malaysia	5,759,106	8,493,135	17,128,710	17,168,739
US Dollar	9,795,583	1,745,387	0	0
Euro	0	19,267	0	0
	<b>15,554,689</b>	10,257,789	<b>17,128,710</b>	17,168,739

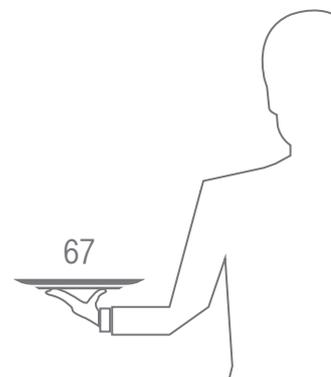
Trade and other payables are generally short-term in nature or repayable on demand and their carrying amounts will approximate to the remaining contractual undiscounted cash flows.

#### Trade Payables

Trade payables are unsecured, non-interest bearing and generally on 7 to 90 day terms.

#### Other Payables

Other payables are unsecured and non-interest bearing. The amount owing to subsidiary is repayable on demand. The amounts owing to unrelated parties mainly consist of sundry payables and accruals for operating expenses which are generally due within 30 to 90 days.



# NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year ended 31 MAY 2015 (Cont'd)



## 13. Loans and Borrowings - Secured

The Group

	2015	2014
	RM	RM
Hire purchase payables (fixed rate)	2,568,610	2,676,010
Banker acceptances (fixed rate)	31,993,789	32,797,332
Bank overdrafts (floating rate)	4,532,979	3,648,869
Term loans (floating rate)	12,277,617	13,065,605
	<b>51,372,995</b>	<b>52,187,816</b>
Disclosed as:-		
- Current liabilities	38,125,506	37,926,084
- Non-current liabilities	13,247,489	14,261,732
	<b>51,372,995</b>	<b>52,187,816</b>

Hire purchase payables are secured against the assets acquired thereunder (Note 4). Other loans and borrowings are secured against certain property, plant and equipment (Note 4), investment properties (Note 5), leasehold land (Note 7) and term deposits (Note 11).

The effective interest rates of loans and borrowings as at 31 May 2015 ranged from 4.47% to 8.85% (2014 : 4.25% to 8.60%) per annum.

Except for hire purchase payables and term loans, loans and borrowings are generally short-term in nature or repayable on demand and their carrying amounts will approximate to the remaining contractual undiscounted cash flows.

### Hire Purchase Payables

Hire purchase payables are repayable over 3 to 7 years. The repayment analysis is as follows:-

	2015	2014
	RM	RM
Minimum hire purchase payments:-		
- Within 1 year	902,827	851,841
- Later than 1 year and not later than 2 years	850,377	746,996
- Later than 2 years and not later than 5 years	1,133,900	1,472,517
Total contractual undiscounted cash flows	2,887,104	3,071,354
Future finance charges	(318,494)	(395,344)



## NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year ended 31 MAY 2015 (Cont'd)

### 13. Loans and Borrowings - Secured (Cont'd)

#### Hire Purchase Payables (Cont'd)

	2015	2014
	RM	RM
Present value of hire purchase payables:-		
- Within 1 year	755,510	687,112
- Later than 1 year and not later than 2 years	751,679	632,728
- Later than 2 years and not later than 5 years	1,061,421	1,356,170
	<b>2,568,610</b>	<b>2,676,010</b>

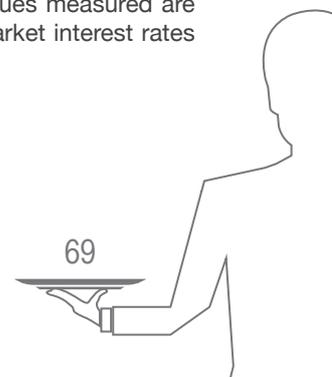
The fair values of hire purchase payables are measured using present value technique by discounting the expected future cash flows using observable current market interest rates for similar liabilities (i.e. Level 2). The fair values measured are considered to be reasonably close to the carrying amounts reported as the observable current market interest rates also approximate to the effective interest rates of hire purchase payables.

#### Term Loans

Term loans are repayable over 15 years. The repayment analysis is as follows:-

	2015	2014
	RM	RM
Gross loan instalments:-		
- Within 1 year	1,737,595	1,737,525
- Later than 1 year and not later than 2 years	1,710,371	1,711,168
- Later than 2 years and not later than 5 years	4,967,770	4,975,364
- Later than 5 years	9,954,777	11,747,505
Total contractual undiscounted cash flows	18,370,513	20,171,562
Future finance charges	(6,092,896)	(7,105,957)
Present value of term loans:-		
- Within 1 year	843,228	792,771
- Later than 1 year and not later than 2 years	863,213	810,724
- Later than 2 years and not later than 5 years	2,828,739	2,646,971
- Later than 5 years	7,742,437	8,815,139
	<b>12,277,617</b>	<b>13,065,605</b>

The fair values of term loans are measured using present value technique by discounting the expected future cash flows using observable current market interest rates for similar liabilities (i.e. Level 2). The fair values measured are considered to be reasonably close to the carrying amounts reported as the observable current market interest rates also approximate to the effective interest rates of term loans.



# NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year ended 31 MAY 2015 (Cont'd)



## 14. Deferred Tax Liabilities

The Group

	2015 RM	2014 RM
Balance at 1 June	2,394,000	2,307,000
Deferred tax (income)/expense recognised in:-		
- Profit or loss	(188,932)	72,000
- Other comprehensive income	711,932	87,000
Deferred tax liabilities under/(over) provided in prior year	69,000	(72,000)
Balance at 31 May	<u>2,986,000</u>	<u>2,394,000</u>
In respect of:-		
- Taxable/(Deductible) temporary differences of:-		
- Property, plant and equipment	3,267,000	2,587,000
- Investment properties	140,000	107,000
- Inventories	(87,000)	(123,000)
- Financial instruments	(147,000)	(177,000)
- Unused capital allowances	(153,000)	0
- Unused tax losses	(34,000)	0
	<u>2,986,000</u>	<u>2,394,000</u>

As at 31 May 2015, the future availability of deductible temporary differences, unused capital allowances and unused tax losses for which no deferred tax assets have been recognised is as follows:-

	2015 RM	2014 RM
Deductible temporary differences of property development costs	748,000	380,000
Unused capital allowances	161,000	161,000
Unused tax losses	275,000	253,000
	<u>1,184,000</u>	<u>794,000</u>



## NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year ended 31 MAY 2015 (Cont'd)

### 15. Share Capital

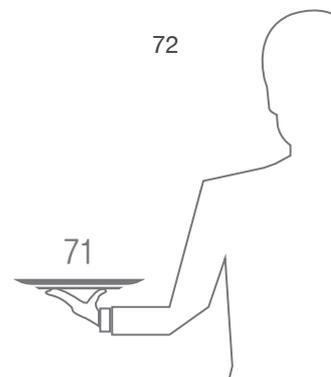
	2015	2014
	RM	RM
Authorised:-		
200,000,000 ordinary shares of RM0.50 each	<u>100,000,000</u>	<u>100,000,000</u>
Issued and fully paid-up:-		
90,000,000 ordinary shares of RM0.50 each	<u>45,000,000</u>	<u>45,000,000</u>

### 16. Revenue

	The Group		The Company	
	2015	2014	2015	2014
	RM	RM	RM	RM
Sale of goods	166,850,084	149,111,377	0	0
Dividend income	<u>0</u>	<u>0</u>	<u>500,000</u>	<u>0</u>
	<u>166,850,084</u>	<u>149,111,377</u>	<u>500,000</u>	<u>0</u>

### 17. (Loss)/Profit Before Tax

	The Group		The Company	
	2015	2014	2015	2014
	RM	RM	RM	RM
(Loss)/Profit before tax is arrived at after charging:-				
Auditors' remuneration:-				
- Current year	75,000	70,000	17,000	15,000
- Prior year	7,000	3,000	2,000	3,000
Depreciation	4,301,161	4,182,951	0	0
Directors' remuneration:-				
- Fees	144,000	144,000	144,000	144,000
- Other emoluments	848,631	848,643	17,500	17,500
Fee expense for financial instruments not at fair value through profit or loss	174,708	159,092	81	72



# NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year ended 31 MAY 2015 (Cont'd)



## 17. (Loss)/Profit Before Tax (Cont'd)

	The Group		The Company	
	2015	2014	2015	2014
	RM	RM	RM	RM
Impairment loss on loans and receivables:-				
- Subsidiary	0	0	584,557	0
- Other related party	0	178,409	0	0
- Unrelated parties	677,293	49,100	0	0
Impairment loss on property, plant and equipment *	466,666	0	0	0
Interest expense for financial liabilities not at fair value through profit or loss	3,294,514	2,933,607	0	0
Loss on financial instruments at fair value through profit or loss (classified as held for trading)	0	22,118	0	0
Property, plant and equipment written off	950	200,075	0	0
Realised loss on foreign exchange	104,542	136,836	0	0
Rental of equipment	269,975	163,973	0	0
Rental of premises	372,612	263,119	0	0
and crediting:-				
Dividend income from subsidiaries	0	0	500,000	0
Gain on disposal of property, plant and equipment	387	96,291	0	0
Gain on fair value adjustment of investment properties	670,000	400,000	0	0
Gain on financial instruments at fair value through profit or loss (classified as held for trading)	47,386	0	0	0
Interest income for financial assets not at fair value through profit or loss	201,949	257,149	166	397
Revaluation increase of properties	358,892	0	0	0
Reversal of allowance for slow moving inventories	50,223	44,768	0	0
Reversal of impairment loss on loans and receivables	544,197	0	0	0

\* Included in administrative and general expenses



## NOTES TO THE FINANCIAL STATEMENTS

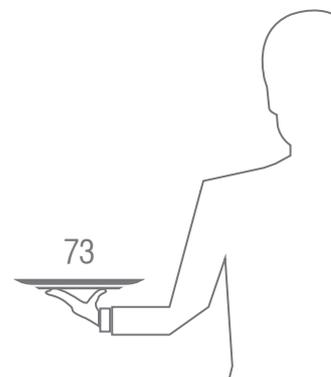
for the Financial Year ended 31 MAY 2015 (*Cont'd*)

### 18. Employee Benefits Expense

	The Group		The Company	
	2015	2014	2015	2014
	RM	RM	RM	RM
Short-term employee benefits	10,667,964	10,112,730	161,500	161,500
Defined contribution plan	890,633	737,519	0	0
	<b>11,558,597</b>	<b>10,850,249</b>	<b>161,500</b>	<b>161,500</b>

### 19. Tax (Income)/Expense

	The Group		The Company	
	2015	2014	2015	2014
	RM	RM	RM	RM
Tax based on results for the year:-				
- Malaysian income tax	10,000	272,000	0	0
- Deferred tax	(188,932)	72,000	0	0
	<b>(178,932)</b>	<b>344,000</b>	<b>0</b>	<b>0</b>
Tax (over)/under provided in prior years:-				
- Malaysian income tax	(34,574)	1,230	0	43
- Deferred tax	69,000	(72,000)	0	0
	<b>(144,506)</b>	<b>273,230</b>	<b>0</b>	<b>43</b>



# NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year ended 31 MAY 2015 (Cont'd)



## 19. Tax (Income)/Expense (Cont'd)

The numerical reconciliation between the applicable tax rate, which is the statutory income tax rate, and the average effective tax rate on results for the year is as follows:-

	The Group		The Company	
	2015	2014	2015	2014
	%	%	%	%
Applicable tax rate	<b>(25.00)</b>	25.00	<b>(25.00)</b>	(25.00)
Non-deductible expenses	<b>19.49</b>	38.41	<b>58.02</b>	25.00
Non-taxable income	<b>(6.15)</b>	(0.93)	<b>(33.02)</b>	0.00
Reinvestment allowances claimed	<b>(1.03)</b>	(37.15)	<b>0.00</b>	0.00
Effect of differential tax rates	<b>0.00</b>	(7.82)	<b>0.00</b>	0.00
Increase in unrecognised deferred tax assets	<b>4.48</b>	16.11	<b>0.00</b>	0.00
Average effective tax rate	<b>(8.21)</b>	33.62	<b>0.00</b>	0.00

## 20. (Loss)/Earnings Per Share

The Group

The basic (loss)/earnings per share is calculated by dividing the Group's (loss)/profit for the financial year by the weighted average number of ordinary shares in issue during the financial year as follows:-

	2015	2014
(Loss)/Profit for the financial year (RM)	<b>(2,034,112)</b>	749,933
Weighted average number of shares in issue	<b>90,000,000</b>	90,000,000
Basic (loss)/earnings per share (sen)	<b>(2.26)</b>	0.83

The diluted (loss)/earnings per share equals the basic (loss)/earnings per share as the Company did not have any dilutive potential ordinary shares during the financial year.



## NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year ended 31 MAY 2015 (Cont'd)

### 21. Note to Consolidated Statement of Cash Flows

The Group

#### Purchase of Property, Plant and Equipment

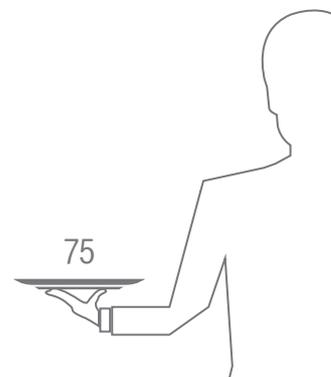
	2015	2014
	RM	RM
Cost of property, plant and equipment purchased	8,041,454	3,941,631
Amount financed through hire purchase	<b>(663,007)</b>	(1,983,655)
Net cash disbursed	<b>7,378,447</b>	1,957,976

### 22. Related Party Disclosures

Significant transactions with related parties during the financial year are as follows:-

	The Group		The Company	
	2015	2014	2015	2014
	RM	RM	RM	RM
Key management personnel compensation:-				
- Short-term employee benefits	<b>905,041</b>	905,041	<b>161,500</b>	161,500
- Defined contribution plan	<b>87,590</b>	87,602	<b>0</b>	0
	<b>992,631</b>	992,643	<b>161,500</b>	161,500
Dividends declared from subsidiaries	<b>0</b>	0	<b>500,000</b>	0
Commission charged by other related party *	<b>0</b>	370,454	<b>0</b>	0
Purchase of goods from other related party *	<b>0</b>	46,914	<b>0</b>	0
Sale of goods to other related party *	<b>0</b>	1,129,800	<b>0</b>	0

\* Being a company in which a close family member of certain directors has a substantial financial interest



# NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year ended 31 MAY 2015 (Cont'd)



## 23. Segment Reporting

The Group

### Operating Segments

For management purposes, the Group is organised into business units based on their products and services and has the following reportable operating segments:-

- (i) Manufacture and sale of food products
- (ii) Property development

No operating segments have been aggregated to form the above reportable segments.

The accounting policies and measurement bases of the segment items reported are the same as those disclosed in Note 2.

	Manufacture and sale of food products RM	Property development RM	Total RM
<u>2015</u>			
Segment assets	110,404,767	9,091,114	119,495,881
Additions to non-current assets	8,041,454	0	8,041,454
Segment liabilities	65,667,122	4,246,562	69,913,684
Segment loss	(1,641,528)	(392,584)	(2,034,112)
Included in the measure of segment loss are:-			
- External revenue	166,850,084	0	166,850,084
- Interest income	201,949	0	201,949
- Gain on fair value adjustment of investment properties	670,000	0	670,000
- Revaluation increase of properties	358,892	0	358,892
- Reversal of allowance for slow moving inventories	50,223	0	50,223
- Reversal of impairment loss on loans and receivables	544,197	0	544,197
- Other non-cash income	300	0	300
- Interest expense	2,950,588	343,926	3,294,514
- Depreciation	4,301,161	0	4,301,161
- Impairment loss on loans and receivables	677,293	0	677,293
- Impairment loss on property, plant and equipment	466,666	0	466,666
- Property, plant and equipment written off	950	0	950
- Tax income	144,506	0	144,506



## NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year ended 31 MAY 2015 (Cont'd)

### 23. Segment Reporting (Cont'd)

#### Operating Segments (Cont'd)

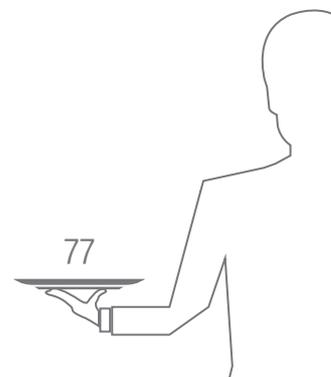
	Manufacture and sale of food products  RM	Property development  RM	Total  RM
<u>2014</u>			
Segment assets	102,937,254	11,431,794	114,369,048
Additions to non-current assets	3,941,631	0	3,941,631
Segment liabilities	60,253,877	4,634,658	64,888,535
Segment profit/(loss)	1,255,552	(505,619)	749,933
Included in the measure of segment profit/(loss) are:-			
- External revenue	149,111,377	0	149,111,377
- Interest income	257,149	0	257,149
- Gain on fair value adjustment of investment properties	400,000	0	400,000
- Reversal of allowance for slow moving inventories	44,768	0	44,768
- Interest expense	2,605,105	328,502	2,933,607
- Depreciation	4,182,951	0	4,182,951
- Impairment loss on loans and receivables	227,509	0	227,509
- Property, plant and equipment written off	200,075	0	200,075
- Other non-cash expenses	48,930	0	48,930
- Tax expense	273,230	0	273,230

#### Geographical Information

Information about geographical areas has not been reported separately as the Group operates and generates revenue principally within Malaysia.

#### Major Customers

The Group does not have any major customer that contributed 10% or more of its total revenue.



# NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year ended 31 MAY 2015 (Cont'd)



## 24. Commitment for Purchase of Property, Plant and Equipment

The Group

	2015	2014
	RM	RM
Contracted but not provided for	<u>4,749,000</u>	<u>658,000</u>

## 25. Contingent Liabilities - Unsecured

The Group

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").

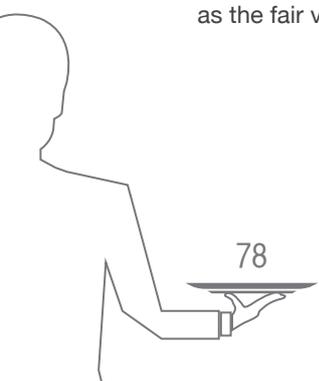
PSSB has engaged consultant and legal adviser ("Professional Team") to appeal for the claims. In relation to Claim 1, the Professional Team is in the process of discussing with the Director General of Customs why the claim is premature and to seek cancellation of the said claim for the sales tax and 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 their said claim for the sales tax and penalty. In relation to Claim 2, the matter has been brought to the Customs Appeal Tribunal against the decision of the Director of General of Customs over the claims. The Customs Appeal Tribunal has fixed 15 September 2015 as the next mention date for the hearing of the dispute over the said claim by the Customs Department. 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 Company

The Company has entered into financial guarantee contracts to provide financial guarantees to financial institutions for credit facilities granted to certain subsidiaries up to a total limit of approximately RM56,416,000 (2014 : RM61,690,000). The total utilisation of these credit facilities as at 31 May 2015 amounted to approximately RM38,768,000 (2014 : RM34,882,000).

The aforementioned financial guarantee contracts should have been recognised in the statement of financial position in accordance with the recognition and measurement policies as stated in Note 2.11. After considering that the probability of the subsidiaries defaulting on the credit lines is remote, the financial guarantee contracts have not been recognised as the fair values on initial recognition are not expected to be material.





## NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year ended 31 MAY 2015 (*Cont'd*)

### 26. Financial Risk Management

The activities of the Group expose it to certain financial risks, including credit risk, liquidity risk, currency risk and interest rate risk. The overall financial risk management objective of the Group is to ensure that adequate financial resources are available for business development whilst minimising the potential adverse impacts of financial risks on its financial position, performance and cash flows.

The aforementioned financial risk management objective and its related policies and processes explained below have remained unchanged from the previous financial year.

#### Credit Risk

The Group's exposure to credit risk arises mainly from receivables, derivative financial assets and deposits placed with financial institutions. The maximum credit risk exposure of these financial assets is best represented by their respective carrying amounts in the statement of financial position. The Company is also exposed to credit risk in respect of its financial guarantees provided for credit facilities granted to certain subsidiaries. The maximum credit risk exposure of these financial guarantees is the total utilisation of the credit facilities granted as disclosed in Note 25.

As the Group only deals with reputable financial institutions, the credit risk associated with derivative financial assets and deposits placed with them is minimal. The Group manages its credit risk exposure of receivables by assessing counterparties' financial standings on an ongoing basis, setting and monitoring counterparties' limits and credit terms.

#### Liquidity Risk

The Group's exposure to liquidity risk relates to its ability to meet obligations associated with financial liabilities as and when they fall due. The remaining contractual maturities of financial liabilities are disclosed in their respective notes.

The Group practises prudent liquidity risk management to minimise the mismatch of financial assets and liabilities whilst maintaining sufficient cash and the availability of funding through standby credit facilities.

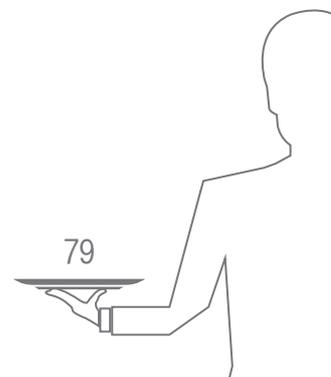
#### Currency Risk

The Group's exposure to currency risk arises mainly from transactions entered into in currencies other than its functional currency, i.e. Ringgit Malaysia ("RM"). The major foreign currency transacted is US Dollar ("USD").

The Group observes the movements in exchange rates and acts accordingly to minimise its exposure to currency risk. Where necessary, the Group enters into derivative contracts to hedge the exposure.

Based on a symmetric basis which uses the foreign currency as a stable denominator, the following table demonstrates the sensitivity of profit or loss to changes in exchange rates that were reasonably possible at the end of the reporting period, with all other variables held constant:-

	The Group	
	(Increase)/ Decrease in Loss	Increase/ (Decrease) in Profit
	2015	2014
	RM	RM
Appreciation of USD against RM by 10%	(734,669)	(130,904)
Depreciation of USD against RM by 10%	<u>734,669</u>	<u>130,904</u>



# NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year ended 31 MAY 2015 (Cont'd)



## 26. Financial Risk Management (Cont'd)

### Interest Rate Risk

The Group's exposure to interest rate risk arises mainly from interest-bearing financial instruments, namely term deposits and loans and borrowings.

The Group observes the movements in interest rates and always strives to obtain the most favourable rates available for new financing or during repricing. It is also the Group's policy to maintain a mix of fixed and floating rate financial instruments.

As the Group does not account for its fixed rate financial instruments at fair value through profit or loss or as available-for-sale, any change in interest rates at the end of the reporting period would not affect its profit or loss or other comprehensive income. For floating rate financial instruments stated at amortised cost, the following table demonstrates the sensitivity of profit or loss to changes in interest rates that were reasonably possible at the end of the reporting period, with all other variables held constant:-

	The Group	
	(Increase)/ Decrease in Loss	Increase/ (Decrease) in Profit
	2015	2014
	RM	RM
Increase in interest rates by 50 basis points	(78,486)	(78,213)
Decrease in interest rates by 50 basis points	<u>78,486</u>	<u>78,213</u>

## 27. Capital Management

The overall capital management objective of the Group is to safeguard its ability to continue as a going concern so as to provide fair returns to owners and benefits to other stakeholders. In order to meet this objective, the Group always strives to maintain an optimal capital structure to reduce the cost of capital and sustain its business development.

The Group considers its total equity and total loans and borrowings to be the key components of its capital structure and may, from time to time, adjust the dividend payouts, purchase own shares, issue new shares, sell assets, raise or redeem debts, where necessary, to maintain an optimal capital structure. The Group monitors capital using a debt-to-equity ratio, which is calculated as total loans and borrowings divided by total equity as follows:-

	The Group	
	2015	2014
	RM	RM
Total loans and borrowings	51,372,995	52,187,816
Total equity	<u>49,582,197</u>	<u>49,480,513</u>
Total capital	<u>100,955,192</u>	<u>101,668,329</u>
Debt-to-equity ratio	<u>104%</u>	<u>105%</u>

The aforementioned capital management objective, policies and processes have remained unchanged from the previous financial year.

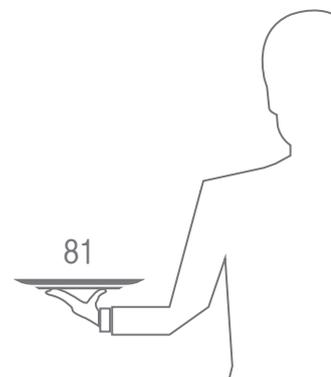


## SUPPLEMENTARY INFORMATION

- Realised and Unrealised Profits or Losses

	The Group		The Company	
	2015	2014	2015	2014
	RM	RM	RM	RM
Total retained profits/(accumulated losses) of the Company and its subsidiaries:-				
- Realised	<b>52,569,121</b>	56,067,663	<b>(501,510)</b>	(122,900)
- Unrealised	<b>(1,138,419)</b>	(1,951,651)	<b>0</b>	0
	<b>51,430,702</b>	54,116,012	<b>(501,510)</b>	(122,900)
Consolidation adjustments and eliminations	<b>(21,419,086)</b>	(22,070,284)	<b>0</b>	0
Total retained profits/(accumulated losses) as per statement of financial position	<b>30,011,616</b>	32,045,728	<b>(501,510)</b>	(122,900)

The above supplementary information is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1 *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.



# LIST OF PROPERTIES



No	Name of Registered Owner / Postal Address / Title Identification	Approx Age of Building/ Tenure / Date of Expiry of Lease	Description / Existing Use	Land Area / Build Up Area	Net Book Value as at 31 May 2015 RM'000	Year of Valuation
1	Perusahaan Saudee Sdn Bhd/ Plot 331, Jalan PKNK 3/7, Kawasan Perusahaan Sungai Petani Fasa 3, 08000 Sungai Petani, Kedah Darul Aman/ Title No. HSD 52055, Lot No. PT 30508, Town of Sungai Petani, District of Kuala Muda, State of Kedah	15 years/ Leasehold/ 2056	This property is an individually designed detached factory complex, comprising a double-storey detached factory cum office and guard house with toilet/ manufacturing activities	Approximately 30,351 square metres / Approximately 11,641 square metres	14,000	May 2015
2	Saudi Cold Storage Sdn Bhd/ Lot Nos. 3573, 3474, 3575, 3397, 3398, 3399 and 3572, Alor Setar, Kedah/ Title Nos. HSD 7759, 7761, 7762, 7441, 7442, 7443 and 7758 Town of Alor Setar, District of Kota Setar, State of Kedah	Not applicable/ Freehold	Vacant land	Approximately 9,666 square metres	3,870	May 2015
3	Sunwish Venture Sdn Bhd H.S (M) 9550, PT 2371, Kg Baru Sungai Buloh, Mukim Sungai Buluh, Daerah Petaling, Negeri Selangor	Not applicable/ Leasehold/ 2055	Land for Property development	Approximately 147,668 square feet	7,168	May 2012



### 1. Disclaimer Statement

Bursa Malaysia Securities Berhad (“Bursa Securities”) has not perused this Share Buy-Back Statement (“Statement”) prior to its issuance, takes no responsibility for the contents of the Statement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of the Statement.

### 2. Rationale for the Proposed Purchased by Saudee Group Berhad (“Saudee” or “the Company”) of its Own Ordinary Shares of RM0.50 each (“Shares”) Representing up to 10% of the Existing Issued and Paid-up Share Capital (“Proposed Share Buy-Back”)

The Proposed Share Buy-Back, if exercised, will enable the Company to utilize its financial resources not immediately required for use, to purchase its own Shares. The Proposed Share Buy-Back may enhance the Earnings per Share (“EPS”) which may have a positive impact on the market price of SAUDEE Shares. Other potential advantages of the Proposed Share Buy-Back to the Company and its shareholders are as follows:-

- (a) To allow the Company to take preventive measures against speculation particularly when SAUDEE Shares are undervalued which would in turn stabilize the market price of SAUDEE Shares and hence, enhance investors’ confidence;
- (b) To allow the Company flexibility in achieving the desired capital structure, in terms of the debt and equity composition, and the size of equity; and
- (c) The Purchased Shares may be held as treasury shares and distributed to shareholders as dividends and/or resold in the open market with the intention of realising a potential capital gain if the Purchased Shares are resold at price(s) higher than their purchase price(s).

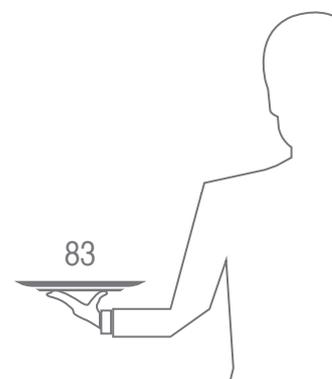
### 3. Retained Profits and Share Premium

Based on the audited financial statements of SAUDEE as at 31 May 2015, the Accumulated Losses and Share Premium of the Company stood at RM501,510 and RMNIL respectively. As at 22 October 2015, the Retained Profits and Share Premium of the Company is RM5,413,381 and RMNIL respectively.

### 4. Source of Funding

The Proposed Share Buy-Back will be financed from both internally generated funds and/or external borrowings so long as the buy-back is backed by an equivalent amount of retained profits or share premium. The Company has adequate resources to undertake the Proposed Share Buy-Back in view that the Company has net cash and cash equivalent balance of approximately RM42,005 based on the audited financial statements of SAUDEE as at 31 May 2015.

In the event borrowings are used for the purchase of SAUDEE Shares, the Board will ensure that the Company has the capability to repay the borrowings and that such repayment will not have a material effect on the Company’s cash flow. Any funds utilized by SAUDEE for the Proposed Share Buy-Back will consequentially reduce the resources available to SAUDEE for its operations by a corresponding amount for shares bought back.





## 5. Interests of Directors, Substantial Shareholders and Persons Connected to Them

Save for the inadvertent increase in the percentage shareholdings and/or voting rights of the shareholders in the Company as a consequence of the Proposed Share Buy-Back, none of the Directors and Substantial Shareholders of SAUDEE nor persons connected to them has any interest, direct or indirect, in the Proposed Share Buy-Back and, if any, the resale of the treasury shares.

Based on the Register of Directors and the Register of Substantial Shareholders of SAUDEE as at 21 September 2015 and assuming that SAUDEE implements the Proposed Share Buy-Back in full, the effects of the Proposed Share Buy-Back on the shareholdings of the Directors, Substantial Shareholders and Person Connected to Director of SAUDEE are as follows:-

	Existing <sup>(a)</sup>				After the Proposed Share Buy-Back <sup>(b)</sup>			
	← Direct →		← Indirect →		← Direct →		← Indirect →	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%

### Substantial Shareholders

Tan Khang Khim <sup>(1)</sup>	22,225,675	24.70	23,326,811*	25.92*	22,225,675	27.44	23,326,811*	28.80*
Wide Symbol Sdn. Bhd.	23,326,811	25.92	-	-	23,326,811	28.80	-	-

### Directors

Low Ai Choo <sup>(2)</sup>	391,510	0.44	-	-	391,510	0.48	-	-
Tan Leong Chuin	3,600,000	4.00	-	-	3,600,000	4.44	-	-
Sim Yee Fuan	10,000	0.01	-	-	10,000	0.01	-	-
Khoo Lay Tatt	-	-	-	-	-	-	-	-
Ustaz Abdul Hamid Bin Sulaiman	-	-	-	-	-	-	-	-

### Person Connected to Directors

Tan Khang Chang <sup>(3)</sup>	203,900	0.23	-	-	203,900	0.25	-	-
Tan Leong Chuin <sup>(4)</sup>	295,400	0.33	-	-	295,400	0.36	-	-

### Note:

\* Deemed interested by virtue of his substantial shareholdings in Wide Symbol Sdn. Bhd. pursuant to Section 6A of the Act.

<sup>(a)</sup> Based on the existing issued and paid up share capital of 90,000,000 Shares.

<sup>(b)</sup> Based on the issued and paid up share capital of 81,000,000 Shares after the Proposed Share Buy-Back.

<sup>(1)</sup> Also Executive Chairman of the Company.

<sup>(2)</sup> Executive Director of the Company and spouse of Mr. Tan Khang Khim.

<sup>(3)</sup> Brother of Mr. Tan Khang Khim and father of Mr. Tan Leong Chuin.

<sup>(4)</sup> Son of Mr. Tan Khang Khim and Mdm. Low Ai Choo.



### 6. Potential Advantages and Disadvantages of the Proposed Share Buy-Back

#### 6.1 Potential Advantages of the Proposed Share Buy-Back

The potential advantages of the Proposed Share-Buy Back are as set out in Section 2 of the Statement.

#### 6.2 Potential disadvantages of the Proposed Share Buy-Back

The potential disadvantages of the Proposed Share Buy-Back to the Company and its shareholders are as follows:-

- (a) The Proposed Share Buy-Back will reduce the financial resources of the Group and may result in the Group foregoing interest income and/or better investment opportunities that may emerge in the future; and
- (b) It would also result in the reduction of financial resources available for distribution to shareholders in the immediate future.

Nevertheless, the Board is of the view that the Proposed Share Buy-Back is not expected to have any potential material disadvantages to the shareholders of the Company as well as the Group as it will be implemented only after careful consideration of the financial resources of the Group and the resultant impact on the shareholders of the Company.

### 7. Material Financial Effects of the Proposed Share Buy-Back

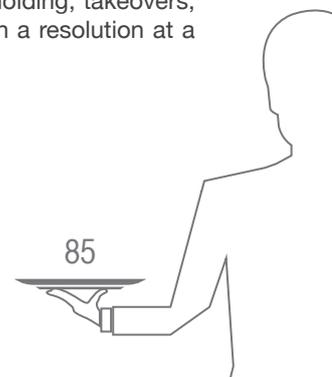
The material financial effects of the Proposed Share Buy-Back on the share capital, consolidated Net Tangible Assets (NTA), working capital, earnings, dividends and the substantial shareholders' shareholdings in SAUDEE are set out below:-

#### 7.1 Share Capital

As at 21 September 2015, the issued and paid-up capital of SAUDEE was RM45,000,000 comprising 90,000,000 Shares. Based on the assumption that the Proposed Share Buy-Back is implemented in full and all the Purchased Shares are cancelled, the effect on the share capital of the Company is illustrated as follows:-

	No. of Shares
Issued and paid-up share capital as at 21 September 2015	90,000,000
Less :	
Maximum number of SAUDEE Shares to be cancelled pursuant to the Proposed Share Buy-Back	(9,000,000)
Upon completion of the Proposed Share Buy-Back	<u>81,000,000</u>

The Proposed Share Buy-Back will not have any effect on the issued and paid-up share capital of the Company as Shares purchased are to be retained as treasury shares. However, while the Purchased Shares are held as treasury shares, Section 67A (3C) of the Companies Act, 1965 states that the rights attached to them as to voting, dividends and participation in other distributions or otherwise are suspended and the treasury shares shall not be taken into account in calculating the number or percentage of shares or of a class of shares for any purposes including without limiting the generality of this provision, the provisions of any law or requirements of the articles of association of the Company or the listing rules of a stock exchange on substantial shareholding, takeovers, notices, the requisitioning of meetings, the quorum for a meeting and the result of a vote on a resolution at a meeting.





## 7. Material Financial Effects of the Proposed Share Buy-Back (Cont'd)

### 7.2 NTA

The effects of the Proposed Share Buy-Back on the consolidated NTA of the Group would depend on the purchase price and number of Purchased Shares, the effective funding cost to SAUDEE to finance the Purchased Shares or any loss in interest income to SAUDEE.

The Proposed Share Buy-Back will reduce the consolidated NTA per Share at the time of purchase if the purchase price exceeds the consolidated NTA per Share and conversely will increase the consolidated NTA per Share at the time of purchase if the purchase price is less than the consolidated NTA per Share.

Should the Purchased Shares be resold, the consolidated NTA will increase if the Company realizes a capital gain from the resale, and vice-versa. However, the quantum of the increase in NTA will depend on the selling prices of the Purchased Shares and the number of Purchased Shares resold.

### 7.3 Working Capital

The Proposed Share Buy-Back is likely to reduce the working capital of the Group, the quantum of which would depend on the purchase price of the Purchased Shares, the number of Purchased Shares and any associated costs incurred in making the purchase.

### 7.4 Earnings

The effects of the Proposed Share Buy-Back on the earnings of the Group will depend on, inter alia, the purchase prices of the Shares, the number of Shares purchased, the effective funding cost to SAUDEE to finance the purchase of Shares or any loss in interest income to the Group and the proposed treatment of the Purchased Shares.

If the Purchased Shares are to be retained as treasury shares or cancelled subsequently, the number of Shares applied in the computation of the EPS will be reduced, and accordingly, all other things being equal, the Proposed Share Buy-Back will have a positive impact on the EPS of the Group.

In the event the Purchased Shares are resold subsequently, depending on the price at which the said Shares are resold, the Proposed Share Buy-Back may have a positive effect on the EPS of the Group if there is a gain on the disposal and vice-versa.

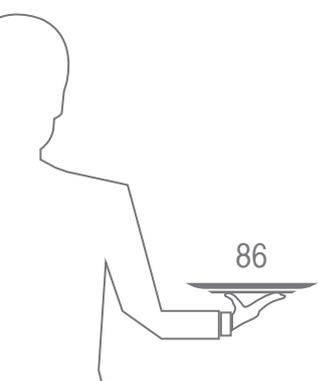
### 7.5 Dividends

Assuming the Proposed Share Buy-Back is implemented in full, dividends would be paid on the remaining issued and paid-up share capital of SAUDEE (excluding the Shares already purchased). The Proposed Share Buy-Back may have an impact on the Company's dividend policy for the financial year ending 31 May 2015 as it would reduce the cash available which may otherwise be used for dividend payments. Nonetheless, the treasury shares purchased may be distributed as dividends to shareholders of the Company, if the Company so decides.

Any dividends to be declared by SAUDEE in the future would depend on, inter-alia, the profitability and cash flow position of the Group.

### 7.6 Substantial Shareholders

Shares bought back by the Company under the Proposed Share Buy-Back that are retained as treasury shares will result in a proportionate increase in the percentage shareholdings of the Substantial Shareholders in the Company. Please refer to Section 5 of this Statement for further details.





### 8. Implications of the Proposed Share Buy-Back Relating to the Malaysian Code on Take-Overs and Mergers, 2010 (The "Code")

Pursuant to Paragraph 10.1 of Practice Note 9 of the Code, a mandatory offer obligation arises when:-

- (a) a person\* obtains controls in a company as a result of a buy back scheme by the company;
- (b) a person\* (holding more than 33% but not more than 50% of the voting shares or voting rights of a company), as a result of a buy back scheme by the company, increases his holding of the voting shares or voting rights of the company by more than 2% in any six-month period;
- (c) a person\* (holding more than 33% but not more than 50% of the voting shares or voting rights of a company) acquires more than 2% of the voting shares or voting rights of the company when he knows or reasonably ought to know that the company would carry out a buy back scheme.

*"a person" includes persons acting in concert.*

Pursuant to the Code, the affected Substantial Shareholder and/or the Group of Persons Acting in Concert may apply for a waiver from the obligation to make a mandatory offer from the Securities Commission under the Paragraph 24.1 of Practice Note 9 of the Code.

The Board is aware of the requirements of the Code and will be mindful of the requirements when making any purchase of SAUDEE Shares pursuant to the Proposed Share Buy-Back.

### 9. Purchases Made by the Company of its Own Shares in the Last Financial Year

There was no share buy-back by the Company during the financial year ended 31 May 2015.

### 10. Public Shareholding Spread

According to the Record of Depositors maintained by Bursa Malaysia Depository Sdn. Bhd. as at 21 September 2015, approximately 39,946,704 Shares representing 44.39% of the issued and paid-up share capital of the Company were held by the public shareholders. In this regard, the Board undertakes to purchase Shares only to the extent that the public shareholding spread of SAUDEE shall not fall below 25% of the issued and paid-up share capital of the Company (excluding treasury shares) at all times pursuant to the Proposed Share Buy-Back, in accordance with Para 8.02(1) and 12.14 of the Bursa Securities Main LR.

### 11. Directors' Statement

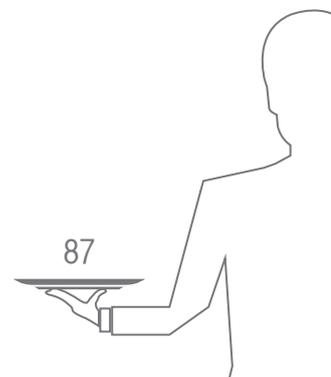
After taking into consideration all relevant factors, the Board is of the opinion that the Proposed Share Buy-Back described above is in the best interest of the Company.

### 12. Directors' Recommendation

The Board recommends that you vote in favour of the ordinary resolution to be tabled at the forthcoming Seventh Annual General Meeting to give effect to the Proposed Share Buy-Back.

### 13. Further Information

There is no other information concerning the Proposed Share Buy-Back as shareholders and other professional advisers would reasonably require and expect to find in the Statement for the purpose of making informed assessment as to the merits of approving the Proposed Share Buy-Back and the extent of the risks involved in doing so.



## ANALYSIS OF SHAREHOLDINGS



### Share Capital as at 21 September 2015

Authorized	: RM100,000,000.00
Issued and Fully paid-up	: RM45,000,000.00
Class of Share	: Ordinary Shares of RM0.50 each with equal voting rights
Number of Shareholders	: 933

### Distribution of Shareholders as at 21 September 2015

Holdings	No. of Holders	Total Holdings	%
1 – 99	4	198	0.00
100 – 1,000	293	134,504	0.15
1,001 – 10,000	332	1,863,900	2.07
10,001 – 100,000	249	9,104,602	10.12
100,001 – 4,499,999	53	41,534,310	46.15
4,500,000 and above	2	37,362,486	41.51
<b>Total</b>	<b>933</b>	<b>90,000,000</b>	<b>100.00</b>

### Thirty Largest Securities Account Holders as at 21 September 2015

Name	Shareholdings	%
1. Wide Symbol Sdn. Bhd.	23,326,811	25.92
2. Tan Khang Khim	14,035,675	15.60
3. Amsec Nominees (Tempatan) Sdn. Bhd. Qualifier: Pledged Securities Account for Tan Khang Khim	4,000,000	4.44
4. Tan Leong Chuin	3,600,000	4.00
5. Santira Kesu A/L Rengasamy	3,476,100	3.86
6. Mohan A/L Ganeson	3,263,500	3.63
7. Low Hung Meng	2,599,500	2.89
8. Alliancegroup Nominees (Tempatan) Sdn. Bhd. Qualifier: Pledged Securities Account for Tan Khang Khim (7000161)	2,234,000	2.48
9. Lim Choon Beng	2,178,900	2.42
10. Sin Boon Meng	1,901,000	2.11
11. Amsec Nominees (Tempatan) Sdn. Bhd. Qualifier: Pledged Securities Account - Ambank (M) Berhad for Low Hung Meng (Smart)	1,835,400	2.04
12. Cimsec Nominees (Tempatan) Sdn. Bhd. Qualifier: CIMB Bank for Tan Khang Khim (MY2259)	1,800,000	2.00
13. Tasec Nominees (Tempatan) Sdn. Bhd. Qualifier: Ta Capital Sdn. Bhd. for Inspirasi Perkasa Sdn. Bhd	1,750,000	1.94
14. Amsec Nominees (Tempatan) Sdn. Bhd. Qualifier: Pledged Securities Account - Ambank (M) Berhad for Sin Boon Meng (Smart)	1,524,000	1.69
15. Maybank Nominees (Tempatan) Sdn. Bhd. Qualifier: Pledged Securities Account for Yoong Fui Kien	1,313,000	1.46
16. Goh Siang Giang	900,000	1.00
17. Heng Choo Hong	691,900	0.77



### Thirty Largest Securities Account Holders as at 21 September 2015 (Cont'd)

Name	Shareholdings	%
18. RHB Nominees (Tempatan) Sdn. Bhd. Qualifier: Pledged Securities Account for Lee Geik Choo	650,000	0.72
19. Wong Mei Chan	500,000	0.56
20. Neo Chee Chong	475,000	0.53
21. Low Ai Choo	391,510	0.44
22. Cimsec Nominees (Tempatan) Sdn. Bhd. Qualifier: CIMB Bank for Yeoh Thiam Ghee (MM0789)	350,000	0.39
23. Ong Chin Poon	300,000	0.33
24. Tan Leong Chin	295,400	0.33
25. Cheah Lam Mooi	295,000	0.33
26. Maybank Securities Nominees (Tempatan) Sdn. Bhd. Qualifier: Pledged Securities Account for Looi Choon Khit (Margin)	285,000	0.32
27. Loh Koon Hong	250,000	0.28
28. Sim Mui Khee	237,900	0.26
29. Lim Ying Na	234,400	0.26
30. Norazman Bin Ahmad	229,000	0.25

### Substantial Shareholders as at 21 September 2015

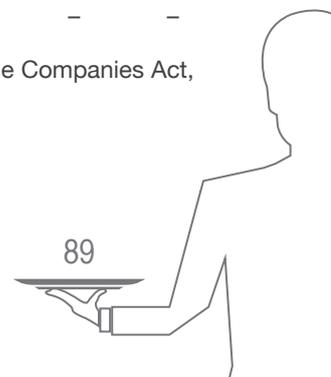
Name	Direct		Indirect	
	No. of shares held	%	No. of shares held	%
1. Wide Symbol Sdn. Bhd. (WSSB)	23,326,811	25.92	–	–
2. Tan Khang Khim	22,225,675	24.70	23,326,811*	25.92*

\* Deemed interested by virtue of his substantial shareholdings in WSSB pursuant to Section 6A of the Companies Act, 1965.

### Directors' Shareholdings as at 21 September 2015

Name	Direct		Indirect	
	No. of shares held	%	No. of shares held	%
1. Tan Khang Khim	22,225,675	24.70	23,326,811*	25.92*
2. Tan Leong Chuin	3,600,000	4.00	–	–
3. Low Ai Choo	391,510	0.44	–	–
4. Sim Yee Fuan	10,000	0.01	–	–
5. Khoo Lay Tatt	–	–	–	–
6. Ustaz Abdul Hamid Bin Sulaiman	–	–	–	–

\* Deemed interested by virtue of his substantial shareholdings in WSSB pursuant to Section 6A of the Companies Act, 1965.



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No. of ordinary shares held

I/We \_\_\_\_\_  
(\*NRIC No./Company No. \_\_\_\_\_) of \_\_\_\_\_

being a \*Member/Members of SAUDEE GROUP BERHAD hereby appoint (Proxy 1) \_\_\_\_\_  
(\*NRIC No./Passport No. \_\_\_\_\_) of \_\_\_\_\_  
\_\_\_\_\_ and\*/ or failing him\* (Proxy 2) \_\_\_\_\_  
(\*NRIC No./Passport No. \_\_\_\_\_) of \_\_\_\_\_

and\*/or failing him\*, the Chairman of the Meeting as my/our proxy to vote for me/us and on my/our behalf at the Seventh Annual General Meeting of the Company to be held at Helang Hall, Cinta Sayang Resort, Persiaran Cinta Sayang, 08000 Sungai Petani, Kedah on Monday, 30 November 2015 at 9.00 a.m. and, at every adjournment thereof to vote as indicated below:-

The proportions of my/our holdings to be represented by our proxy(ies) are as follows:-

Proxy 1 - \_\_\_\_\_ % In case of a vote by show of hands, Proxy 1\*/Proxy 2\* shall vote on our behalf.  
Proxy 2 - \_\_\_\_\_ %  
100%

\* Strike out whichever is inapplicable

(Please indicate with an "X" in the space provided below on how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting at his discretion)

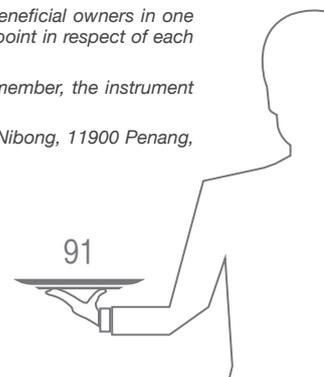
RESOLUTIONS	FOR	AGAINST
1. To approve the payment of the Directors' Fee of an amount up to RM144,000/- for the financial year ending 31 May 2016.		
To re-elect the following Directors retiring under Article 97(1) of the Articles of Association of the Company, and who, being eligible offer themselves for re-election:-		
2. Tan Khang Khim		
3. Sim Yee Fuan		
4. To re-appoint Messrs. Crowe Horwath as Auditors of the Company for the ensuing year and to authorize the Directors to fix their remuneration.		
To pass the following resolution as Special Business:- <b>Ordinary Resolutions</b>		
5. Authority to Issue Shares pursuant to Section 132D of the Companies Act, 1965.		
6. To approve the resolution pursuant to Renewal of Authority to Purchase its own Shares		

Signature of Shareholder(s) .....

Signed this ..... day of....., 2015.

**Notes:**

- For the purpose of determining a member who shall be entitled to attend and vote at the AGM, the Company shall be requesting the Record of Depositors as at 20 November 2015. Only a depositor whose name appears on the Record of Depositors as at 20 November 2015 shall be entitled to attend, speak and vote at the said meeting as well as for appointment of proxy(ies) to attend and vote on his/her stead.
- A Member of the Company entitled to attend and vote is entitled to appoint up to two (2) proxies to attend, speak and vote in his place. A proxy may but need not be a Member and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. If a Member appoints two (2) proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
- Where a member of the company is an exempt authorised nominee which holds ordinary shares in the company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- The instrument appointing the proxy shall be in writing, executed by or on behalf of the appointor. In the case of a corporate member, the instrument appointing a proxy must be either under its common seal or under the hand of its officer or attorney duly authorised.
- The instrument appointing a proxy must be deposited at the Registered Office, 57-G Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Penang, Malaysia at least 48 hours before the time for holding the Meeting or any adjournments thereof.



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AFFIX  
STAMP

THE COMPANY SECRETARIES  
**SAUDEE GROUP BERHAD**  
57-G Persiaran Bayan Indah  
Bayan Bay, Sungai Nibong  
11900 Penang

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**SAUDEE GROUP BERHAD** (838172-P)  
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Fasa III, 08000 Sungai Petani  
Kedah Darul Aman, Malaysia  
T : 604 442 6800 F : 604 442 6801