



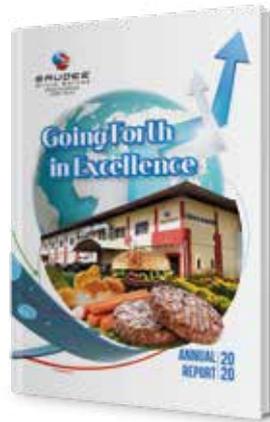
**SAUDEE**  
Group Berhad  
200801036832  
(838172-P)

# Going Forth in Excellence



**ANNUAL | 20**  
**REPORT | 20**

# COVER RATIONALE



## Going Forth in Excellence

A rising globe flanks the Group's manufacturing plant to express its global ambitions, starting from creating a world-class supply chain. Upward arrows express the Group's growth as it takes the lead in shaping the gourmet food product and progressive frozen food industry, while continually adding value to stakeholders and employees, while green leaves convey the corporate sustainability focus of the Group within its business operations.

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# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Twelfth Annual General Meeting of Saudee Group Berhad will be held at the Mahkota 4 Hall, The Jerai Hotel Sungai Petani, 427 Jalan Kolam Air, 08000 Sungai Petani, Kedah on Monday, 21 December 2020 at 9.00 a.m. for the following purposes :-

## AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements of the Company for the financial year ended 31 July 2020 together with the Reports of the Directors and Auditors thereon. (Please refer to Note 1)
2. To consider and, if thought fit, to pass with or without modifications the following resolutions as Ordinary Resolutions :-
  - (a) "THAT Ms. Koay San San, who retires pursuant to Clause 102(1) and (2) of the Company's Constitution, be and is hereby re-elected as a Director of the Company." Ordinary Resolution 1
  - (b) "THAT Mr. Mak Siew Wei, who retires pursuant to Clause 107(2) of the Company's Constitution, be and is hereby re-elected as a Director of the Company." Ordinary Resolution 2
  - (c) "THAT Datuk Chong Loong Men, who retires pursuant to Clause 107(2) of the Company's Constitution, be and is hereby re-elected as a Director of the Company." Ordinary Resolution 3
  - (d) "THAT Mr. Chen Chee Peng, who retires pursuant to Clause 107(2) of the Company's Constitution, be and is hereby re-elected as a Director of the Company." Ordinary Resolution 4
3. To re-appoint Messrs Grant Thornton as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. Ordinary Resolution 5

## AS SPECIAL BUSINESS

To consider and, if thought fit, to pass with or without modifications the following resolutions as Ordinary Resolutions:-

4. To approve the payment of Directors' fees of not exceeding RM250,000.00 (FY2020:RM250,000.00) to Directors of the Company for the financial year ending 31 July 2021. Ordinary Resolution 6
5. To approve the payment of benefits of not exceeding RM36,000 to the Directors of the Company from 22 December 2020 until the next Annual General Meeting of the Company. Ordinary Resolution 7
6. **Continuation in Office as an Independent Non-Executive Director**
  - (a) "THAT authority be and is hereby given to Mr. Sim Yee Fuan who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years to continue to act as an Independent Non-Executive Director of the Company". Ordinary Resolution 8
7. **Proposed power to issue shares pursuant to Sections 75 and 76 of the Companies Act 2016**
  - (b) "THAT subject always to the Companies Act 2016 ("Act"), the Constitution of the Company and approvals of the relevant regulatory authorities, where such approval is necessary, the Directors be and are hereby empowered, pursuant to Sections 75 and 76 of the Act, to issue and allot shares in the Company from time to time at such price, upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares to be issued pursuant to this Resolution does not exceed 20% of the total number of issued shares of the Company for the time being and that the Directors be and are also empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company or the expiration of the period within which the next Annual General Meeting is required by law to be held or revoked/varied by resolution passed by the shareholders in general meeting whichever is the earlier." Ordinary Resolution 9

# NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

## 8. Proposed Renewal of Authority to purchase its own shares

- (c) "THAT subject always to the Companies Act 2016, the provisions of the Company's Constitution, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and any other applicable laws, rules, regulations and guidelines for the time being in force, the Directors of the Company be and are hereby authorised to make purchase(s) of such amount of ordinary shares in the Company through Bursa Securities subject to the following:
- (i) The aggregate of the shares which may be purchased and/or held by the Company shall not exceed 10% of the total number of issued shares of the Company ("Shares");
  - (ii) The maximum fund to be allocated by the Company for the purpose of purchasing the Shares shall not exceed the total available retained profits of the Company based on its latest audited financial statements available up to the date of the transaction;
  - (iii) The authority conferred by this resolution will commence immediately upon passing of this ordinary resolution and will continue to be in force until:
    - (a) the conclusion of the next annual general meeting of the Company following the general meeting at which such resolution was passed at which time it shall lapse unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions; or
    - (b) the expiration of the period within which the next annual general meeting of the Company after that date is required by law to be held; or
    - (c) revoked or varied by ordinary resolution passed by the shareholders of the Company in general meeting,

whichever occurs first, but not so as to prejudice the completion of purchase(s) by the Company before the aforesaid expiry date and in any event, in accordance with the provisions of the Main Market Listing Requirements of Bursa Securities or any other relevant authority; and

- (iv) upon completion of the purchase(s) of the Shares by the Company, the Directors of the Company be and are hereby authorised to deal with the Shares in the following manner:
- (a) cancel the Shares so purchased; or
  - (b) retain the Shares so purchased as treasury shares; or
  - (c) retain part of the Shares so purchased as treasury shares and cancel the remainder; or
  - (d) distribute the treasury shares as share dividends to shareholders; or
  - (e) resell the treasury shares on Bursa Securities; or
  - (f) transfer the treasury shares, or any of the shares for the purposes of or under an employees' share scheme; or transfer the treasury shares, or any of the shares as purchase consideration; or

in any other manner as prescribed by the Act, rules, regulations and guidelines pursuant to the Act and the requirements of Bursa Securities and any other relevant authority for the time being in force;

AND THAT the Directors of the Company be and are hereby authorized to take all steps as are necessary or expedient to implement or to effect the purchase(s) of the Shares with full power to assent to any condition, modification, variation and/or amendment as may be imposed by the relevant authorities and to take all such steps as they may deem necessary or expedient in order to implement, finalise and give full effect in relation thereto."

Ordinary  
Resolution 10

# NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

## 9. **Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature**

"That subject to the provisions of the Constitution of the Company and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its subsidiaries to enter into and to give effect to the recurrent related party transactions of a revenue or trading nature with the related parties as stated in Section 2.4 of the Circular to Shareholders dated 20 November 2020 ("Circular") provided that such transactions are undertaken in the ordinary course of business, on arm's length basis, on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the Company's minority shareholders.

(the "Proposed Shareholders' Mandate").

That such approval shall continue to be in force until:-

- (i) the conclusion of the next annual general meeting of the Company at which time it will lapse, unless the authority is renewed by a resolution passed at the next annual general meeting; or
- (ii) the expiration of the period within which the next annual general meeting of the Company after the date it is required to be held pursuant to Section 340(2) of the Companies Act, 2016 (but will not extend to such extension as may be allowed pursuant to Section 340(2) of the Act); or
- (iii) revoked or varied by resolution passed by the shareholders in general meeting;

whichever is the earlier

And that, the Directors of the Company be authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Proposed Shareholders' Mandate."

Ordinary Resolution 11

## 10. To transact any other business for which due notice shall have been given in accordance with the Company's Constitution and the Companies Act 2016.

By order of the Board

Lim Kim Teck  
(MAICSA 7010844)  
SSM PC No. 202008002059

Adeline Tang Koon Ling  
(LS 0009611)  
SSM PC No. 202008002271

Secretaries

Penang  
Date : 20 November 2020

## NOTES

### 1. **Audited Financial Statements for the financial year ended 31 July 2020**

The audited financial statements are laid in accordance with Section 340(1)(a) of the Companies Act 2016 for discussion only under Agenda 1. They do not require shareholders' approval and hence, will not be put for voting.

# NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

## NOTES (Cont'd)

### 2. Appointment of Proxy

1. A proxy may but need not be a member of the Company. There is no restriction as to the qualification of the proxy.
2. A member shall be entitled to appoint up to two (2) proxies to attend and vote at the same meeting.
3. Where a member appoints more than one (1) proxy, the appointments shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.
4. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorized in writing or, if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorized.
5. Where a Member of the Company is an authorised nominee as defined under the Central Depositories Act, it may appoint at least one (1) proxy in respect of each security account it holds with ordinary shares of the Company standing to the credit of the said securities account.
6. Where a Member of the Company is an exempt authorized nominee as defined under the Central Depositories Act, 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.
7. The instrument appointing a proxy must be deposited at Share Registrar's Office at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or submitted by electronic means through TIH online at <https://tiah.online> not less than twenty four (24) hours before the time appointed for holding the meeting or any adjournment thereof.

### 3. General Meeting Record of Depositors

Only a depositor whose name appears on the Record of Depositors of the Company as at 14 December 2020 shall be entitled to attend the Twelfth Annual General Meeting or appoint proxies to attend, speak and/or vote on his/her behalf.

### 4. Ordinary Resolution No. 6 – Proposed payment of Directors' fees

The proposed Ordinary Resolution 6 is to facilitate the payment of Directors fees on current year basis. In the event, the Directors' fees proposed is insufficient, the Board will seek the approval from the shareholders at the next Annual General Meeting for additional fees to meet the shortfall.

### 5. Ordinary Resolution No. 7 – Proposed payment of Directors' benefits (excluding Directors' fees)

The Directors' benefits (excluding Directors' fees) comprises the allowances and other benefits. The total estimated amount of Directors' benefits payable is calculated based on the number of scheduled Board and Board Committees meetings for the period from 22 December 2020 until the next Annual General Meeting. This authority, unless revoked or varied by the Company in a general meeting will expire at the conclusion of the next Annual General Meeting of the Company.

### 6. Ordinary Resolution No. 8 – Continuation in Office as an Independent Non-Executive Director

Pursuant to the Malaysian Code on Corporate Governance 2017, the Board is making a recommendation and will seek shareholders' approval to retain Sim Yee Fuan who has served as Independent Non-Executive Director of the Company for a cumulative terms of more than nine (9) years, as an Independent Non-Executive Director of the Company.

Sim Yee Fuan has met the independence guidelines as set out in Chapter 1 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements.

The Board is of the view that Sim Yee Fuan has performed his duties diligently and provided independent views in participating in deliberations and decision making of the Board and Board Committees. The length of his service on the Board does not in any way interfere with his duties as an Independent Non-Executive Director of the Company.

The Board believes that with Sim Yee Fuan's expertise and broad experience together with his accumulative knowledge of the Group's business and operation provide the Board with a diverse set of experience and expertise which enhances the skills and experience profile of the Board.

# NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

## NOTES (Cont'd)

### 7. **Ordinary Resolution No. 9 – Proposed power to issue shares pursuant to Sections 75 and 76 of the Companies Act 2016**

The proposed Ordinary Resolution 9, if passed, will grant a renewed general mandate ("Renewed Mandate") and empower the Directors of the Company to issue and allot shares up to an amount not exceeding 20% (ten per centum) of the total number of issued shares of the Company from time to time and for such purposes as the Directors consider would be in the interest of the Company. The Renewed Mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment, capital expenditure, working capital and/or acquisitions. In order to avoid any delay and costs involved in convening a general meeting, it is considered appropriate to seek shareholders' approval for a Renewed Mandate. This Renewed Mandate unless revoked or varied by the Company in general meeting will expire at the next Annual General Meeting of the Company or the expiration of the period within which the next Annual General Meeting is required to be held.

As at the date of this notice, 14,637,000 new shares in the Company have been issued pursuant to the mandate granted to the Directors at the Eleventh Annual General Meeting held on 20 December 2019 which will lapse at the conclusion of the Twelfth Annual General Meeting.

Bursa Malaysia Securities Berhad had vide its letter dated 16 April 2020 granted greater flexibility for listed issuers to raise fund quickly and efficiently through an increased general mandate limit for new issue of securities from the existing 10% to not more than 20% of the total number of issued shares (excluding treasury shares) ("20% General Mandate") to assist and support listed issuers in these trying and challenging times due to the Covid-19 pandemic. The Board of Directors is of the view that the 20% General Mandate is in the best interest of the Company and its shareholders as the authority will facilitate any possible fundraising activities, including but not limited to placement of shares for purpose of funding of working capital, capital expenditures, settlement of trade and non-trade creditors, repayment of banking facilities or as consideration for strategic investments.

### 8. **Ordinary Resolution No. 10 – Proposed Renewal of Authority to purchase its own shares**

The proposed Ordinary Resolution 10, if passed, will give the authority to the Company to purchase its own shares up to 10% of the total number of issued shares of the Company. This authority, unless renewed or revoked or varied by the shareholders of the Company in general meeting, will expire at the conclusion of the next annual general meeting or the expiration of the period within which the next annual general meeting after that date is required by the law to be held, whichever occurs first.

Detailed information on the Proposed Renewal of Authority to purchase its own shares are set out in page 129 to 135 of the 2020 Annual Report.

### 9. **Ordinary Resolution No. 11 – Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature**

The proposed Ordinary Resolution 11, if passed, will allow the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature pursuant to the provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

This approval shall continue to be in force until the conclusion of the next annual general meeting of the Company at which time it will lapse, unless the authority is renewed by a resolution passed at the next annual general meeting; or the expiration of the period within which the next annual general meeting of the Company after the date it is required to be held pursuant to Section 340(2) of the Companies Act 2016 (but will not extend to such extension as may be allowed pursuant to Section 340(2) of the Act); or revoked or varied by resolution passed by the shareholders in general meeting; whichever is the earlier.

Please refer to the the Circular to Shareholders dated 20 November 2020 for further information.

# CORPORATE INFORMATION

## BOARD OF DIRECTORS



**Mak Siew Wei**  
(Appointed w.e.f. 11 August 2020)  
Executive Director



**Datuk Chong Loong Men**  
(Appointed w.e.f. 11 August 2020)  
Independent Non-Executive Director



**Chen Chee Peng**  
(Appointed w.e.f. 19 August 2020)  
Independent Non-Executive Director



**Tan Khang Khim**  
Managing Director



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



**Koay San San**  
Independent Non-Executive Director



**Khoo Lay Tatt**  
(Resigned w.e.f. 13 August 2020)  
Executive Chairman



**Low Ai Choo**  
(Resigned w.e.f. 17 August 2020)  
Executive Director



**Ustaz Abdul Hamid Bin Sulaiman**  
(Resigned w.e.f. 17 August 2020)  
Independent Non-Executive Director

### AUDIT COMMITTEE

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

Member  
**Chen Chee Peng**  
Independent Non-Executive Director

**Koay San San**  
Independent Non-Executive Director

### NOMINATING COMMITTEE

Chairman  
**Chen Chee Peng**  
Independent Non-Executive Director

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

**Koay San San**  
Independent Non-Executive Director

### REMUNERATION COMMITTEE

Chairman  
**Chen Chee Peng**  
Independent Non-Executive Director

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

**Koay San San**  
Independent Non-Executive Director

### RISK MANAGEMENT COMMITTEE

Chairman  
**Koay San San**  
Independent Non-Executive Director

Member  
**Tan Khang Khim**  
Managing Director

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

**Chen Chee Peng**  
Independent Non-Executive Director

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

### ESIS COMMITTEE

Chairman  
**Mak Siew Wei**  
(Appointed w.e.f. 16 November 2020)

Member  
**Koay San San**  
Independent Non-Executive Director  
(Re-designated w.e.f. 16 November 2020)

**Chong Kok**  
Chief Financial Officer

### COMPANY SECRETARIES

**Lim Kim Teck** (MAICSA 7010844)  
SSM PC No. 202008002059

**Adeline Tang Koon Ling** (LS 0009611)  
SSM PC No. 202008002271

### AUDITORS

Grant Thornton (AF 0042)  
Chartered Accountants  
Level 5, Menara BHL  
51 Jalan Sultan Ahmad Shah  
10050 Georgetown  
Penang  
Malaysia  
Tel : 604-228 7828  
Fax : 604-227 9828

### REGISTERED OFFICE

35, 1st Floor  
Jalan Kelisa Emas 1  
Taman Kelisa Emas  
13700 Seberang Jaya  
Pulau Pinang, Malaysia  
Tel : 604-397 6672  
Fax : 604-397 6675

### HEAD OFFICE

Plot 331,  
Taman Perindustrian Sungai Petani  
Phase III, 08000 Sungai Petani  
Kedah Darul Aman  
Tel : 604-442 6800  
Fax : 604-442 6801  
Website: www.saudee.com

### SHARE REGISTRAR

Tricor Investor & Issuing House Services  
Sdn Bhd  
(Company No. 197101000970 (11324-H))  
Unit 32-01, Level 32, Tower A  
Vertical Business Suite, Avenue 3, Bangsar  
South, No. 8, Jalan Kerinchi  
59200 Kuala Lumpur  
Wilayah Persekutuan  
Malaysia  
Tel : 603-27839299  
Fax : 603-27839222

### PRINCIPAL BANKERS

Bank Islam Malaysia Berhad  
AmBank Islamic Berhad

### STOCK EXCHANGE LISTING

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

# CORPORATE STRUCTURE

AS AT 11 NOVEMBER 2020



**SAUDEE**  
Group Berhad

200801036832 (838172-P)

("SAUDEE" or the "Company")  
and Subsidiaries  
("SAUDEE Group" or the "Group")

PERUSAHAAN  
SAUDEE SDN BHD  
("PSSB")

100%

SAUDI COLD  
STORAGE SDN BHD  
("SCSSB")

100%

HOKUBEE  
SAUDEE (M) SDN BHD  
("HSMSB")

39%

# PROFILE OF DIRECTORS

## MAK SIEW WEI

Malaysian  
Male  
Aged 45

Executive Director

Chairman of ESIS Committee

Mr. Mak Siew Wei was appointed to the Board as an Executive Director on 11 August 2020.

Mr. Mak pursued his education in the United States and graduated with a Bachelor Degree in Management Information System.

Mr. Mak currently sits on the Board of AT Systematization Berhad, Advance Information Marketing Berhad, Green Ocean Corporation Berhad, and Pasukhas Group Berhad as an Executive Director.

He has no family relationship with any other Directors and/or major shareholder of the Company, nor any conflict of interest in any business arrangement involving the Company.

He has not been convicted of any offence (other than traffic offences) within the past five (5) years and has not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 July 2020.

## TAN KHANG KHIM

Malaysian  
Male  
Aged 68

Managing Director

Member of Risk Management Committee

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 Executive Chairman on 29 July 2010. He was re-designated from Executive Chairman to Managing Director on 21 March 2017.

He has been in the food processing industry for over 30 years. After completing his secondary school in 1970, he assisted his late father, 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 SAUDEE Group which took over the business of Saudi Frozen and expanded our 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 SAUDEE 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 plan and policies.

He has not been convicted of any offences (other than traffic offences) within the past five (5) years and has not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 July 2020. He attended all the Five (5) Board meetings held during the financial year 2020.

## PROFILE OF DIRECTORS (CONT'D)

### SIM YEE FUAN

Malaysian  
Male  
Aged 54

*Senior Independent Non-Executive Director*

*Chairman of Audit Committee*

*Member of Nominating Committee, Remuneration Committee and Risk Management Committee*

Sim Yee Fuan was appointed to the Board on 10 September 2009 as Independent Non-Executive Director and was re-designated to Senior Independent Non-Executive Director on 30 October 2017.

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 companies listed on the Bursa Securities where his job responsibilities were in the areas of accounting, finance, taxation, and corporate management. Presently he is an Executive Director of Unimech Group Berhad, an Independent

Non-Executive Director of Eurospan Holding Berhad and SCH Group Berhad respectively who are listed on the Main Market of Bursa Securities.

He has no family relationship with any other Directors and/or major shareholder of the Company, nor any conflict of interest in any business arrangement involving the Company.

He has not been convicted of any offence (other than traffic offences) within the past five (5) years and has not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 July 2020. He attended all the Six (6) Board meetings held during the financial year 2020.

### DATUK CHONG LOONG MEN

Malaysian  
Male  
Aged 41

*Independent Non-Executive Director*

Datuk Chong Loong Men was appointed to the Board on 11 August 2020 as an Independent Non-Executive Director.

Being a practising lawyer, he possesses law degree, certificate of legal practice and a higher diploma in Quantity Surveying.

He started his career with the Attorney General's Chambers as a Deputy Public Prosecutor before joining the Enforcement Division of the Securities Commission Malaysia in 2007. He started his private practise as a lawyer in 2011 with Messrs Lim, Chong, Phang & Amy, Advocates & Solicitors, a legal firm that he co-founded.

Datuk Chong currently sits on the Board of LKL International Berhad as an Independent Non-Executive Director.

He has no family relationship with any other Directors and/or major shareholder of the Company, nor any conflict of interest in any business arrangement involving the Company.

He has not been convicted of any offence (other than traffic offences) within the past five (5) years and has not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 July 2020.

## PROFILE OF DIRECTORS (CONT'D)

### CHEN CHEE PENG

Malaysian  
Male  
Aged 57

*Independent Non-Executive Director*

*Chairman of Nominating Committee and Remuneration Committee*

*Member of Audit Committee, Risk Management Committee*

Mr. Chen Chee Peng was appointed to the Board on 19 August 2020 as an Independent Non-Executive Director.

He holds Bachelor of Science in Computer & information Science from Ohio State University, Columbus Ohio, United States of America and Master of Business Administration from Southern Cross University, Australia.

He is an entrepreneur and currently the director of Neurogine Sdn Bhd, a company which focuses on mobile application solution provider and its customers amongst others are Warid Telecommunications in Pakistan and Vietnam Telecoms in Vietnam.

Before starting Neurogine Sdn Bhd, he was the Executive Director of DVM Technology Berhad ("DVM"). He joined the Group in 1998. He was instrumental in DVM listing in the ACE market in 2004. During his tenure, he is responsible for the business direction and strategies of the DVM Group. He leads the management in business development and overseeing the day-to-day operation of the DVM Group.

He started his career as a Computer Aided Design Development Engineer in California, 1987. He had worked in the United States for 4 years as a software engineer before coming back to Malaysia. He specialises in communication infrastructure development in the telecommunication industry. Besides, he has a wide IT knowledge in Sun Solaris System, HP-U System, Tandem Fault Tolerant Systems, Windows System, other programming languages. He left DVM Group in 2011 to venture into other opportunities.

He does not have family relationship with any other Directors and/or major shareholder of the Company, nor any conflict of interest in any business arrangement involving the Company.

He has not been convicted of any offence (other than traffic offences) within the past five (5) years and has not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 July 2020.

### KOAY SAN SAN

Malaysian  
Female  
Aged 37

*Independent Non-Executive Director*

*Chairman of Risk Management Committee*

*Member of Audit Committee, ESIS Committee  
Nominating Committee and Remuneration Committee*

Koay San San was appointed to the Board on 30 October 2017 as an Independent Non-Executive Director.

She graduated from University of Herfordshire with Bachelor of Accounting and subsequently obtained her Master Degree in International Business from University of Sunderland in December 2008. Upon graduation, she started her career in June 2005 as Company Auditor in an Audit firm and she left the audit firm as Senior Associate. She joined a public listed company as an Accountant. During the tenure, she was involved in numerous corporate exercises undertaken by the said listed company. She left the said listed company and worked in a multi-national company for a short stint.

Currently, she is an Independent Non-Executive Director of P.I.E Industrial Berhad, a public company listed on the Main Market of Bursa Securities.

She does not have any family relationship with any director and/or major shareholder of the Company, nor any conflict of interest in any business arrangement involving the Company.

She has not been convicted of any offence (other than traffic offences) within the past five (5) years and has not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 July 2020. She attended all the Six (6) Board meetings held during the financial year 2020.

# PROFILE OF KEY SENIOR MANAGEMENT

## Mohd Azman Bin Manaf

Malaysian  
Male  
Aged 71

General Manager of Perusahaan Saudee Sdn Bhd

Date appointed on 06 April 2010

Diploma in Food Technology

He has been in food processing industry for over 30 years and with multinational companies (MNCs) for about 6 years. Upon graduation from Maktab Teknik 1970, he went to Japan for a practical course in semi-conductor with Shin-Etsu Handotai Co., Ltd. and served the company for 5 years. When he returned to Malaysia, he joined Intel Malaysia Sdn Bhd and Hewlett Packard (M) Sdn Bhd as Front Line Manager with total combined tenure of about 10 years for the said two (2) companies from 1975 to 1985. He then started his career in the food industry at Van Houten (M) Sdn Bhd as a Factory Manager from 1985 to 1995. After he obtained his Diploma in Food Technology from Soligen, Germany, he joined Trade Ocean (M) Sdn Bhd in Vietnam in 1996 as the Plant Manager specialising in frozen food until he left in 2000. He then expanded his career by joining Barkath Group of Companies as a Factory and Group Export Manager from 2000 to 2010. In 2010, he joined SAUDEE Group as the General Manager.

Currently he does not hold any directorship in other public companies.

He does not have any family relationship with any of the Directors and/ or major shareholders of the Company, nor any conflict of interests in any business arrangement involving the Company.

He has not been convicted of any offence (other than traffic offences) within the past five (5) years and has not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 July 2020.

## Chong Kok

Malaysian  
Male  
Aged 46

Chief Financial Officer

Date appointed on 01 March 2017

Bachelor of Accounting. Member of the Malaysian Institute of Accountants

He started his career with an international audit firm in 1999 as Audit Associate. He left the firm as a Supervisor in 2004 and joined a manufacturing company as the Accountant. He then left the manufacturing company in 2007 and joined a listed company principally involved in the precision engineering as its Group Accountant before being promoted to Senior Financial Controller. He left the precision engineering company in 2017 and joined SAUDEE Group as Chief Financial Officer. He sits on the board of several private limited companies.

Currently he does not hold any directorship in other public companies.

He has no family relationship with any other Directors and/or major shareholder of the Company, nor any conflict of interest in any business arrangement involving the Company.

He has not been convicted of any offence (other than traffic offences) within the past five (5) years and has not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 July 2020.

# FINANCIAL HIGHLIGHTS

## FIVE-YEAR GROUP PERFORMANCE CHART

The summary of the results of SAUDEE and its subsidiaries (the "Group") for the past financial years ended 31 May ("FYE") FYE 2016 and the financial period/year ended 31 July 2017 (FPE 2017) to FYE 2020

Group		12 months			14 months	12 months
		01.08.2019 to 31.07.2020	01.08.2018 to 31.07.2019	01.08.2017 to 31.07.2018 (Restated)	01.06.2016 to 31.07.2017 (Restated)	01.06.2015 to 31.05.2016
Revenue	(RM'000)	78,511	78,111	87,661	153,601	147,101
Loss Before Tax ("LBT")	(RM'000)	(28,007)	(2,410)	(3,575)	(3,658)	(4,200)
(Loss)/Profit After Tax ("L)/PAT")	(RM'000)	(30,611)	453	(3,150)	(3,167)	(3,589)
Earning Before Interest, Depreciation & Taxation ("EBITA")	(RM'000)	(21,611)	4,940	3,787	6,205	3,560
Total Assets	(RM'000)	75,528	101,075	105,892	117,737	134,332
Total Liabilities	(RM'000)	46,481	43,713	49,424	64,140	78,483
Share Capital	('000')	146,638	137,316	132,406	120,000	120,000
Shareholders' Fund/Net Assets	(RM'000)	29,048	57,362	56,468	53,598	55,850
Return on shareholders' funds	(%)	(1.05)	0.79	(5.58)	(5.91)	(6.43)
Current ratio	(Times)	1.02	1.51	1.40	1.35	1.40
Proforma weighted average number of shares	('000')	139,379	132,548	126,988	120,000	^93,668
Net (loss)/earnings per Share	(Sen)	(21.96)	0.34	(2.48)	(2.64)	(3.83)
Net assets per share	(RM)	0.21	0.43	0.44	0.45	0.60

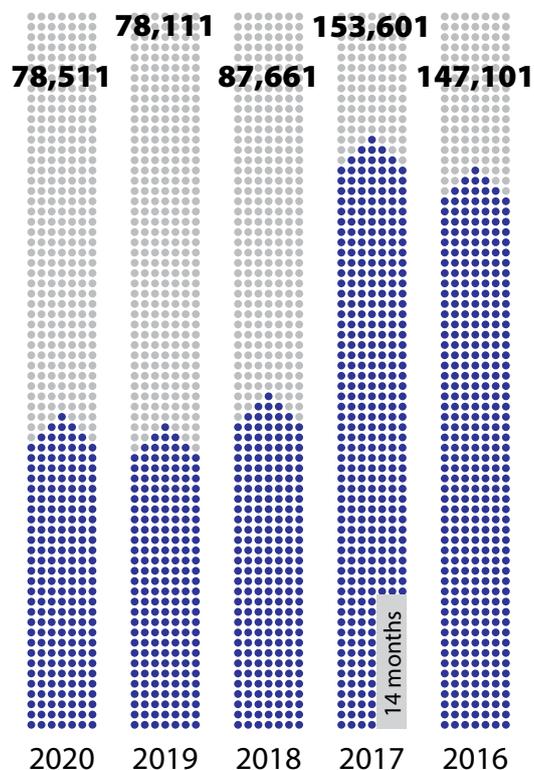
^ Restated to reflect the followings:

The calculation of weighted average number of shares has been adjusted retrospectively to reflect the changes in the number of shares as a result of the bonus element in the renounceable two-call rights issue of 30,000,000 new Ordinary Shares of RM0.50 each on the basis of one (1) Rights Share for every three (3) existing Ordinary Shares of RM0.50 each held together with 44,999,982 free detachable warrants on the basis of three (3) warrants for every two (2) Rights Share subscribed, at an issue price of RM0.50 per Rights Share, of which the first call of RM 0.35 per Rights Share was paid in cash on application and the second call of RM0.15 per Rights Shares was capitalized from the Company's retained profits. The Rights Issues was completed in the financial year ended 31 May 2016.

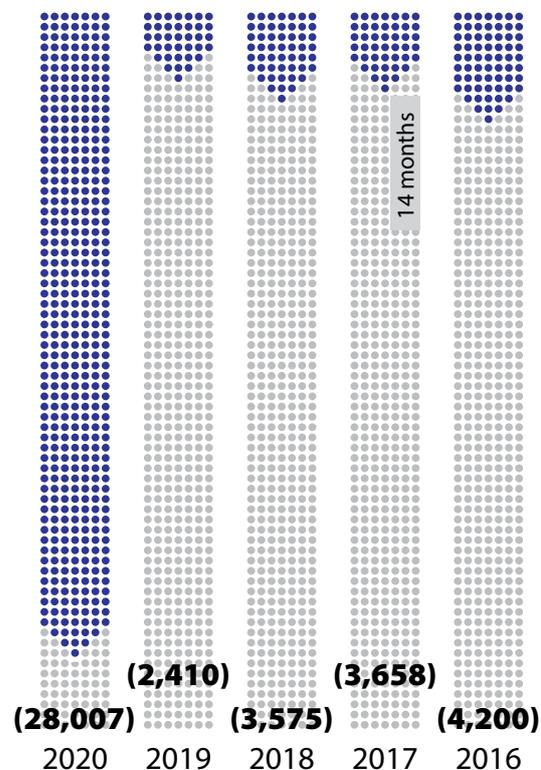
The purpose of this review is to highlight and provide brief insight on the key financial and operating information at our Group level.

# FINANCIAL HIGHLIGHTS (CONT'D)

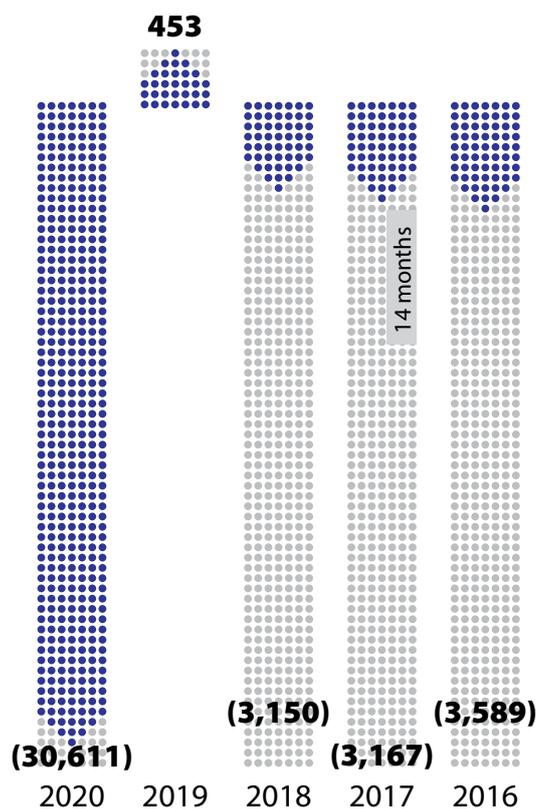
REVENUE  
RM'000



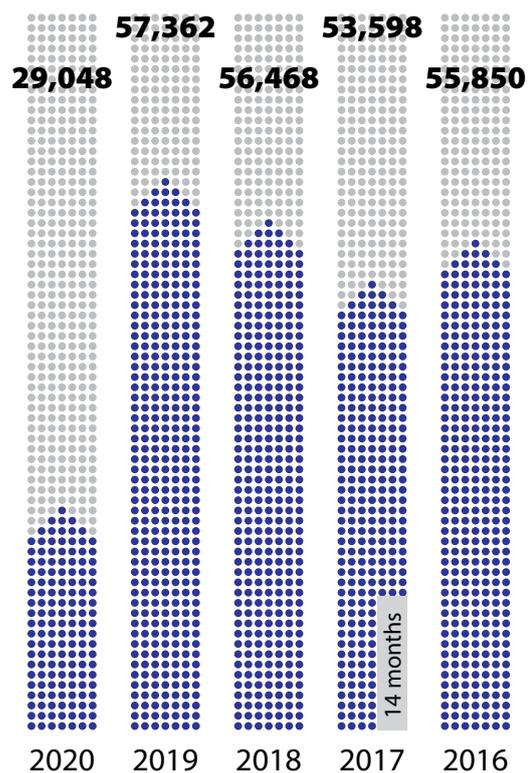
Loss Before Tax ("LBT")  
RM'000



(Loss)/Profit After Tax ("L/PAT")  
RM'000



Shareholders' Fund/ Net Assets  
RM'000



# MANAGEMENT DISCUSSION & ANALYSIS

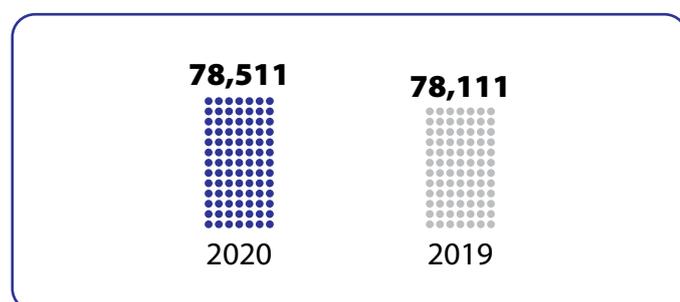
## Introduction

The summary of the results of SAUDEE and its subsidiaries (“Group”) for the past two (2) financial years ended 31 July 2019 to FYE 2020 after taken in the impact of adoption of MFRS Framework is as summarised below:-

		FYE 2020	FYE 2019
		01.08.2019	01.08.2018
		to	to
		31.07.2020	31.07.2019
<b>KEY RESULTS</b>			
Revenue	(RM'000)	78,511	78,111
(Loss)/Profit before tax (“LBT”)	(RM'000)	(28,007)	(2,410)
(Loss)/Profit after tax (“LAT”)	(RM'000)	(30,611)	453
Earnings before interest, taxes, depreciation and amortisation (“EBITDA”)	(RM'000)	(21,611)	4,940
<b>OTHER KEY DATA</b>			
Total assets (RM'000)	(RM'000)	75,528	101,075
Total liabilities (RM'000)	(RM'000)	46,481	43,713
Share capital ('000)	(RM'000)	68,660	66,926
Shareholders’ funds (RM'000)	(RM'000)	29,048	57,362
<b>FINANCIAL RATIOS</b>			
Return on shareholders’ funds	(%)	(1.05)	0.79
Current ratio	(Times)	1.02	1.51
Debts to equity Ratio	times	0.95	0.41
Proforma weighted average number of shares	('000)	139,379	132,548
Net (loss)/earnings per Share	(Sen)	(21.96)	0.34
Net assets per Share	(RM)	0.21	0.43

The purpose of this review is to highlight and provide brief insight on the key financial and operating information at our Group level. This review and comparison for the FYE 2020 against FYE 2019 results.

## Analysis of Revenue



	FYE 2020	FYE 2019
	(RM'000)	(RM'000)
Manufacturing-further process products (“FPP”)	48,868	38,248
Food Service (HORECA and OEM)	19,561	20,707
Trading products	10,082	18,673
Property development	-	483
	<b>78,511</b>	<b>78,111</b>

Our Group’s total revenue for FYE 2020 stand at RM78.5 million slightly increase by RM0.4 million as compared to RM78.1 million in FYE 2019 due to the following reasons :

- Improved in FPP own brand products by RM10.6 million mainly during 2<sup>nd</sup> half of the financial year i.e. during the CMCO and RMCO as household consumers shifted their consumers behaviour to frozen food,
- However, this improvement has been set off against the slight reduce in demand for Food service products as many F&B outlets unable to operate during MCO, CMCO period. Food service products reduce by RM1.1 million, and
- The movement control also affected the trading products revenue decreased by RM8.6 million due to reducing in purchasing power of Malaysian in general and unable to celebrate the festive season during MCO and EMCO imposed by Malaysia Government from March to June 2020.

# MANAGEMENT DISCUSSION & ANALYSIS (CONT'D)

## Analysis of Revenue (Cont'd)

The Management will continue to monitor the prospect of secondary Covid-19 outbreak leading the re-imposition of containment measures. Therefore, the Management we continue to improve on its production efficiency and to capture a bigger market share in the HORECA and OEM segment which higher profit margin while sustain its market share capture for FPP segment during MCO period. Meanwhile, the Management continue to put effort in monitoring its cash flow management and cost reduction programme that important in view of the ever-changing business environment amidst the on-going Covid-19 pandemic.

## Analysis of Profit/(Loss)

		FYE 2020	FYE 2019
		01.08.2020	01.08.2018
		to	to
		31.07.2019	31.07.2019
<b>Analysis of Profit and expenses :</b>			
<b>Profit/(Loss)</b>			
Loss before tax	(RM'000)	(28,007)	(2,410)
(Loss)/Profit after tax	(RM'000)	(30,611)	453
(Loss)/Earnings before interest, taxes, depreciation and amortisation (" <b>(L)/EBITDA</b> ")	(RM'000)	(21,611)	4,940
<b>Expenses</b>			
Cost of goods sold ("COGS")	(RM'000)	91,077	70,523
Administrative and selling expenses	(RM'000)	14,824	13,908
Finance costs	(RM'000)	1,632	2,120

The LBITDA of RM21.6 million mainly due to inventories written off of RM25.1 million. If excluded the inventories written off there is EBITDA of RM3.5 million in FYE 2020 as the Management continuous on implementing cost reduction programme and focus on the improving the quality of products to improve the market shares in Food Service segment. However, the positive impact on this programme has offset Covid-19 outbreak on 11 March 2020. This was followed by Federal Government issuing a Gazetted Order known as the Movement Control Order ('MCO') which was effective for the period from 18 March 2020 to 3 May 2020 and Conditional Movement Control Order ('CMCO') from 4 May 2020 to 9 June 2020. Subsequently, Recovery Movement Control Order ('RMCO') was gazetted which is effective for the period from 10 June 2020 to 31 December 2020. The pandemic has cause the Management to written off the slow moving inventories and and rework done on slow moving trading goods and low margin products. The rework of the slow moving products causes an increase in COGS by way of increase in production costs in FYE 2020. The causes the COGS in FYE 2020 increase by RM20.6 million as compared to FYE 2019 COGS at RM70.5 million.

During this financial year end, the Group has recorded LAT of RM30.61 million as compare to PAT of RM0.45 million in FYE 2019. However, the Group still maintained its positive operating cash flow of RM2.3 million.

## Analysis of Expenses

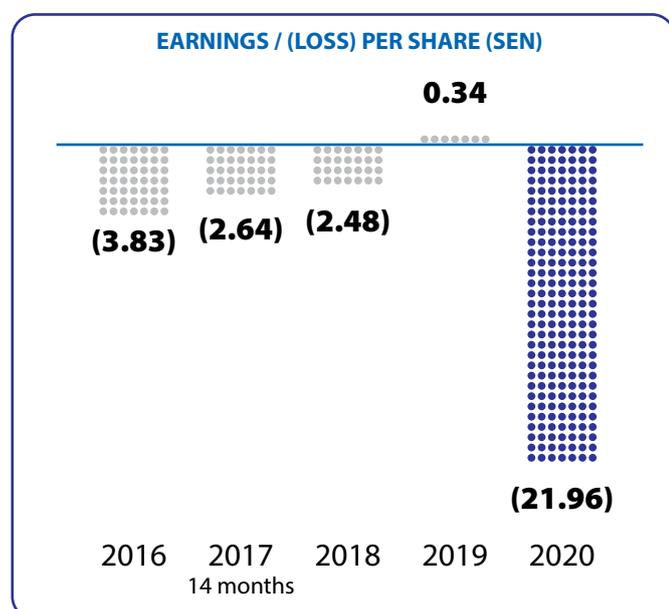
Our Group's COGS increased by RM20.6 million or 29.1% from RM70.5 million in FYE 2019 to RM91.1 million in FYE 2020. The reason on the increase in COGS was mainly due to the inventories written off and rework of slow moving trading goods and low margin products. This causes the increased in material conversion cost i.e. increase in processing cost to convert existing goods to other products. However, the impact of written down value of inventories and rework cost was slightly mitigated by continuous cost reduction programme implemented by the Management.

Our Group's administrative and selling expenses comprised mainly of marketing cost such as promotion expenses, listing of products cost, sales commissions, salaries and etc. The Group's administrative and selling expenses increased by RM0.9 million or 6.6% from RM13.9 million in FYE 2019 to RM14.8 million in FYE 2020. The increase mainly due to allowance for expected credit losses on trade receivables of RM0.6 million and bad debts written off of RM2.3 million in FYE 2020. The Group able to reduce the employee benefit expenses by RM1.6 million as compared to FYE 2019. This reduction in expenses mainly contributed from salary in sales personnel and promotional expenses arises from the effectiveness in changing the sales model from Direct Retail Selling model to Distributorship model.

Our Group's finance cost decrease by RM0.5 million or 23.0% from RM2.2 million in FYE 2019 to RM1.6 million in FYE 2020. Going forward, our finance cost should be on the decreasing trend as a result of our Group's gradual reduction of bank borrowings.

# MANAGEMENT DISCUSSION & ANALYSIS (CONT'D)

## Earnings Per Share ("EPS")



The impact of written off and written down of inventories has contributed to an overall loss after tax of RM30.6 million. As such, our Group has recorded loss on EPS of 21.96 as compared to EPS of 0.34 in FYE 2019.

## Cash Flow Analysis

	FYE 2020 (RM'000)	FYE 2019 (RM'000)
Operating cash flow before working capital change	2,240	1,258
Changes in working capital	1,535	7,364
Tax refund/(paid)	179	(333)
Interest paid	(1,621)	(2,120)
Net cash from operating activities	2,333	6,169

Our Group has recorded net cash from operating activities of RM2.3 million in FYE 2020 as compared to net cash from operating activities of RM6.2 million in FYE 2019 after deduct interest paid of RM1.6 million for FYE 2020 and RM2.1 million for FYE 2019 respectively. The decreased in cash from operating activities was due to the longer collection period from customers due to MCO and CMCO during the financial year 2020. Even facing the Covid-19 pandemic challenge, the Group still able to maintain current ratio at above one. The current ratio for FYE 2020 is 1.02 as compared to 1.5 for FYE 2019.

The cash generated from operating activities was also used to reduce our Group's bank borrowings by RM1.7 million from RM29.3 million in FYE 2019 to RM27.6 million in FYE 2020.

	FYE 2020 (RM'000)	FYE 2019 (RM'000)
Net cash (used in)/generated from investing activities	(477)	216
Net cash used in financing activities	(664)	(5,047)
Net increase in cash and cash equivalent	1,192	1,337

The Group still continue on prudent approach, the Management has minimised the acquisition of plant and machinery in FYE 2020. As a result, the Group's spend in investing activities of RM0.5 million, mainly contributed from replacement of old machinery in FYE 2020 as compared to FYE 2019 of cash generated from investing activities of RM0.2 million mainly due to proceed from disposal of old machinery and interest income. Even during this challenging time i.e. Covid-19 pandemic, The Group still managed to reduce bank borrowings by RM1.7 million. Net cash used in financing activities amounted to RM0.7 million in FYE 2020 and RM5.0 million in FYE 2019.

## Financial Position Analysis

	FYE 2020 (RM'000)	FYE 2019 (RM'000)
Inventories	10,628	32,434
Trade and other receivables, and amount due from an associate	16,782	16,057
Trade and other payables, and amount due to an associate	17,250	13,147
Bank borrowings	27,621	29,346

Our Group's inventories was RM10.6 million for FYE 2020 as compare to RM32.4 million for FYE 2019. This represent a decrease in inventories level by 67.2%. This mainly due to written off of inventories amounted to RM25.1 million during this financial year due to expiry inventories cause by this Covid-19 pandemic. However, the Management will continue to monitoring this situation and minimise the stock level and stock holding period.

Trade and other receivables for FYE 2020 slight increase by RM0.7 million from RM16.1 million for FYE 2019 to RM16.8 million in FYE 2020. This represent a trade turnover period of 68 days for FYE 2020 as compare to 56 days for FYE 2019.

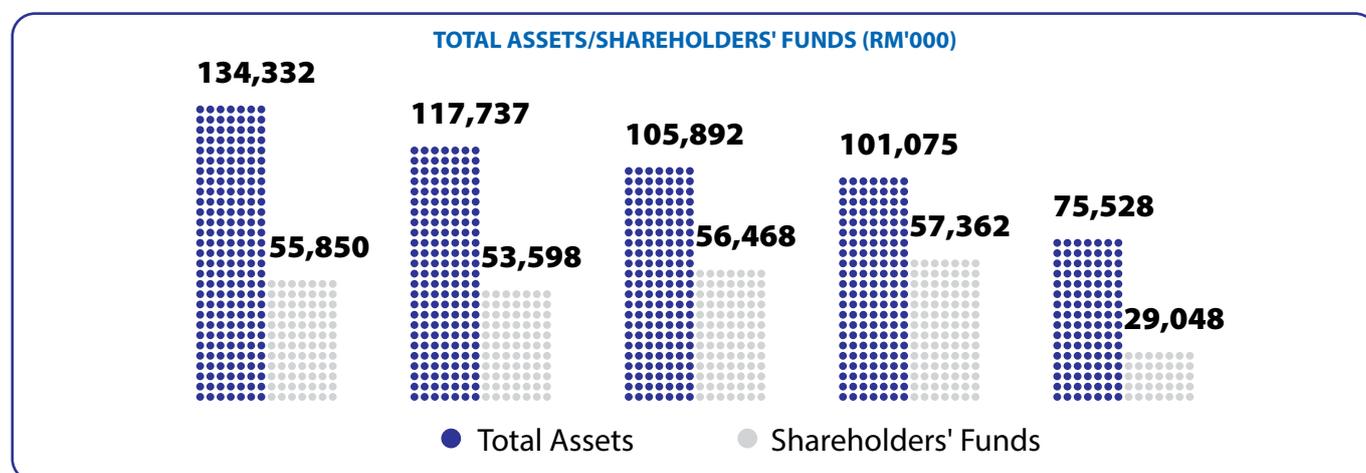
# MANAGEMENT DISCUSSION & ANALYSIS (CONT'D)

## Financial Position Analysis (Cont'd)

Beside the impact of Covid-19 pandemic, the Management still able to mitigate the impact and maintained stabilities of trade turnover period resulted in the followings:

- The stabilities in collection will help the Management in the cost saving programme such as reduction in finance cost and obtained cash or prompt payment discounts from suppliers.
- The abovementioned resulted the Group still maintained our current ratio above One in FYE 2020 at 1.02 as compared to 1.5 in FYE 2019.
- The bank borrowing for FYE 2020 reduced by RM1.7 million from RM29.3 million in FYE 2019 as compare to RM27.6 million in FYE 2020.

## Shareholders' Fund Analysis



- Our Group's shareholders' equity as at 31 July 2020 stood at RM29.0 million representing a decrease of RM28.3 million or 49.4% over the previous financial year ended 31 July 2019 of RM57.4 million. The decrease were mainly due to written off of inventories cause by Covid-19 pandemic. However, this impact was mitigated by the increase in Share capital via issuance of new shares via ESOS subscription amounted to RM1.7 million our Group during the financial year.
- The abovementioned cause our Group net assets per shares reduce to 21 sen in FYE 2020 as compare to 43 sen in FYE 2019.

## Key Risk and Mitigation

After implementing the Distributorship model from a year, the Group able strengthen the credit control and minimised exposure of credit risks. However, due to the Covid-19 pandemic during the financial year. The Group have no choice but to do the written off of inventories on the expired finished goods and raw material. As such, the Group will continue to put more effort in strengthen the growth if HEROCA and OEM products and continue to sustained the increase in demand of FPP during the RMCO time.

## Trend, outlook, future challenge, strategy and capital expenditure

The Group will continue to improve its operation efficiency with effective resources planning, practicing lean concept for operation work flow as well as empower the employee especially middle management to initiate and execute idea for better production cost control by sharing their idea and thinking every day during our daily meeting.

Moving forward, the Group intends to further strengthen the financial performance to maintain or exceed the current momentum based on the strategic plans that have been put in place by the Management with the view to further improve on the generation of cash flow. The Group will continuously improve on production efficiency and to further realise our plan to penetrate a bigger share in HORECA and OEM segment.

# SUSTAINABILITY STATEMENT

As a responsible corporate citizen, Saudee Group Berhad (“SAUDEE” or “the Company”) is committed towards sustainability in the economic, environmental and social spheres (“EES”) while maintaining standards of corporate governance in our efforts to drive growth, productivity and contribute to the society and environment with the strong support from Board of Directors and Management teams. The sustainability disclosure enhancing stakeholders understanding of the Group’s strategy, approach and implementation of its sustainability efforts and eases communications, awareness and interaction with all stakeholders and the public.

This Sustainability Statement (“Statement”) was developed with reference to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) Sustainability Reporting Guide and the reporting approach is based on the framework and guidance provided by Global Reporting Initiative (“GRI”). The disclosure adhering to the GRI Principles as below:

- (i) Stakeholder Inclusiveness – being responsive to stakeholder expectations and interest
- (ii) Sustainability Context – presenting performance in the wider sustainability context
- (iii) Materiality – focusing on issues where we can have the greatest impact and that are most important to our business stakeholders
- (iv) Completeness – including all information that is of significant economic, environmental and social impact to enable stakeholders to assess the Company’s performance

This disclosure highlights how value is delivered to stakeholders by being a caring, responsible food manufacturer and business partner and how measures are being deployed to achieve the desired results.

## SUSTAINABILITY STRATEGY

CORPORATE VISION		
Establish a World Class Supply Chain and Expand Presence into Global Halal Market		
CORPORATE MISSION		
To deliver outstanding service, quality products and value for money for our customers.		
SUSTAINABILITY GOAL		
Embedded governance culture in SAUDEE and integrate sustainability practices into all three economic, environmental and social aspects to established ourselves as a sustainable Group	To maintain long-term corporate sustainability by identifying aspects, impacts and stakeholder engagement that are material to the Group.	Create a world class supply chain which can enhance our quality of life while ensuring our business success as an outperforming foods processing supplier.

SAUDEE embedded sustainability strategy across entire operations in order to keep going to improve our sustainability development.

## SUSTAINABILITY GOVERNANCE STRUCTURE

Our sustainability governance structure is the Board of Directors of SAUDEE (“the Board”) responsible for the setting the sustainability strategies and overseeing the overall sustainability performance of the organisation. The Sustainability Working Group (SWG) is responsible to identify material matters that related to the Group. The SWG activities are:

- identifying environmental, economic and social risks and opportunities
- Implement sustainability strategies for managing EES risks within their departments
- Monitor EES performance and provide updates to the Board.

## BOARD OF DIRECTORS



### Sustainability Working Group

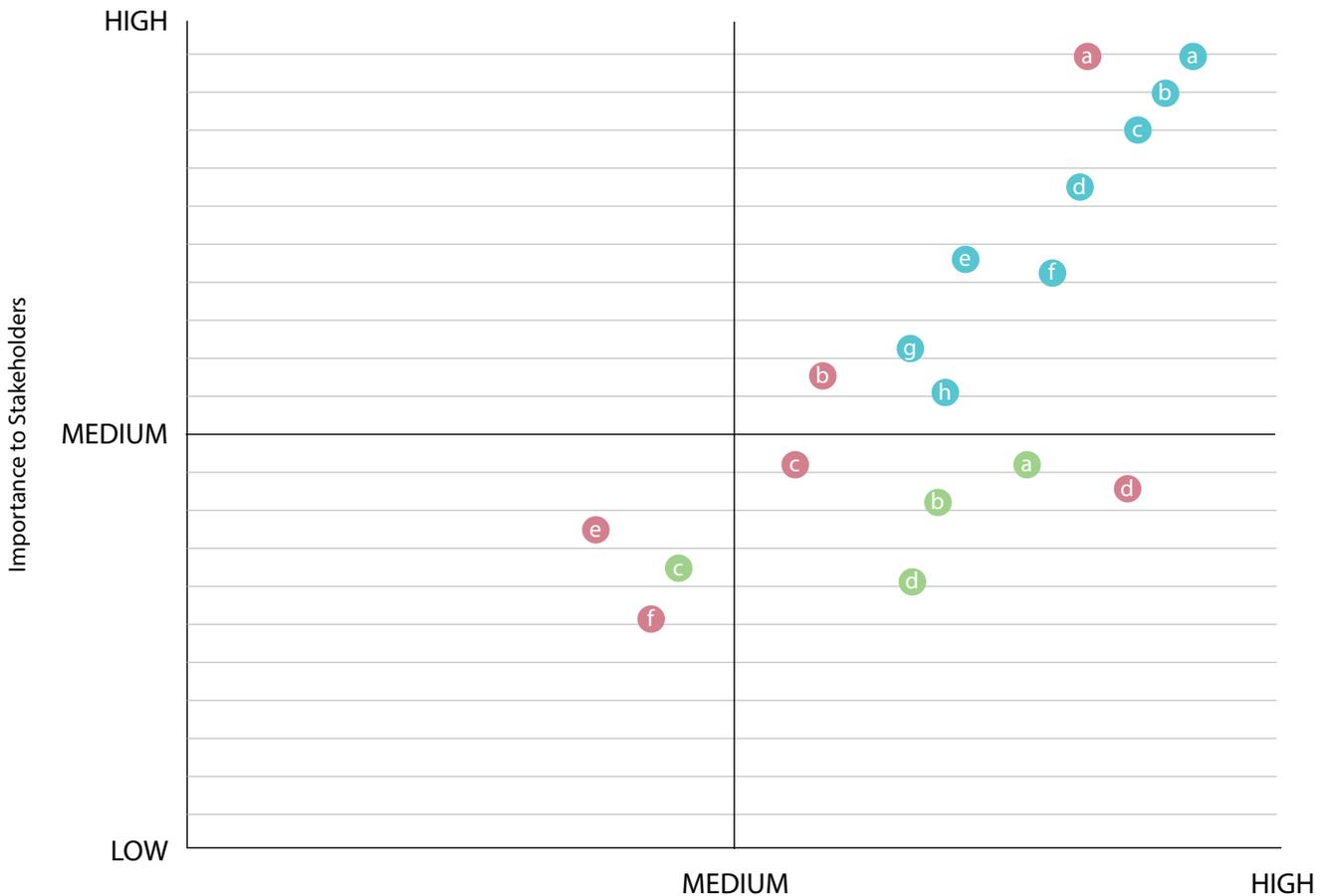
Members of SWG comprise of Independent Non-Executive Directors, Executive Director and Heads of Departments

# SUSTAINABILITY STATEMENT (CONT'D)

## ASSESSING ON MATERIAL ISSUES

The SWG reassessed the list of material sustainability matters identified in FY2019, taking into consideration each matter's level of impact, risk, influence on decision making and relevance in FY2020. Ranking each material issue in a matrix to clearly illustrate our priority area of concern.

**MATERIALITY MATRIX**



- Economic Growth**
- a Financial performance
  - b Customer Satisfaction
  - c Sustainable Supply Chain Management
  - d Ethics and Integrity
  - e Corporate Governance and Transparency
  - f Customer Privacy and Data Protection
  - g Risk Management
  - h Anti-Corruption

- Environmental Management**
- a Energy Management
  - b Water Consumption
  - c Greenhouse Gas Emission
  - d Waste Management

- Social Contributor**
- a Regulatory Compliance
  - b Occupational Health and Safety
  - c Employee Wellbeing
  - d Training and Development
  - e Contribution to Society
  - f Human Rights and Labour Practices

# SUSTAINABILITY STATEMENT (CONT'D)

## ASSESSING ON MATERIAL ISSUES (Cont'd)



Our material sustainability matters are mapped against the stakeholders concerned as well as GRI Standard Reported to show the inter-relationships.

Material Sustainability Matters	Stakeholder(s) concerns	Applicable GRI Standard Reported
Financial Performance	Employees and Investors	GRI 201 Economic Performance
Product Responsibility and Innovation	Customers and Investors	GRI 416 Customer Health and Safety
Regulatory Compliance	Regulatory Agencies, Investors and Customers	GRI 419 Socioeconomic Compliance
Customer Satisfaction	Customers and Investors	GRI 416 Customer Health and Safety
Supply Chain Management	Suppliers and Distributors	GRI 204 Procurement Practice
Ethics and Integrity	Employees and Investors	GRI 102-16 Values, Principles, Standards, and Norms of behaviour
Customer Privacy and Data Protection	Customers and Employees	GRI 418 Customer Privacy
Corporate Governance and Transparency	Employees and Investors	GRI General Standard Disclosure
Risk Management	Investors	GRI 102-30 Effectiveness of risk management processes
Occupational Health and Safety	Employees and Customers	GRI 403 Occupational Health and Safety
Training and Development	Employees	GRI 404 Training and education
Energy Management	Local Communities and Investors	GRI 302 Energy
Waste Management	Local Communities, Investors and Customers	GRI 306 Effluent and Waste
Water Consumption	Local Communities and Investors	GRI 303 Water
Employee Wellbeing	Employees	GRI 405 Diversity and Equal Opportunity
Anti-Corruption	Regulatory Agencies, Employees, Investors and Customers	GRI 205 Anti-Corruption
Greenhouse Gas Emission	Local Communities, Investors and Customers	GRI 305 Emissions
Contribution to Society	Local Communities	GRI 413 Local Communities
Labour Right	Employees	GRI 408 Child Labor GRI 412 Human Rights Assessment

# SUSTAINABILITY STATEMENT (CONT'D)

## Our Stakeholder Engagement and Prioritisation

SAUDEE believes that stakeholders are the key to its continuous success and the sustainability of the business. By establishing effective and transparent lines of communication with our stakeholders, SAUDEE has a better understanding of stakeholders' interest and concerns. SAUDEE has been diligently maintaining and enhancing its relationship with key stakeholders by addressing stakeholders' concerns in a collaborative manner that meets the stakeholders' interest and the Group's vision for sustainable growth.

We have identified the key stakeholders based on the stakeholder mapping to identify key external stakeholders, internal stakeholders and connected stakeholders which have substantial impact to SAUDEE business or upon which SAUDEE has a substantial impact.

Stakeholders Group		Stakeholders description	Areas of Concern	Method of Stakeholders engagement
Internal stakeholders	Employees	Employees are an important asset of SAUDEE which involved in all parts of the value chain	<ul style="list-style-type: none"> <li>• Learning and development</li> <li>• Fair remuneration</li> <li>• Employee benefits</li> <li>• Business ethics and code of conduct</li> <li>• Employee satisfaction</li> <li>• Working environment</li> <li>• Work life balance</li> <li>• Performance management</li> </ul>	<ul style="list-style-type: none"> <li>• Meetings</li> <li>• Annual appraisal</li> <li>• Circulation of internal policies</li> <li>• Sports activities and recreation</li> <li>• Training and product knowledge</li> <li>• Annual dinner</li> </ul>
Connected Stakeholders	Customers	Our customers comprise local food service providers and retailers	<ul style="list-style-type: none"> <li>• Product quality and safety</li> <li>• Customers' privacy</li> <li>• Production capacity</li> <li>• Customer service</li> </ul>	<ul style="list-style-type: none"> <li>• Meetings with the management</li> <li>• Contract negotiation</li> <li>• On-site visits at the Group's premises</li> </ul>
	Suppliers	They supply our raw material and indirect material	<ul style="list-style-type: none"> <li>• Payment schedule</li> <li>• Pricing of materials</li> <li>• Maintaining long term partnership</li> </ul>	<ul style="list-style-type: none"> <li>• Meeting with the management</li> <li>• Evaluation and performance reviews</li> <li>• Supplier selection through pre-qualification</li> </ul>
	Shareholders/ Investors	The Owners of SAUDEE	<ul style="list-style-type: none"> <li>• Group financial performance</li> <li>• Sustainable and stable income distribution</li> <li>• Corporate governance</li> <li>• Investor relationship management</li> </ul>	<ul style="list-style-type: none"> <li>• Annual General Meeting</li> <li>• Company website</li> <li>• Announcement to Bursa Securities</li> <li>• Annual report</li> <li>• Circular and notice</li> <li>• Press release</li> </ul>
	Bankers	They provides financial facility to support the Group's operation	<ul style="list-style-type: none"> <li>• Repayment of the loans</li> </ul>	<ul style="list-style-type: none"> <li>• Meeting with the management</li> <li>• Quarterly results</li> </ul>
External stakeholders	Government agencies and regulatory bodies	Government agencies and regulatory bodies stipulate and enforce the laws and regulations in the markets where SAUDEE operates	<ul style="list-style-type: none"> <li>• Compliance with applicable laws and regulations</li> <li>• Environmental Management and compliance</li> </ul>	<ul style="list-style-type: none"> <li>• Inspection and periodic audits by the agencies</li> <li>• Meeting with the regulators</li> <li>• Correspondences with regulators on requirements</li> </ul>
	Local communities	Local communities include people who reside in the areas where SAUDEE operates and Non-Government Organisation	<ul style="list-style-type: none"> <li>• Job opportunities</li> <li>• Social contribution</li> <li>• Environmental impacts</li> </ul>	<ul style="list-style-type: none"> <li>• Meetings</li> <li>• Notices</li> <li>• Corporate Social Activities (e.g. festive season celebrations, donations to mosques, orphanage, etc)</li> </ul>

# SUSTAINABILITY STATEMENT (CONT'D)

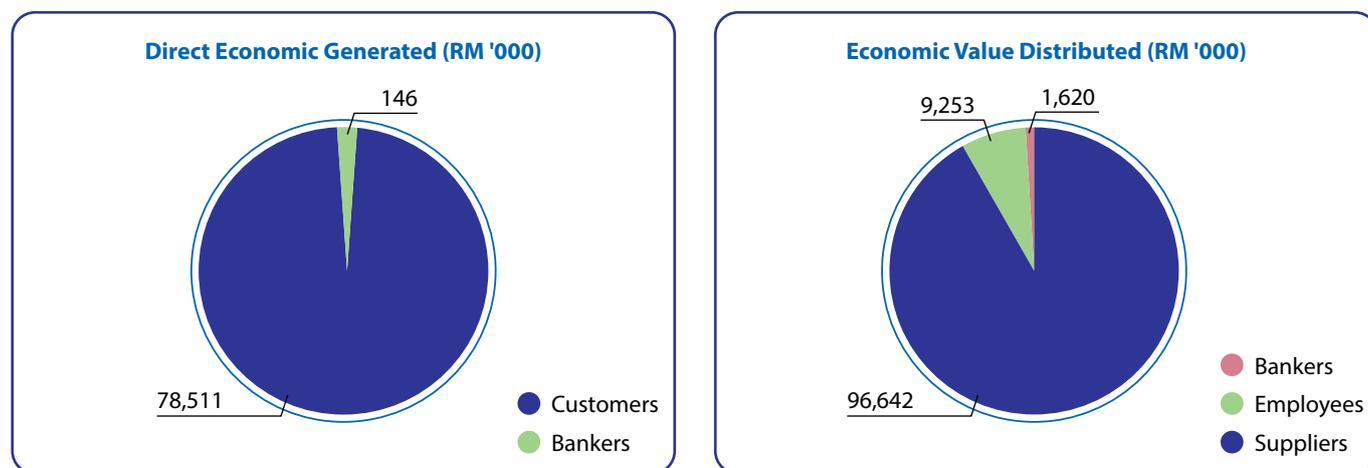
## DEVELOPING A SUSTAINABLE ECONOMIC

SAUDEE endeavour to develop a sustainable economic by focusing on quality product and process in order to delivering quality Halal products and food servicing to its customers. By doing ethical business, enhancing its corporate governance and supply chain development to ensure the Group business continue to grow and remain sustainable.

### Financial Performance

The Group has set a long-term goal to grow the businesses with support from key stakeholders.

During the reporting year under review, the Group direct economic value generated from business was RM 78.51million of revenue and RM0.15million of interest income received from banks. Total economic value distributed to stakeholders was RM 105.90 million as shown below and the Group economic value loss was RM 27.25 million.



Suppliers: Operating costs

Employees: Employee wages and benefits

Bankers : Interest payments of borrowing

Local communities : Voluntary donations

Further information on our financial performance can be found in Group Financial Highlights Page13 and Financial Statements Pages 68 to 127 of this Annual Report.

### Products Responsibility and Quality

Maintaining the quality of products and services are an essential aspect that contributes to an organisation's business success. Providing quality Halal and safety food products are an initiative step to meet customers' needs and earning their trust.

#### Performance

SAUDEE strive to continuously develop and offer quality Halal and safety products to its customers. As such, more and more SAUDEE's Halal quality and safety foods are offered at a reasonable price to its customers to ensure the sales continue to grow and the business remains sustainable. Therefore, Saudee had developed premium products under brand of "Saudi Gold".

# SUSTAINABILITY STATEMENT (CONT'D)

## DEVELOPING A SUSTAINABLE ECONOMIC (CONT'D)

### Products Responsibility and Quality (Cont'd)

The premium products as below:



SAUDEE continues to play its role in firming up the food market and committed to produce quality Halal and safety products to fulfil the demand of local food market.

# SUSTAINABILITY STATEMENT (CONT'D)

## DEVELOPING A SUSTAINABLE ECONOMIC (CONT'D)

### Products Responsibility and Quality (Cont'd)

#### Performance (Cont'd)

Certificate granted to SAUDEE as below:

- Certificates of Authentication HALAL issued by Department of Islamic Development Malaysia.
- Mesti Certificate (Makanan Selamat Tanggungjawab Industri) issued by Ministry of Health Malaysia.
- Good Manufacturing Practice (GMP) Yearly audit by certification bodies
- Veterinary Health Mark (VHM) Certificate issued by the Department of Veterinary Services

During the FYE 2021, there is no incident of non-compliance concerning the health and safety impacts of SAUDEE products and services. The Group's processing and manufacturing facilities have operated accordance to the Group's Quality Assurance program. The Group upholding the hygiene practices and sanitation procedures within the production and monitored on an ongoing basis. It is a vital for the proper segregation and compartmentalisation of processing areas are made between raw, semi-processed, and processed items to avoid cross-contamination. The Group's production has incorporated controls including metal detectors and temperature controls to maintain of the optimum food safety and quality.

#### Our progress to date

In FYE 2021, SAUDEE will focus on upgrading the machineries for the premium products lines and a business collaboration to jointly roll out Malaysia's first robotics operated burger kiosks and food trucks to fully expand a food supply chain in order to meets current and future market demand.

### Customers Satisfaction

Customer satisfaction is the most integral part of the Group's success. It is not only to maintain the Group reputation as well as retain trusting and royal relationships with customers. SAUDEE had subsequently engage with its distributors and direct customers for discussion in term of sales forecast, product orders and time of delivery to ensure the products quality and delivery is fulfilling their needs and expectation.

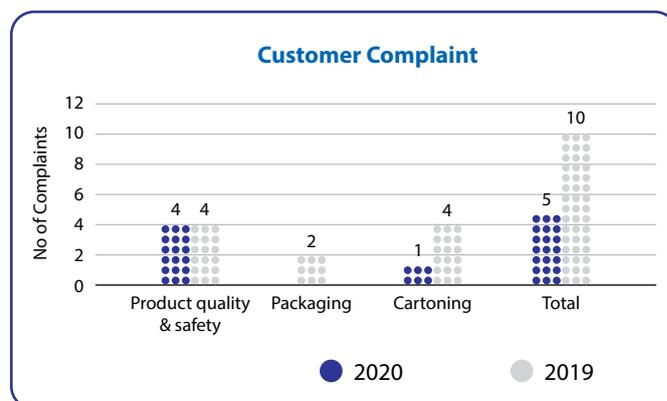
#### Performance

The Group deploy a range of different quality measures to check compliance with quality standards, such as ingredients, packaging materials, product and processes were assessed by food safety team according to HACCP before making the product. Corrective action will be implemented if required after the assessment to ensure comply with food safety and quality requirement. Validation of product and verification of processes will also conducted by QA personnel to ensure according to requirement of product specification and process flow. IPQC will check the WIP, processes & finished goods at production line according to quality plan and report in the respective inspection report. Any non-conformity found will follow Control of Non-conforming product and Corrective and preventive action procedure.

SAUDEE had implement internal control action according to the certification requirement to reduce its occurrence of quality issue. The certification as follow:

- ISO 22000:2005
- ISO 9001:2015
- Hazard Analysis and Critical Control Point (HACCP)
- Good Manufacturing Practice (GMP)

As compare to FYE 2019, number of complaints by customers has been reduced in FYE 2020. The number of complaints as shown below:



#### Our progress to date

In FYE 2021, the Group is targeting to minimise the number of customer complaints on the quality issues while conduct staff trainings regularly to whom new to the quality control process. The staffs will be training on standard operating procedures which includes, amongst others, monitoring and identifying any issues in the processing or manufacturing process, proper handling and storage of materials and products, etc.

# SUSTAINABILITY STATEMENT (CONT'D)

## ECONOMIC: DEVELOPING A SUSTAINABLE ECONOMIC (CONT'D)

### Sustainable Supply Chain Management

Sustainable supply chain management is an integral part of the business and is essential to the company to achieve operation efficiency. SAUDEE has been implemented several initiative to build its sustainable supply chain management by acutely underpinned of local sourcing and appointing local distributors. It is not only for the purpose of the contributing to the local economy, but we have greater control of our suppliers and distributors as well as reduce supply chain costs.

#### Performance

Most of our indirect materials are supplied by local suppliers except for the majority of direct materials are imported as due to short supply in Malaysia. By managing the sustainability of our supply chain, appointing local distributors is an effective way to expand our market share in local areas.

The table below shows number of local and foreign purchases of materials in FYE 2020 and FYE 2019.

Description	2020		2019	
	Local	Foreign	Local	Foreign
Direct and indirect material	155	15	188	22

#### Our progress to date

In FYE 2021, the Group focusing on cost saving by incorporating more sustainable materials for the company products. SAUDEE take initiative step to collaborate and sharing of knowledge with the local suppliers to ensure that material acquired are sustainable and of high quality.

### Corporate Governance and Compliance

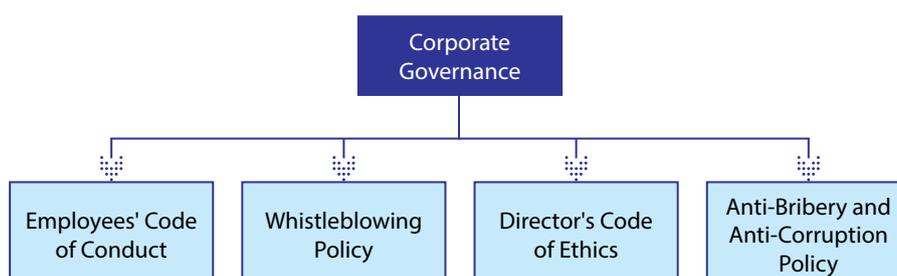
SAUDEE committed to hold the management accountable to operate and manage the Group's business operations according to strong ethical and governance principles, adhere to regulations and policies that are relevant to the Group's business. Upholding our strong ethical corporate culture is paramount to the Group to achieve the sustainable economic success. We able to earn trust and acceptance from stakeholders, maintaining its reputation and create business opportunities in the future.

The Group strive to comply with the three governing principles of the Malaysian Code on Corporate Governance 2017 ("MCCG" or "the Code") as a framework to effectively govern the Group. The detail of our CG framework and practices are elaborated in the CG Overview Statement in page 35 to 45 of this Annual Report.

#### MCCG Three Principles

- A. Board Leadership and Effectiveness;
- B. Effective Audit and Risk Management; and
- C. Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders.

The pillars of corporate governance describes how SAUDEE deal with risks such as anti-corruption, data leaks and fraud in the Group.



# SUSTAINABILITY STATEMENT (CONT'D)

## **ECONOMIC: DEVELOPING A SUSTAINABLE ECONOMIC (CONT'D)**

### ***Corporate Governance and Compliance (Cont'd)***

#### *Code of Conduct and Ethics*

Our Code of Conduct and Ethics is to ensure the business is conducted fairly, ethically and legally throughout operations. Underlying all efforts is an overriding commitment towards the principles of discipline, good conduct, professionalism, loyalty, integrity and cohesiveness. These principles are outlined in our Code of Conduct and Ethics - principles by which business should be executed and the conduct that is expected of our employees at the workplace.

The Group's employee handbook continues to govern the standards of ethics and good conduct expected of Directors and employees. The Board set the tone for proper ethical behaviour to demonstrate to the management and the workplace in corporate governance, and operates within the Group Code of conduct parameters.

In addition, our Code of Conduct and Ethics is supported by the Whistle-Blowing Policy. All stakeholders are encourage to report genuine concerns about unethical behaviour or suspected misconduct or non-compliance with regulatory requirements. This whistleblowing is a safe channel for employees and external party to report concerns on misconduct without fear of reprisal.

#### *Performance*

In FYE 2020, the Group has adopted the **Anti-Bribery and Anti-Corruption Policy** which will further safeguard its business operations. SAUDEE has provided Anti-Bribery and Anti-Corruption in house workshop for its staffs in order to raise their awareness about practices of bribery and corruption of all forms are prohibited in the Group's daily operations.

There is no incidence of corruption, fraud or bribery were reported for the FYE 2020.

#### *Our progress to date*

Maintain zero incidents of corruption, unethical behavior in FYE 2021. The Group adhering to strict and transparent business conduct, all employees and other stakeholders associated to the Group will be educated on the content and implications of the Anti-Bribery and Anti-Corruption Policy.

### ***Risk Management***

The Board recognises the importance of maintaining a sound risk management framework to safeguard the shareholders' interest and assets of the Group as well as ensure significant risks are adequately addressed to mitigate the impacts to the Group's business operation.

#### *Performance*

SAUDEE take an initiative step to drive a proactive risk management culture by adopted Enterprise Risk Management (ERM) framework to allow the management to manage risk within the Group risk appetite. In order to maximize shareholder value, the Board has established a governance structure to ensure effective oversight of risk and control in the Group. It is assisted by the Risk Management Committee (RMC) and Audit Committee (AC) to oversee all matters with regard to risks included economic, environmental and social impact and control. Risk-related and internal control matters which required the attention of the Board were recommended by the RMC and AC to the Board for its deliberation and approval.

The members of RMC have been trained in identification of risks. Internal audit function audit on areas with significant risk identified by RMC as to provide assurance on the management risks. Further details are set out in the Corporate Governance Overview Statement and the Statement on Risk Management and Internal Control in this Annual Report.

Risk management meeting carry to re-assess and review of risk identifications and control at least once in a year.

#### *Our progress to date*

Risk management meeting held once in a year to re-assess and review risk identifications is adequate to the Group.

## **ENVIRONMENT: DEVELOPING A SUSTAINABLE ENVIRONMENT**

Environmental sustainability concerns conserving the environment by actively minimising our environmental impact through resource use optimisation. Our commitment to environmental protection begins with an understanding of surroundings and operating environment. The alarming surge of COVID-19 in 2020 has served as a warning as to the dire consequences of increasing environmental encroachment. Therefore, we strive to manage and address the environmental issues to enable us to minimise environmental impact by reducing energy use, waste, water, carbon emissions from transportation and production, and raw materials handling. As a responsible corporate citizen, we are mindful of delivering healthy environment for local community.

Environmental risks include non-compliance to regulatory standards set by the local authority or the government. Therefore, we commit to controlling effluent discharge and complying with local Department Of Environmental (DOE) standards and environmental health and safety policy had in placed to ensure the environment is well managed throughout the daily business operation.

# SUSTAINABILITY STATEMENT (CONT'D)

## ENVIRONMENT: DEVELOPING A SUSTAINABLE ENVIRONMENT (CONT'D)

### Energy Management

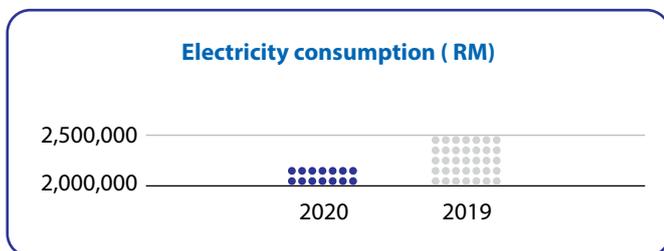
Uncontrolled energy consumption will caused an increase in overall carbon emission which resulted climate change. Thus, we committed reduce energy consumption by actively monitor the energy consumption and undertaking several energy saving initiatives. Closely monitor the energy usage will enable us to formulate energy reduction measures in future.

### Performance

The whole plant has installed LED lighting to conserve energy. The high-efficiency LED replacements has reduced power consumption from 40w to 12w per light source. While, employees are encouraging to switch off office lights and air conditioning during lunch breaks and non-office hours to avoid any wastage.

Improvement of the machinery and equipment is one of energy saving initiatives such as install inverter at high amp equipments could avoid energy wastage and increase energy efficiency.

### Our energy consumption:



The cost of energy consumption was reduced as compare to FYE 2019 was mainly due to the installation of the inverter at high amp equipments.

### Our progress to date

To invest of new technology machineries could avoid energy wastage and increase energy efficiency. The Group ensure business continuity in energy crisis and maintain business competitiveness in terms of production costs.

### Waste Management

SAUDEE strive to manage waste and schedule waste raised from the production by adopting the 3R waste programme-Reduce, Reuse and Recycle to protect the environment. We working closely with the Department Of Environmental (DOE) to ensure that waste from the production are properly manage in sustainable manner.

### Performance

Within the Group of business operation, large amount of used chemical, waste water and material were producing from production activities. Nevertheless, we managed waste disposal is accordance to Malaysia's scheduled waste disposal regulations as supported by the Environmental Quality (Schedule Wastes) Regulations 2005.

#### ➤ Wastewater and material treatment

Daily performance monitoring effluent discharge according to the environmental act in order to prevent any contaminated of waste water flow to the river. We have used Biological treatment system for removing carbonated contaminates effluent by treating BOD (Biochemical Oxygen Demand) and COD (Chemical Oxygen Demand).

#### • Encourage use of renewables

#### 1. Recycle waste water

We efficiently utilised waste water within the organization by way of using waste water for organic farming and fish farming. Those treated waste water act as nutrition fish food and organic fertilizer.

The fishes and organic plants are then offered at a cheaper price to our staff members.



# SUSTAINABILITY STATEMENT (CONT'D)

## ENVIRONMENT: DEVELOPING A SUSTAINABLE ENVIRONMENT (CONT'D)

### Waste Management (Cont'd)

#### Performance (Cont'd)

- Wastewater and material treatment (Cont'd)
  - Encourage use of renewables (Cont'd)
1. Recycle waste water (Cont'd)



2. Recycle and reuse contaminated empty containers

With the closely monitoring and improving waste management, we have found an efficient programme to manage the contaminated empty containers and fluorescent tubes by disposal to suppliers at no cost. This Schedule waste recycle and reuse programme encouraging recycle and reuse the contaminated empty containers in order to reduce the amount of waste going to landfills thereby protecting and conserving our environment. This effective programme helps the Group achieve cost efficiency as returned the container to suppliers while get some discount and refund amount at chemical we purchased.



3. Recycle paper usage at workplace

SAUDEE encourages its employees to play a part in protecting the environment by promoting recycle paper usage in workplace and to promote recycling habits to shape the mind set to go green and make recycling as an integral part of our everyday life.

Electronic reporting via internet and emails are encouraged as to reduce the consumption of paper such as the Annual Report of the Company is posted on the Company's website.

There is no significant and non-monetary sanctions for non-compliance with environmental laws and regulations for the FYE 2020.

# SUSTAINABILITY STATEMENT (CONT'D)

## ENVIRONMENT: DEVELOPING A SUSTAINABLE ENVIRONMENT (CONT'D)

### Waste Management (Cont'd)

#### Performance (Cont'd)

- Wastewater and material treatment (Cont'd)
- Encourage use of renewables (Cont'd)
- 3. Recycle paper usage at workplace (Cont'd)

#### Our progress to date

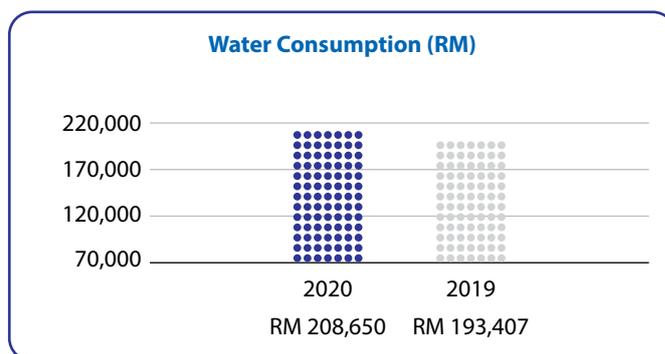
Continuing to improve 3R waste programme at the workplace to minimise any adverse effects on the natural resources and scale of our carbon footprint. We have upgraded information technology facilities in SAUDEE to reduce business travel by replacing physical meetings with video conferencing and increasing usage of cloud-based storage. The Annual Report 2020 is distributed electronically to our shareholders. An e-notification with information on how to access the Portable Document Format (PDF) annual report version from our corporate website was sent out to shareholders. Only minimal quantities of annual reports and notices will be printed and all reports, circulars and notices will be available in digital format, which can be downloaded from our corporate website.

### Water Consumption

To maintain environmental sustainability, SAUDEE strive to improve effective water management and reducing water wastage.

#### Performance

SAUDEE acutely monitoring daily water consumption for the plant. Therefore, we have daily control and maintain water consumption within 300 m3 in daily average.



#### Performance

The water consumption was increased as compare to last financial year mainly due to increase of the mechanically deboned meat (MDM) production which involved high consumption water for this particular production line during FYE 2020.

#### Our progress to date

- Continuing to maintain or lower of 300 m3 water consumption in daily average.

### Greenhouse Gas Emission

A greenhouse gas is any gaseous compound in the atmosphere that is capable of absorbing infrared radiation, thereby trapping and holding heat in the atmosphere ultimately leads to global warming.

#### Performance

SAUDEE is committed to reduce its greenhouse gas emission (GHG) by implementing preventive maintenance for thermal oil and boiler system in order to prevent air pollution. In addition to the preventive measure, annual emission inspection for all the Company's trucks is carried out for the purpose of reducing pollutants emitted from the vehicle. All trucks shall turn off engine while loading stock at loading bay.

SAUDEE has partnership with local distributors to distribute its final products could resulted a huge reduction of daily deliveries by its own trucks as well as reduction of GHG.

#### Our progress to date

SAUDEE is planning to replace some of the old trucks that could increase GHG and targeting cost saving on the repair and maintenance as well as improving the fuel consumption of vehicles.



# SUSTAINABILITY STATEMENT (CONT'D)

## WORKPLACE: DEVELOPING A SUSTAINABLE WORKPLACE

We value our employees who are the main asset of the Group, we would be unable to deliver high quality products and services without employees' hard work and contribution. Thus, SAUDEE believes that continuing emphasis on human capital development and retention by providing employees safety working environment, invest in their growth and understand their needs will be creating a sustainable workplace and further improve its performance.

Besides, we encourage diversity and inclusiveness at the workplace and value individual differences without discrimination. The Group also strictly complying employment law to ensure the employees' right are protected and prevent any non-compliance of the regulation.

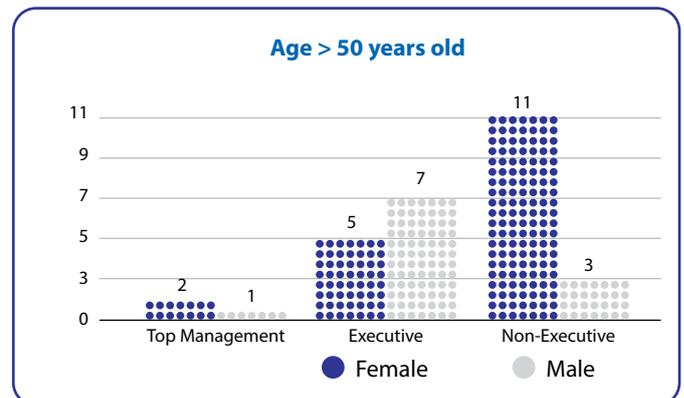
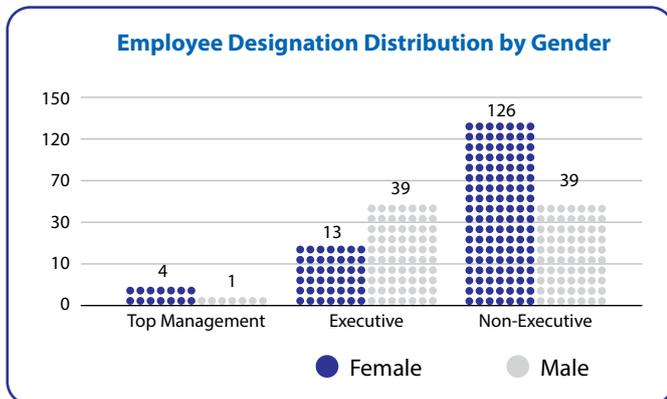
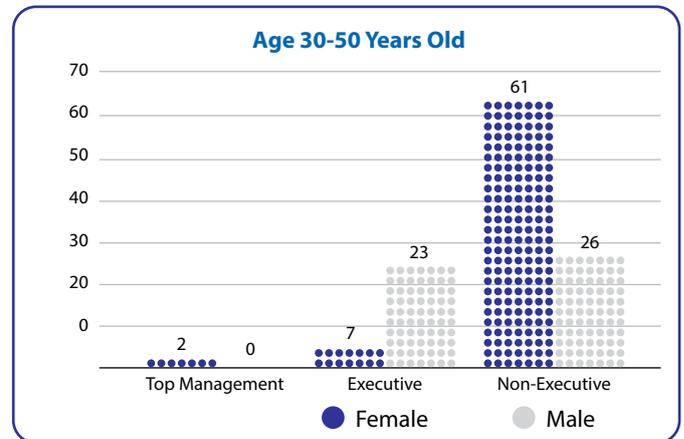
### Providing Equal Opportunities for Our Employees

SAUDEE adhere to equality practice during the recruitment and selection process. Our recruitment practice are based on merit and performance in order to avoid discrimination at the workplace.

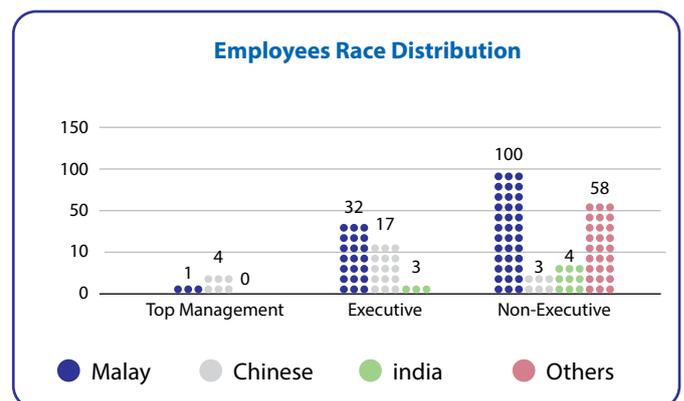
### Performance

We always recruit and promote staffs based on their experience, qualification, knowledge and performance regardless of gender, age and race. Below is illustrate our aim to build a workplace diversity in SAUDEE as we believe in the contribution that women bring to the workplace. The Company has appointed a female Independent Non-Executive Director to sit on the Board, therefore placing emphasis on gender diversity.

Employees Gender Distribution:



We also believes that young generation able to bring with them creativity and new-age thinking, the experienced hires bring a wealth of experience and knowledge in the industry. We also acknowledged the cultural expertise of diverse individuals can be leveraged for the benefit of the company.



# SUSTAINABILITY STATEMENT (CONT'D)

## WORKPLACE: DEVELOPING A SUSTAINABLE WORKPLACE (CONT'D)

### *Providing Equal Opportunities for Our Employees (Cont'd)*

#### *Our progress to date*

Continuous to adhere to equality practice for the recruitment and selection process.

### *Human Rights and Labour Practices*

SAUDEE strictly adhere to the Malaysia's Human Rights and Labour Regulations to ensure our employees' rights are protected and respected. The Malaysia's Human Rights and Labour Regulations are adhered by the Group:

1. Employment Act 1955
2. Employment Regulations 1957
3. Children and Young Persons (Employment) Act 1966
4. Employment (Restriction) Act 1968

### *Developing a Healthy and Safe Working Environment*

SAUDEE is committed to create a culture of health and safety within the organisation in which employees are trained to be aware of and adopt safe practices and healthy lifestyle. The Group health and safety is managed by the Environment Health and Safety Committee who will continue to monitor and improve the environment, health and safety management system, through the constant reminder of the organization about the importance of compliance with the requirements of the health and safety system to protect SAUDEE, its employees, contractors and others.

#### ➤ *The Environment Health and Safety Committee and Emergency Response Team*

The members of Environmental Health and Safety Committee (HSC) are consist of top management, managers and executives level. The HSC meets on a quarterly basis to review the health and safety concerns at the Group operation.

An Emergency Response Team (ERT) comprises of 30 employees from the Group. They are designated to response in the event of an emergency. Relevant training programme has provided to ERT such as Fire Safety, CPR training and Prevention Awareness training in order ERT prompt and appropriate response during an emergency to ensure the safety and wellbeing of our employees.

#### ➤ *Health Safety and Environmental Policy*

SAUDEE aims to minimise the likelihood of accidents or injuries during business operation by implementing Health Safety and Environmental Policy. The Group Health Safety and Environmental Policy 2<sup>nd</sup> revision was initiated in April 2018. It underlines the need of a safe and healthy work environment for all employees and the requirement in compliance with Legislation related to Occupational Health and Safety.

### *Performance*

In FYE2020, The Ministry of Health of Malaysia ("MOH") in its continuing effort to contain the spread of the Covid-19 pandemic had enforced various Standard Operating Procedures ("SOPs"). The Group adopted Covid-19 preventive measures in order to a safeguard employees and visitors' health.

The Standard Operating Procedures ("SOPs") are as below:

- Register names and mobile number through MySejahtera before entering premises
- Making sure all people wearing a mask all the time before entering
- Body temperature screening
- Hand sanitizers and face mask provided
- Social distancing enforced in office

The SOPs listed above are executed in all our workplaces to ensure the personal hygiene and mitigating the risk of all people from getting infected by Covid-19.

Besides, SAUDEE has carried out the following measures to address health and safety (H&S) issues at the workplace:

- Equipped and replenished appropriate Personal Protective Equipment for workers;
- Conducted safety programmes that include fire prevention, fire-fighting and rescue training;
- Install advance SPKA system requirement and established Emergency Response Team (ERT);
- Occupational First Aid;
- Safety operation;
- To promote safety awareness by:
  - o conducting a thorough workplace risk assessment;
  - o providing health and safety training and disseminate the seriousness H&S cases in electronic version such as video and design the quick test during induction session to enhance new staffs understanding on the health and safety issues; and
  - o conducting chemical handling programme.



# SUSTAINABILITY STATEMENT (CONT'D)

## WORKPLACE: DEVELOPING A SUSTAINABLE WORKPLACE (CONT'D)

### *Developing a Healthy and Safe Working Environment (Cont'd)*

#### *Performance (Cont'd)*

There were zero case of fatality was suffered by SAUDEE during the FYE 2020.

#### *Our progress to date*

- In FYE2021, the Group continue maintaining zero case of fatality in the workplace.
- The Group's Safety and Health Committee will also hold regular discussion and constantly keep up to date with the health and safety's best practices while putting them into implementation.
- Complied strictly with all required Covid-19 SOPs aimed at mitigating the risk of spreading the contagious disease at all office premises.

### *Developing and Sustainably Managing Our People*

The Board is aware that quality of life of its employee is vital to enable SAUDEE to achieve its strategic objective. The Board endeavour to create a positive work culture and embedded a learning culture within the Group to enable the employees continuously learn new skills and improve efficiency in carrying out their works. Besides, SAUDEE appreciate employee's talent by emphasising on talent development, motivation and retention measures. Our objective is to produce employees who are the brightest and the best across the business.

#### *Performance*

- *Human capital development – established learning culture*

SAUDEE attempt to embed learning culture within the Group by encouraging employees to engage various training to improve their knowledge, skills and exposure. This is important as SAUDEE is passionate to create a profound knowledge based workforce. However, this also leads to greater employee motivation, self-confidence, innovation, job satisfaction and morale among employees. Employees equipped with the necessary knowledge, skills and exposure and be able to align to company's goal. Internal promotion for existing employees is always encourage, this is one of the factors to encourage SAUDEE employees to develop their career by improving their knowledge, learning and strengthening skills.

Through yearly performance review, employees are made known about their strength and weakness as well as set new goals for the next year.

In FYE 2020, training programme provided to our staffs of which are shown below:

- OMRON PLC & HMI TRAINING - A PROPOSAL
- NATIONAL TAX CONFERENCE 2019
- BEGKEL PEMAKAIAN STANDARD PENGURUSAN KKP IKS (SME-OSHMS) 2019

- TAKLIMAT PINDAAN UNDANG-UNDANG AKTA PERHUBUNGAN PERUSAHAAN 1967, AKTA KESATUAN SEKERJA & AKTA KERJA 1955
- KURSUS PENGENDALIAN MAKANAN
- CHEMICAL HANDLING - TRAINING PROGRAM
- TAKLIMAT (AWARENESS) BERKAITAN SYARAT PENGIMPORAN MAKANAN SELARAS KEPERLUAN DI BAWAH AKTA MAKANAN 1983 DAN PERATURAN -PERATURAN DIBAWAHNYA
- BENGKEL KESELAMATAN & KESIHATAN PEKERJA ZON UTARA (OSH IN US WORKSHOP 2019)
- PROGRAM SERANTA PERKESO 2019 PERINGKAT PEJABAT PERKESO SUNGAI PETANI
- BENGKEL KESELAMATAN & KESIHATAN PEKERJA ZON UTARA (OSH IN US WORKSHOP 2019)
- WORKSHOP ON FOOD ACT & REGULATION
- INNOVATIONS IN INDICATORS AND PATHOGENS TESTING FOR ENSURING FOOD SAFETY
- TRAINING ON THE UNDERSTANDING THE HACCP REQUIREMENT FOR FOOD SAFETY
- WHISTLE BLOWING POLICY & ANTI - CORRUPTION AND ANTI - BRIBERY POLICY



# SUSTAINABILITY STATEMENT (CONT'D)

## WORKPLACE: DEVELOPING A SUSTAINABLE WORKPLACE (CONT'D)

### *Developing and Sustainably Managing Our People (Cont'd)*

#### *Performance (cont'd)*

##### *Human capital retention-understanding to our employees needs*

We understand that employee welfare and health are imperative. We need a healthy and thriving workforce to service our customers and to deliver our promise. Thus, Overtime is minimal and only allowed on the need basis. SAUDEE also carried out staff activities and staff benefits to motivate and to reward our people to improve their quality of life and foster a sense of belonging in SAUDEE.

##### *Complying with Minimum Wage Order 2018*

The Minimum Wages Order came into effect on 1 Feb 2020, providing for a minimum wage set at RM1,200 per month. SAUDEE comply with this Minimum Wage Order and ensures wages offered to its employees are fair and equal regardless gender, race and age.

Staff welfares have been provided as shown below:

#### Staff benefits and welfare:

- Employee discount scheme is offered to employees for the purchase of SAUDEE frozen products. The scheme is to ensure all employees are able to enjoy the quality products with their family
- Insurance coverage and medical claim
- Transport allowance
- Leaves
- Hostels are provided to its employees with lower disposable income

Apart from the existing employee benefit package, the group has been presenting loyalty rewards to those long service employees who have been loyal and remain with the Group through thick and thin at our Annual Dinner.

#### *Our progress to date*

In FYE 2021, the Group will endeavour introducing more comprehensive benefit package that will be rewarding to its employees such as various allowances introduce to operators and non-executive staffs and flexible working arrangements for certain level of staffs.

## COMMUNITY: DEVELOPING A SUSTAINABLE SOCIETY

### **Community Development**

SAUDEE strive to build relationship on trust by way of social initiatives, other contributions for the benefits of the local community and customers. SAUDEE believes that the social contributions will create business sustainability and enhances value for all its stakeholders. Hence, our ongoing efforts to incorporate sustainable practice into the Group business operations include increasing our participant with the local community through volunteering activities or donations that would benefit the community.

#### *Performance*

During Movement Control Order (MCO) period, Corporate Social Responsibility Committee strive forward to carry ongoing community engagement programmes such as

- hire Orang Kurang Upaya (OKU) work at SAUDEE plant;
- contribution of school uniforms to the poor employees' childrens on Dec 2019; and
- contribution Raya goodies by respective Head of Department on May 2020



SAUDEE creates and offers priority in job opportunity to local villagers including persons with disabilities by way of direct employment via walk in interview and local job fair.

#### *Our progress to date*

In FYE 2021, we strive towards hire more local villagers, engaging and contributing to local communities.

This Statement has been reviewed and approved by the Board of Directors at a meeting held on 23 October 2020.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors (the “Board”) of Saudee Group Berhad (“SAUDEE or the Company”) is pleased to present the Corporate Governance Overview Statement (“CG Overview”) which provides shareholders and stakeholders with an overview of the corporate governance practices of the Company during the financial year ended 31 July 2020 (“FYE 2020”), with reference to the key corporate governance principles as set out in the Malaysian Code on Corporate Governance 2017 (“MCCG” or “the Code”).

The statement disclosed the manner and the extent in which the principles and practices set out in the MCCG and governance standards in accordance with the Main Market Listing Requirements (“Main LR”) of Bursa Securities that have been adopted by the Company and its subsidiaries (the “Group”) for all its business dealings and affairs throughout the financial year ended 31 July 2020 which are set out in the Code. It is also to be read together with the Corporate Governance Report 2020 of the Company (“CG Report”) which is available on the Company’s website: [www.saudee.com](http://www.saudee.com)

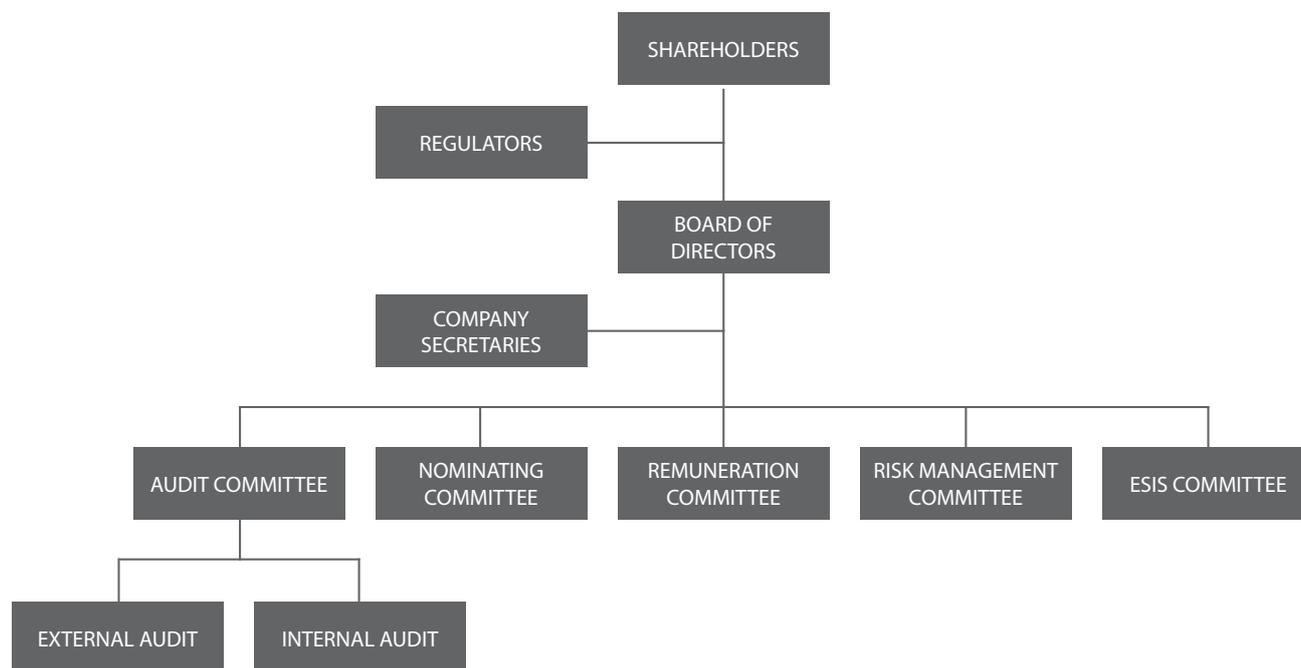
## EMBRACING THE CG CULTURE

The Board of SAUDEE acknowledges the importance of good corporate governance (“CG”) in protecting and enhancing the interest of shareholders. As such the Board conscientiously strives to attain high business ethics and governance in conducting the day-to-day business affairs of the Group, in order to build a sustainable business and discharging its regulatory role.

The Board believes that good CG adds value to the business of the Group and play an active role in guiding the Management through its oversight review while at the same time steer the Group’s business direction and strategy.

The Board will ensure that this practice continues by determining an action plan which includes reviewing of the identified CG practices, setting the appropriate timeframe in the CG activities and preparing disclosures on the Company’s practices to ensure they are implemented in substance to achieve the intended outcomes of building a good corporate governance culture throughout the Group.

Our Corporate Governance Framework, which is set out below is vital in contributing towards our growth and long term sustainability.



## SUMMARY OF CORPORATE GOVERNANCE REVIEW

The Board is pleased to disclose the key focus areas in which the Company has applied throughout the FYE 2020 in relation to the 3 Principles as set out in the Code:

- A. Board Leadership and Effectiveness;
- B. Effective Audit and Risk Management; and
- C. Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

## SUMMARY OF CORPORATE GOVERNANCE REVIEW (Cont'd)

SAUDEE has benchmarked its practices against the relevant higher order practice and consistently applied all the practices advocated by the MCCG throughout the FYE 2020 except as otherwise disclosed herein. In addition, amongst the four (4) Step Ups of MCCG, two (2) Step Ups were voluntary adopted by the Board, ie. Step Ups 8.4 The Audit Committee should comprise solely of Independent Directors and Step Ups 9.3 Risk Management Committee, which comprises a majority of independent directors, to oversee the company's risk management framework and policies. The Step Ups are exemplary practices which support companies in moving towards greater excellence in corporate governance. In regard to the departure from the Practices, the Board has provided alternative practice which also achieved the Intended Outcome set up in the MCCG. All the explanation on the application of practices are contained in the CG Report.

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

### I. Board Responsibilities

The Board is always mindful of its responsibilities to the Company's shareholders and various stakeholders for creating and delivering sustainable value and long-term success through its leadership and management of the Company's businesses, in pursuing the objectives of the Group.

#### **Established clear functions reserved for the board and those delegated to management**

The Board functions on the principle that all significant and material matters are addressed by the Board as it is accountable for the strategic management, performance monitoring and measurement, enterprise risk management, standard of conduct and critical business issues. The Board is responsible for determining the long term direction and strategy of the Group, and creating value for shareholders.

The Board assumed the following principal responsibilities in discharging its functions:

- Reviewing and adopting strategic plans for the Group and monitoring thereof, and addressing the sustainability of the Group's businesses;
- Identifying and approving policies pertaining to the management of all risk categories including but not limited to, credit, financial, market, liquidity, operational, legal and reputational risks of the Group's business activities and ensure the implementation of appropriate systems to manage these risks;
- Overseeing the conduct of the Group's business to evaluate whether the business is being properly managed;
- Reviewing the adequacy and integrity of the framework and processes for internal controls, risk management, finance reporting and compliance;
- Ensuring sufficient of succession planning for appointments to the Board and to the Senior Management positions by promoting boardroom diversity and reviewing the competence of the Management including appointing, training, determining remuneration packages of and, where appropriate, replacing the key management personnel.
- Developing and implementing an investor relation programme or shareholder communication policy and sustainability policy for the Company; and
- Responsibility for good corporate governance.

There is a division of functions between the Board and the Management. The Board is duly assisted by the key management team of the Company, comprising Managing Director, Executive Director, Chief Financial Officer and other key management of respective departments. The principal responsibilities of the management team are as follows:

- Developing, coordinating and implementing business and corporate strategies for the approval of the Board;
- Assume day to day responsibility for the Company's conformance with relevant laws and regulations and its compliance framework;
- Achieve the performance targets set by the Board;
- Report and furnish the Board with information, report, clarifications as and when required on the agenda item to be tabled to the Board, to enable the Board to arrive at a decision.
- Communicating to the staff and implementing the strategic plan approved by the Board and any decision of the Board to ensure that the objectives of the Company that were approved by the Board are met;
- Assisting the Board in the establishment of Company or Group's policies by developing such policies for the Board's review and approval for Company and Group's adoption and implementing the approved policies; and
- Developing effective management information and internal control systems of the Company to ensure that integrity and adequacy of the systems are intact.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

### I. Board Responsibilities (Cont'd)

Key matters reserved for the Board's approval include but are not limited to the business continuity plan, issuance of new securities, proposed employee's share option scheme, business restructuring, acquisitions/disposals of material assets, and approval for the release of financial announcements. 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. The Executive Directors of the Company participated in the subsidiaries' management meeting to ensure that decisions made by the Board are disseminated and delegated effectively to the Management of the subsidiaries.

During the financial year ended 2020, the Company continued the practice of conducting Audit Committee meeting before Board meeting to allow discussion on any issues raised by the External Auditors and/or Internal Auditor for the Board's attention. All members of the Board and Board Committees received complete agenda and documents relevant to the meetings at least 7 days in advance to allow them to have sufficient time to review for effective discussion and decision making during the meetings.

To ensure the effective discharge of its function and responsibilities, the Board delegates some of the Board's authorities and discretion to the Executive Director and Managing Director, representing the Management, as well as to properly constituted Board Committees, namely the Audit Committee, Nominating Committee, Remuneration Committee, Risk Management Committee and ESIS Committee with clearly defined terms of reference ("ToR"). Guided by their ToR, the Board Committees are conferred the authority to examine issues under their purview and make subsequent recommendations to the Board. This enables the Board to achieve operational efficiency and yet allow the Board to maintain control over major policies and decisions.

The Board has delegated specific responsibilities to the following committees:

- (i) Audit Committee
- (ii) Nominating Committee
- (iii) Remuneration Committee
- (iv) Risk Management Committee
- (v) ESIS Committee

TYPE OF COMMITTEE	PRINCIPAL FUNCTIONS
Audit Committee	To review and report on the Group's results, external audit procedures and internal audit function.
Nominating Committee	To assess, review the effectiveness of the Board and performance of each individual Directors and Independence of Non-Executive Directors and recommend to the Board on all new Board appointments.
Remuneration Committee	To assess, review and recommend to the Board the Directors' and Senior Management remuneration and benefits package.
Risk Management Committee	To review, assess and report the Enterprise risk including environmental, economic and social risks and opportunities within the Group to the Board.
ESIS Committee	To ensure that the Scheme is administered in accordance with the by-laws approved by the shareholders of the Company.

These Board Committees have been constituted with clear terms of reference which are defined in the Board Charter.

### Segregation of Role and Responsibilities of Executive Chairman and Managing Director

There is a clear and separate division of responsibility in the roles and duties of Executive Chairman and Managing Director. These two (2) positions are held by two (2) different individuals to enable a balance of power and authority and greater capacity for independent decision-making.

The Board is led by Mr Khoo Lay Tatt, as the Executive Chairman, who is responsible to lead the Board in the oversight of management and implementing the Board policies. He is mainly responsible for the overall business planning and development, the formulation of strategic plans and policies for the Group and the Board's effectiveness and conduct. He promotes an open environment for discussions and ensures effective contributions from Non-Executive Directors and exercise control over the quality, quantity and timeliness of information flow between the Board and Management. He also maintains regular dialogues/ meetings with the Managing Director/ Head of business units on all operational matters.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

### I. Board Responsibilities (Cont'd)

#### Segregation of Role and Responsibilities of Executive Chairman and Managing Director (Cont'd)

Moreover, he also ensures that the integrity and effectiveness of the governance process of the Board and acts as a facilitator at Board meetings. At a general meeting, the Executive Chairman plays a role in fostering constructive dialogue between Shareholders, Board and Management.

Mr. Khoo Lay Tatt has resigned as an Executive Chairman on 13 August 2020 and the Board is in the process of appointing a Non-Executive Chairman.

The role of Managing Director is presently assumed by Mr Tan Khang Khim who is involved in the day- to- day running of the affairs of the Group and responsible for the product research and development, transformation and modernisation of the food production process through automation. He is assisted by the other Executive Director and the Management for the overall development and expansion of marketing networks as well as implementation of sales, distribution and promotional activities of the Group including the implementing of Board policies and decisions. He also has many years of experience in managing the Group's core businesses.

#### Overseeing the Conduct of the Company's business

The Board oversees the performance of management through the quarterly results which are tabled during the Board meeting. The Board would then make the necessary business decisions to adapt to changing circumstances. The Management is tasked with the responsibility to keep the Board informed on all matters which may materially affect the Company and its business. The Management is also required to present and brief the Board on the quarterly report of the Group's financial performance.

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.

#### Access to Information and Independent Professional advice

In exercising their duties, all Directors have the same right of access to all information pertaining to the Group's business affairs and maintains a direct line of communication with Senior Management. During Board meeting, Senior Management and external advisors may be invited to advise and provide the Board with detailed explanations and clarifications whenever necessary on matters that are tabled. The Board is also supported by qualified Company Secretaries who serve as corporate governance counsels to the Board. The Company Secretaries assist the Board in adhering to the relevant corporate governance legislative promulgations and apprise the Board on the latest statutory and regulatory requirements relating to corporate governance.

#### Board Charter

The Board Charter addresses, which include amongst others, the Board obligations and responsibilities, Directors' Code of Conduct and Ethics, role of the Board, Executive Directors and Managing Director, Senior Independent Non-Executive Director, Individual Directors, the Management, Company Secretaries, appointment of new directors, the right balance and composition of the Board, remuneration policy and the establishment of Board Committees together with the required mandate and activities. The Board Charter will be reviewed periodically to ensure its relevance and compliance. The Board Charter is available at its corporate website.

The Board Charter is to guide the Directors in discharging their duties and responsibilities as Directors and is drafted in accordance with the fundamental requirements of provisions in the Companies Act 2016, Listing Requirements, Capital Markets and Services Act 2007, Constitution of the Company, and other applicable rules or regulations governing the Group's business activities.

Further details relating to the Board Charter, Code of Conduct and Ethics, Anti-Corruption and Anti-Bribery Policy and Whistleblowing Policy are set out in the CG report and are also available on Company's corporate website at [www.saudee.com](http://www.saudee.com)

### II. Board Composition

The Board has six (6) directors, comprising of two (2) Executive Directors, three (3) Independent Non-Executive Directors and one (1) Senior Independent Non-Executive Director. The number of Independent Directors is in compliance with Rule 15.02 of the Listing Requirements of Bursa Securities which stipulates that at least two Directors or 1/3 of the Board, whichever is higher, must be Independent Directors and also the recommendation by the MCCG that at least half of the Board comprises independent directors.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

### II. Board Composition (Cont'd)

#### Boardroom Diversity and Independence

The Nominating Committee ("NC") is responsible for identifying, evaluating and recommending to the Board, suitable candidates to fill the Board vacancies. The combination of the skills, experience and expertise of the incumbent Directors allow the Board to apply a breadth and depth of perspectives when deliberating on contentious issues. The NC makes the recommendations following careful consideration of the required mix of skills, experience and diversity, as well as gender where appropriate.

The Board is presently of the view that there is no necessity to fix a specific gender diversity policy. The Board advocates the promotion of fair participation and equal opportunity in embracing a spirit of inclusion for all individuals of the right caliber. The appointment of Board member or management should be determined based on objective criteria, merit and with due regard for diversity in skills, experience and other qualities regardless of gender but will nevertheless consider appointing more directors of the female gender where suitable to be in line with the MCCG's target.

#### *Board Diversity*

The Board recognizes that diversity is important to enhance Board effectiveness as diversity broadens the debate within the Board by harnessing different insights and perspectives. The skillsets and diversity of the Board are as follows:

Name of Directors	Nationality	Designation	Industry/Background Experience							By Composition								
			Entrepreneur	Industrial	Marketing	Corporate	Accounting/ Finance	Governance risk and compliance	Information Technology	Law/legal	Age				Ethnicity		Gender	
											30-39	40-49	50-59	60-69	Bumiputera	Chinese	Male	Female
Mak Siew Wei	Malaysian	Executive Director	√	√	√	√	√	√	√	√	√				√	√		
Tan Khang Khim	Malaysian	Managing Director	√	√	√								√		√	√		
Sim Yee Fuan	Malaysian	Senior Independent Non-Executive Director				√	√	√				√			√	√		
Datuk Chong Loong Men	Malaysian	Independent Non-Executive Director	√	√		√	√	√		√		√			√	√		
Chen Chee Peng	Malaysian	Independent Non-Executive Director	√	√		√		√	√			√			√	√		
Koay San San	Malaysian	Independent Non-Executive Director				√	√	√			√				√		√	

During the FYE 2020, there was one (1) woman representation on the Board.

Mr Mak Siew Wei and Datuk Chong Loong Men were appointed as an Executive Director and an Independent Non-Executive Director of the Company respectively on 11 August 2020. Subsequently, Mr Chen Chee Peng was appointed as an Independent Non-Executive Director of the Company on 19 August 2020.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

### II. Board Composition (Cont'd)

#### Boardroom Diversity and Independence (Cont'd)

##### *Boardroom Independence*

The presence of Independent Non-Executive Directors provides a pivotal role in corporate accountability. The Board recognises that the role of the Independent Non-Executive Directors is particularly important as they provide independent and objective views, advice and judgment and ensure strategies proposed by the Management are thoroughly discussed and evaluated, and that the long-term interests of stakeholders are considered. The Board has assessed the independence of the Independent Non-Executive Directors, who constitute 2/3 of the Board, and are satisfied they have provided objective and independent judgment at Board deliberations.

Notwithstanding the recommendation of the Code, the Board is presently of the view that there is no necessity to fix a maximum tenure limit for Independent Non-Executive Directors ("INED") 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.

The Board and the NC have deliberated on the recommendation and hold the view that the ability of a Director to serve effectively as an Independent Director is very much dependent on his calibre, qualification, experience and personal quality, particularly his integrity and objectivity, and has no real connection to his tenure as an Independent Director.

On 25 September 2020, both the Board and the NC have assessed and reviewed on the independence, qualification, experience and performance of Mr Sim Yee Fuan, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years and recommended him to be retained as an INED of the Company based on the Board justifications that Mr Sim Yee Fuan have performed his duties diligently and provided independent views in participating in deliberations and decision making of the Board and Board Committees. The length of his service on the Board does not in any way interfere with his duties as an Independent Non-Executive Director of the Company. The Board believes that with Mr Sim Yee Fuan's expertise and broad experience together with his accumulative knowledge of the Group's business and operation provide the Board with a diverse set of experiences and expertise which enhances the skills and experience profile of the Board.

In view of the assessment, the Board proposed to retain Mr Sim Yee Fuan, to continue acting as INED of the Company which is subject to the shareholders' approval at the forthcoming 12<sup>th</sup> AGM.

#### Nomination Committee

The Board is assisted by NC which is chaired by an Independent Director to review, amongst other, the size and composition of the Board. NC reviews the effectiveness of the Board and performance of each individual director and assesses the independence of Non-Executive Directors of the Company on an annual basis to determine if the Board has the right size and sufficient diversity with independence elements that meet the Company's objectives and strategic goals.

Vide an assessment conducted on 25 September 2020, the Nominating Committee reviewed the required mix of skills, experience and other qualities of the Board and Board Committee and agreed that it has the necessary mix of skills, experience and other necessary qualities to serve effectively and the size of the Board remain relevant in the current size of the Group.

On 25 September 2020, the NC has carried out annual evaluation of all Directors including the Independent Directors and was satisfied that the Independent Directors continued to exercise independent and objective judgement and acted in the interest of the Company and its stakeholders.

NC has carried out annual evaluation on the performance of each member of the Board, each Board Committee and reviewed the performance of the Board as a whole. Vide an assessment conducted on 25 September 2020, the annual evaluation involves members of the Board completing the evaluation questionnaires to appraise the performance of the Board and undertaking self and peer evaluation, whereby Directors will assess their own performance and that of their fellow directors. The NC had assessed the overall effectiveness of the Board and the performance of individual directors for the FYE 2020 and is satisfied with the effectiveness demonstrated.

#### Foster Commitment of the Director

The directors dedicated sufficient time to carry out their responsibilities in Board representations, such as Board meetings, Annual General Meetings throughout the financial year. During the financial year ended 31 July 2020, six (6) Board Meetings have been held.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

### II. Board Composition (Cont'd)

#### Foster Commitment of the Director (Cont'd)

The Board is satisfied with the level of time commitment given by the Directors in the discharge of their roles and responsibilities as the Directors of the Company as evidenced by their attendance at the respective meetings office during the financial year ended 31 July 2020 set out below:

Name of Director	Designation	Number Meetings Attended	Percentage (%)
Mak Siew Wei <i>(Appointed w.e.f. 11 August 2020)</i>	Executive Director	N/A	N/A
Tan Khang Khim	Managing Director	5/6	83
Sim Yee Fuan	Senior Independent Non-Executive Director	6/6	100
Datuk Chong Loong Men <i>(Appointed w.e.f. 11 August 2020)</i>	Independent Non-Executive Director	N/A	N/A
Chen Chee Peng <i>(Appointed w.e.f. 19 August 2020)</i>	Independent Non-Executive Director	N/A	N/A
Koay San San	Independent Non-Executive Director	6/6	100
Khoo Lay Tatt <i>(Resigned w.e.f. 13 August 2020)</i>	Executive Chairman	5/6	83
Low Ai Choo <i>(Resigned w.e.f. 17 August 2020)</i>	Executive Director	5/6	83
Ustaz Abdul Hamid Bin Sulaiman <i>(Resigned w.e.f. 17 August 2020)</i>	Independent Non-Executive Director	6/6	100

All Directors have complied with the minimum 50% attendance requirements in respect of board meeting as stipulated by the Main LR.

Under the existing practice, the Directors shall inform the Board before accepting new directorships in other companies and ensure that their number of directorships in public listed companies is in compliance with the Main LR of Bursa Securities.

#### Boardroom Professional Development

The Board does not have a policy to require each of the Directors to attend number and types of training programme each year. Nevertheless, the Board is responsible to ensure continuing education/training for the Directors to update their knowledge and enhance their skills through attendance at relevant programs to keep abreast with the latest developments on a continuous basis on the general regulatory, economic, industry and technical developments to further enhance their skills, knowledge and experience as well as update themselves on new developments in the business environment in order to fulfill their duties as Directors.

The Directors are also updated by the Company Secretaries on any change to legal and governance practices applicable to the Group, and receive briefing from External Auditors on updates in financial reporting, new accounting standards affecting the Group.

All Directors have completed the "Mandatory Accreditation Programme for Directors of Public Listed Companies" pursuant to Paragraph 15.08 of the Main LR of Bursa Securities.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

### II. Board Composition (Cont'd)

#### Boardroom Professional Development (Cont'd)

The training and seminar courses attended by the Directors during the financial year ended 31 July 2020 were as follows:

Name of Director	Training Programmes / Seminars	Mode of Training
Tan Khang Khim	• CORPORATE LIABILITY AMENDMENT ACT 2018 : The Potential Risk Faced By Director And Senior Officers (11 Oct 2019)	In-house training
	• Whistle Blowing Policy & Anti-Corruption & Anti-Bribery Policy (21 July 2020)	In-house training
Sim Yee Fuan	• Tax Budget 2020 (20 November 2019)	Seminar
Koay San San	• CORPORATE LIABILITY AMENDMENT ACT 2018 : The Potential Risk Faced By Director And Senior Officers (11 Oct 2019)	In-house training
	• Whistle Blowing Policy & Anti-Corruption & Anti-Bribery Policy (21 July 2020)	In-house training

### III. Remuneration

The Board strives to ensure that there are formal and transparent remuneration policies and procedures in place to attract and retain Directors and Senior Management of the calibre needed to run the Group successfully. Therefore, the Board has established a Remuneration Committee ("RC") with an objective to assist the Board in the review of formal policy which set by the Board and consideration of a fair and attractive remuneration framework of the Directors and Senior Management which includes the remuneration packages and other terms of employment for the Executive Directors.

The Remuneration Committee consists of three (3) Independent Non-Executive Directors which is in line with the recommended by the Code. In formulating the framework and levels of remuneration, the RC ensures the remuneration framework remains supportive of the Company's corporate objectives, is aligned with the interests of the shareholders, is able to attract, retain and motivate the Executive Directors and Senior Management and are reflective of their performance, experience and level of responsibilities.

The remuneration of Non-Executive Directors comprising only directors' fees and other benefits if any. The directors' fees should reflect the experience, level of responsibilities, time commitment, expertise and the complexity of the Company's activities. The Company also reimburses reasonable expenses incurred by these Directors in the course of their duties. The Board, as a whole, determines the fees of the Non-Executive Directors with the Director concerned abstaining from deliberation and voting in respect of his/her individual remuneration. Directors' fees and other benefits if any are subject to approval by its shareholders at the AGM.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

### III. Remuneration (Cont'd)

A summary of the remuneration of the Directors of the Group for the year ended 31 July 2020, distinguishing between Executive and Non-Executive Directors, with categorisation into appropriate components is set out below:

Name of Directors	Remuneration received from the Company			Remuneration received from Subsidiary Companies					Group Total (RM)
	Fees (RM)	Meeting and Other allowance (RM)	Total (RM)	Salary (RM)	Bonus (RM)	Allowances and other emoluments* (RM)	Benefit-in-kind (RM)	Total (RM)	
Tan Khang Khim (Managing Director)	28,000	1,000	29,000	324,000	151,500	57,653	9,375	542,528	571,528
Sim Yee Fuan (Senior Independent Non-Executive Director)	40,000	1,500	41,500	-	-	-	-	-	41,500
Koay San San (Independent Non-Executive Director)	28,000	13,500	41,500	-	-	-	-	-	41,500
Khoo Lay Tatt (Executive Chairman) <i>(Resigned w.e.f. 13 August 2020)</i>	40,000	1,500	41,500	324,000	152,500	89,603	640	566,743	608,243
Low Ai Choo (Executive Director) <i>(Resigned w.e.f. 17 August 2020)</i>	18,000	1,000	19,000	220,000	44,000	32,603	-	296,603	315,603
Ustaz Abdul Hamid Bin Sulaiman (Independent Non-Executive Director) <i>(Resigned w.e.f. 17 August 2020)</i>	28,000	1,500	29,500	-	-	-	-	-	29,500

\* Allowances and other emoluments inclusive of Company's contribution to employee provident fund and social security organisation contribution.

The remuneration (including salary, bonus, allowances, and other emoluments) of all key Senior Management of the Group on a named basis during the financial year ended 2020 in bands of RM50,000 are set out below:

Name of Senior Management	Range of Remuneration		
	RM50,000-RM100,000	RM100,000 –RM 150,000	RM300,000-RM 350,000
Chong Kok (Chief Financial Officer)			√
Mohd Azman Bin Manaf (General Manager)		√	

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

## PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

### Audit Committee

The Audit Committee ("AC") comprises three (3) members, all of whom are Independent Directors and is chaired by a Senior Independent Non-Executive Director, Mr. Sim Yee Fuan who is not the Chairman of the Board to ensure the effectiveness and independence of the Committee. Mr. Sim is a Chartered Accountant registered with the Malaysian Institute of Accountants. Accordingly, the Company complies with paragraph 15.09(1)(c)(i) of the Main LR.

The Board noted on the practice that requires a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee. Nonetheless, there was no former key audit partner being appointed as an Independent Director or member of Audit Committee. The duties and responsibilities of the AC are spelt out in the Terms of Reference of the AC, a copy of which is available in the Company's website at [www.saudee.com](http://www.saudee.com).

The AC Chairman has assessed to the Executive Directors, Senior Management, External Auditors and Internal Auditors. The composition of AC is reviewed annually with the view to maintain an independent and effective AC. The appointment/ re-appointment of the External Auditors are reviewed by the AC annually based on their suitability, objectivity and independence. Based on the outcome of its assessment conducted on 23 October 2020, the AC decided to recommend to the Board for the shareholders' approval to be sought on the re-appointment of External Auditors Messrs Grant Thornton at the 12<sup>th</sup> AGM.

The summary of work of the Audit Committee relating to the FYE 2020 are highlighted on pages 46 to 49 of this Annual Report.

### Risk Management and Internal Control Framework

The Board recognises that risk management is an integral part of the Group's business operations and is important for the achievement of its business objectives. The Group has established a Risk Management Committee ("RMC") in order to manage the overall risk exposure of the Group.

The RMC is chaired by an Independent Non-Executive Director. During the FYE 2020, Risk Management meeting was held on 7 August 2020, to discuss and review on the risks of the major subsidiaries with the Head of Departments (HODs), and the said discussion/review are recorded in the summary of the Risk management Report.

The HODs have also been trained to identify the risks relating to their areas; the likelihood of these risks occurring; the consequences if they do occur; and the actions being and/or to be taken to manage these risks to the desired level. The risk profiles and risk treatment measures determined from this process are documented in risk registers with each business or operations areas having its respective risk register. The Summary report of risk profile for reporting to the AC and the Board.

The Board is also fully aware of its responsibility for the Group's system of internal controls which is to maintain a sound system of internal control to safeguard the Group's assets and investors' interest. The Standard Operating Procedures (SOPs) within the Group is to ensure the effective and efficient conduct of operations, financial controls and compliance with laws and regulations. The Group has engaged an external professional firm, JWC Consulting Sdn. Bhd. to carry out internal audit function and provide independent assurance on the adequacy and effectiveness of the internal control of the Group. The Audit Committee reviewed and deliberated on the findings together with the recommendation and management action plan from Internal Auditors.

The Board recognises that they have to declare their respective interests in transactions with the Group and abstain from deliberation and voting on the relevant resolution in respect of such transactions at the Board or at any general meetings convened to consider the matter. The Company has an internal framework to ensure it complies with the related party transactions as prescribed in the Main LR. The related party transactions are recorded and presented to the Audit Committee on a quarterly basis for review and discussion should any concern arise. The Audit Committee reviews any related party transactions and conflict of interest situation that may arise within the Group including any transactions, procedure or course of conduct that causes questions of management integrity to arise.

On 23 October 2020, the Board received assurance from the Managing Director and the Chief Financial Controller that the Group's risk management and internal control system in place during 2020, is operating adequately and effectively to safeguard the Group's assets, as well as shareholders' investments, and the interests of other stakeholders.

The Statement on Risk Management & Internal Control is set out on pages 50 to 53 of this Annual Report to provide an overview of the risk management framework and state of internal control within the Group.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

## **PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS**

### Communication with Stakeholders

SAUDEE ensures that its communication with the shareholders and various stakeholders is effective, transparent, timely and with quality disclosure. The Company's website has become a key communication channel for the Company to reach its shareholders and general public. The website has a number of sections which provide up-to-date information on Group activities, Board Charter, financial results, announcements released to Bursa Securities, annual reports and company profile, and other information on the Company that can be found on the Company's website at [www.saudee.com](http://www.saudee.com) and engagement through the investor relations function.

### Conduct of General Meeting

The Annual General Meeting ("AGM") is the principal forum of dialogue with shareholders. In accordance with the Companies Act 2016 and Main LR, Notice of AGM together with information on where the Company's Annual Report may be accessed, is sent to shareholders at least twenty one (21) days prior to the meeting. The Board acknowledges that AGM is an important means of communicating with its shareholders. In line with the CG practice, the notice of the 12<sup>th</sup> AGM will be issued to the shareholders at least 28 days before the AGM date.

At the 11th AGM of the Company held on 21 December 2019, all members of the Board, representatives of the Management and External Auditor attended the meeting to respond to the questions raised by the shareholders or proxies.

Shareholders who are unable to attend are allowed to appoint proxies to attend and vote on their behalf. Shareholders are welcome to raise queries by contacting the Company at any time throughout the year.

### Poll Voting

The Company has always made the necessary preparation for poll voting for all resolutions tabled at the AGM. The Company will explore the suitability and feasibility of employing electronic means for poll voting.

The Company conducted poll voting in respect of all resolutions put before the shareholders at the last AGM as required by the Main LR. The poll results of each resolution were announced to Bursa Securities after the AGM and EGM via Bursa Link on the same day.

This statement was made in accordance with a resolution of the Board dated 23 October 2020.

# AUDIT COMMITTEE REPORT

The Board of Directors of Saudee Group Berhad is pleased to present the report of the Audit Committee for the financial year ended 31 July 2020.

## MEMBERS OF THE AUDIT COMMITTEE

The members of the Audit Committee ("AC") during the financial year and up to the date of this AC report are as follows:-

Chairman :	Sim Yee Fuan (Senior Independent Non-Executive Director)
Member :	Koay San San (Independent Non-Executive Director)
	Chen Chee Peng (Independent Non-Executive Director)
	<i>(Appointed w.e.f. 19 August 2020)</i>
	Ustaz Abdul Hamid Bin Sulaiman (Independent Non-Executive Director)
	<i>(Resigned w.e.f. 17 August 2020)</i>

This composition meets the requirements of Paragraph 15.09(1)(a) and (b) of the Main Market Listing Requirements ("Main LR"). Mr. Sim Yee Fuan the Chairman of the Committee is a Chartered Accountant registered with the Malaysian Institute of Accountants ("MIA"). Accordingly, the Company complies with Paragraph 15.09(1)(c)(i) of the Main LR.

Details of the Terms of Reference of AC are available on the Company's corporate website [www.saudee.com](http://www.saudee.com)

## MEETING ATTENDANCES

The AC held six (6) meetings during the financial year ended 31 July 2020 ("FYE 2020") with the attendance of the Chief Finance Officer, Finance Manager, Internal Auditor, External Auditors and the Company Secretary.

A quorum consists of two (2) members present who must be Independent Directors. Other board members and senior management may attend the AC meetings upon invitation by the AC. Both Internal and External Auditors may request for meeting if they deemed it is necessary.

The details of attendance of the AC members are as follows:-

Directors	No. of meetings attended
Sim Yee Fuan	6/6
Koay San San	6/6
Chen Chee Peng <i>(Appointed w.e.f. 19 August 2020)</i>	-
Ustaz Abdul Hamid Bin Sulaiman <i>(Resigned w.e.f. 17 August 2020)</i>	5/6

During the FYE 2020, the Chairman of the AC had engaged with the Senior Management, Internal Auditor and the External Auditors on a continuous basis, in order to keep abreast of matters and issues affecting the Group.

The Company Secretary acts as the secretary to the AC. Minutes of each meeting are distributed electronically to each Board member, and the Chairman of the AC reports the on key issues discussed at each meeting to the Board of Directors ("Board").

## SUMMARY OF WORK OF THE AUDIT COMMITTEE AND HOW IT HAS MET ITS RESPONSIBILITIES

The AC met at scheduled times with due notices of meetings issued, and with agenda planned and itemised so that issues raised were deliberated and discussed in a focused and detailed manner.

The Chairman of the AC reported on each meeting to the Board. Detailed audit reports by the External Auditors, Internal Auditors and the respective management response were circulated to members of AC before each meeting.

# AUDIT COMMITTEE REPORT (CONT'D)

## SUMMARY OF WORK OF THE AUDIT COMMITTEE AND HOW IT HAS MET ITS RESPONSIBILITIES (Cont'd)

The activities carried out by the AC during and subsequent to the FYE 2020 in the discharge of its duties and responsibilities are as follows:

### Financial Reporting

- a) At the meeting on 25 September 2020, the AC reviewed quarterly financial statements for the fourth quarter of 2020 and recommended to the Board for approval and announcement to Bursa Securities.

The AC reviewed the unaudited quarterly reports for the first quarter, second quarter and third quarter of the FYE 2020 at the AC meetings held on 20 December 2019, 27 March 2020 and 26 June 2020 respectively and recommended the same to the Board for approval and announcement to Bursa Securities.

The quarterly financial statements of FYE 2020 were prepared in accordance with the requirements of Chapter 9, Continuing Disclosure, Paragraph 9.22 of the Main LR and in compliance with Malaysian Financial Reporting Standards ("MFRS") 134, Interim Financial Reporting issued by Malaysian Accounting Standards Board.

The Chief Financial Officer ("CFO") updates the AC regularly on the Group's financial performance and highlights key issues in connection with the preparation of the results, including the adoption of new accounting standards/policies. The CFO is responsible for ensuring that the Group is aware of impending changes to the accounting standards and also the relevant regulatory requirements, recognises the implication of those changes and complies with the requirements.

- b) The AC reviewed the impact of new or proposed changes in accounting standards and regulatory requirements of the Company; and considered and reviewed the integrity of information in the financial statements and quarterly reports, focusing particularly on:

- any changes in accounting policies and practices had been adopted;
- the going concern basis applied in the Annual Financial Statements and Condensed Consolidated Financial Statements was appropriate;
- prudent judgements and reasonable estimates had been made in accordance with the requirements set out in the MFRSs;
- adequate processes and controls were in place for effective and efficient financial reporting and disclosures under the MFRSs, and Main LR; and
- the Annual Financial Statements and Quarterly Condensed Consolidated Financial Statements did not contain material misstatements and gave a true and fair view of the financial position of the Group and its subsidiary companies for FYE2020.

### External Audit

The AC had met with the External Auditors, Messrs. Grant Thornton without the presence of the executive members during year 2020.

During the meeting, External Auditors tabled the Audit Planning Memorandum prior to the commencement of audit of financial statements for FYE 2020. The main particulars outlined included audit timeline, the nature and scope of audit, material litigation, proposed audit fee and deliberation on key areas of audit focus raised by the External Auditor. The AC also noted on the updates of MFRSs which are applicable to the Group.

Besides, the External Auditor presented the Audit Findings Report for the FYE 2020 for the AC's notation and discussion. The Committee deliberated on audit issues raised by the External Auditors and the action plans required to address those issues. The External Auditors informed that the management had granted full co-operation to the External Auditors during their course of audit.

On 23 October 2020, the External Auditors briefed the Committee on the draft Audited Financial Statements FYE 2020 before the same were proposed for the Board's approval. Besides, AC reviewed the External Auditors Evaluation Form in respect for the FYE 2020. The assessment was guided by the External Auditors Evaluation Form as recommended by CG Guide the 3rd edition. Evaluation aspect in relation to the re-appointment including Calibre of the External Audit Firm, Quality Processes/ Performance, Audit Team, Independence and Objectivity, Audit Scope and Planning, Audit Fees and Audit Communications.

# AUDIT COMMITTEE REPORT (CONT'D)

## SUMMARY OF WORK OF THE AUDIT COMMITTEE AND HOW IT HAS MET ITS RESPONSIBILITIES (Cont'd)

### External Audit (Cont'd)

The AC concluded that based on the assessment, amongst others as set out below, the External Auditors performance for FYE 2020 was found adequate and thereby recommended the re-appointment of Messrs. Grant Thornton as the External Auditors of the Group to the Board for approval by its shareholders at the forthcoming 12<sup>th</sup> Annual General Meeting:

- after having satisfied with its audit independence and the performance of GT throughout its course of audit for FYE 2020;
- satisfied with the quality processes/ performance of External Auditors;
- able to give adequate technical support when audit issue arise;
- adequate experience and resources of GT and audit engagements; and
- agreed the provision of non-audit services by the external auditors prior to their commencement of such work and confirmed as permissible for them to undertake as provided under the By-Laws of the MIA.

### Internal Audit

At the meeting held on 27 September 2019, 26 June 2020 and 25 September 2020, the AC discharged its duties and responsibilities to review the internal audit function as follows:

- reviewed and approved the Internal Auditors' plans for the financial year to ensure adequate coverage over the activities of the respective subsidiaries;
- reviewed the internal audit reports presented by the Internal Auditors on findings, recommendations and management responses thereto and ensured that material findings were adequately addressed by management and reported relevant issues to the Board; and
- monitored the implementation of management's action plan on outstanding issues through follow-up reports to ensure that all key risks and control weakness are being properly addressed.

### *Summary of work performed by Internal Audit Function*

At present, the Group does not have an in-house internal audit department. The Board has appointed an external professional firm, JWC Consulting Sdn. Bhd. (JWC) to carry out internal audit function.

JWC's principal role is to provide independent assurance on the adequacy and effectiveness of the internal control system of the Group. It reports directly to the AC on its activities based on the approved annual Internal Audit Plans. The Internal Auditors presented its findings together with recommendations and management action plans to the AC for review.

During the year, JWC performed its internal audit function as follows:

- carried out periodic internal audit reviews in accordance with the approved internal audit plan to monitor compliance with the Group's procedures;
- reviewed effectiveness of the Group's systems of internal controls;
- supported the Audit Committee in evaluating the effectiveness of the existing internal control system, identify future requirements and co-develop a prioritized action plan to further enhance the internal control system;
- designed an annual audit plan which focused on the key risk areas highlighted in the risk management report;
- the areas audited for the FYE 2020 included credit control, cash management, procurement and human resources management;
- reported audit findings and recommended improvements on the internal controls system together with corrective actions to be taken; and
- carried out follow-up reviews to monitor the implementation of the recommendations for improvement for reporting to the AC.

The fees incurred for the internal audit services rendered during the FYE 2020 amounted to RM21,248.

### Risk Management

During the FYE 2020, the Risk Management Committee has carried out the review on risk management system of the Group. The review exercise was completed in 7 August 2020. At the meeting on 25 September 2020, the risk management report of the Group were tabled to the AC for review and discussion on the outcome of the risk management programme, including key risks identified, the potential impacts and the likelihood of the risks occurring, management comments and action plans of the Group.

# AUDIT COMMITTEE REPORT (CONT'D)

## **SUMMARY OF WORK OF THE AUDIT COMMITTEE AND HOW IT HAS MET ITS RESPONSIBILITIES (Cont'd)**

### Others

The AC reviewed and discussed the recurrent related party transaction entered by the Group on a quarterly basis to ensure that such transactions were undertaken at arm's length basis and on normal commercial terms not more favourable to the related party than those generally available to the public. AC also reviewed the draft proposal to seek shareholders' mandate for the Group to enter into RRPT.

The AC also reviewed and verified the allocation of option pursuant to the Employees' Share Issuance Scheme (ESIS) for the FYE 2020 and was satisfied that it is in compliance with the criteria set out in the By-Laws.

### **TRAINING**

During the year, AC members attended various seminars, training programmes and conferences. Kindly refer to the details of which are set out on page 42 of the Annual Report.

### **REVIEW OF STATEMENT BY EXTERNAL AUDITORS**

The external auditors have reviewed the Statement on Internal Control and Risk Management for the inclusion in the annual report of the Group for the FYE2020 and reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of internal control.

### **CONCLUSION**

During the FYE 2020, the AC has carried out its duties and responsibilities in accordance with its terms of reference and held discussions with the Internal Auditors, External Auditors and relevant members of management to monitor, oversee, review and evaluate the effectiveness and adequacy of the Group's risk management and internal control and financial reporting. The AC is of the view that no material misstatements or losses, contingencies or uncertainties have arisen, based on the reviews made and discussions held.

This Report is made in accordance with a resolution of the Board of Directors dated 23 October 2020.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## INTRODUCTION

This statement is made pursuant to Paragraph 15.26(b) of the Bursa Malaysia Securities Berhad Main Market Listing Requirements (Main LR), which requires public listed companies to include a statement in their annual reports on the statement of risk management and internal control within Saudee Group Berhad and its subsidiaries (“the Group”).

The Board is required to address Practice 9.1 and 9.2 of the Malaysian Code on Corporate Governance (“MCCG” or the “Code”) in the Statement on Risk Management and Internal Control for the financial year ended 31 July 2020 (FYE 2020) which was prepared in accordance with the “Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers” (the Guidelines) which is issued by the Taskforce on Internal Control.

## BOARD RESPONSIBILITY

The Board recognises the importance of maintaining a sound risk management framework and internal control system to cover controls relating to risk management, financial, operational and compliance to achieve the following objectives:

- a) Safeguard the shareholders’ interest and assets of the Group
- b) Identify and manage risks affecting the Group
- c) Ensure compliance with regulatory requirements
- d) Ensure the effectiveness and efficiency of operations to achieve objectives of the Group
- e) Ensure the integrity and reliability of financial information

The Group’s internal control system is designed to cater for the Group’s needs and manage the risks to which the Group is exposed. It should be noted that such system is designed to manage, rather than eliminate, the risk of failure to achieve business objective, and can only provide reasonable but not absolute assurance against material misstatements of management and financial information and records or against financial losses or fraud.

The Board has established a governance structure to ensure effective oversight of risk and control in the Group. It is assisted by the Risk Management Committee (RMC) and Audit Committee (AC) to oversee all matters with regard to risk and control. Risk-related and internal control matters which required the attention of the Board were recommended by the RMC and AC to the Board for its deliberation and approval.

The RMC, which consists of majority of independent directors, provides oversight on risk management matters relating to the business activities and operations of the Group. Chairman of RMC reviews and discusses the risks of the major subsidiaries with the respective business/ operations heads and Internal Auditor. The RMC also reviews the progress of action plans taken by management, recommends the risk management strategies and risk mitigation actions as well as raises issues of concern to manage and control the material risk components impacting the businesses of the Group.

The adequacy and effectiveness of internal controls were reviewed by the AC in relation to the audits conducted by Internal Auditor during the year. Audit issues and actions taken by Management to address the issues tabled by Internal Auditor were deliberated during the AC meetings. The minutes of the AC meetings are tabled to the Board on periodic basis. Further details of the activities undertaken by the AC are set out in the AC Report of this Annual Report.

## RISK MANAGEMENT

The Group acknowledges the identification and the management of risks play an important and integral part in achieving the Group’s business objectives and the management of its daily operations. The Board has adopted the Enterprise Risk Management (ERM) framework for all major subsidiaries to ensure that the Group’s assets are well protected and shareholders’ value is enhanced. With the ERM, departments of the said subsidiaries are required to identify risks and evaluate control within key functions/activities of their business processes. The risk profiles and status of the action plans are reviewed on a yearly basis by the RMC with the business/operations heads. There is on-going risk management process to identify, evaluate, monitor and manage significant and high risks faced by the Group throughout the FYE 2020.

The Board through its RMC, is entrusted with the responsibility of implementing and maintaining the ERM framework to achieve the following objectives:

- identify, assess, report and monitor significant risks in an effective manner;
- enable systematic risk review and reporting on key risks, existing control measures and any proposed action plans; and
- promote risk-aware culture and provide the necessary knowledge for risk management at every level of management within the Group.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

## RISK MANAGEMENT (Cont'd)

The Group's risk assessment process is described in the following table:

1. Information gathering	<ul style="list-style-type: none"> <li>• To obtain relevant information through the following methods:               <ol style="list-style-type: none"> <li>a. Interviews and discussion conducted with the Managers and Officers of the major subsidiaries to gather information on and to gain insight of the operating environment of the company.</li> <li>b. Audited and draft financial statements.</li> <li>c. Previous risk management reports.</li> </ol> </li> </ul>																																																								
2. Risk Identification	<ul style="list-style-type: none"> <li>• Identify risks that affect the Group in business activities from the information gathered.</li> <li>• Enable early detection of risk and ensure sound risk management practices are in place to manage the risk and appropriate actions are taken to mitigate the Group's exposure to risk.</li> <li>• Four risk categories such as strategic, operational, financial and compliance.</li> </ul>																																																								
3. Risk quantification	<ul style="list-style-type: none"> <li>• The risks identified are then quantified for their impact on the organization.</li> <li>• The level of risk tolerance is expressed through the use of a risk impact and likelihood matrix with an established risk tolerance boundary demarcating those risks that are deemed to be high risk, significant risk, moderate risk and low risk.</li> <li>• A risk event may have a combined score of (1) up to (25) depending on its likelihood and impact scores.</li> <li>• The risk will be mapped into the following risk heat-chart:</li> </ul> <table border="1" style="width: 100%; text-align: center; border-collapse: collapse;"> <thead> <tr> <th colspan="2"></th> <th colspan="5">Impact (I)</th> </tr> <tr> <th colspan="2"></th> <th>Insignificant (1)</th> <th>Minor (2)</th> <th>Moderate (3)</th> <th>Major (4)</th> <th>High (5)</th> </tr> </thead> <tbody> <tr> <th>Likelihood (L)</th> <th></th> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td><b>Almost certain (5)</b></td> <td>(5)</td> <td>L</td> <td>M</td> <td>S</td> <td>H</td> <td>H</td> </tr> <tr> <td><b>Most Likely (4)</b></td> <td>(4)</td> <td>L</td> <td>M</td> <td>S</td> <td>S</td> <td>H</td> </tr> <tr> <td><b>Possible (3)</b></td> <td>(3)</td> <td>L</td> <td>M</td> <td>M</td> <td>S</td> <td>S</td> </tr> <tr> <td><b>Unlikely (2)</b></td> <td>(2)</td> <td>L</td> <td>L</td> <td>M</td> <td>M</td> <td>M</td> </tr> <tr> <td><b>Rare (1)</b></td> <td>(1)</td> <td>L</td> <td>L</td> <td>L</td> <td>L</td> <td>L</td> </tr> </tbody> </table>			Impact (I)							Insignificant (1)	Minor (2)	Moderate (3)	Major (4)	High (5)	Likelihood (L)							<b>Almost certain (5)</b>	(5)	L	M	S	H	H	<b>Most Likely (4)</b>	(4)	L	M	S	S	H	<b>Possible (3)</b>	(3)	L	M	M	S	S	<b>Unlikely (2)</b>	(2)	L	L	M	M	M	<b>Rare (1)</b>	(1)	L	L	L	L	L
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<b>Rare (1)</b>	(1)	L	L	L	L	L																																																			
4. Risk responses	<ul style="list-style-type: none"> <li>• For each risk identified, the management will have one or more of the following response options:               <ol style="list-style-type: none"> <li>a) <b>Avoidance</b> Risk could have major impact but the cost of implementing additional controls outweigh the benefits</li> <li>b) <b>Tolerate</b> Consciously accepting certain risk whereby impact is minor</li> <li>c) <b>Mitigate</b> Taking steps to implement control action in reducing likelihood of occurrence and its impact</li> <li>d) <b>Transfer</b> Pass on risk to other parties</li> <li>e) <b>Acceptable</b> Maintain and monitor current actions.</li> </ol> </li> </ul>																																																								
5. Control Strategies-identify, develop and implement	<ul style="list-style-type: none"> <li>• Monitor and check the effectiveness of the risk control measure, and whether the intended result is achieved. Every department head must make sure risk control reflect in SOP.</li> <li>• Implement risk mitigation actions aimed to minimise existing or in some instances to prevent new or emerging risks from occurring.</li> </ul>																																																								

Principally, the Group's key risks identified during the year are system failure/ breakdown and exposure of Company's valuable information (recipe/ Mixture) to unauthorized parties. However, the control strategies have been in place to mitigate those risks to an acceptable level.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

## KEY ELEMENTS OF INTERNAL CONTROL

The key elements of the internal control system established by the Board that provides effective governance and oversight of internal controls include:

- **Group Organisation Structure**

The Board has established a clear organisation structure with defined lines of responsibility and accountability aligned to the Group's business and operations requirements.

- **Oversight by Respective Board Committee**

The Board has delegated specific duties, roles and responsibilities to respective Board Committee, namely AC, RMC and Nominating Committee (NC). These Committees have the authority to examine all matters within the scope defined in their respective terms of reference and report their recommendations to the Board. NC reviews the effectiveness of the Board and performance of each individual director to ensure that the Board has the right size and appropriate mix of skills and experience to achieving the Group's objectives and goals.

- **Limit of Authorities**

Limit of authorities imposed on executive directors and management within the Group in respect of the day-to-day operation, investment, acquisitions and disposal of assets.

- **Standard Operating Policies and Procedures**

Policies and procedures are set out in operations manuals, guidelines and directives issued by the Group that govern the key business processes such as production, business development, procurement, finance, information technology and etc. which are updated from time to time to ensure compliance with internal controls and the relevant laws and regulations.

- **Human Resource Guidelines**

There are guidelines within the Group for hiring and termination of staff, formal training and development programmes for staff and annual performance appraisals to ensure that the staff are kept up to date with the necessary competencies in carrying out their duties and responsibilities.

- **Code of Ethics for Director and Employee Handbook**

Code of ethics provides guidance for establishing a standard of ethical behaviour for Directors. All employees of the Group are bound to follow employee handbook where employment issues are dealt with fairly and consistently. To ensure that all employees of the Group are clear on the ethical values in the Company, compliance with laws, rules and regulations, respect to colleague in the workplace, protection of Company's property, professionalism in all business practices are also covered under employee handbook.

- **Whistleblowing Policy**

Whistleblowing policy to provide an avenue for employees to report any suspected fraud, unethical behaviour and improper conduct in the workplace in a safe and confidential manner.

- **Periodical Meetings**

Management meetings are conducted regularly to review and discuss on the current progress against the targeted results to ensure timely responses and corrective actions to be taken. The Board receives and reviews reports from management on a regular basis to assess the Group's performance. These reports include the accounts and financial information reports which are tabled to Board for approval. Release of quarterly financial results to the public is made after they are reviewed by the AC and approved by the Board at their periodic meetings.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

## KEY ELEMENTS OF INTERNAL CONTROL (Cont'd)

The key elements of the internal control system established by the Board that provides effective governance and oversight of internal controls include: (Cont'd)

- **Internal Audit Function**

Internal audit function provides assurance of the effectiveness of internal control systems within the Group. Regular internal audit visits to review compliance with policies and procedures and report any significant non-compliance. Audits are carried out on major subsidiaries towards areas with significant risks as identified by RMC, the frequency of which is determined by the level of risk assessed, to provide an independent and objective report on operational and management activities of these subsidiaries. The audit findings are submitted to the AC for review at its periodic meetings. The internal control system is reviewed regularly to ensure that its functions are carried out as planned and remains effective, and risk management process is being audited provide assurance on the management of risks.

The Board confirms that the above elements are in place throughout the financial year under review and up to the date of approval of this annual report and financial statements. The Board is of the opinion that the existing system of risk management and internal control accords with the Guidelines and that it is adequate to achieve the Group's objectives stated above.

## ASSURANCE FROM MANAGEMENT

The Board had received assurance from the Managing Director and the Chief Financial Controller that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, during the financial year under review. The representations made by the Group's subsidiaries in respect of their risk management and internal control systems have been taken into consideration by the Board in issuing this statement. Based on the assurance and the representations, the Board is of the view that the Group's risk management and internal control system is satisfactory to meet the Group's needs and has not resulted in any material losses, contingencies or uncertainties that require disclosure in the Group's annual report.

This Statement is made in accordance with the resolution of the Board dated 23 October 2020.

## REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

This statement has been reviewed by the external auditors in compliance with Paragraph 15.23 of the Main LR and pursuant to the scope set out in the Audit and Assurance Practice Guide ("AAPG") 3 issued by the Malaysian Institute of Accountants for inclusion in the annual report of the Group for FYE 2020. AAPG 3 does not require the external auditors to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system. Based on their review, the external auditors have reported to the Board that nothing has come to their attention that cause them to believe that the statement is inconsistent with their understanding of the process the Board has adopted in the review of the adequacy and effectiveness of the risk management and internal control systems within the Group.

# ADDITIONAL COMPLIANCE INFORMATION

The following disclosure in compliance with the Listing Requirements of Bursa Securities:

## 1. UTILISATION OF PROCEEDS FROM NEW SHARES ISSUED

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

## 2. AUDIT AND NON-AUDIT FEES

The amount of audit and non-audit fees incurred for services rendered to the Company and its subsidiaries for the financial year ended 31 July 2020 by the Company's Auditors, or a firm or company affiliated to the Auditors' firm are as follows:

Fees Incurred	Audit Fees RM	Non-Audit Fees # RM
The Company	38,000	4,800
The Group	145,000	18,800

# Non-audit fees consists of review of Statement on Risk Management and Internal Control and taxation fee.

## 3. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

*Employee Share Option Scheme ("ESOS") during the financial year*

At an extraordinary general meeting held on 28 December 2017, the Company's shareholders approved the establishment of a five (5) years ESOS of up to fifteen percent (15%) of the issued and paid up capital of the Company. The ESOS was implemented on 25 January 2018.

During the financial year under review, a total of 9,322,000 options share under the ESOS was granted to the eligible employees and a total of 9,322,000 options share were exercised as of 31 July 2020.

The number of options outstanding as at the end of the financial year are as follows:-

Grant date	Number of options over ordinary shares in the Company				As at 31 July 2020
	As at 1 August 2019	Granted	Exercised	Lapsed	
16 April 2020	-	9,322,000	(9,322,000)	-	-

Details of the ESOS options granted to the Director as at 31 July 2020 are as follows:-

	Since commencement of ESOS on 25 January 2018			
	Aggregate ESOS Options Granted	Aggregate ESOS Options Exercised	Aggregate ESOS Options Forfeited/ Lapsed	Aggregate ESOS Options Outstanding
Director <sup>#</sup>	13,992,000	(13,992,000)	-	-

<sup>#</sup> Executive Chairman (*Resigned w.e.f. 13 August 2020*) and Executive Director (*Resigned w.e.f. 17 August 2020*)

## ADDITIONAL COMPLIANCE INFORMATION (CONT'D)

### 3. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES (Cont'd)

Since the commencement of the scheme, 95.59% of the options under the scheme have been granted to Directors.

	<b>Aggregate maximum allocation applicable (%)</b>	<b>Aggregate ESOS Options Granted Since 25 January 2018 (%)</b>
Director	95.59	95.59

The Company did not grant any options over the ordinary share pursuant to the ESOS to the Non-Executive Directors.

### 4. MATERIAL CONTRACT

There were no material contracts entered into by the Company and its subsidiaries involving Directors' and major shareholders' interests either still subsisting as at 31 July 2020 or entered into since the end of the previous financial year.

### 5. RECURRENT RELATED PARTY TRANSACTIONS

The details of Recurrent Related Party Transactions and their actual amount entered into during the FYE 2020 are disclosed on pages 115 of the Annual Report.

# STATEMENT ON DIRECTORS' RESPONSIBILITIES

## IN RESPECT OF THE AUDITED FINANCIAL STATEMENTS

The Board has the overall responsibility to prepare the financial statements for each financial year as required by the Companies Act, 2016. The financial statements should be prepared in accordance with Malaysian Financial Reporting Standards (MFRSs), International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia and the relevant provisions of the Bursa Malaysia Securities Berhad Main Market Listing Requirements so as to present a true and fair view of the state of affairs of the Group and of the Company as at the end of the financial year and of their results and statements of cash flows for the year then ended.

In this regard, the Directors will, with the assistance of the Audit Committee:

- Ensured that suitable accounting policies are used and applied consistently.
- Ensured that new and revised MFRSs and Issues Committee Interpretations issued by Malaysian Accounting Standards Board that are relevant to the Group's operations and effective for accounting are fully adopted.
- Ensured proper accounting records are kept.
- Ensured adequate system of risk management and internal control exist to safeguard the assets of the Group to prevent and detect fraud and other irregularities.
- Ensured that the financial statements presents a balanced and understandable assessment of the financial position and prospect of the Group and of the Company.
- Made appropriate enquires to the senior management of the Group to ensure that the Group have adequate resources to continue in operational existence in the foreseeable future.
- Ensure that the accounting estimates included in the financial statements are reasonable and prudent.

The financial statements for the year ended 31 July 2020 had been approved by the Board on 23 October 2020.



# REPORTS AND FINANCIAL STATEMENTS

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# DIRECTORS' REPORT

## FOR THE FINANCIAL YEAR ENDED 31 JULY 2020

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended **31 July 2020**.

### PRINCIPAL ACTIVITIES

The principal activity of the Company is that of investment holding.

The principal activities of its subsidiaries are disclosed in Note 7 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

### RESULTS

	GROUP RM	COMPANY RM
(Loss)/Profit for the financial year	<u>(30,611,083)</u>	<u>7,400,426</u>

In the opinion of the directors, the results of the operations of the Group and of the Company for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature except for inventories written off amounting to RM25,119,683 as disclosed in Note 28 to the financial statements.

### DIVIDENDS

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

The directors do not recommend any final dividend payment for the financial year.

### RESERVES AND PROVISIONS

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

### SHARE CAPITAL AND DEBENTURES

During the financial year, the Company had increased its issued and fully paid up ordinary share capital by way of issuance of 9,322,000 new ordinary shares pursuant to the exercise of ESOS at an exercise price of RM0.13 per ordinary share for a total cash consideration of RM1,211,860.

The new ordinary shares issued during the financial year rank *pari passu* in all respects with the existing ordinary shares of the Company.

### TREASURY SHARES

During the financial year, the Company did not repurchase or distribute any of its treasury shares.

As at 31 July 2020, the Company held 267,000 treasury shares out of the total 146,637,900 issued ordinary shares. Further relevant details are disclosed in Note 18 to the financial statements.

### EMPLOYEES' SHARE OPTION SCHEME

No options were granted to any person to take up unissued shares of the Company during the financial year apart from the issue of options pursuant to the ESOS.

# DIRECTORS' REPORT

## FOR THE FINANCIAL YEAR ENDED 31 JULY 2020 (CONT'D)

### EMPLOYEES' SHARE OPTION SCHEME (Cont'd)

At an extraordinary general meeting held on 28 December 2017, the Company's shareholders approved the establishment of an ESOS of not more than 15% of the issued share capital of the Company, to eligible directors and employees of the Group.

The salient features and other terms of the ESOS are disclosed in the Note 33 to the financial statements.

As at 31 July 2020, the options offered to take up unissued ordinary shares and the exercise prices are as follows:

Date of Offer	Exercise Price (RM)	Number of ESOS			
		Balance at 1.8.19	Granted	Exercised	Balance at 31.7.20
16.4.20	0.13	-	9,322,000	(9,322,000)	-

Details of options granted to directors are disclosed in the section of Directors' Interests in this report.

### WARRANTS

The salient features of the warrants is disclosed in Note 19 to the financial statements.

Details of warrants issued to directors are disclosed in the section on Directors' Interests in this report.

### DIRECTORS

The directors of the Company in office since the beginning of the financial year to the date of this report are:

#### *Directors of the Company:*

**Tan Khang Khim**  
**Sim Yee Fuan**  
**Koay San San**  
**Mak Siew Wei (appointed on 11.8.20)**  
**Datuk Chong Loong Men (appointed on 11.8.20)**  
**Chen Chee Peng (appointed on 19.8.20)**  
**Khoo Lay Tatt (resigned on 13.8.20)**  
**Low Ai Choo (resigned on 17.8.20)**  
**Ustaz Abdul Hamid Bin Sulaiman (resigned on 17.8.20)**

#### *Directors of subsidiaries:*

**Mohammad Azman Bin Manaf**  
**Chong Kok**

### DIRECTORS' REMUNERATION AND BENEFITS

During the financial year, the fees and other benefits received and receivable by the directors of the Company are as follows:

	COMPANY RM	SUBSIDIARY RM	GROUP RM
Fees	182,000	-	182,000
Salaries, allowances and other emoluments	20,000	1,249,939	1,269,939
Defined contribution plan	-	145,920	145,920
Benefit-in-kind	-	10,015	10,015
Indemnity given to or insurance effected for any director	16,528	-	16,528
	<b>218,528</b>	<b>1,405,874</b>	<b>1,624,402</b>

# DIRECTORS' REPORT

## FOR THE FINANCIAL YEAR ENDED 31 JULY 2020 (CONT'D)

### DIRECTORS' REMUNERATION AND BENEFITS (Cont'd)

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors as shown above) by reason of a contract made by the Company or a related corporation with a 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, other than those related party transactions disclosed in the notes to the financial statements.

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, with the objects of enabling directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate other than share options granted under the Employees' Share Option Scheme ("ESOS").

### DIRECTORS' INTERESTS

According to the register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act 2016, the interests of directors in office at the end of the financial year in shares, warrants and ESOS in the Company and its related corporations during the financial year are as follows:

	Number of ordinary shares			Balance at 31.7.20
	Balance at 1.8.19	Bought	Sold	
<b>The Company:</b>				
<i>Direct Interest</i>				
Tan Khang Khim	31,380,889	-	-	31,380,889
Low Ai Choo	786,013	396,000	-	1,182,013
Khoo Lay Tatt	11,989,500	8,596,000	-	20,585,500
Sim Yee Fuan	10,000	-	-	10,000
<i>Indirect Interest</i>				
Tan Khang Khim <sup>1</sup>	32,429,043	-	-	32,429,043
Low Ai Choo <sup>1</sup>	885,766	-	-	885,766

	Number of warrants			Balance at 31.7.20
	Balance at 1.8.19	Bought	Sold	
<b>The Company:</b>				
<i>Direct Interest</i>				
Tan Khang Khim	11,167,835	1,350,000	(1,650,000)	10,867,835
Low Ai Choo	195,754	-	(195,754)	-
<i>Indirect Interest</i>				
Tan Khang Khim <sup>1</sup>	12,472,398	-	(1,625,599)	10,846,799
Low Ai Choo <sup>2</sup>	147,699	-	(147,699)	-

# DIRECTORS' REPORT

## FOR THE FINANCIAL YEAR ENDED 31 JULY 2020 (CONT'D)

### DIRECTORS' INTERESTS (Cont'd)

	Number of ESOS			Balance at 31.7.20
	Balance at 1.8.19	Granted	Exercised	
<b>The Company:</b>				
Khoo Lay Tatt	-	8,596,000	(8,596,000)	-
Low Ai Choo	-	396,000	(396,000)	-

<sup>1</sup> Indirect interest pursuant to Section 8 of the Companies Act 2016 by virtue of their shareholdings in Wide Symbol Sdn. Bhd. and through the shareholding of his son pursuant to Section 59(11)(c) of the Companies Act 2016.

<sup>2</sup> Indirect interest pursuant to Section 59(11)(c) of the Companies Act 2016 through the shareholding of her son.

Other than as disclosed above, none of the other directors have any interest in shares, warrants and ESOS in the Company and its related corporations during the financial year.

### INDEMNITY AND INSURANCE FOR DIRECTORS, OFFICERS OR AUDITORS

The amount of insurance premium for professional indemnity paid for directors and officers of the Company during the financial year amounted to RM16,528.

No indemnity has been given to or insurance effected for auditors of the Company during the financial year.

### OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps:

- (a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the provision for doubtful debts and satisfied themselves that adequate provision had been made for doubtful debts and all known bad debts had been written off; and
- (b) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances:

- (a) that would render the amounts written off for bad debts or the amount of provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and
- (b) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, and
- (c) that would render any amount stated in the financial statements of the Group and of the Company misleading, and
- (d) that have arisen which would render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

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

- (a) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year which secures the liabilities of any other persons, and
- (b) any contingent liability in respect of the Group and of the Company that has arisen since the end of the financial year.

In the opinion of the directors:

- (a) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet its obligations as and when they fall due, and

# DIRECTORS' REPORT

## FOR THE FINANCIAL YEAR ENDED 31 JULY 2020 (CONT'D)

### OTHER STATUTORY INFORMATION (Cont'd)

In the opinion of the directors: (Cont'd)

- (b) 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 to affect substantially the results of the operations of the Group and of the Company for the current financial year in which this report is made.

### SIGNIFICANT EVENTS

The details of the significant events are disclosed in Note 39 to the financial statements.

### EVENT AFTER THE REPORTING PERIOD

The details of the event after the reporting period are disclosed in Note 40 to the financial statements.

### AUDITORS

The total amount of fees paid to or receivable by the auditors, **Grant Thornton**, as remuneration for their services as auditors of the Group and of the Company for the financial year ended 31 July 2020 are RM145,000 and RM38,000 respectively.

The auditors, **Grant Thornton**, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with a resolution of the Board of Directors:

.....  
**Mak Siew Wei**

.....  
**Tan Khang Khim**

**Penang,**

**Date: 23 October 2020**

# DIRECTORS' STATEMENT

In the opinion of the directors, the financial statements set out on pages 68 to 127 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at **31 July 2020** and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Board of Directors:

.....  
**Mak Siew Wei**

.....  
**Tan Khang Khim**

**Date: 23 October 2020**

# STATUTORY DECLARATION

I, **Chong Kok**, the officer primarily responsible for the financial management of **Saudee Group Berhad** do solemnly and sincerely declare that the financial statements set out on pages 68 to 127 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 )  
the abovenamed at Penang, this **23rd** )  
day of **October 2020**. )

.....  
**Chong Kok**  
**(MIA No.: 20192)**

**Before me,**

.....  
**Liew Juan Leng**  
**No. P162**  
**Commissioner for Oaths**

# INDEPENDENT AUDITORS' REPORT

## TO THE MEMBERS OF SAUDEE GROUP BERHAD

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of **Saudee Group Berhad**, which comprise the statements of financial position as at **31 July 2020** of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of accounting policies, as set out on pages 68 to 127.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at **31 July 2020**, and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

#### Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants* (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	How our audit addressed the Key Audit Matters
<p><b>Valuation of inventories</b> (Note 10 to the financial statements)</p> <p>The Group holds significant inventories as at 31 July 2020 which exposes the Group to a risk that the inventories may become slow moving or obsolete and eventually non-saleable or selling below their carrying value.</p> <p>We focused on this area as it involves estimation uncertainty by the management in determining the accuracy of inventories written down and in assessing the adequacy of inventories not stated at the lower of cost and net realisable value.</p>	<p>Our audit procedures in relation to the valuation of inventories included:</p> <ul style="list-style-type: none"><li>• Obtaining an understanding of:<ul style="list-style-type: none"><li>- The Group's inventory management process; and</li><li>- how the Group identifies and assesses inventories write-downs.</li></ul></li><li>• Attending the year end physical inventory count and paying attention to the physical condition of inventories;</li><li>• Reviewing the consistency of the application of management's methodology in determining and estimating the inventories written down from year to year;</li><li>• Reviewing and testing the net realisable value of inventories on sampling basis; and</li><li>• Evaluating the reasonableness and adequacy of the written down of inventories recognised for identified exposures.</li></ul>

# INDEPENDENT AUDITORS' REPORT

## TO THE MEMBERS OF SAUDEE GROUP BERHAD (CONT'D)

### Key Audit Matters (Cont'd)

Key Audit Matters	How our audit addressed the Key Audit Matters
<p><b>Impairment of trade receivables</b> (Note 11 to the financial statements)</p> <p>The Group has significant trade receivables as at 31 July 2020 and it is subject to credit risk exposure. We focus on this area as the assessment of recoverability of receivables involved management judgements and estimation uncertainty in determining the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.</p> <p><i>MFRS 9 – Financial Instruments</i> has resulted in management having to develop an expected credit loss model which requires the use of judgement and estimates in determining the probability of default by considering the ageing of receivables, historical loss experience and forward-looking information.</p>	<p>Our audit procedures in relation to management's impairment of trade receivables included:</p> <ul style="list-style-type: none"> <li>• Obtaining an understanding of: <ul style="list-style-type: none"> <li>- the Group's control over the customers collection process;</li> <li>- how the Group identifies and assesses the impairment of trade receivables; and</li> <li>- how the Group makes the accounting estimates for impairment.</li> </ul> </li> <li>• Reviewing the application of the Group's policy for calculating expected credit losses and whether it complies with <i>MFRS 9</i>;</li> <li>• Reviewing the ageing analysis of trade receivables and testing the reliability thereof;</li> <li>• Reviewing subsequent collections for major customers and overdue amounts;</li> <li>• Examining other evidence including customer correspondences; and</li> <li>• Assessing the recoverability of balances and the adequacy of impairment loss for significant outstanding balances based on the expected credit loss model applied by the Group.</li> </ul>
<p><b>Impairment assessment on investment in subsidiaries</b> (Note 7 to the financial statements)</p> <p>The Company has significant investment in subsidiaries which representing 75% of the Company's total assets.</p> <p>As at 31 July 2020, the Company reviewed its investment in subsidiaries for indications of impairment and where such indications exist, the Company performed an impairment assessment to determine the recoverable amounts of investment in subsidiaries. The Company estimated the recoverable amount of the respective cash generating units ("CGUs") based on their fair value less cost to sell or value-in-use ("VIU"), whichever is higher.</p> <p>Estimating the VIU of the CGUs involved management judgements and estimation uncertainty in relation to the future cash inflows and outflows that will be derived from the CGUs, and discounting them at the appropriate rate.</p>	<p>Our audit procedures in relation to management's impairment assessment on investment in subsidiaries included:</p> <ul style="list-style-type: none"> <li>• Evaluating the model used in determining the value in use of the CGU as well as assessing the discount rate used;</li> <li>• Challenging the reasonableness of key assumptions based on our knowledge of the business and industry;</li> <li>• Performing sensitivity analysis on the key assumptions inputted to the model and understand the impact on the overall carrying value of investment in subsidiaries with the alterations to the key assumptions; and</li> <li>• Assessing the adequacy of disclosures in the financial statements.</li> </ul>

# INDEPENDENT AUDITORS' REPORT

## TO THE MEMBERS OF SAUDEE GROUP BERHAD (CONT'D)

### **Information Other than the Financial Statements and Auditors' Report Thereon**

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of the Directors for the Financial Statements**

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than those for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

# INDEPENDENT AUDITORS' REPORT

## TO THE MEMBERS OF SAUDEE GROUP BERHAD (CONT'D)

### Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Other Matter

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

**Grant Thornton**  
**No. AF: 0042**  
**Chartered Accountants**

**Penang**

**Date: 23 October 2020**

**Loo Wei Teng**  
**No. 03487/03/2022 J**  
**Chartered Accountant**

# STATEMENTS OF FINANCIAL POSITION

AS AT 31 JULY 2020

	NOTE	GROUP		COMPANY	
		2020 RM	2019 RM	2020 RM	2019 RM
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	4	35,245,502	38,381,100	-	-
Investment properties	5	550,000	4,780,000	-	-
Right-of-use assets	6	185,681	-	-	-
Investment in subsidiaries	7	-	-	57,099,613	47,452,342
Investment in an associate	8	263,118	336,803	-	-
Deferred tax assets	9	-	2,582,673	-	-
		<u>36,244,301</u>	<u>46,080,576</u>	<u>57,099,613</u>	<u>47,452,342</u>
<b>Current assets</b>					
Inventories	10	10,628,129	32,434,209	-	-
Trade receivables	11	14,531,955	11,877,853	-	-
Other receivables, deposits and prepayments	12	2,083,809	3,907,611	11,518	1,214,470
Amount due from a subsidiary	13	-	-	18,971,386	19,358,386
Amount due from an associate	14	165,816	271,363	-	-
Current tax assets		636,492	815,270	1,275	1,275
Cash and bank balances	15	6,905,858	5,688,081	13,233	7,990
		<u>34,952,059</u>	<u>54,994,387</u>	<u>18,997,412</u>	<u>20,582,121</u>
Non-current assets held for sale	16	4,332,000	-	-	-
		<u>39,284,059</u>	<u>54,994,387</u>	<u>18,997,412</u>	<u>20,582,121</u>
<b>TOTAL ASSETS</b>		<u><b>75,528,360</b></u>	<u>101,074,963</u>	<u><b>76,097,025</b></u>	<u>68,034,463</u>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to owners of the Company</b>					
Share capital	17	68,660,016	66,926,124	68,660,016	66,926,124
Treasury shares	18	(118,276)	(118,276)	(118,276)	(118,276)
Warrant reserve	19	4,499,998	4,499,998	4,499,998	4,499,998
Revaluation reserve	20	3,129,364	2,637,487	-	-
Merger deficit		(29,296,614)	(29,296,614)	-	-
(Accumulated losses)/Retained profits	21	(17,826,867)	12,712,933	818,274	(6,582,152)
<b>Total equity</b>		<u>29,047,621</u>	<u>57,361,652</u>	<u>73,860,012</u>	<u>64,725,694</u>
<b>Non-current liabilities</b>					
Borrowings	22	6,575,367	5,945,013	-	-
Lease liabilities	6	63,492	-	-	-
Deferred tax liabilities	9	1,419,419	1,219,722	-	-
		<u>8,058,278</u>	<u>7,164,735</u>	<u>-</u>	<u>-</u>
<b>Current liabilities</b>					
Trade payables	23	13,511,925	9,884,881	-	-
Other payables and accruals	24	3,738,075	3,249,519	207,351	134,107
Amount due to a subsidiary	13	-	-	2,029,662	3,174,662
Amount due to an associate	14	-	13,064	-	-
Borrowings	22	21,045,487	23,401,112	-	-
Lease liabilities	6	126,974	-	-	-
		<u>38,422,461</u>	<u>36,548,576</u>	<u>2,237,013</u>	<u>3,308,769</u>
<b>Total liabilities</b>		<u>46,480,739</u>	<u>43,713,311</u>	<u>2,237,013</u>	<u>3,308,769</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>75,528,360</b></u>	<u>101,074,963</u>	<u><b>76,097,025</b></u>	<u>68,034,463</u>

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

# STATEMENTS OF COMPREHENSIVE INCOME

## FOR THE FINANCIAL YEAR ENDED 31 JULY 2020

	NOTE	GROUP		COMPANY	
		2020 RM	(Restated) 2019 RM	2020 RM	2019 RM
Revenue	25	78,511,104	78,111,487	-	-
Cost of sales		(91,077,195)	(70,522,723)	-	-
<b>Gross (loss)/profit</b>		<b>(12,566,091)</b>	7,588,764	-	-
Other income	26	1,089,932	6,008,520	9,125,335	2,282,702
Administrative expenses		(11,445,049)	(11,097,912)	(1,724,909)	(449,669)
Selling and distribution expenses		(3,379,325)	(2,809,867)	-	-
<b>Operating (loss)/profit</b>		<b>(26,300,533)</b>	(310,495)	<b>7,400,426</b>	1,833,033
Finance costs	27	(1,632,335)	(2,120,099)	-	-
Share of results of an associate		(73,685)	20,728	-	-
<b>(Loss)/Profit before tax</b>	28	<b>(28,006,553)</b>	(2,409,866)	<b>7,400,426</b>	1,833,033
Tax (expense)/income	30	(2,604,530)	2,862,614	-	(176)
<b>(Loss)/Profit for the financial year</b>		<b>(30,611,083)</b>	452,748	<b>7,400,426</b>	1,832,857
<b>Total other comprehensive income/(loss), net of tax:</b>					
<b>Items that will not be reclassified subsequently to profit or loss:</b>					
Revaluation of land		741,000	-	-	-
Transfer of revaluation surplus to retained profits		71,283	142,567	-	-
Realisation of revaluation surplus upon depreciation		(71,283)	(142,567)	-	-
Deferred tax impact on revaluation surplus		(177,840)	(877,912)	-	-
		563,160	(877,912)	-	-
<b>Total comprehensive (loss)/income for the financial year</b>		<b>(30,047,923)</b>	(425,164)	<b>7,400,426</b>	1,832,857
<b>(Losses)/Earnings per share attributable to owners of the Company (sen)</b>					
- Basic/Diluted	31	(21.96)	0.34		

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## FOR THE FINANCIAL YEAR ENDED 31 JULY 2020

Attributable to owners of the parent  
Non-distributable

NOTE	Share Capital RM	Treasury Shares RM	Warrant Reserve RM	Revaluation Reserve RM	ESOS Reserve RM	Merger Deficit RM	Retained Profits/ (Accumulated Losses) RM	Total Equity RM
<b>2020</b>								
Balance at beginning	66,926,124	(118,276)	4,499,998	2,637,487	-	(29,296,614)	12,712,933	57,361,652
Total comprehensive loss for the financial year	-	-	-	491,877	-	-	(30,539,800)	(30,047,923)
Transaction with owners:								
Issuance of shares pursuant to exercise of ESOS	1,211,860	-	-	-	-	-	-	1,211,860
Grant of ESOS to employees	-	-	-	-	522,032	-	-	522,032
Transfer of ESOS reserve upon exercised	522,032	-	-	-	(522,032)	-	-	-
Total transactions with owners of the Company	1,733,892	-	-	-	-	-	-	1,733,892
Balance at end	<b>68,660,016</b>	<b>(118,276)</b>	<b>4,499,998</b>	<b>3,129,364</b>	<b>-</b>	<b>(29,296,614)</b>	<b>(17,826,867)</b>	<b>29,047,621</b>

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## FOR THE FINANCIAL YEAR ENDED 31 JULY 2020 (CONT'D)

	Attributable to owners of the parent						Total Equity RM	
	Share Capital RM	Treasury Shares RM	Warrant Reserve RM	Revaluation Reserve RM	ESOS Reserve RM	Merger Deficit RM		Retained Profits RM
2019								
Balance at beginning	65,607,298	(118,276)	4,499,998	3,657,966	-	(29,296,614)	12,117,618	56,467,990
Total comprehensive loss for the financial year	-	-	-	(1,020,479)	-	-	595,315	(425,164)
<i>Transaction with owners:</i>								
Issuance of shares pursuant to exercise of ESOS	1,301,150	-	-	-	-	-	-	1,301,150
Grant of ESOS to employees	-	-	-	-	17,676	-	-	17,676
Transfer of ESOS reserve upon exercised	17,676	-	-	-	(17,676)	-	-	-
Total transactions with owners of the Company	1,318,826	-	-	-	-	-	-	1,318,826
Balance at end	66,926,124	(118,276)	4,499,998	2,637,487	-	(29,296,614)	12,712,933	57,361,652

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

# STATEMENT OF CHANGES IN EQUITY

## FOR THE FINANCIAL YEAR ENDED 31 JULY 2020

— Non-distributable —

	NOTE	Share Capital RM	Treasury Shares RM	Warrant Reserve RM	ESOS Reserve RM	(Accumulated Losses)/ Retained Profits RM	Total Equity RM
<b>2020</b>							
Balance at beginning		66,926,124	(118,276)	4,499,998	-	(6,582,152)	64,725,694
Total comprehensive income for the financial year		-	-	-	-	7,400,426	7,400,426
<i>Transaction with owners:</i>							
Issuance of shares pursuant to exercise of ESOS	17	1,211,860	-	-	-	-	1,211,860
Grant of ESOS to employees		-	-	-	522,032	-	522,032
Transfer of ESOS reserve upon exercised	17	522,032	-	-	(522,032)	-	-
Total transactions with owners of the Company		1,733,892	-	-	-	-	1,733,892
Balance at end		<b>68,660,016</b>	<b>(118,276)</b>	<b>4,499,998</b>	<b>-</b>	<b>818,274</b>	<b>73,860,012</b>
<b>2019</b>							
Balance at beginning		65,607,298	(118,276)	4,499,998	-	(8,415,009)	61,574,011
Total comprehensive income for the financial year		-	-	-	-	1,832,857	1,832,857
<i>Transaction with owners:</i>							
Issuance of shares pursuant to exercise of ESOS	17	1,301,150	-	-	-	-	1,301,150
Grant of ESOS to employees		-	-	-	17,676	-	17,676
Transfer of ESOS reserve upon exercised	17	17,676	-	-	(17,676)	-	-
Total transactions with owners of the Company		1,318,826	-	-	-	-	1,318,826
Balance at end		66,926,124	(118,276)	4,499,998	-	(6,582,152)	64,725,694

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

# STATEMENTS OF CASH FLOWS

## FOR THE FINANCIAL YEAR ENDED 31 JULY 2020

	GROUP		COMPANY	
	2020 RM	2019 RM	2020 RM	2019 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
(Loss)/Profit before tax	<b>(28,006,553)</b>	(2,409,866)	<b>7,400,426</b>	1,833,033
Adjustments for:				
Accretion of interest	<b>11,751</b>	-	-	-
Allowance for expected credit losses on trade receivables	<b>642,542</b>	-	-	-
Bad debt written off				
- Trade receivables	<b>67,229</b>	-	-	-
- Other receivables	<b>2,250,411</b>	-	<b>1,204,455</b>	-
Depreciation of property, plant and equipment	<b>4,763,312</b>	5,250,578	-	-
Depreciation of right-of-use assets	<b>105,634</b>	-	-	-
Fair value adjustment of investment properties	<b>(102,000)</b>	(220,000)	-	-
Gain on disposal of property, plant and equipment	<b>(339,332)</b>	(162,664)	-	-
Gain on disposal of subsidiaries	-	(2,187,202)	-	(4)
Interest expense	<b>1,620,584</b>	2,120,099	-	-
Interest income	<b>(145,843)</b>	(155,840)	<b>(96)</b>	(863)
Inventories written down	-	1,506,603	-	-
Inventories written off	<b>25,119,683</b>	-	-	-
Property, plant and equipment written off	<b>74,950</b>	-	-	-
Reversal of allowance for expected credit losses:				
- Trade receivables	<b>(224,974)</b>	(2,004,241)	-	-
- Amount due from subsidiaries	-	-	-	(2,281,835)
Reversal of impairment loss on investment in subsidiaries	-	-	<b>(9,125,239)</b>	-
Reversal on inventories written down	<b>(4,228,353)</b>	(410,556)	-	-
Share of results of an associate	<b>73,685</b>	(20,728)	-	-
Share options granted under ESOS	<b>522,032</b>	17,676	-	-
Unrealised loss/(gain) on foreign exchange, net	<b>35,475</b>	(66,272)	-	-
Operating profit/(loss) before working capital changes	<b>2,240,233</b>	1,257,587	<b>(520,454)</b>	(449,669)
Changes in:				
Associate	<b>105,547</b>	66,470	-	-
Inventories	<b>914,750</b>	201,740	-	-
Receivables	<b>(3,569,509)</b>	4,041,798	<b>(1,503)</b>	32,784
Payables	<b>4,083,885</b>	3,054,600	<b>73,244</b>	63,695
Cash generated from/(used in) operations	<b>3,774,906</b>	8,622,195	<b>(448,713)</b>	(353,190)
Income tax paid	<b>(694,221)</b>	(751,143)	<b>(1,253)</b>	(1,258)
Income tax refunded	<b>872,999</b>	418,162	<b>1,253</b>	1,077
Interest paid	<b>(1,620,584)</b>	(2,120,099)	-	-
Net cash from/(used in) operating activities	<b>2,333,100</b>	6,169,115	<b>(448,713)</b>	(353,371)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Net cash outflow from disposal of subsidiaries	-	(73,067)	-	-
Proceeds from disposal of subsidiaries	-	-	-	4
Interest received	<b>145,843</b>	155,840	<b>96</b>	863
Proceeds from disposal of property, plant and equipment	<b>1,001,787</b>	166,599	-	-
Purchase of property, plant and equipment	<b>(1,624,119)</b>	(33,840)	-	-
Net cash (used in)/from investing activities	<b>(476,489)</b>	215,532	<b>96</b>	867

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

# STATEMENTS OF CASH FLOWS

## FOR THE FINANCIAL YEAR ENDED 31 JULY 2020 (CONT'D)

		GROUP		COMPANY	
		2020	2019	2020	2019
		RM	RM	RM	RM
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Net change in bankers' acceptance	<b>B</b>	<b>(1,210,180)</b>	(5,168,634)	-	-
Draw down of term loans	<b>B</b>	<b>1,991,748</b>	-	-	-
Repayment of term loans	<b>B</b>	<b>(1,082,697)</b>	(1,180,461)	-	-
Repayment of finance lease liabilities	<b>B</b>	<b>(517,030)</b>	(721,175)	-	-
Repayment of lease liabilities	<b>B</b>	<b>(112,600)</b>	-	-	-
Net change in an associate's balances	<b>B</b>	<b>(13,064)</b>	71,654	-	-
Net change in subsidiaries' balances		-	-	<b>(758,000)</b>	(988,000)
Proceeds from issuance of shares		<b>1,211,860</b>	1,301,150	<b>1,211,860</b>	1,301,150
Change in fixed deposits pledged to licensed banks		<b>(932,485)</b>	650,015	-	-
Net cash (used in)/from financing activities		<b>(664,448)</b>	(5,047,451)	<b>453,860</b>	313,150
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>					
		<b>1,192,163</b>	1,337,196	<b>5,243</b>	(39,354)
<b>EFFECT OF CHANGES IN FOREIGN EXCHANGE RATE</b>					
		<b>241</b>	2,213	-	-
<b>CASH AND CASH EQUIVALENTS AT BEGINNING</b>					
		<b>(2,625,524)</b>	(3,964,933)	<b>7,990</b>	47,344
<b>CASH AND CASH EQUIVALENTS AT END</b>					
	<b>A</b>	<b>(1,433,120)</b>	(2,625,524)	<b>13,233</b>	7,990
<b>A Cash and cash equivalents</b>					
Cash in hand and at banks		<b>1,397,076</b>	1,111,784	<b>13,233</b>	7,990
Fixed deposits with licensed banks		<b>5,508,782</b>	4,576,297	-	-
Bank overdrafts		<b>(2,830,196)</b>	(3,737,308)	-	-
		<b>4,075,662</b>	1,950,773	<b>13,233</b>	7,990
Less: Fixed deposits pledged to licensed banks		<b>(5,508,782)</b>	(4,576,297)	-	-
Total cash and cash equivalents		<b>(1,433,120)</b>	(2,625,524)	<b>13,233</b>	7,990

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

# STATEMENTS OF CASH FLOWS

## FOR THE FINANCIAL YEAR ENDED 31 JULY 2020 (CONT'D)

### B Liabilities arising from financing activities

Reconciliation between the opening and closing balances in the statements of financial position for liabilities arising from financing activities is as follows:

	Balance at beginning RM	Cash flows RM	Others RM	Balance at end RM
<b>GROUP</b>				
<b>2020</b>				
Bankers' acceptance	17,841,788	(1,210,180)	-	16,631,608
Term loans	6,592,191	909,051	-	7,501,242
Finance lease liabilities	1,174,838	(517,030)	-	657,808
Lease liabilities	199,072	(112,600)	103,994	190,466
Amount due to an associate	13,064	(13,064)	-	-
Total liabilities arising from financing activities, excluding bank overdrafts	<u>25,820,953</u>	<u>(943,823)</u>	<u>103,994<sup>1</sup></u>	<u>24,981,124</u>

	GROUP		COMPANY	
	2020 RM	2019 RM	2020 RM	2019 RM
<b>2019</b>				
Bankers' acceptance	23,010,422	(5,168,634)	-	17,841,788
Term loans	7,772,652	(1,180,461)	-	6,592,191
Finance lease liabilities	1,896,013	(721,175)	-	1,174,838
Amount due to an associate	(58,590)	71,654	-	13,064
Total liabilities arising from financing activities, excluding bank overdrafts	<u>32,620,497</u>	<u>(6,998,616)</u>	<u>-</u>	<u>25,621,881</u>

<sup>1</sup> Others consist of non-cash movement as follows:

	GROUP 2020 RM
Accretion of interest	11,751
Addition of lease liabilities	<u>92,243</u>
	<u>103,994</u>

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

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2020

## 1. CORPORATE 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 7 to the financial statements.

There have been no significant changes in the nature of these activities of the Company and its subsidiaries during the financial year.

The registered office of the Company is located at 35, 1st Floor, Jalan Kelisa Emas 1, Taman Kelisa Emas, 13700 Seberang Jaya, Pulau Pinang, Malaysia and its principal place of business is located at Plot 331, Taman Perindustrian Sungai Petani Fasa 3, 08000 Sungai Petani, Kedah.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Board of Directors dated on 23 October 2020.

## 2. BASIS OF PREPARATION

### 2.1 Statement of Compliance

The financial statements of the Group and of the Company have been prepared in accordance with applicable Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016 in Malaysia.

### 2.2 Basis of Measurement

The financial statements of the Group and of the Company are prepared under the historical cost convention, except for certain properties that are measured at revalued amounts and fair values at the reporting date as indicated in the summary of accounting policies.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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 fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial market takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to their fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 - Valuation techniques for which the lowest level input that is significant to their fair value measurement is directly or indirectly observable.

Level 3 - Valuation techniques for which the lowest level input that is significant to their fair value measurement is unobservable.

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2020 (CONT'D)

## 2. BASIS OF PREPARATION (Cont'd)

### 2.2 Basis of Measurement (Cont'd)

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to their fair value measurement as a whole) at the reporting date.

External valuers are involved for valuation of significant assets, such as investment properties, and significant liabilities, such as contingent consideration. Involvement of external valuers is decided upon annually by the management. Selection criteria of external valuers include market knowledge, reputation, independence and whether professional standards are maintained. The management decides, after discussions with the external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, the management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed according to the Group's accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The management, in conjunction with the external valuers, also compares the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of fair value hierarchy as explained above.

### 2.3 Functional and Presentation Currency

The financial statements are presented in Ringgit Malaysia ("RM") which is also the Company's functional currency.

### 2.4 Adoption New Standards/Amendments/Improvements to MFRSs

The accounting policies adopted by the Group and by the Company are consistent with those of the previous financial years except for the adoption of the following standards that are mandatory for the current financial year:

#### **Effective for annual periods beginning on or after 1 January 2019**

##### *MFRS 16 Leases*

*Amendments to MFRS 9 Financial Instruments: Prepayment Features with Negative Compensation*

*Amendments to MFRS 119 Employee Benefits: Plan Amendment, Curtailment or Settlement*

*Amendments to MFRS 128 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures*

*Annual Improvements to MFRS Standards 2015-2017 Cycle*

*IC Interpretation 23 Uncertainty over Income Tax Treatments*

Initial application of the above standards did not have any material impact to the financial statements of the Group and of the Company except as mentioned below:

#### **MFRS 16 Leases**

*MFRS 16* supersedes *MFRS 117 Leases*, *IC Interpretation 4 Determining whether an Arrangement contains a Lease*, *IC Interpretation 115 Operating Leases-Incentives* and *IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases.

Lessor accounting under *MFRS 16* is substantially unchanged from *MFRS 117*. Lessors will continue to classify leases as either operating or finance leases using similar principles as in *MFRS 117*. Therefore, *MFRS 16* does not have an impact for leases where the Group is the lessor.

The Group adopted *MFRS 16* using the modified retrospective method of adoption with the date of initial application of 1 August 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 August 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying *MFRS 117* and *IC Interpretation 4* at the date of initial application.

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2020 (CONT'D)

## 2. BASIS OF PREPARATION (Cont'd)

### 2.4 Adoption New Standards/Amendments/Improvements to MFRSs (Cont'd)

#### MFRS 16 Leases (Cont'd)

The adoption of *MFRS 16* on 1 August 2019 did not have a material effect on the profit or loss for the financial year but increased the assets and liabilities of the Group as at 1 August 2019 as follows:

	<b>GROUP RM</b>
<hr/>	
<b>Statements of Financial Position</b>	
<b>Assets</b>	
Right-of-use assets	<u>199,072</u>
<b>Liabilities</b>	
Lease liabilities	<u>199,072</u>

The Group has lease contracts for leasehold land, plant, machinery, factory equipment, motor vehicle, forklifts and office. Before the adoption of *MFRS 16*, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease.

Upon adoption of *MFRS 16*, the Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

#### Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under *MFRS 117*). The requirements of *MFRS 16* were applied to these leases from 1 August 2019.

#### Leases previously accounted for as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Relied on its assessment of whether leases are onerous immediately before the date of initial application;
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application;
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2020 (CONT'D)

## 2. BASIS OF PREPARATION (Cont'd)

### 2.4 Adoption New Standards/Amendments/Improvements to MFRSs (Cont'd)

#### Leases previously accounted for as operating leases (Cont'd)

The lease liabilities as at 1 August 2019 can be reconciled to the operating lease commitments as of 31 July 2019, as follows:

	<b>GROUP RM</b>
<b>Assets</b>	
Operating lease commitments as at 31 July 2019	<b>212,800</b>
Weighted average incremental borrowing rate as at 1 August 2019	<b>5.59%</b>
Discounted operating lease commitments as at 1 August 2019, representing lease liabilities as at 1 August 2019	<b>199,072</b>

### 2.5 Standards Issued But Not Yet Effective

The Group and the Company have not applied the following standards that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the Group and for the Company:

#### Effective for annual periods beginning on or after 1 January 2020

*Amendments to References to the Conceptual Framework in MFRS Standards*

*Amendments to MFRS 3 Business Combinations: Definition of a Business*

*Amendments to MFRS 101 Presentation of Financial Statements and MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material*

*Amendments to MFRS 9 Financial Instruments, MFRS 139 Financial Instruments: Recognition and Measurement and MFRS 7 Financial Instruments: Disclosures: Interest Rate Benchmark Reform*

#### Effective for annual periods beginning on or after 1 June 2020

*Amendments to MFRS 16 Leases: Covid-19-Related Rent Concessions*

#### Effective for annual periods beginning on or after 1 January 2021

*Amendments to MFRS 9 Financial Instruments, MFRS 139 Financial Instruments: Recognition and Measurement, MFRS 7 Financial Instruments: Disclosures, MFRS 4 Insurance Contracts and MFRS 16 Leases: Interest Rate Benchmark Reform – Phase 2*

#### Effective for annual periods beginning on or after 1 January 2022

*Amendments to MFRS 3 Business Combination: Reference to the Conceptual Framework*

*Amendments to MFRS 116 Property, Plant and Equipment: Property, Plant and Equipment – Proceeds before Intended Use*

*Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Cost of Fulfilling a Contract*

*Annual Improvements to MFRS Standards 2018 - 2020*

#### Effective for annual periods beginning on or after 1 January 2023

*MFRS 17 Insurance Contracts*

*Amendments to MFRS 17 Insurance Contracts*

*Amendments to MFRS 101 Presentation of Financial Statement: Classification of Liabilities as Current or Non-current*

#### Effective date yet to be confirmed

*Amendments to MFRS 10 Consolidated Financial Statements and MFRS 12 Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The initial application of the above standards is not expected to have any material impact to the financial statements of the Group and of the Company upon adoption.

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2020 (CONT'D)

## 2. BASIS OF PREPARATION (Cont'd)

### 2.6 Significant Accounting Estimates and Judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

#### 2.6.1 Judgements made in applying accounting policies

There are no significant areas of critical judgement in applying accounting policies that have any significant effect on the amount recognised in the financial statements.

##### (i) *Determining the lease term of contracts with renewal and termination options – Group as lessee*

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

The Group has not included the extension options period as part of the lease term for leases of forklifts and office as it is not reasonably certain that the extension options will be exercised. The periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

##### (ii) *Non-current assets held for sale*

On 29 May 2020, the Group has entered into Sale and Purchase Agreements to dispose of its investment properties comprising four pieces of land lots for a cash consideration of RM4,489,785. Therefore, the investment properties have been classified as non-current assets held for sale. The investment properties are considered to meet the criteria as held for sale at that date for the following reasons:

- The carrying amount of the land lots will be recovered principally through sale transaction rather than through continuing use;
- Sale and Purchase Agreements have been signed and the management is committed to sell the land lots in its current condition; and
- The sale expected to be completed within one year from the date of the financial year ended.

#### 2.6.2 Key sources of estimation uncertainty

Information about significant estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses are discussed below.

##### (i) *Revaluation of property, plant and equipment and valuation of investment properties*

The Group measures its land and buildings at revalued amount and investment properties at fair value amount with changes in fair value being recognised in other comprehensive income and profit or loss respectively. The Group engaged independent professional valuers to determine fair values as at the end of the reporting period.

The carrying amount of the land and buildings and investment properties as at the end of the reporting period and the relevant revaluation bases and fair value are disclosed in Notes 4 and 5 to the financial statements respectively.

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2020 (CONT'D)

## 2. BASIS OF PREPARATION (Cont'd)

### 2.6.2 Key sources of estimation uncertainty (Cont'd)

#### (ii) Impairment of property, plant and equipment.

The Group performs an impairment review as and when there are impairment indicators to ensure that the carrying value of the property, plant and equipment does not exceed its recoverable amount. The recoverable amount represents the present value of the estimated future cash flows expected to arise from continuing operations. Therefore, in arriving at the recoverable amount, management exercises judgement in estimating the future cash flows, growth rate and discount rate.

#### (iii) Inventories written down

Inventories of the Group are written down to the net realisable value based on the expected sales patterns of individual item held in inventory. Changes in the expected sales profiles may have an impact on the amount of inventories written down recorded. The carrying amount of the Group's inventories at the end of the reporting period is disclosed in Note 10 to the financial statements.

#### (iv) Provision for expected credit losses ("ECL") of trade receivables

The Group uses a provision matrix to calculate ECL for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECL is a significant estimate. The amount of ECL is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The information about the ECL on the Group's trade receivables is disclosed in Note 35.3.1 to the financial statements.

#### (v) Employee share options

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also require determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them.

The assumptions and model used for estimating fair value for share-based payment transactions, sensitivity analysis and the carrying amounts are disclosed in Note 33 to the financial statements.

#### (vi) Impairment of investment in subsidiaries

The Company carries out impairment test based on the estimate of the higher of value-in-use or the fair value less cost to sell of the cash-generating unit ("CGU") to which the investment in the subsidiaries belong to. Estimating the recoverable amount requires the Company to make an estimate of the expected future cash flows from the CGU and also to determine a suitable discount rate in order to calculate the present value of those cash flows.

#### (vii) Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would has to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use assets in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2020 (CONT'D)

## 3. ACCOUNTING POLICIES (Cont'd)

### 3.1 Consolidation

#### 3.1.1 Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. Besides, the Group considers it has *de facto* power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investment in subsidiaries is stated at cost less any impairment losses in the Company's statement of financial position, unless the investment is held for sale or distribution.

Upon the disposal of investment in a subsidiary, the difference between the net disposal proceeds and its carrying amount is included in profit or loss.

#### 3.1.2 Basis of consolidation

The Group's financial statements consolidate the audited financial statements of the Company and all of its subsidiaries, which have been prepared in accordance with the Group's accounting policies. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group. The financial statements of the Company and its subsidiaries are all drawn up to the same reporting date.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group (profits or losses resulting from intragroup transactions that are recognised in asset, such as inventory and property, plant and equipment) are eliminated in full in preparing the consolidated financial statements. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. Temporary differences arising from the elimination of profits and losses resulting from intragroup transactions will be treated in accordance to Note 3.17 to the financial statements.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parent.

#### 3.1.3 Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date which is the date on which control is transferred to the Group.

The Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred, plus
- the recognised amount of any non-controlling interest in the acquiree, plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree, less
- the net recognised amount at fair value of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised in profit or loss.

For each business combination, the Group elects whether to recognise non-controlling interest in the acquiree at fair value, or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2020 (CONT'D)

## 3. ACCOUNTING POLICIES (Cont'd)

### 3.1 Consolidation (Cont'd)

#### 3.1.4 Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

#### 3.1.5 Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

#### 3.1.6 Associate

Associates are entities in which the Group has significant influence, but no control, over their financial and operating policies.

The Group's investment in its associate is accounted for using the equity method. Under the equity method, investment in an associate is carried in the statements of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The share of the result of an associate is reflected in profit or loss. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income. In addition, where there has been a change recognised directly in the equity of an associate, the Group recognises its share of any changes and discloses this, when applicable, in the statements of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the statements of other comprehensive income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investment is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

The financial statements of the associates are prepared as of the same reporting period as the Company. Where necessary, adjustments are made to bring the accounting policies of the associates in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investments in its associates. The Group determines at the reporting date whether there is any objective evidence that the investments in the associates is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associates and their carrying value, then recognises the amount in the "share of profit of investments accounted for using the equity method" in profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not re-measured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

In the Company's separate financial statements, investments in associates are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2020 (CONT'D)

## 3. ACCOUNTING POLICIES (Cont'd)

### 3.2 Foreign Currency Translation

Transactions in foreign currencies are translated to the functional currency of the Group at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are translated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities measured at historical cost in a foreign currency at the end of the reporting period are translated to the functional currency at the exchange rate at the date of the transaction except for those measured at fair value shall be translated at the exchange rate at the date when the fair value was determined.

Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are recognised in profit or loss.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains or losses are recognised directly in other comprehensive income.

### 3.3 Property, Plant and Equipment

All property, plant and equipment, except for land and building, are measured at cost less accumulated depreciation and less any impairment losses. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the asset to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. All other repair and maintenance costs are recognised in profit or loss as incurred.

Land and buildings are measured at fair value less accumulated depreciation on land and buildings and impairment losses recognised after the date of the revaluation. Valuations are performed with sufficient regularity, to ensure that the carrying amount does not differ materially from the fair value of the land and buildings at the reporting date.

As at the date of revaluation, accumulated depreciation, if any, is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Any revaluation surplus arising upon appraisal of land is recognised in other comprehensive income and credited to the 'revaluation reserve' in equity. To the extent that any revaluation decrease or impairment loss has previously been recognised in profit or loss, a revaluation increase is credited to profit or loss with the remaining part of the increase recognised in other comprehensive income. Downward revaluations of land are recognised upon appraisal or impairment testing, with the decrease being charged to other comprehensive income to the extent of any revaluation surplus in equity relating to this asset and any remaining decrease recognised in profit or loss. Any revaluation surplus remaining in equity on disposal of the asset is transferred to other comprehensive income.

Depreciation is recognised on the straight line method in order to write off the cost or valuation of each asset over its estimated useful life. Leasehold land is depreciated on a straight-line basis over the lease term of 47 years. Other property, plant and equipment are depreciated based on the estimated useful lives of the assets as follows:

Buildings	39 years
Plant, machinery and factory equipment	6.67% - 10%
Furniture, fittings and office equipment	10% - 50%
Electrical installation and renovation	2% - 10%
Motor vehicles	20%

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2020 (CONT'D)

## 3. ACCOUNTING POLICIES (Cont'd)

### 3.3 Property, Plant and Equipment (Cont'd)

Capital work-in-progress represents assets under construction, and which are not ready for commercial use at the end of the reporting period. Capital work-in-progress is stated at cost, and is transferred to the relevant category of assets and depreciated accordingly when the assets are completed and ready for commercial use. Capital work-in-progress are not depreciated until the assets are ready for their intended use.

The residual values, useful lives and depreciation method are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable, or at least annually to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss in the financial year in which the asset is derecognised.

### 3.4 Leases

As described in Note 2.4 to the financial statements, the Group has applied *MFRS 16* using the modified retrospective approach and therefore comparative information has not been restated. This means comparative information is still reported under *MFRS 117* and *IC Interpretation 4*.

#### **Accounting policies applied from 1 August 2019:**

The Group assess at contract inception whether a contract is, or contains, a lease. It is a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

#### **As a lessee**

The Group apply a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities for lease payments made and/or to be made, and right-of-use assets representing the right to use the underlying assets.

#### (i) **Right-of-use assets**

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets as follows:

Forklifts	2 to 3 years
Office	2 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment.

#### (ii) **Lease liabilities**

At the commencement date of the lease, lease liabilities are recognised and measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2020 (CONT'D)

## 3. ACCOUNTING POLICIES (Cont'd)

### 3.4 Leases (Cont'd)

#### *As a lessee (Cont'd)*

#### (ii) Lease liabilities (Cont'd)

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

#### (iii) Short term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of premises and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

#### *As a lessor*

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in the revenue or other income in the statements of comprehensive income. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as other income in the period in which they are earned.

#### **Accounting policies applied until 31 July 2019:**

#### **Finance lease**

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance lease. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments.

Minimum lease payments made under finance leases are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the profit or loss. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Leasehold land which in substance is a finance lease is classified as a property, plant and equipment.

#### **Operating lease**

Leases, where the Group does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid land lease payments.

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2020 (CONT'D)

## 3. ACCOUNTING POLICIES (Cont'd)

### 3.5 Impairment of Non-Financial Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of three years. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the third year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the profit or loss in those expense categories consistent with the function of the impaired asset, except for a property previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for asset in prior years. Such reversal is recognised in the profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

### 3.6 Investment Properties

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are initially measured at cost, including transaction cost. Cost includes expenditures that are directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

Subsequent to initial recognition, investment properties are measured at fair value and are revalued annually and are included in the statements of financial position at their open market values. Any gain or loss resulting from either a change in the fair value or the sale of an investment property is immediately recognised in profit or loss in the period in which they arise. The fair values are determined by external professional valuers with sufficient experience with respect to both the location and the nature of the investment property and supported by market evidence. Where the fair value of the investment property under construction is not reliably determinable, the investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is complete, whichever is earlier.

Investment properties are derecognised when either they are disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from the disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in the profit or loss in the financial year of retirement or disposal.

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2020 (CONT'D)

## 3. ACCOUNTING POLICIES (Cont'd)

### 3.6 Investment Properties (Cont'd)

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change. When an item of property, plant and equipment is transferred to investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in equity as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in profit or loss. Upon disposal of an investment property, any surplus previously recorded in equity is transferred to retained profits; the transfer is not made through profit or loss.

### 3.7 Non-current Asset Held for Sale

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale.

Classification of the asset as held for sale occurs only when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary and the sale must be highly probable. Management must be committed to a plan to sell the assets which are expected to qualify for recognition as a completed sale within one year from the date of classification. Action required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or the plan will be withdrawn.

Immediately before classification as held for sale, the assets are remeasured in accordance with the Company's accounting policies. Thereafter generally the assets are measured at the lower of their carrying amount and fair value less costs to sell.

### 3.8 Financial Instruments

#### 3.8.1 Financial assets

##### (i) Initial recognition and measurement

Financial assets are measured at initial recognition at fair value and subsequently measured at amortised cost ("AC"), fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL").

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient, the Group and the Company initially measure a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, at its transaction costs.

In order for a financial asset to be classified and measured at AC or FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest ("SPPI")' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at FVTPL, irrespective of the business model.

The Group's and the Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at AC are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at FVOCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group or the Company commits to purchase or sell the asset.

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2020 (CONT'D)

## 3. ACCOUNTING POLICIES (Cont'd)

### 3.8 Financial Instruments (Cont'd)

#### 3.8.1 Financial assets (Cont'd)

##### (ii) Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through other comprehensive income with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through other comprehensive income with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

The Group and the Company do not have any FVOCI and FVTPL as at the end of the reporting period.

##### **Financial assets at amortised cost ("AC")**

Financial assets at amortised cost are subsequently measured using the effective interest rate ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Group's and the Company's financial assets at amortised cost include cash and bank balance and trade and other receivables.

##### (iii) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's and the Company's statements of financial position) when:

- the rights to receive cash flows from the asset have expired, or
- the Group and the Company have transferred their rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group and the Company have transferred substantially all the risks and rewards of the asset, or (b) the Group and the Company have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

When the Group and the Company have transferred their rights to receive cash flows from an asset or have entered into a pass-through arrangement, it evaluates if, and to what extent, they have retained the risks and rewards of ownership. When they have neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and the Company continue to recognise the transferred asset to the extent of their continuing involvement. In that case, the Group and the Company also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company have retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group and the Company could be required to repay.

##### (iv) Impairment

The Group recognises an allowance for expected credit losses ("ECL") for all debt instruments not held at fair value through profit or loss. ECL are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2020 (CONT'D)

## 3. ACCOUNTING POLICIES (Cont'd)

### 3.8 Financial Instruments (Cont'd)

#### 3.8.1 Financial assets (Cont'd)

##### (iv) Impairment (Cont'd)

ECL are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECL are provided for credit losses that result from default events that are possible within the next 12-months ("a 12-month ECL"). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default ("a lifetime ECL").

For trade receivables, the Group applies a simplified approach in calculating ECL. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group assesses impairment of trade receivables on a collective basis as they possess shared credit risk characteristics and have been grouped based on the days past due.

#### 3.8.2 Financial liabilities

##### (i) Initial recognition and measurement

All financial liabilities are recognised initially at fair value, and in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's and the Company's financial liabilities include trade and other payables, and borrowings.

##### (ii) Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost

The Group and the Company do not have any financial liabilities measured at fair value through profit or loss as at the end of the reporting period.

##### ***Financial liabilities at amortised cost***

This is the category most relevant to the Group and to the Company. After initial recognition, trade and other payables and interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate ("EIR") method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statements of comprehensive income.

##### (iii) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statements of comprehensive income.

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2020 (CONT'D)

## 3. ACCOUNTING POLICIES (Cont'd)

### 3.8 Financial Instruments (Cont'd)

#### 3.8.3 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if, and only if, there is currently a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

#### 3.8.4 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss if incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in statements of comprehensive income over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Company, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

### 3.9 Inventories

Inventories comprises raw materials, work-in-progress, finished goods and are stated at the lower of cost and net realisable value.

Cost of raw material comprise the original cost of purchase plus the cost of bringing the inventories to their present location and condition and is determined on the first-in, first-out basis.

Cost of finished goods and work-in-progress consist of raw material, direct labour and an appropriate proportion of production overheads.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

### 3.10 Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, bank balances, short term demand deposits, bank overdraft and highly liquid investments which are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

Bank overdrafts are shown in current liabilities in the statements of financial position.

### 3.11 Share Capital, Share Issuance Costs and Dividends

#### Classification

Ordinary shares are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument.

#### Share issuance costs

Incremental external costs directly attributable to the issuance of new shares are deducted against equity.

#### Dividends

Dividends on ordinary shares are accounted for in shareholders' equity as an appropriation of retained profits and recognised as a liability in the period in which they are declared or approved.

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2020 (CONT'D)

## 3. ACCOUNTING POLICIES (Cont'd)

### 3.12 Treasury Shares

When share capital recognised as equity is repurchased, the amount of the consideration paid including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares in the statements of changes in equity.

When treasury shares are sold or reissued subsequently, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity.

### 3.13 Provisions

Provisions are recognised when there is a present legal or constructive obligation that can be estimated reliably, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost expense.

### 3.14 Revenue

The Group is in the business of manufacturing and selling of frozen food.

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

#### 3.14.1 Manufacture and sale of frozen food

Revenue from manufacturing and sale of frozen food is recognised at a point in time when control of the goods is transferred to the customer, generally on delivery of the goods.

##### 3.14.1.1 Variable consideration

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for the sales of frozen foods provide customers with discounts and fixed rebates. The rights of return, discounts and fixed rebates give rise to variable consideration.

##### Rights of return

Certain contracts provide the customers with a right to return the goods within a specified period. The Group uses the expected value method to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in *MFRS 15* on constraining estimates of variable consideration are also applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, the Group recognises a refund liability. A right of return asset (and corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

##### Discounts

The Group gives trade discounts to certain customers once the customers have made early settlement. To estimate the variable consideration for the expected future trade discount, the Group applied the expected value method. The Group then applies the requirements on constraining estimates of variable consideration and recognises a refund liability for the expected future trade discounts.

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2020 (CONT'D)

## 3. ACCOUNTING POLICIES (Cont'd)

### 3.14 Revenue (Cont'd)

#### 3.14.1 Manufacture and sale of frozen food (Cont'd)

##### 3.14.1.1 Variable consideration (Cont'd)

###### Fixed rebates

The Group provides retrospective unconditional fixed rebates to certain customers. Rebates are offset against amounts payable by the customers. To estimate the variable consideration for the expected future rebates, the Group applies the most likely amount method. The selected method that best predicts the amount of variable consideration is primarily driven by the transaction price at the date of the contract with customers. The Group then applies the requirements on constraining estimates of variable consideration and recognises a refund liability for the expected future rebates.

#### 3.14.2 Interest income

Interest income is recognised as it accrues using the effective interest rate method in profit or loss.

#### 3.14.3 Rental income

Rental income is accounted for on a straight-line basis over the lease terms. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

#### 3.14.4 Contract balances

This refers to the closing balances of the trade receivables and amount due from an associate as at the end of the reporting period.

##### **Trade and amount due from an associate**

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

### 3.15 Borrowing Costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest rate method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and undertakes activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

### 3.16 Employee Benefits

#### 3.16.1 Short-term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the financial year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

A provision is made for the estimated liability for leave as a result of services rendered by employees up to the reporting date.

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2020 (CONT'D)

## 3. ACCOUNTING POLICIES (Cont'd)

### 3.16 Employee Benefits (Cont'd)

#### 3.16.2 Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into independent entities of funds and will have no legal or constructive obligation to pay further contribution if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years.

Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employee Provident Fund ("EPF").

#### 3.16.3 Employees' share options scheme ("ESOS")

Eligible employees of the Group and of the Company received remuneration in the form of share options as consideration for services rendered. The cost of these equity-settled transactions with employees is measured by reference to the fair value of the options at the date on which the options are granted. This cost is recognised in profit or loss, with a corresponding increase in the employee share options reserve over the vesting period.

The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's and the Company's best estimate of the number of options that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised at the beginning and end of the period.

No expense is recognised for options that do not ultimately vest, except for options where vesting is conditional upon market or non-vesting condition, which are tested as vested irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. The employee share options reserve is transferred to retained profits upon expiry of the share options.

The proceeds received net of directly attributable transaction costs are credited to share capital when the options are exercised.

### 3.17 Income Tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the temporary differences arising from the initial recognition of goodwill, the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date, except for investment properties carried at fair value model. Where investment properties are carried at their fair value in accordance with the accounting policy set out in Note 3.6 to the financial statements, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2020 (CONT'D)

## 3. ACCOUNTING POLICIES (Cont'd)

### 3.17 Income Tax (Cont'd)

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against the unutilised tax incentive can be utilised.

### 3.18 Warrants

Warrants are classified as equity instrument and its value is allocated based on the market prices on their first day of quotation in the stock exchange. The issuance of the ordinary shares upon exercise of the warrants is treated as new subscription of ordinary shares for the consideration equivalent to the exercise price of the warrants.

Upon exercise of warrants, the proceeds are credited to share capital. The warrants reserve in relation to the unexercised warrants at the expiry of the warrants will be reversed.

### 3.19 Operating Segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

### 3.20 Contingencies

Where it is not probable that an inflow or an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the asset or the obligation is not recognised in the statements of financial position and is disclosed as a contingent asset or contingent liability, unless the probability of inflow or outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent assets or contingent liabilities unless the probability of inflow or outflow of economic benefits is remote.

### 3.21 Related Parties

A related party is a person or entity that is related to the Group. A related party transaction is a transfer of resources, services or obligations between the Group and its related party, regardless of whether a price is charged.

- (a) A person or a close member of that person's family is related to the Group if that person:
- (i) Has control or joint control over the Group;
  - (ii) Has significant influence over the Group; or
  - (iii) Is a member of the key management personnel of the ultimate holding company of the Group, or the Group.
- (b) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Group are members of the same group.
  - (ii) One entity is an associate or joint venture of the other entity.
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefits of employees of either the Group or an entity related to the Group.
  - (vi) The entity is controlled or jointly-controlled by a person identified in (a) above.
  - (vii) A person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the ultimate holding company or the entity.
  - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2020 (CONT'D)

## 4. PROPERTY, PLANT AND EQUIPMENT GROUP

	-----At valuation-----		-----At cost-----					
	Leasehold land RM	Buildings RM	Plant, machinery and factory equipment RM	Furniture, fittings and office equipment RM	Electrical installation and renovation RM	Motor vehicles RM	Capital work-in-progress RM	Total RM
<b>2020</b>								
<b>At Valuation/Cost</b>								
Balance at beginning	5,000,000	10,000,000	51,716,174	5,602,004	7,117,346	3,303,053	-	82,738,577
Additions	-	-	1,366,993	29,158	-	219,057	8,911	1,624,119
Revaluation	500,000	-	-	-	-	-	-	500,000
Disposals	-	-	(1,001,243)	(1,310)	-	-	-	(1,002,553)
Written off	-	-	(14,922,793)	(3,903,098)	(2,529,069)	(2,874,251)	-	(24,229,211)
Balance at end	5,500,000	10,000,000	37,159,131	1,726,754	4,588,277	647,859	8,911	59,630,932
<b>Accumulated depreciation</b>								
Balance at beginning	120,500	241,000	30,917,722	4,846,409	5,154,326	3,077,520	-	44,357,477
Depreciation	120,500	241,000	3,456,230	287,286	554,444	103,852	-	4,763,312
Disposals	-	-	(338,861)	(1,237)	-	-	-	(340,098)
Written off	-	-	(14,895,499)	(3,860,988)	(2,523,923)	(2,873,851)	-	(24,154,261)
Elimination of accumulated depreciation on revaluation	(241,000)	-	-	-	-	-	-	(241,000)
Balance at end	-	482,000	19,139,592	1,271,470	3,184,847	307,521	-	24,385,430
<b>Carrying amount</b>	5,500,000	9,518,000	18,019,539	455,284	1,403,430	340,338	8,911	35,245,502
<b>2019</b>								
<b>At Valuation/Cost</b>								
Balance at beginning	5,000,000	10,000,000	51,699,904	5,595,584	7,117,346	3,665,633	-	83,078,467
Additions	-	-	17,900	15,940	-	-	-	33,840
Disposals	-	-	(1,630)	(9,520)	-	(362,580)	-	(373,730)
Balance at end	5,000,000	10,000,000	51,716,174	5,602,004	7,117,346	3,303,053	-	82,738,577
<b>Accumulated depreciation</b>								
Balance at beginning	-	-	27,240,190	4,464,632	4,543,698	3,228,174	-	39,476,694
Depreciation	120,500	241,000	3,679,162	389,328	610,628	209,960	-	5,250,578
Disposals	-	-	(1,630)	(7,551)	-	(360,614)	-	(369,795)
Balance at end	120,500	241,000	30,917,722	4,846,409	5,154,326	3,077,520	-	44,357,477
Carrying amount	4,879,500	9,759,000	20,798,452	755,595	1,963,020	225,533	-	38,381,100

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2020 (CONT'D)

## 4. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

- (i) The leasehold land and buildings were revalued to fair values based on the valuations 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 3). Please refer to Note 2.2 to the financial statements for definition of Level 1 to 3 of the fair value hierarchy. Had the leasehold 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:

	<b>GROUP</b>	
	<b>2020</b>	2019
	<b>RM</b>	RM
Leasehold land	<b>1,825,461</b>	1,878,640
Buildings	<b>8,041,361</b>	8,326,173
	<b><u>9,866,822</u></b>	<u>10,204,813</u>

- (ii) The leasehold land and buildings of the Group have been pledged to the financial institutions as securities for banking facilities granted to the Group as disclosed in Note 22 to the financial statements.

- (iii) The carrying amount of leased assets which are pledged as securities for finance lease liabilities as disclosed in Note 22 to the financial statements are as follows:

	<b>GROUP</b>	
	<b>2020</b>	2019
	<b>RM</b>	RM
Plant, machinery and factory equipment	<b>1,297,724</b>	2,255,545
Motor vehicle	<b>84,600</b>	122,200
	<b><u>1,382,324</u></b>	<u>2,377,745</u>

- (iv) Included in the property, plant and equipment is a motor vehicle of a subsidiary with net carrying amounts of **RM84,600** (2019: RM122,200) which is registered under the name of a director's spouse of the subsidiary in trust for the said subsidiary.

- (v) The information of right-of-use assets which are included in the property, plant and equipment is as follows:

### GROUP

	<b>Carrying amount</b>	<b>Current depreciation</b>	<b>Disposal</b>	<b>Revaluation</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>2020</b>				
Leasehold land, at valuation	<b>5,500,000</b>	<b>120,500</b>	-	<b>741,000</b>
Plant, machinery and factory equipment, at cost	<b>1,297,724</b>	<b>295,440</b>	<b>662,381</b>	-
Motor vehicle, at cost	<b>84,600</b>	<b>37,600</b>	-	-

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2020 (CONT'D)

## 5. INVESTMENT PROPERTIES

	GROUP	
	2020 RM	2019 RM
<b>Freehold land</b>		
<b>At fair value</b>		
Balance at beginning	4,780,000	4,560,000
Fair value adjustments recognised in profit or loss	102,000	220,000
Less: Reclassification to non-current assets held for sale (Note 16)	<u>(4,332,000)</u>	<u>-</u>
Balance at end	<u>550,000</u>	<u>4,780,000</u>

Certain investment properties of the Group with carrying amount of **RM550,000** (2019: RM448,000) have been pledged to a financial institution as securities for banking facilities granted to the Group as disclosed in Note 22 to the financial statements.

The fair values of investment properties were measured based on valuations 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 3). Please refer to Note 2.2 to the financial statements for definition of Level 1 to 3 of the fair value hierarchy.

## 6. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

### Group as a lessee

The Group has lease contracts for forklifts and office used in its operations. The leases of forklifts have lease term of 2 to 3 years, while the lease of office has lease term of 2 years. The lease contracts restrict the Group from assigning and subleasing the leased assets.

In the previous financial year, payment on operating lease were charged to profit or loss.

The Group also has certain leases of premises and motor vehicle with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

### Right-of-use assets

Set out below are the carrying amounts of right-of-use assets and lease liabilities and their movements during the financial year:

#### GROUP

	Forklifts RM	Office RM	Total RM
<b>2020</b>			
Balance at beginning, upon adoption of <i>MFRS 16</i>	199,072	-	199,072
Addition	52,916	39,327	92,243
Depreciation	<u>(100,016)</u>	<u>(5,618)</u>	<u>(105,634)</u>
Balance at end	<u>151,972</u>	<u>33,709</u>	<u>185,681</u>

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2020 (CONT'D)

## 6. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (Cont'd)

### Lease liabilities

	Total RM
<b>2020</b>	
Balance at beginning, upon adopting <i>MFRS 16</i>	199,072
Addition	92,243
Accretion of interest	11,751
Payments	<u>(112,600)</u>
Balance at end	<u>190,466</u>
Analysed as:	
Current	126,974
Non-current	<u>63,492</u>
	<u>190,466</u>

The maturity analysis of lease liabilities is disclosed in Note 35.4 to the financial statements.

The following are the amounts recognised in profit or loss:

	2020 RM
Depreciation of right-of-use assets	105,634
Interest expense on lease liabilities	11,751
Expense relating to short-term leases	159,031
Expense relating to lease of low value assets	<u>62,596</u>
<b>Total amount recognised in profit or loss</b>	<u>339,012</u>

## 7. INVESTMENT IN SUBSIDIARIES

	COMPANY	
	2020 RM	2019 RM
Unquoted shares, at cost	56,463,544	57,463,546
Disposal during the year	-	(1,000,002)
ESOS granted to employees of subsidiaries	<u>636,069</u>	114,037
	<b>57,099,613</b>	56,577,581
Less: Accumulated impairment losses		
Balance at beginning	<b>(9,125,239)</b>	(10,125,241)
Disposal during the year	-	1,000,002
Reversal	<b>9,125,239</b>	-
Balance at end	<u>-</u>	<u>(9,125,239)</u>
	<b>57,099,613</b>	<b>47,452,342</b>

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2020 (CONT'D)

## 7. INVESTMENT IN SUBSIDIARIES (Cont'd)

The details of the subsidiaries, all of which were incorporated in Malaysia are as follows:

Name of subsidiaries	Effective Equity Interest		Principal Activities
	2020 %	2019 %	
Saudi Cold Storage Sdn. Bhd.	100	100	Wholesaler and dealer of fresh and frozen foods.
Perusahaan Saudee Sdn. Bhd.	100	100	Manufacturer and dealer of processed poultry, beef products, frozen foods and bakery product.

### Disposal of subsidiaries

In prior year, the Company disposed of its 100% equity interests in Sunwish Venture Sdn. Bhd. and Nutriveg Sdn. Bhd. to third parties for a cash consideration of RM2 respectively.

### Impairment on investment in subsidiaries

The Company reviews the investment in subsidiaries for impairment annually. The recoverable amounts of the investment in subsidiaries are assessed by reference to their fair value less cost to sell, which approximate the net assets of the subsidiaries at the end of the reporting period. Accordingly, reversal of impairment of **RM9,125,239** (2019: RMNil) was required in the current financial year in respect of investment in Saudi Cold Storage Sdn. Bhd.

## 8. INVESTMENT IN AN ASSOCIATE

	GROUP	
	2020 RM	2019 RM
Unquoted shares, at cost	390,000	390,000
Share of post-acquisition results	(126,882)	(53,197)
	<b>263,118</b>	<b>336,803</b>

The details of the associate, which is incorporated in Malaysia, are as follows:

Name of associate	Effective Equity Interest		Principal Activity
	2020	2019	
Hokubee Saudee (M) Sdn. Bhd.	39%	39%	Trading of beef products and frozen foods.

The financial year of Hokubee Saudee (M) Sdn. Bhd. is 31 December. For the purpose of applying the equity method of accounting, appropriate adjustments have been made for the effects of significant transactions between that date and 31 July 2020.

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2020 (CONT'D)

## 8. INVESTMENT IN AN ASSOCIATE (Cont'd)

Summarised financial information in respect of the Group's associate is as follows:

	2020 RM	2019 RM
<b>As at 31 July</b>		
Non-current assets	1,451	10,114
Current assets	815,090	1,162,440
Current liabilities	<u>(141,880)</u>	<u>(308,957)</u>
Net assets	<b><u>674,661</u></b>	<b><u>863,597</u></b>
<b>Year ended 31 July</b>		
Revenue	2,508,944	2,254,729
Net (loss)/profit, representing total comprehensive (loss)/income	<b><u>(188,937)</u></b>	<b><u>53,149</u></b>
<b>Reconciliation of net assets to carrying amount</b>		
Group's share of net assets, representing carrying amount in the statements of financial position	<b><u>263,118</u></b>	<b><u>336,803</u></b>
<b>Group's share of results</b>		
<b>Year ended 31 July</b>		
Group's share of (loss)/profit	<b><u>(73,685)</u></b>	<b><u>20,728</u></b>

## 9. DEFERRED TAX (LIABILITIES)/ASSETS

	GROUP	
	2020 RM	2019 RM
Balance at beginning	1,362,951	(664,600)
Recognised in profit or loss	(2,570,492)	2,423,463
Recognised in other comprehensive income	<u>(177,840)</u>	<u>(877,912)</u>
(Under)/Over provision in prior year	<b><u>(34,038)</u></b>	<b><u>482,000</u></b>
Balance at end	<b><u>(1,419,419)</u></b>	<b><u>1,362,951</u></b>

The recognised deferred tax (liabilities)/assets, after appropriate offsetting, are as follows:

	GROUP	
	2020 RM	2019 RM
Deferred tax assets	-	2,582,673
Deferred tax liabilities	<b><u>(1,419,419)</u></b>	<b><u>(1,219,722)</u></b>
	<b><u>(1,419,419)</u></b>	<b><u>1,362,951</u></b>

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2020 (CONT'D)

## 9. DEFERRED TAX (LIABILITIES)/ASSETS (Cont'd)

The deferred tax (liabilities)/assets as at the end of the reporting period are made up of the temporary differences arising from:

	GROUP	
	2020	2019
	RM	RM
Property, plant and equipment	-	(85,642)
Revaluation reserve	<b>(988,219)</b>	(828,442)
Investment properties	<b>(464,600)</b>	(454,400)
Unabsorbed capital allowances	-	26,064
Unused tax losses	-	366,712
Provisions	<b>33,400</b>	2,338,659
	<b><u>(1,419,419)</u></b>	<u>1,362,951</u>

## 10. INVENTORIES

	GROUP	
	2020	2019
	RM	RM
<b>At cost</b>		
Raw materials	<b>4,594,057</b>	7,406,117
Packing materials	<b>2,472,803</b>	3,433,684
Work-in-progress	<b>228,819</b>	97,920
Finished goods	<b>3,332,450</b>	21,496,488
	<b><u>10,628,129</u></b>	<u>32,434,209</u>
Cost of inventories recognised in profit or loss:		
Inventories recognised as cost of sales	<b>70,185,865</b>	69,426,676
Inventories written down	-	1,506,603
Inventories written off	<b>25,119,683</b>	-
Reversal of inventories written down	<b>(4,228,353)</b>	(410,556)

The reversal of inventories written down was made during the year when the related inventories were sold above their carrying amounts.

## 11. TRADE RECEIVABLES

	GROUP	
	2020	2019
	RM	RM
Trade receivables		
- Third parties	<b>16,035,097</b>	17,150,882
- Related parties*	<b>945,294</b>	1,103,504
	<b><u>16,980,391</u></b>	<u>18,254,386</u>
Less: Allowance for expected credit losses	<b>(2,448,436)</b>	(6,376,533)
	<b><u>14,531,955</u></b>	<u>11,877,853</u>

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2020 (CONT'D)

## 11. TRADE RECEIVABLES (Cont'd)

\* Being companies in which the close family member of certain directors have substantial financial interests.

All the trade receivables are denominated in RM. The normal credit terms granted to trade receivables range from **30 to 120 days** (2019: 7 to 90 days). Other credit terms are assessed and approved on a case-by-case basis.

The movement of allowance for expected credit losses during the financial year is as follows:

	GROUP	
	2020 RM	2019 RM
Balance at beginning, as previously stated	6,376,533	3,707,576
Effects of adopting <i>MFRS 9</i>	-	4,673,198
Balance at beginning, restated	6,376,533	8,380,774
Addition	642,542	-
Reversal during the year	(224,974)	(2,004,241)
Written off	(4,345,665)	-
	(3,928,097)	(2,004,241)
Balance at end	2,448,436	6,376,533

## 12. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	GROUP		COMPANY	
	2020 RM	2019 RM	2020 RM	2019 RM
Sundry receivables	1,227,291	3,101,116	-	1,204,455
Less: Allowance for expected credit losses	-	(283,657)	-	-
	1,227,291	2,817,459	-	1,204,455
Deposits	92,315	80,565	1,000	1,000
Prepayments	764,203	1,009,587	10,518	9,015
	2,083,809	3,907,611	11,518	1,214,470

Included in the sundry receivables of the Group and of the Company is an amount of **RMNil** (2019: RM2,250,411) and **RMNil** (2019: RM1,204,455) respectively, being amount due from former subsidiaries. It was non-trade related, unsecured, non-interest bearing and expected to be repaid within the next twelve months.

The movement of allowance for expected credit losses during the financial year is as follows:

	GROUP	
	2020 RM	2019 RM
Balance at beginning	283,657	283,657
Written off	(283,657)	-
Balance at end	-	283,657

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2020 (CONT'D)

## 12. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Cont'd)

The currency profile of other receivables, deposits and prepayments is as follows:

	GROUP		COMPANY	
	2020 RM	2019 RM	2020 RM	2019 RM
Ringgit Malaysia	2,024,412	3,371,936	11,518	1,214,470
United States Dollar	57,149	337,114	-	-
Euro	-	198,561	-	-
Renminbi	2,248	-	-	-
	<b>2,083,809</b>	<b>3,907,611</b>	<b>11,518</b>	<b>1,214,470</b>

## 13. AMOUNT DUE FROM/(TO) A SUBSIDIARY

	COMPANY	
	2020 RM	2019 RM
<b>Amount due from a subsidiary</b>		
Non trade	<b>18,971,386</b>	19,358,386
<b>Amount due to a subsidiary</b>		
Non trade	<b>2,029,662</b>	3,174,662

The amount due from a subsidiary is unsecured, non-interest bearing and classified based on the expected timing of realisation.

The amount due to a subsidiary is unsecured, non-interest bearing and repayable on demand.

The movement of allowance for expected credit losses during the financial year is as follows:

	COMPANY	
	2020 RM	2019 RM
Balance at beginning	-	2,281,835
Reversal	-	(2,281,835)
Balance at end	-	-

## 14. AMOUNT DUE FROM/(TO) AN ASSOCIATE

	GROUP	
	2020 RM	2019 RM
<b>Amount due from an associate</b>		
Trade	<b>165,816</b>	271,363
<b>Amount due to an associate</b>		
Non-trade	-	13,064

The amount due from/(to) an associate is unsecured and non-interest bearing. The trade portion are generally settled within the credit term of **60 days** (2019: 60 days) while the non-trade portion is repayable on demand.

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2020 (CONT'D)

## 15. CASH AND BANK BALANCES

	GROUP		COMPANY	
	2020 RM	2019 RM	2020 RM	2019 RM
Cash in hand and at banks	<b>1,397,076</b>	1,111,784	<b>13,233</b>	7,990
Fixed deposits with licensed banks	<b>5,508,782</b>	4,576,297	-	-
	<b>6,905,858</b>	5,688,081	<b>13,233</b>	7,990

Included in the fixed deposits with licensed banks is an amount of **RM81,483** (2019: RM81,483) held in trust by a director.

The fixed deposits with licensed banks have been pledged to financial institution as securities for banking facilities granted to the Group as disclosed in Note 22 to the financial statements.

The effective interest rates per annum and maturities of the fixed deposits with licensed banks of the Group as at the end of the reporting period ranged from **0.25% to 3.90%** (2019: 2.16% to 4.05%) per annum and **1 month to 12 months** (2019: 1 month to 12 months) respectively.

The currency profile of cash and bank balances is as follows:

	GROUP		COMPANY	
	2020 RM	2019 RM	2020 RM	2019 RM
Ringgit Malaysia	<b>6,893,721</b>	5,677,214	<b>13,233</b>	7,990
United States Dollar	<b>7,421</b>	7,218	-	-
Thai Baht	<b>137</b>	137	-	-
Renminbi	<b>4,579</b>	3,512	-	-
	<b>6,905,858</b>	5,688,081	<b>13,233</b>	7,990

## 16. NON-CURRENT ASSETS HELD FOR SALE

	GROUP 2020 RM
<b>Freehold land</b>	
Reclassified from investment properties (Note 5)	<b>4,332,000</b>

On 29 May 2020, the Group has entered into Sale and Purchase Agreements to dispose of four pieces of land lots for a cash consideration of RM4,489,785. Deposit amounting to RM448,978 has been received as at the end of reporting period. However, the disposal transaction has yet complete subsequent to the year end.

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2020 (CONT'D)

## 17. SHARE CAPITAL

	Number of ordinary shares		Amount	
	2020 RM	2019 RM	2020 RM	2019 RM
<b>Issued and fully paid:</b>				
Balance at beginning	137,315,900	132,405,900	66,926,124	65,607,298
Issuance of shares pursuant to - Exercise of ESOS	9,322,000	4,910,000	1,211,860	1,301,150
Transfer of ESOS reserve upon exercised	-	-	522,032	17,676
Balance at end	<b>146,637,900</b>	137,315,900	<b>68,660,016</b>	66,926,124

During the financial year, the Company had increased its issued and fully paid up ordinary share capital by way of issuance of **9,322,000** (2019: 4,910,000) new ordinary shares pursuant to the exercise of ESOS at an exercise price of **RM0.13** (2019: RM0.265) per ordinary share for a total cash consideration of **RM1,211,860** (2019: RM1,301,150).

The new ordinary shares rank *pari passu* in all respects with the existing ordinary shares of the Company.

## 18. TREASURY SHARES

The Company's mandate relating to the share buyback of up to 10% of the existing total paid-up share capital, inclusive of all treasury shares that have been bought back, was approved by the shareholders of the Company at the annual general meeting held on 20 December 2019.

Of the total **146,637,900** (2019: 137,315,900) issued and paid-up ordinary shares as at the end of the reporting period, **267,000** (2019: 267,000) ordinary shares are held as treasury shares by the Company. As at the end of the reporting period, the number of outstanding ordinary shares in issue is therefore **146,370,900** (2019: 137,048,900) ordinary shares.

Treasury shares have no rights to voting, dividends and participation in other distribution.

## 19. WARRANT RESERVE

The warrant reserve represents the fair value of the warrants issued pursuant to a rights issue exercise undertaken by the Company previously. As at the end of the reporting period, the total amount of warrants that remain unexercised are **44,999,982** (2019: 44,999,982).

The salient features of the warrants are as follows:

- (i) The warrants are detachable and separately tradable;
- (ii) Each warrant entitles the holder to subscribe for 1 new ordinary share in the Company at an exercise price of RM0.50; and
- (iii) The warrants are exercisable over a period of 5 years until 31 March 2021.

## 20. REVALUATION RESERVE

	GROUP	
	2020 RM	2019 RM
Balance at beginning	2,637,487	3,657,966
Revaluation of land	741,000	-
Realisation of revaluation surplus upon depreciation	(71,283)	(142,567)
Deferred tax impact on revaluation surplus	(177,840)	(877,912)
Balance at end	<b>3,129,364</b>	2,637,487

This is in respect of revaluation surplus net of deferred tax arising from the revaluation of the Group's leasehold land and buildings and is non-distributable.

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2020 (CONT'D)

## 21. RETAINED PROFITS

### COMPANY

The franking of dividends of the Company is under the single tier system and therefore there is no restriction on the Company to distribute dividends subject to the availability of retained profits.

## 22. BORROWINGS

	<b>GROUP</b>	
	<b>2020</b>	2019
	<b>RM</b>	RM
<b>Non-current liabilities</b>		
Secured:		
<u>Finance lease liabilities</u>		
Minimum payments:		
Within one year	<b>476,567</b>	577,530
More than one year and less than two years	<b>165,065</b>	476,567
More than two years and less than five years	<b>54,367</b>	221,583
	<b>695,999</b>	1,275,680
Future finance charges	<b>(38,191)</b>	(100,842)
	<b>657,808</b>	1,174,838
Amount due within one year included under current liabilities	<b>(448,082)</b>	(517,031)
	<b>209,726</b>	657,807
<u>Term loans</u>		
Total amount repayable	<b>7,501,242</b>	6,592,191
Amount due within one year included under current liabilities	<b>(1,135,601)</b>	(1,304,985)
	<b>6,365,641</b>	5,287,206
	<b>6,575,367</b>	5,945,013
<b>Current liabilities</b>		
Secured:		
Finance lease liabilities	<b>448,082</b>	517,031
Term loans	<b>1,135,601</b>	1,304,985
Bankers' acceptance	<b>16,631,608</b>	17,841,788
Bank overdrafts	<b>2,830,196</b>	3,737,308
	<b>21,045,487</b>	23,401,112
<b>Total borrowings</b>	<b>27,620,854</b>	29,346,125

The borrowings are secured by way of:

- (i) Legal charge over the leasehold land and buildings and certain investment properties of the Group as disclosed in Note 4 and Note 5 to the financial statements respectively;
- (ii) Fixed deposits with licensed banks of the Group and under the name of a director as disclosed in Note 15 to the financial statements;
- (iii) Legal charge of certain properties belonging to a director of the Company;
- (iv) Joint and several guarantee of certain directors and a third party;
- (v) Corporate guarantee of the Company and a subsidiary; and
- (vi) Lease assets as disclosed in Note 4 to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2020 (CONT'D)

## 22. BORROWINGS (Cont'd)

A summary of the effective interest rates and the maturities of the borrowings is as follows:

	Effective interest rate per annum (%)	Total RM	Within one year RM	More than one year and less than two years RM	More than two years and less than five years RM	More than five years RM
<b>2020</b>						
Finance lease liabilities	2.18 - 3.60	657,808	448,082	157,325	52,401	-
Term loans	3.75 - 6.22	7,501,242	1,135,601	1,507,130	3,323,404	1,535,107
Bankers' acceptance	2.31 - 5.25	16,631,608	16,631,608	-	-	-
Bank overdrafts	6.47 - 7.56	2,830,196	2,830,196	-	-	-
<b>2019</b>						
Finance lease liabilities	2.18 - 3.60	1,174,838	517,031	445,930	211,877	-
Term loans	7.47 - 8.20	6,592,191	1,304,985	696,580	2,436,280	2,154,346
Bankers' acceptance	3.60 - 5.98	17,841,788	17,841,788	-	-	-
Bank overdrafts	7.72 - 8.81	3,737,308	3,737,308	-	-	-

## 23. TRADE PAYABLES

	GROUP	
	2020 RM	2019 RM
Third parties	13,508,591	9,883,508
Related party*	3,334	1,373
	<b>13,511,925</b>	<b>9,884,881</b>

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

The currency profile of trade payables is as follows:

	GROUP	
	2020 RM	2019 RM
Ringgit Malaysia	10,829,727	9,830,134
United States Dollar	2,603,091	54,747
Singapore Dollar	79,107	-
	<b>13,511,925</b>	<b>9,884,881</b>

Trade payables are non-interest bearing and are generally on **30 to 90 days** (2019: 30 to 90 days) credit terms.

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2020 (CONT'D)

## 24. OTHER PAYABLES AND ACCRUALS

	GROUP		COMPANY	
	2020 RM	2019 RM	2020 RM	2019 RM
Sundry payables	1,623,883	1,826,534	13,301	13,057
Accruals	974,831	839,185	194,050	121,050
Deposit received	798,978	350,000	-	-
Sales tax payable	340,383	233,800	-	-
	<b>3,738,075</b>	<b>3,249,519</b>	<b>207,351</b>	<b>134,107</b>

Included in the deposit received is:

- (i) security deposits of **RM350,000** (2019: RM350,000) received from the distributors of the Group's products and is refundable on termination of the distributorship agreement; and
- (ii) **RM448,978** (2019: RMNil) arising from the disposal of the investment properties as disclosed in Note 16 to the financial statements.

The currency profile of other payables and accruals is as follows:

	GROUP		COMPANY	
	2020 RM	2019 RM	2020 RM	2019 RM
Ringgit Malaysia	3,482,855	3,155,026	207,351	134,107
Euro	200,825	-	-	-
United States Dollar	14,322	54,697	-	-
Singapore Dollar	40,073	37,610	-	-
Others	-	2,186	-	-
	<b>3,738,075</b>	<b>3,249,519</b>	<b>207,351</b>	<b>134,107</b>

## 25. REVENUE

### 25.1 Disaggregated revenue information

	GROUP	
	2020 RM	2019 RM
<b>Types of goods or service</b>		
Manufacture and sale of frozen food	78,511,104	77,628,976
Sale of land	-	482,511
<b>Total revenue from contracts with customers</b>	<b>78,511,104</b>	<b>78,111,487</b>
<b>Geographical markets</b>		
Malaysia	78,511,104	78,041,895
Japan	-	69,592
<b>Total revenue from contracts with customers</b>	<b>78,511,104</b>	<b>78,111,487</b>
<b>Timing of revenue recognised</b>		
Revenue recognised at a point in time, representing total revenue from contracts with customers	78,511,104	78,111,487

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2020 (CONT'D)

## 26. OTHER INCOME

	GROUP		COMPANY	
	2020 RM	(Restated) 2019 RM	2020 RM	2019 RM
Bad debt recovered	-	3,037	-	-
Fair value adjustment of investment properties	<b>102,000</b>	220,000	-	-
Gain on disposal of property, plant and equipment	<b>339,332</b>	162,664	-	-
Gain on disposal of subsidiaries	-	2,187,202	-	4
Interest income	<b>145,843</b>	155,840	<b>96</b>	863
Others	<b>220,008</b>	305,212	-	-
Realised gain on foreign exchange	-	841,832	-	-
Rental Income	<b>51,543</b>	-	-	-
Reversal of allowance for expected credit losses:				
- Trade receivables	<b>224,974</b>	2,004,241	-	-
- Amount due from subsidiaries	-	-	-	2,281,835
Reversal of impairment loss on investment in subsidiaries	-	-	<b>9,125,239</b>	-
Unrealised gain on foreign exchange	<b>6,232</b>	128,492	-	-
	<b>1,089,932</b>	<b>6,008,520</b>	<b>9,125,335</b>	<b>2,282,702</b>

## 27. FINANCE COSTS

	GROUP	
	2020 RM	2019 RM
Interest expenses on:		
- Accretion of interest	<b>11,751</b>	-
- Finance lease liabilities	<b>64,903</b>	102,761
- Term loans	<b>313,252</b>	558,648
- Bankers' acceptance	<b>935,844</b>	1,074,481
- Bank overdrafts	<b>306,585</b>	384,209
	<b>1,632,335</b>	<b>2,120,099</b>

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2020 (CONT'D)

## 28. (LOSS)/PROFIT BEFORE TAX

	GROUP		COMPANY	
	2020 RM	2019 RM	2020 RM	2019 RM
This is arrived at after charging:				
Allowance for expected credit losses on trade receivables	642,542	-	-	-
Auditors' remuneration:				
- Statutory audit	145,000	142,000	38,000	35,000
- Other services	3,000	6,000	3,000	6,000
Bad debt written off				
- Trade receivables	67,229	-	-	-
- Other receivables	2,250,411	-	1,204,455	-
Depreciation				
- Property, plant and equipment	4,763,312	5,250,578	-	-
- Right-of-use assets	105,634	-	-	-
Employee benefits expense (Note 29)	9,252,462	10,845,310	202,000	260,500
Inventories written down	-	1,506,603	-	-
Inventories written off	25,119,683	-	-	-
Loss on foreign exchange				
- Realised	44,727	-	-	-
- Unrealised	41,707	62,220	-	-
Property, plant and equipment written off	74,950	-	-	-
Rental of equipment	-	200,530	-	-
Rental of premises	-	1,185,481	-	-
Reversal of inventories written down	(4,228,353)	(410,556)	-	-
Expense relating to short-term leases	159,031	-	-	-
Expense relating to lease of low value assets	62,596	-	-	-

## 29. EMPLOYEE BENEFITS EXPENSE

	GROUP		COMPANY	
	2020 RM	2019 RM	2020 RM	2019 RM
Fees	182,000	228,000	182,000	228,000
Salaries, wages, allowances and other emoluments	7,832,390	9,822,718	20,000	32,500
Defined contribution plan	622,195	695,066	-	-
Social security contribution	93,845	81,850	-	-
Share options granted under ESOS	522,032	17,676	-	-
	<b>9,252,462</b>	<b>10,845,310</b>	<b>202,000</b>	<b>260,500</b>

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2020 (CONT'D)

## 29. EMPLOYEE BENEFITS EXPENSE

Included in the employee benefits expense is the directors' remuneration as follows:

	GROUP		COMPANY	
	2020 RM	2019 RM	2020 RM	2019 RM
<b>Executive Directors:</b>				
<i>Directors of the Company</i>				
Fees	86,000	108,000	86,000	108,000
Salaries and other emoluments	1,253,439	1,466,140	3,500	7,500
Defined contribution plan	145,920	170,424	-	-
Benefit-in-kind	10,015	9,000	-	-
<i>Directors of the subsidiaries</i>				
Salaries and other emoluments	409,116	448,516	-	-
Defined contribution plan	32,640	36,816	-	-
Benefit-in-kind	6,235	7,000	-	-
Total Executive Directors' remuneration	<b>1,943,365</b>	2,245,896	<b>89,500</b>	115,500
<b>Non-Executive Directors:</b>				
<i>Directors of the Company</i>				
Fees	96,000	120,000	96,000	120,000
Allowances	16,500	25,000	16,500	25,000
Total Non-Executive Directors' remuneration	<b>112,500</b>	145,000	<b>112,500</b>	145,000
<b>Total</b>	<b>2,055,865</b>	2,390,896	<b>202,000</b>	260,500

## 30. TAX (EXPENSE)/INCOME

	GROUP		COMPANY	
	2020 RM	2019 RM	2020 RM	2019 RM
<b>Statements of comprehensive income:</b>				
Current tax				
- Under provision in prior years	-	(42,849)	-	(176)
Deferred tax				
- Origination and reversal of temporary differences	(2,570,492)	2,423,463	-	-
- (Under)/Over provision In prior years	(34,038)	482,000	-	-
	<b>(2,604,530)</b>	2,905,463	-	-
Tax (expense)/ income recognised in profit or loss	<b>(2,604,530)</b>	2,862,614	-	(176)
<b>Deferred tax relate to items recognised in other comprehensive income (Note 9)</b>				
Revaluation of land	<b>(177,840)</b>	(877,912)	-	-

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2020 (CONT'D)

## 30. TAX (EXPENSE)/INCOME (Cont'd)

The reconciliation of the tax (expense)/income of the Group and of the Company are as follows:

	GROUP		COMPANY	
	2020 RM	2019 RM	2020 RM	2019 RM
(Loss)/Profit before tax	<b>(28,006,553)</b>	(2,409,866)	<b>7,400,426</b>	1,833,033
Share of results of an associate	<b>73,685</b>	(20,728)	-	-
	<b>(27,932,868)</b>	<b>(2,430,594)</b>	<b>7,400,426</b>	<b>1,833,033</b>
Income tax at Malaysian statutory tax rate of 24%	<b>6,703,888</b>	583,343	<b>(1,776,102)</b>	(439,928)
Adjustments:				
Income not subject to tax	<b>24,503</b>	617,995	<b>2,190,057</b>	547,848
Expenses not deductible for tax purposes	<b>(1,711,255)</b>	(826,431)	<b>(413,955)</b>	(107,920)
	<b>5,017,136</b>	374,907	-	-
Deferred tax assets not recognised	<b>(7,595,491)</b>	-	-	-
Recognition of deferred tax assets	-	2,295,562	-	-
Annual crystallisation of deferred tax on revaluation	<b>18,063</b>	49,470	-	-
Effect of Real Property				
Gains Tax rate applied on the fair value changes of the investment properties	<b>(10,200)</b>	-	-	-
	<b>(2,570,492)</b>	2,423,463	-	-
(Under)/Over provision in prior year	<b>(34,038)</b>	439,151	-	(176)
	<b>(2,604,530)</b>	<b>2,862,614</b>	<b>-</b>	<b>(176)</b>

The following deferred tax assets (gross amount) have not been recognised as at the end of the reporting period as it is not probable that future taxable profit will be available against which they may be utilised:

	GROUP	
	2020 RM	2019 RM
Property, plant and equipment	<b>12,735,083</b>	9,526,525
Unabsorbed capital allowances	<b>(7,042,664)</b>	(2,822,826)
Unabsorbed reinvestment allowance	<b>(7,375,027)</b>	(7,375,027)
Unused tax losses	<b>(29,142,475)</b>	-
Provisions	<b>(3,265,717)</b>	(1,772,008)
	<b>(34,090,800)</b>	<b>(2,443,336)</b>

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2020 (CONT'D)

## 30. TAX (EXPENSE)/INCOME (Cont'd)

The gross amount and future availability of unused tax losses, unabsorbed capital allowances and reinvestment allowance which are available to be carried forward for set-off against future taxable income are estimated as follows:

	GROUP	
	2020	2019
	RM	RM
Unused tax losses	<b>29,142,475</b>	1,360,677
Unabsorbed capital allowances	<b>7,042,664</b>	2,957,159
Unabsorbed reinvestment allowance	<b>7,375,027</b>	<b>7,375,027</b>

The unused tax losses and unabsorbed reinvestment allowance can be carried forward for seven consecutive years of assessment immediately following that year of assessment (unused tax losses and unabsorbed reinvestment allowance accumulated up to year of assessment 2018 can be carried forward until year of assessment 2025) and the unabsorbed capital allowances can be carried forward indefinitely pursuant to the gazetted Finance Act 2018.

The unabsorbed reinvestment allowance will expire in the year of assessment ("YA") 2026, while the unused tax losses will expire in the following YAs:

	GROUP	
	2020	2019
	RM	RM
YA 2026	<b>1,360,677</b>	1,360,677
YA 2027	<b>27,781,798</b>	-
	<b>29,142,475</b>	<b>1,360,677</b>

## 31. (LOSSES)/EARNINGS PER SHARE

The basic (losses)/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:

	GROUP	
	2020	2019
	RM	RM
(Loss)/Profit for the financial year (RM)	<b>(30,611,083)</b>	<b>452,748</b>
Weighted average number of ordinary shares in issue	<b>139,379,400</b>	<b>132,548,067</b>
Basic (losses)/earnings per share (sen)	<b>(21.96)</b>	<b>0.34</b>

The diluted (losses)/earnings per share equals the basic (losses)/earnings per share due to the anti-dilutive effect of the warrants which have been ignored in calculating the diluted (losses)/earnings per share.

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2020 (CONT'D)

## 32. RELATED PARTIES DISCLOSURES

### Related party transactions

Related party transactions have been entered into at term agreed between parties during the financial year. The significant related party transactions of the Group and the Company are as follows:

	GROUP		COMPANY	
	2020 RM	2019 RM	2020 RM	2019 RM
Sales of goods to an associate	<b>2,014,550</b>	1,419,473	-	-
Sales of goods to related parties*	<b>7,475,922</b>	4,011,073	-	-
Purchase of goods from an associate	-	1,227,673	-	-
Purchase of goods from a related party*	<b>230,475</b>	85,067	-	-
Subcon charges charged to an associate	<b>70,125</b>	-	-	-
Delivery charges charged by a related party*	<b>19,854</b>	-	-	-
Administrative services provided to an associate	<b>54,000</b>	-	-	-
Purchase of motor vehicle from spouse of a director	<b>190,000</b>	-	-	-
Rental of motor vehicle from spouse of a director	<b>33,250</b>	42,000	-	-

\* Being companies in which the close family member of certain directors have substantial financial interests.

### Compensation of key management personnel

Key management personnel is defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly and entity that provides key management personnel services to the Group.

Key management includes all the Directors of the Company and its subsidiaries and certain members of senior management of the Group.

	GROUP		COMPANY	
	2020 RM	2019 RM	2020 RM	2019 RM
Key management personnel compensation:				
- fees	<b>182,000</b>	228,000	<b>182,000</b>	228,000
- short term employee benefit	<b>1,679,055</b>	1,977,417	<b>20,000</b>	32,500
- defined contribution plan	<b>178,560</b>	211,776	-	-
- Benefit-in-kind	<b>16,250</b>	16,000	-	-
	<b>2,055,865</b>	2,433,193	<b>202,000</b>	260,500
Analysed as:				
- Directors	<b>2,055,865</b>	2,390,896	<b>202,000</b>	260,500
- Key management personnel	-	42,297	-	-
	<b>2,055,865</b>	2,433,193	<b>202,000</b>	260,500

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2020 (CONT'D)

## 33. EMPLOYEE BENEFITS

### Employee Share Option Scheme

The Company's ESOS is governed by the by-laws approved by the shareholders at an Extraordinary General Meeting held on 28 December 2017. The ESOS was implemented on 25 January 2018 and is to be in force for a period of 5 years from the date of implementation. The Company may, if the Board of Directors deems fit and upon the recommendation of the ESOS Committee, extend the ESOS for a period of up to a maximum of 5 years in aggregate, commencing from the day after the date of expiration of the original 5 years period.

The salient features of the ESOS scheme are, inter alia, as follows:

- (i) Eligible persons are employees of the Group (including executive directors, but excluding Tan Khang Khim who has voluntarily relinquished his eligibility to the ESOS) who have been confirmed in the employment of the Group and have served at least two years of continuous service prior to and up to the date of offer, including service during the probation period. ESOS Committee may determine any other criteria for the eligible person from time to time.
- (ii) The maximum number of new shares which may be issued and allotted pursuant to the exercise of the ESOS options shall not in aggregate exceed 15% of the total number of issued shares of the Company (excluding treasury shares) at any point of time during the duration of the ESOS.
- (iii) The option price shall be determined by the Board upon recommendation of the ESOS Committee based on the volume weighted average market price of the shares for the 5 market days immediately preceding the date of offer with a discount of not more than 10% or such other percentage of discount as may be permitted by Bursa Malaysia Securities Berhad or any other relevant authorities from time to time during the duration of the ESOS.
- (iv) An offer shall be accepted by an eligible person within the offer period by written notice to the Company accompanied by a payment to the Company of a nominal non-refundable consideration of RM1 only for the acceptance of the offer. If an offer is not accepted within the offer period or in the event of death or cessation of employment of the eligible person, the offer shall automatically lapse upon the expiry of the offer period. The ESOS options comprised in such offer may, at the discretion of the ESOS Committee, be re-offered to other eligible person.
- (v) The ESOS options shall not carry any right to vote at any general meeting of the Company. A grantee shall not be entitled to any dividends, rights and/or other distributions on his/her unexercised ESOS options.
- (vi) The new shares to be allotted upon any exercise of the ESOS options will upon allotment and issuance, rank *pari passu* in all respects with the existing shares of the Company.
- (vii) The number of ESOS options and the option price may be adjusted as a result of any alteration in the capital structure of the Company by way of a rights issue, bonus issue or other capitalisation issue, consolidation or subdivision of shares or reduction of capital, if any, made by the Company while an option remains unexercised.
- (viii) The Scheme may be terminated by the ESOS Committee at any time before the date of expiry.

### Movement of share options during the financial year

The following table illustrates the number and weighted average exercise prices ("WAEP") of, and movements in, share options during the financial year:

	2020		2019	
	Number of share option	WAEP RM	Number of share option	WAEP RM
Offer date	16.4.20		2.7.19	
- Granted	9,322,000	0.13	4,910,000	0.265
- Exercised	(9,322,000)	0.13	(4,910,000)	0.265
	-	-	-	-

The weighted average fair value of options granted during the financial year was **RM0.056** (2019: RM0.0036).

The weighted average share price at the date of exercise of the options exercised during the year was **RM0.1431** (2019: RM0.28).

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2020 (CONT'D)

## 33. EMPLOYEE BENEFITS (Cont'd)

### Fair value of share options granted

The fair value of the ESOS granted is estimated at the grant date using Black-Scholes Model, taking into account the terms and conditions upon which the instruments were granted.

The following table lists the inputs to the Black-Scholes models for the financial year ended 31 July:

	GROUP	
	2020	2019
Expected volatility (%)	266	10
Risk-free interest rate (% p.a.)	2.73	3.21
Expected life of option (days)	45	29
Weighted average share price (RM)	0.14	0.28

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

## 34. CONTINGENT LIABILITIES

### GROUP

A subsidiary of the Group, Perusahaan Saudee Sdn. Bhd. ("PSSB") received Letters of Claims from the Royal Malaysian Customs Department ("RMCD") under Section 30(1) of Sales Tax Act 1972 for non-payment of sales tax and late penalties in relation to letter of Claim dated 19 January 2015 for sales tax amounting to RM1,333,914.62 covering period from 1 November 2011 to 31 October 2014 relating to sale of beef and rabbit burgers said to be packed in air-tight containers and penalty amounting to RM323,676.19 up to 31 January 2015 ("Claim").

PSSB had submitted an appeal letter on 31 October 2017 for the cancellation of the Claim to RMCD based on a lab test which concluded that the requirement to be classified as "air-tight" container under the Custom Duties Order 2017 is not met. RMCD had rejected the appeal of the Claim and instructed PSSB to make the payment. PSSB has complied with the instructions of RMCD without prejudice and made the 10% upfront payment amounting to RM165,760 and the remaining balance shall be based on the installment payments for 36 months approved by RMCD.

On 29 July 2020, PSSB had submitted an appeal letter in relation to the remission of the sales tax and penalty to the Ministry of Finance on the basis that PSSB has submitted for cancellation of sales tax license in 2002 based on guidance from RMCD that sales tax is not applicable and RMCD has accepted the cancellation.

The directors of the Company are of the opinion that it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation after having consulted their appointed professional advisor.

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2020 (CONT'D)

## 35. FINANCIAL INSTRUMENTS

### 35.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as amortised cost ("AC").

	Carrying amount RM	AC RM
<b>GROUP</b>		
<b>2020</b>		
<b>Financial assets</b>		
Trade receivables	14,531,955	14,531,955
Other receivables and refundable deposits	1,319,606	1,319,606
Amount due from an associate	165,816	165,816
Cash and bank balances	6,905,858	6,905,858
	<b>22,923,235</b>	<b>22,923,235</b>
<b>Financial liabilities</b>		
Borrowings	27,620,854	27,620,854
Trade payables	13,511,925	13,511,925
Other payables and accruals excluding non-refundable deposits and Sales Tax payable	2,948,714	2,948,714
	<b>44,081,493</b>	<b>44,081,493</b>
<b>2019</b>		
<b>Financial assets</b>		
Trade receivables	11,877,853	11,877,853
Other receivables and refundable deposits	2,898,024	2,898,024
Amount due from an associate	271,363	271,363
Cash and bank balances	5,688,081	5,688,081
	<b>20,735,321</b>	<b>20,735,321</b>
<b>Financial liabilities</b>		
Borrowings	29,346,125	29,346,125
Trade payables	9,884,881	9,884,881
Other payables and accruals excluding Sales Tax payable	3,015,719	3,015,719
Amount due to an associate	13,064	13,064
	<b>42,259,789</b>	<b>42,259,789</b>

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2020 (CONT'D)

## 35. FINANCIAL INSTRUMENTS (Cont'd)

### 35.1 Categories of financial instruments (Cont'd)

The table below provides an analysis of financial instruments categorised as amortised cost ("AC"). (Cont'd)

	Carrying amount RM	AC RM
<b>COMPANY</b>		
<b>2020</b>		
<b>Financial assets</b>		
Refundable deposits	1,000	1,000
Amount due from a subsidiary	18,971,386	18,971,386
Cash and bank balances	13,233	13,233
	<b>18,985,619</b>	<b>18,985,619</b>
<b>Financial liabilities</b>		
Other payables and accruals	207,351	207,351
Amount due to a subsidiary	2,029,662	2,029,662
	<b>2,237,013</b>	<b>2,237,013</b>
<b>2019</b>		
<b>Financial assets</b>		
Other receivables and refundable deposits	1,205,455	1,205,455
Amount due from a subsidiary	19,358,386	19,358,386
Cash and bank balances	7,990	7,990
	<b>20,571,831</b>	<b>20,571,831</b>
<b>Financial liabilities</b>		
Other payables and accruals	134,107	134,107
Amount due to a subsidiary	3,174,662	3,174,662
	<b>3,308,769</b>	<b>3,308,769</b>

### 35.2 Financial risk management

The activities of the Group expose it to certain financial risks, including credit risk, liquidity risk, foreign 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.

### 35.3 Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Group and the Company. The Group's exposure to credit risk arises mainly from receivables 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 statements of financial position.

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2020 (CONT'D)

## 35. FINANCIAL INSTRUMENTS (Cont'd)

### 35.3 Credit risk (Cont'd)

The Company is also exposed to credit risk in respect of its financial guarantees provided for credit facilities granted to certain subsidiaries as well as advances provided to its subsidiaries.

As the Group only deals with reputable financial institutions, the credit risk associated with 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.

#### 35.3.1 Trade receivables

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is limited to the carrying amounts in the statements of financial position.

With a credit policy in place to ensure that credit risk is monitored on an on-going basis, management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than credit terms granted are deemed to have higher credit risk, and are monitored individually.

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

The ageing analysis of the trade receivables is as follows:

	Gross RM	Allowance for expected credit losses RM	Net RM
<b>GROUP</b>			
<b>2020</b>			
Not past due	7,370,582	-	7,370,582
Past due 1 to 30 days	3,469,285	-	3,469,285
Past due 31 days to 60 days	1,249,094	-	1,249,094
Past due 61 days to 90 days	734,545	-	734,545
Past due more than 90 days	4,156,885	(2,448,436)	1,708,449
	<b>16,980,391</b>	<b>(2,448,436)</b>	<b>14,531,955</b>
<b>2019</b>			
Not past due	6,548,674	-	6,548,674
Past due 1 to 30 days	3,048,255	-	3,048,255
Past due 31 days to 60 days	942,338	-	942,338
Past due 61 days to 90 days	277,343	-	277,343
Past due more than 90 days	7,437,776	(6,376,533)	1,061,243
	<b>18,254,386</b>	<b>(6,376,533)</b>	<b>11,877,853</b>

Trade receivables that are neither past due nor impaired are creditworthy customers with good payment record with the Group. None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial period.

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2020 (CONT'D)

## 35. FINANCIAL INSTRUMENTS (Cont'd)

### 35.3 Credit risk (Cont'd)

#### 35.3.1 Trade receivables (Cont'd)

As at the end of the reporting period, trade receivables of **RM7,161,373** (2019: RM5,329,179) were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default.

The allowance account in respect of trade receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

The net carrying amount of receivables is considered a reasonable approximate of their fair value. The maximum exposure to credit risk is the carrying value of each class of receivables mentioned above. Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Trade receivables consist of a large number of customers in various industries and geographical areas.

#### Maximum exposure to credit risk

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at the end of the reporting period which are grouped together as they are expected to have similar risk nature.

	Gross RM	Allowance for expected credit losses RM	Net RM
<b>Credit risk rating</b>			
<b>2020</b>			
Low risk	14,531,955	-	14,531,955
High risk	2,448,436	(2,448,436)	-
	<b>16,980,391</b>	<b>(2,448,436)</b>	<b>14,531,955</b>
<b>2019</b>			
Low risk	11,877,853	-	11,877,853
High risk	6,376,533	(6,376,533)	-
	18,254,386	(6,376,533)	11,877,853

High risk customers are individual customers with outstanding balance of more than 5 months. Based on management's past experience, the rate of default for balances above 5 months is considered highly probable thus such customers are individually assessed and impaired.

In managing the credit risk exposure from these customers, management has entered into distributorship agreements with reputable distributors so that such customers deals directly with the Group's distributors thus minimising credit exposure from these customers.

The allowance for expected credit losses ("ECL") from trade receivables under "Low risk" are measured at an amount equal to lifetime ECL using a simplified approach. The expected credit losses on trade receivables are estimated based on past default experience and an analysis of the trade receivables' current financial position, adjusted for factors that are specific to the trade receivables such as liquidation and bankruptcy. Forward looking information such as interest rate has been incorporated in determining the expected credit losses. The ECL calculated for trade receivables under "Low risk" was not material hence no allowance was made.

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2020 (CONT'D)

## 35. FINANCIAL INSTRUMENTS (Cont'd)

### 35.3 Credit risk (Cont'd)

#### 35.3.2 Financial guarantees

The Company provides unsecured financial guarantees to financial institutions for banking facilities granted to subsidiaries up to a limit of **RM33,491,748** (2019: RM36,000,000). The maximum exposure to credit risk is amounted to **RM25,332,972** (2019: RM26,072,540), representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period.

The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries. As at the end of the reporting period, there was no indication that any of the subsidiaries would default on repayment.

Financial guarantees have not been recognised since the fair value on initial recognition was not material.

#### 35.3.3 Intercompany loans and advances

The Company provides advances to its subsidiaries and monitors the results of the subsidiaries regularly.

The maximum exposure to credit risk is represented by its carrying amount in the statements of financial position.

As at the end of the reporting period, there was no indication that the advances to its subsidiaries are not recoverable. The Company does not specifically monitor the ageing of the advances to its subsidiaries.

### 35.4 Liquidity risk

Liquidity risk is the risk that the Group and the Company will not be able to meet their financial obligations as and when they fall due. 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.

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on the undiscounted contractual payments:

	Carrying amount RM	Contractual cash flows RM	Within one year RM	More than one year and less than five years RM	More than five years RM
<b>GROUP</b>					
<b>2020</b>					
<b>Non-derivative financial liabilities</b>					
Borrowings	27,620,854	29,147,897	21,522,107	6,020,009	1,605,781
Lease liabilities	190,466	199,200	134,400	64,800	-
Trade payables	13,511,925	13,511,925	13,511,925	-	-
Other payables and accruals excluding non-refundable deposits and Sales Tax payable	2,948,714	2,948,714	2,948,714	-	-
Total undiscounted financial liabilities	<b>44,271,959</b>	<b>45,807,736</b>	<b>38,117,146</b>	<b>6,084,809</b>	<b>1,605,781</b>

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2020 (CONT'D)

## 35. FINANCIAL INSTRUMENTS (Cont'd)

### 35.4 Liquidity risk (Cont'd)

	Carrying amount RM	Contractual cash flows RM	Within one year RM	More than one year and less than five years RM	More than five years RM
<b>GROUP (Cont'd)</b>					
2019					
<i>Non-derivative financial liabilities</i>					
Borrowings	29,346,125	31,258,531	23,918,484	4,996,050	2,343,997
Trade payables	9,884,881	9,884,881	9,884,881	-	-
Other payables and accruals excluding Sales Tax payable	3,015,719	3,015,719	3,015,719	-	-
Amount due to an associate	13,064	13,064	13,064	-	-
Total undiscounted financial liabilities	42,259,789	44,172,195	36,832,148	4,996,050	2,343,997
<b>COMPANY</b>					
<b>2020</b>					
<i>Non-derivative financial liabilities</i>					
Other payables and accruals	207,351	207,351	207,351	-	-
Amount due to a subsidiary	2,029,662	2,029,662	2,029,662	-	-
* Financial guarantees	-	25,332,972	25,332,972	-	-
Total undiscounted financial liabilities	2,237,013	27,569,985	27,569,985	-	-
2019					
<i>Non-derivative financial liabilities</i>					
Other payables and accruals	134,107	134,107	134,107	-	-
Amount due to a subsidiary	3,174,662	3,174,662	3,174,662	-	-
* Financial guarantees	-	26,072,540	26,072,540	-	-
Total undiscounted financial liabilities	3,308,769	29,381,309	29,381,309	-	-

\* This has been included for illustration purpose only as the related financial guarantees have not crystallised as at the end of the reporting period.

### 35.5 Foreign 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 United States Dollar ("USD"), Euro ("EUR"), Singapore Dollar ("SGD") and Renminbi ("RMB").

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.

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2020 (CONT'D)

## 35. FINANCIAL INSTRUMENTS (Cont'd)

### 35.5 Foreign currency risk (Cont'd)

#### Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the USD, EUR, SGD and RMB exchange rates against RM, with all other variables held constant, of the Group's loss before tax. A 5% strengthening of RM against the following currencies at the end of the reporting period would have decreased in loss before tax by the amount shown below and a corresponding weakening would have an equal but opposite effect. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period.

	GROUP	
	2020 RM	2019 RM
USD	(127,875)	8,651
EUR	(10,041)	7,545
SGD	(5,959)	(1,429)
RMB	112	-
(Decrease)/Increase in loss before tax	<u>(143,763)</u>	<u>14,767</u>

### 35.6 Interest rate risk

The Group's fixed rate instruments are exposed to a risk of change in its fair value due to changes in interest rates. The Group's floating rate instruments are exposed to a risk of change in cash flows due to changes in interest rates.

The interest rate profile of the Group's interest bearing financial instruments based on its carrying amounts as at the end of the reporting period are as follows:

	GROUP	
	2020 RM	2019 RM
<b>Fixed rate instruments</b>		
Financial assets	5,508,782	4,576,297
Financial liabilities	<u>17,289,416</u>	<u>19,016,626</u>
<b>Floating rate instruments</b>		
Financial liabilities	<u>10,331,438</u>	<u>10,329,499</u>

#### Sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and financial liabilities at fair value through profit or loss nor does it designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

#### Sensitivity analysis for variable rate instruments

An increase of 100 basis point at the end of the reporting period would have increased the Group's loss before tax by **RM103,314** (2019: RM103,295) and a corresponding decrease would have an equal but opposite effect. These changes are considered to be reasonably possible based on observation of current market conditions. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2020 (CONT'D)

## 36. FAIR VALUE MEASUREMENT

### 36.1 Fair value measurement of financial instruments

The carrying amounts of financial assets and financial liabilities of the Group and of the Company as at the end of the reporting period approximate their fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period. The carrying amounts of the non-current portion of finance lease liabilities are reasonable approximation of fair values due to the insignificant impact of discounting.

### 36.2 Fair value measurement of non-financial assets

The directors determine the recurring fair values of the Group's leasehold land, buildings and investment properties based on the followings:

- (a) With reference to valuation report by external independent professional valuer using the market comparison method, being comparison of current price in an active market for similar properties in the same location and condition and where necessary, adjusting for location, accessibility, visibility, time, size, present market trends and other differences; and
- (b) Current market values with reference to the selling prices of similar properties.

Details of the Group's leasehold land, buildings and investment properties and information about the fair value hierarchy are as follows:

	Level 1 RM	Level 2 RM	Level 3 RM	Total fair value RM	Carrying amount RM
<b>GROUP</b>					
<b>2020</b>					
Leasehold land	-	-	5,500,000	5,500,000	5,500,000
Buildings	-	-	10,000,000	10,000,000	9,518,000
Investment properties	-	-	550,000	550,000	550,000
Non-current assets held for sale	-	-	4,332,000	4,332,000	4,332,000
<b>2019</b>					
Leasehold land	-	-	5,000,000	5,000,000	4,879,500
Buildings	-	-	10,000,000	10,000,000	9,759,000
Investment properties	-	-	4,780,000	4,870,000	4,780,000

#### Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as at the date of the event or change in circumstances that caused the transfer. There were no transfers between Level 1 and Level 2 during the financial year.

#### Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the leasehold land, buildings and investment properties.

Level 3 fair value of leasehold land, buildings and investment properties have been generally derived using the market comparison approach. Selling prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input in this valuation approach is price per square foot of comparable properties.

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2020 (CONT'D)

## 37. SEGMENTAL REPORTING

### GROUP

#### Business segments

The Group has only one reportable segment which involved in the manufacture and sale of frozen food. Since the Group has only one business segment, no operating segmental information is prepared.

#### Geographical Information

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers.

	Revenue	
	2020	2019
	RM	RM
Malaysia	<b>78,511,104</b>	78,041,895
Japan	-	69,592
	<b>78,511,104</b>	<b>78,111,487</b>

No geographical segment information for non-current assets is presented as the Group's non-current assets are all based in Malaysia.

#### Major customers

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

## 38. 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 borrowings divided by total equity as follows:

	GROUP	
	2020	2019
	RM	RM
Total borrowings	<b>27,620,854</b>	29,346,125
Less: Cash and bank balances	<b>(6,905,858)</b>	(5,688,081)
Net debt	<b>20,714,996</b>	<b>23,658,044</b>
Total equity	<b>29,047,621</b>	<b>57,361,652</b>
Debt to equity ratio	<b>0.71</b>	<b>0.41</b>

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2020 (CONT'D)

## 39. SIGNIFICANT EVENTS

- (i) The World Health Organisation declared the 2019 Novel Coronavirus outbreak ("COVID-19") a pandemic on 11 March 2020. This was followed by Federal Government issuing a Gazetted Order known as the Movement Control Order ("MCO") which was effective for the period from 18 March 2020 to 3 May 2020 and Conditional Movement Control Order ("CMCO") from 4 May 2020 to 9 June 2020. Subsequently, Recovery Movement Control Order ("RMCO") was gazetted which is effective for the period from 10 June 2020 to 31 December 2020.

The pandemic has business impact towards food service industry such as restaurant chain and hotel and the Group has been experiencing the business disruptions during this pandemic. The Group will monitor closely the development of the pandemic while taking measures to control the costs in order to mitigate the adverse consequences arising from this pandemic.

Based on the assessment and information available at the date of this report, the Group has sufficient working capital to sustain its business operations and to continue its business as a going concern.

- (ii) On 13 July 2020, the Company had entered into the Heads of Agreements ("HOAs") for the proposed acquisition of 100% equity interest in KK Fresh Sdn. Bhd. and Megah Deutsch Sdn. Bhd. respectively for a consideration of RM10,000,000 respectively via issuance of new ordinary shares of the Company. However, the HOAs have lapsed and ceased to have effect on 11 September 2020.

## 40. EVENT AFTER THE REPORTING PERIOD

On 7 September 2020, the Company has increased its issued and fully paid up ordinary share capital by way of issuance of 14,637,000 new ordinary shares through private placement at an issue price of RM0.4857 per ordinary share.

## 41. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current year's presentation. In the previous year, the reversal of inventories written down was included in other income and is now reclassified to cost of sales.

	Previously stated RM	Reclassification RM	Restated RM
<b>GROUP</b>			
2019			
<u>Statements of comprehensive income</u>			
Cost of sales	(70,933,279)	410,556	(70,522,723)
Other income	6,419,076	(410,556)	6,008,520

## LIST OF PROPERTIES HELD

Title/ Location	Approximate Age of Building Tenure/ Date of expiry of lease	Description/ Existing use	Land area/ Built-up area	Net book value as at 31.07.2020 (RM'000)	Year of Revaluation (R)
<b>Registered Owner:</b>					
<b>Perusahaan Saudee Sdn Bhd</b>					
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	20 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	15,018	2018 ( R )
<b>TOTAL</b>				15,018	

# SHARE BUY-BACK STATEMENT

## 1. DISCLAIMER STATEMENT

This Statement is important and if you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

Bursa Malaysia Securities Berhad ("Bursa Securities") has not perused the content of this Share Buy-Back Statement ("Statement") in relation to the Proposed Renewal of Share Buy-Back Mandate (as defined herein) 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 RENEWAL OF SHAREHOLDERS' MANDATE FOR SAUDEE GROUP BERHAD ("SAUDEE" OR THE "COMPANY") TO PURCHASE UP TO 10% OF ITS TOTAL NUMBER OF ISSUED ORDINARY SHARES ("SHARES") AT ANY GIVEN POINT IN TIME ("PROPOSED SHARE BUY-BACK") ("PROPOSED RENEWAL OF SHARE BUY-BACK MANDATE")

The Proposed of Share Buy-Back, if exercised, would potentially benefit the Company and its shareholders as follows:

- i. 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;
- ii. 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
- iii. 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

Based on the audited financial statements of SAUDEE for the financial year ended 31 July 2020, the Company retained profits of RM818,274 and consolidated accumulated losses of RM17,826,867 as at 31 July 2020.

## 4. SOURCE OF FUNDING

The Proposed Share Buy-Back will be financed from internally generated funds and/or external borrowings as long as the amount of fund for the Share Buy-Back has not exceeded the amount of retained profits. The Company has sufficient resource to undertake the Proposed Share Buy-Back in view that based on the audited financial statements of SAUDEE as at 31 July 2020, the Company has cash and cash equivalent balance of approximately RM 13,233 and consolidated cash and cash equivalent of approximately RM 6,905,808 as at 31 July 2020.

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, MAJOR/SUBSTANTIAL SHAREHOLDERS AND/OR 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/or major/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.

## SHARE BUY-BACK STATEMENT (CONT'D)

### 5. INTERESTS OF DIRECTORS, MAJOR/SUBSTANTIAL SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM (Cont'd)

Based on the Register of Directors and the Register of Substantial Shareholders of SAUDEE as at 11 November 2020 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, major/substantial shareholders and person connected to Director of SAUDEE are as follows:

Name	Ordinary Shares (Scenario A)		Existing as at 11 November 2020 (a)		After the Proposed Share Buy Back (b)			
			Direct	Indirect	Direct		Indirect	
	No. of Share	%	No. of Share	%	No. of Share	%	No. of Share	%
<b>Directors</b>								
Tan Khang Khim <sup>(1)</sup>	3,820,900	2.37	2,067,779 <sup>^</sup>	1.28	3,820,900	2.63	2,067,779 <sup>^</sup>	1.42
Mak Siew Wei <sup>(2)</sup>	-	-	-	-	-	-	-	-
Sim Yee Fuan	10,000	0.01	-	-	10,000	0.01	-	-
Datuk Chong Loong Men	-	-	-	-	-	-	-	-
Chen Chee Peng	-	-	-	-	-	-	-	-
Koay San San	-	-	-	-	-	-	-	-
<b>Major/Substantial Shareholders</b>								
Asiabio Capital Sdn Bhd	31,543,277	19.59	-	-	31,543,277	21.73	-	-
Fintec Global Berhad	-	-	31,543,277 <sup>*</sup>	19.59	-	-	31,543,277 <sup>*</sup>	21.73
<b>Persons Connected to Director</b>								
Low Ai Choo <sup>(3)</sup>	1,182,013	0.73	-	-	1,182,013	0.81	-	-
Tan Leong Chin <sup>(4)</sup>	885,766	0.55	-	-	885,766	0.61	-	-

# SHARE BUY-BACK STATEMENT (CONT'D)

## 5. INTERESTS OF DIRECTORS, MAJOR/SUBSTANTIAL SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM (Cont'd)

Warrants (Scenario B)	Existing as at 11 November 2020 (a)		(i): Assuming full exercise of SAUDEE Warrants 2016/2021 (c)		(ii): After (i) and Proposed Share Buy-Back (d)							
	No. of Share	%	No. of Share	%	No. of Share	%						
<b>Directors</b>												
Tan Khang Khim <sup>(1)</sup>	3,820,900	2.37	2,067,779 <sup>^</sup>	1.28	3,820,900	1.85	2,067,779 <sup>^</sup>	1.00	3,820,900	2.06	2,067,779 <sup>^</sup>	1.11
Mak Siew Wei	-	-	-	-	-	-	-	-	-	-	-	-
Sim Yee Fuan	10,000	0.01	-	-	10,000	0.01	-	-	10,000	0.01	-	-
Datuk Chong Loong Men	-	-	-	-	-	-	-	-	-	-	-	-
Chen Chee Peng	-	-	-	-	-	-	-	-	-	-	-	-
Koay San San	-	-	-	-	-	-	-	-	-	-	-	-
<b>Major/Substantial Shareholders</b>												
Asiabio Capital Sdn Bhd	31,543,277	19.59	-	-	31,543,277	15.31	-	-	31,543,277	16.99	-	-
Fintec Global Berhad	-	-	31,543,277*	19.59	-	-	31,543,277*	15.31	-	-	31,543,277*	16.99
<b>Persons Connected to Director</b>												
Low Ai Choo <sup>(3)</sup>	1,182,013	0.73	-	-	1,182,013	0.57	-	-	1,182,013	0.64	-	-
Tan Leong Chin <sup>(4)</sup>	885,766	0.55	-	-	885,766	0.43	-	-	885,766	0.48	-	-

Note:

<sup>^</sup> Deemed interested through the shareholding of his wife and son pursuant to Section 59 (1) (c) of the Companies Act 2016 (the "Act").  
<sup>\*</sup> Deemed interest by virtue of its wholly-owned subsidiary's shareholding in the Company.

(a) Based on the total number of issued shares of 161,007,074 Shares, exclusive of 267,000 shares held as Treasury Shares.  
 (b) Based on the total number of issued shares of 145,146,667 Shares assuming that the Proposed Share Buy-Back is carried out in full and all that shares so purchased are held as treasury shares.  
 (c) Assuming the issued 206,007,056 shares, exclusive of 267,000 shares held as Treasury Shares and upon full exercise of 44,999,982 SAUDEE Warrants 2016/2021.  
 (d) Assuming the issued 185,646,650 shares based on note (c) above and after the proposed Share Buy-Back.

(1) Managing Director of the Company.  
 (2) Executive Director of the Company.  
 (3) Spouse of Tan Khang Khim.  
 (4) Son of Tan Khang Khim.

# SHARE BUY-BACK STATEMENT (CONT'D)

## 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 Renewal of Share Buy-Back Mandate are set out in section 2 of the Statement.

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

The potential disadvantages of the Proposed Renewal of Share Buy-Back Mandate are as follows:-

- a) the Proposed Share Buy-Back is implemented, it will reduce the financial resources of SAUDEE and may result in SAUDEE 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 in the form of cash dividends to shareholders of SAUDEE 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 Company and its shareholders as it will be implemented only after careful consideration of the financial resources of SAUDEE and the resultant impact on the shareholders of the Company.

## 7. MATERIAL FINANCIAL EFFECTS OF THE PROPOSED SHARE BUY-BACK

The material financial effect 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 11 November 2020, the issue and paid-up capital of SAUDEE was RM 68,660,016 comprising 161,274,074 Shares, inclusive of 267,000 shares held as Treasury Shares. In the event that 16,127,407 Share representing 10% of the issued and paid-up share capital of the Company are purchased and cancelled, the effect on the share capital of the Company are illustrated as follows:-

<b>Scenario A</b>	<b>No. of Shares</b>
Issued and paid-up share capital as at 11 November 2020, inclusive of 267,000 shares held as Treasury Shares	161,274,074
Less:	
Maximum number of SAUDEE Shares to be purchased and cancelled	(16,127,407)
Resultant issued and paid up capital	<u>145,146,667</u>
<b>Scenario B</b>	<b>No. of Shares</b>
Issued and paid-up share capital as at 11 November 2020, inclusive of 267,000 shares held as Treasury Shares	161,274,074
Assuming full exercise of Saudee Warrants 2016/2021	44,999,982
Enlarged share capital	206,274,056
Less:	
Maximum number of SAUDEE Shares to be purchased and cancelled	(20,627,406)
Resultant issued and paid up capital	185,646,650

The Proposed Share Buy-Back will not have any effect on the issued and paid-up share capital of the Company as the Shares purchased are to be retained as treasury shares. However, the rights attaching to the treasury shares as to voting, dividends and participation in other distributions or otherwise will be suspended. While these Shares remain as treasury shares, the Companies Act 2016 prohibits the taking into account of such Shares in calculating the number of percentage of Shares or of a class of shares in the company for any purposes including, without limiting the generality of this provision, the provisions of any law or requirements of the constitution of the company or the listing requirements of a stock exchange on substantial shareholdings, takeovers, notices, requisitioning of meetings, quorum for meetings and the result of votes on resolutions.

# SHARE BUY-BACK STATEMENT (CONT'D)

## 7. MATERIAL FINANCIAL EFFECTS OF THE PROPOSED RENEWAL OF SHARE BUY-BACK MANDATE (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 EPS of the SAUDEE Group will depend on the purchase price of the SAUDEE Shares, the number of SAUDEE Shares purchased and the effective funding cost to SAUDEE to finance the Purchase Shares or any loss in interest income to the Group.

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 Mandate is implemented in full, dividends would be paid on the remaining total number of issued Shares of SAUDEE (excluding the Purchased Shares). The Proposed Share Buy-Back may have an impact on the Company's dividend policy for the financial year ending 31 July 2021 as it would reduce the cash available which may otherwise be used for dividend payments. Nevertheless, 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

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, 2016 (THE "CODE")

Based on the Company's total number of issued Shares and the current shareholdings of the substantial shareholders and/or parties acting in concert as at 11 November 2020, none of the substantial shareholders and/or parties acting in concert with them will be required to make a mandatory general offer in the event of the implementation of Proposed Share Buy-Back in full.

# SHARE BUY-BACK STATEMENT (CONT'D)

## 8. IMPLICATIONS OF THE PROPOSED SHARE BUY-BACK RELATING TO THE MALAYSIAN CODE ON TAKE-OVERS AND MERGERS, 2016 (THE "CODE") (Cont'd)

As it is not intended for the share buy-back exercise to trigger the obligation to undertake a mandatory general offer under the Code by any of the Company's shareholders and/or parties acting in concert with them, the Board will ensure that such number of SAUDEE Shares are purchased, retained as Treasury Shares, cancelled or distributed pursuant to the Proposed Share Buy-Back would not result in triggering any mandatory offer obligation on the part of its shareholders and/or parties acting in concert with them.

In this connection, 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, RESALE, TRANSFER AND CANCELLATION MADE BY THE COMPANY OF ITS OWN SHARES IN THE PRECEDING 12 MONTHS

The company had not purchased, resale, transferred or cancelled any shares in the preceding twelve (12) months.

## 10. PROPOSED INTENTION OF THE DIRECTORS TO DEAL WITH THE SHARES SO PURCHASED

If the Proposed Share Buy-Back, is exercised, the shares shall be dealt with in the following manner:-

- cancel the Shares so purchased; or
- retain the Shares so purchased as treasury shares; or
- retain part of the Shares so purchased as treasury shares and cancel the remainder; or
- distribute the treasury shares as share dividends to shareholders; or
- resell the treasury shares on Bursa Securities; or
- transfer the treasury shares, or any of the shares for the purposes of or under an employees' share scheme; or transfer the treasury shares, or any of the shares as purchase consideration; or

in any other manner as prescribed by the Act, rules, regulations and guidelines pursuant to the Act and the requirements of Bursa Securities and any other relevant authority for the time being in force.

## 11. HISTORICAL SHARE PRICES

The monthly highest and lowest market prices of SAUDEE Shares traded on Bursa Securities for the preceding twelve (12) months are as follows:

	High RM	Low RM
<b>2019</b>		
November	0.24	0.23
December	0.40	0.23
<b>2020</b>		
January	0.32	0.27
February	0.30	0.22
March	0.25	0.08
April	0.23	0.13
May	0.21	0.16
June	0.20	0.15
July	0.46	0.17
August	0.67	0.39
September	0.57	0.35
October	0.47	0.34

Last transacted market price as at 11 November 2020 (being the latest practical date prior to the printing of this Statement) was RM0.455.

(Source: Bloomberg)

# SHARE BUY-BACK STATEMENT (CONT'D)

## 12. PUBLIC SHAREHOLDING SPREAD

As at 11 November 2020, the public shareholding spread of the Company was approximately 77.24%. 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 total number of issued shares of the Company (excluding treasury shares) at all times pursuant to the Proposed Share Buy-Back, in accordance with Paragraphs 8.02(1) and 12.14 of the Bursa Securities Main Market Listing Requirements.

## 13. DIRECTORS' STATEMENT

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

## 14. DIRECTORS' RECOMMENDATION

The Board recommends that you vote in favour of the ordinary resolution to be tabled at the forthcoming Twelfth Annual General Meeting ("12<sup>th</sup> AGM") to give effect to the Proposed Renewal of Share Buy-Back Mandate.

## 15. RESPONSIBILITY STATEMENT

This Statement has been seen and approved by the Board and they collectively and individually accept full responsibility for the accuracy of the information given herein and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement herein misleading.

## 16. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the registered office of the Company at 35, 1st Floor, Jalan Kelisa Emas 1, Taman Kelisa Emas 13700 Seberang Jaya, Penang during normal office hours from Monday to Friday (except for public holidays) from the date of this Statement up to and including the date of the forthcoming 12<sup>th</sup> AGM:

- i. Constitution of SAUDEE; and
- ii. The audited consolidated financial statements of SAUDEE for the past two (2) financial years ended 31 July 2019 and 31 July 2020 respectively.

## 17. FURTHER INFORMATION

There is no other information concerning the Proposed Renewal of Share Buy-Back Mandate 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 Renewal of Share Buy-Back Mandate and the extent of the risks involved in doing so.

# ANALYSIS OF SHAREHOLDINGS

## SHARE CAPITAL AS AT 20 OCTOBER 2020

Class of Equity Securities	:	Ordinary Shares
Number of Ordinary Shares	:	161,007,900*
Number of holders of Ordinary Shares	:	1,259
Voting Rights	:	One vote per Share

\* excluding a total of 267,000 shares retained as treasury shares.

## DISTRIBUTION SCHEDULE OF SHAREHOLDERS

Size of Holdings	No. of Holders	No. of Shares	%
Less than 100	24	906	0.00
100 – 1,000	304	122,232	0.08
1,001 – 10,000	373	2,158,428	1.34
10,001 – 100,000	405	16,354,664	10.16
100,001 – 8,050,394	151	96,191,393	59.74
8,050,395 and above	2	46,180,277	28.68
<b>Total</b>	<b>1,259</b>	<b>161,007,900</b>	<b>100.00</b>

## THIRTY LARGEST SECURITIES HOLDERS

No.	Name	Shareholdings	%
1	Maybank Securities Nominees (Tempatan) Sdn Bhd Exempt an for Maybank Kim Eng Securities Pte Ltd (A/C 649063)	31,543,277	19.59
2	M & A Nominee (Tempatan) Sdn Bhd Exempt an for Sanston Financial Group Limited (Account Client)	14,637,000	9.09
3	Pusing Ria Sdn Bhd	6,586,800	4.09
4	Amsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Keh Chuan Seng	4,300,000	2.67
5	Amsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account – Ambank (M) Berhad for Chiau Beng Teik (Smart)	4,000,000	2.48
6	Amsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account – Ambank (M) Berhad for Ooi Chen Seng (Smart)	4,000,000	2.48
7	Affin Hwang Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Lim Teck Huat	3,571,200	2.22
8	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Khang Khim (7000161)	3,020,000	1.88
9	Lim Kian Huat	2,939,500	1.83
10	Ong Kien Hing	2,200,000	1.37
11	Maybank Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Peh Lian Hwa	2,000,000	1.24
12	Maybank Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ooi Chen Seng	1,600,000	0.99
13	Santira Kesu A/L Rengasamy	1,522,700	0.95
14	Lim Chee Kiat	1,500,000	0.93
15	Colin Soh Cheng Hoe	1,456,500	0.90
16	Affin Hwang Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chiau Beng Teik	1,300,000	0.81

# ANALYSIS OF SHAREHOLDINGS CONT'D)

## THIRTY LARGEST SECURITIES HOLDERS (Cont'd)

No.	Name	Shareholdings	%
17	Affin Hwang Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Leong Chuin (M01)	1,295,900	0.80
18	Goh Siang Giang	1,250,000	0.78
19	Low Hung Meng	1,221,600	0.76
20	Low Ai Choo	1,182,013	0.73
21	PM Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Dynamic Prestige Consultancy Sdn Bhd (A)	1,010,000	0.63
22	Amsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chiau Beng Soo	1,000,000	0.62
23	CGS-CIMB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chiau Beng Teik (MY2975)	1,000,000	0.62
24	CGS-CIMB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chong Chew Yeng (MY3114)	1,000,000	0.62
25	M & A Nominee (Tempatan) Sdn Bhd Pledged Securities Account for Keh Chuan Seng (PNG)	1,000,000	0.62
26	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Wong Kar Zeng	1,000,000	0.62
27	CGS-CIMB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Cha Weay Chia (MY2307)	990,000	0.61
28	Mohan A/L Ganeson	933,400	0.58
29	Reza Bin Shariffudin	931,800	0.58
30	Tan Leong Chin	885,766	0.55
	<b>TOTAL</b>	<b>100,877,456</b>	<b>62.64</b>

## DIRECTORS' SHAREHOLDINGS

Name	Direct Shareholding	%	Indirect Shareholding	%
Tan Khang Khim	3,820,900	2.37	2,067,779 <sup>1</sup>	1.28
Mak Siew Wei	-	-	-	-
Sim Yee Fuan	10,000	- <sup>2</sup>	-	-
Koay San San	-	-	-	-
Datuk Chong Loong Men	-	-	-	-
Chen Chee Peng	-	-	-	-

<sup>(1)</sup> Deemed interest through the shareholdings of his spouse and son pursuant to Section 59(1)(c) of the Companies Act 2016.

<sup>(2)</sup> Negligible

## SUBSTANTIAL SHAREHOLDERS

Name	Direct Shareholding	%	Indirect Shareholding	%
Asiabio Capital Sdn. Bhd.	31,543,277	19.59	-	-
Fintec Global Berhad	-	-	31,543,277 <sup>3</sup>	19.59

<sup>(3)</sup> Deemed interest by virtue of its wholly-owned subsidiary's substantial shareholding in the Company.

# ANALYSIS OF WARRANT HOLDINGS

## WARRANTS AS AT 20 OCTOBER 2020

Number of warrants unexercised	:	44,999,982
Number of warrant holder	:	489
Exercise price of Warrant	:	RM0.50
Maturity date	:	31 March 2021
Exercise Rights	:	Each warrants entitles the holder to subscribe for one new ordinary share in the Company during the Exercise Period
Voting Rights in a meeting of warrant holder	:	One vote per warrant

## DISTRIBUTION SCHEDULE OF WARRANT HOLDERS

Size of Holdings	No. of Holders	No. of Warrants	%
Less than 100	36	1,853	0.00
100 – 1,000	39	20,496	0.05
1,001 – 10,000	134	864,092	1.92
10,001 – 100,000	220	8,941,496	19.87
100,001 – 2,249,998	58	23,089,848	51.31
2,249,999 and above	2	12,082,197	26.85
<b>Total</b>	<b>489</b>	<b>44,999,982</b>	<b>100.00</b>

## THIRTY LARGEST WARRANT HOLDERS

No.	Name	No. of Warrants	%
1	Amsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Khang Khim	9,337,498	20.75
2	Wide Symbol Sdn Bhd	2,744,699	6.10
3	Sulaiman Abdul Rahman B Abdul Taib	1,647,200	3.66
4	Yong Swee Koon	1,590,600	3.53
5	Tan Khang Khim	1,350,000	3.00
6	Tan Kong Han	1,200,000	2.67
7	Teh Teong Poh	1,180,000	2.62
8	Maybank Nominees (Asing) Sdn Bhd Nadine Hong Tan	902,800	2.01
9	Cha Weay Chia	780,000	1.73
10	Fong Pooi Yin	741,000	1.65
11	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Loke Seng Leong	700,000	1.56
12	Cheong Yow Kien	608,000	1.35
13	Yap Boon Chai	600,000	1.33
14	Maybank Nominees (Asing) Sdn Bhd Pledged Securities Account for Yee Kong Fatt	586,300	1.30
15	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Wong Wai Sum (7005166)	500,000	1.11
16	Pang Choon Heng	500,000	1.11
17	Pathmakanthan A/L K. Ganesamoorthy	500,000	1.11
18	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Cheong Yow Kien (E-TJJ)	500,000	1.11
19	CGS-CIMB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for How Lian Yeong (MY2346)	450,000	1.00
20	Paul Ian Brown-Kenyon	450,000	1.00
21	Wong Fook Inn	438,000	0.97

## ANALYSIS OF WARRANT HOLDINGS (CONT'D)

### THIRTY LARGEST WARRANT HOLDERS (Cont'd)

No.	Name	No. of Warrants	%
22	Lim Poh Kiam	400,000	0.89
23	Yong Swee Koon	374,000	0.83
24	Tan Boon Kai	330,000	0.73
25	Kenanga Nominees (Tempatan) Sdn Bhd Chan Eng Chin	300,000	0.67
26	Khoo Teng Siang	300,000	0.67
27	Norzali Bin Wahab	300,000	0.67
28	Syed Nazir Bin M S Kadir	300,000	0.67
29	Tey Kim Gnoh	300,000	0.67
30	Wong Jia Yin	254,300	0.57
	<b>TOTAL</b>	<b>30,164,397</b>	<b>67.04</b>

### DIRECTORS' WARRANT HOLDING

Name	Direct No. of Warrants held	%	Indirect No. of Warrants held	%
Tan Khang Khim	10,867,835	24.15	2,744,699 <sup>1</sup>	6.10
Mak Siew Wei	-	-	-	-
Sim Yee Fuan	-	-	-	-
Koay San San	-	-	-	-
Datuk Chong Loong Men	-	-	-	-
Chen Chee Peng	-	-	-	-

<sup>(1)</sup> Deemed interest by virtue of his substantial shareholdings in Wide Symbol Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016.

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# PROXY FORM



**SAUDEE GROUP BERHAD**  
(Company No. 200801036832 (838172-P))  
(Incorporated in Malaysia)

CDS Account No.	
No. of shares held	

I/We \_\_\_\_\_ (Full Name in Block Letters)  
of \_\_\_\_\_ (Address)  
being a member/members of the above Company appoint (Proxy 1) \_\_\_\_\_ (Full Name in Block Letters)  
of \_\_\_\_\_ (Address)  
and/or failing him (Proxy 2), \_\_\_\_\_ (Full Name in Block Letters)  
of \_\_\_\_\_ (Address)

or failing him, the Chairman of the Meeting as my/our Proxy to vote in my/our name(s) on my/our behalf at the Twelfth Annual General Meeting of the Company to be held at the Mahkota 4 Hall, The Jerai Hotel Sungai Petani, 427 Jalan Kolam Air, 08000 Sungai Petani, Kedah on Monday, 21 December 2020 at 9.00 a.m. and at any adjournment thereof in the manner indicated below :-

Resolution		For	Against
To re-elect Ms. Koay San San, who retires pursuant to Clause 102(1) and (2) of the Company's Constitution as a Director of the Company.	Ordinary Resolution 1		
To re-elect Mr. Mak Siew Wei, who retires pursuant to Clause 107(2) of the Company's Constitution as a Director of the Company.	Ordinary Resolution 2		
To re-elect Datuk Chong Loong Men, who retires pursuant to Clause 107(2) of the Company's Constitution as a Director of the Company.	Ordinary Resolution 3		
To re-elect Mr. Chen Chee Peng, who retires pursuant to Clause 107(2) of the Company's Constitution as a Director of the Company.	Ordinary Resolution 4		
To re-appoint Messrs Grant Thornton as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.	Ordinary Resolution 5		
To approve the payment of Directors' fees of not exceeding RM250,000.00 (FY2020:RM250,000.00) to Directors of the Company for the financial year ending 31 July 2021.	Ordinary Resolution 6		
To approve the payment of benefits of not exceeding RM36,000 to the Directors of the Company from 22 December 2020 until the next Annual General Meeting of the Company.	Ordinary Resolution 7		
To authorise Mr. Sim Yee Fuan to continue to act as an Independent Non-Executive Director of the Company.	Ordinary Resolution 8		
To empower the Directors to issue and allot shares up to 20% of the total number of issued shares of the Company.	Ordinary Resolution 9		
To approve the purchase by the Company of its own shares of up to 10% of its total number of issued shares.	Ordinary Resolution 10		
To approve the proposed renewal of existing shareholders' mandate for Recurrent Related Party Transactions of a revenue or trading nature.	Ordinary Resolution 11		

(Please indicate with an "X" in the appropriate box against each Resolution how you wish your proxy to vote. If no instruction is given, this form will be taken to authorise the proxy to vote or abstain from voting at his/her discretion.)

The proportion of my/our holding to be represented by my/our proxies are as follows:-

	No. of shares	Percentage
Proxy 1		
Proxy 2		
Total		100%

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2020.

Signature of Shareholder or Common Seal

**Notes :**

- Only a depositor whose name appears on the Record of Depositors of the Company as at 14 December 2020 shall be entitled to attend the Twelfth Annual General Meeting or appoint proxies to attend, speak and/or vote on his/her behalf.
- A proxy may but need not be a member of the Company. There is no restriction as to the qualification of the proxy.
- A member shall be entitled to appoint up to two (2) proxies to attend and vote at the same meeting.
- Where a member appoints more than one (1) proxy, the appointments shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.
- The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorized in writing or, if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorized.
- Where a Member of the Company is an authorised nominee as defined under the Central Depositories Act, it may appoint at least one (1) proxy in respect of each security account it holds with ordinary shares of the Company standing to the credit of the said securities account.
- Where a Member of the Company is an exempt authorized nominee as defined under the Central Depositories Act, 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.
- The instrument appointing a proxy must be deposited at Share Registrar's Office at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or submitted by electronic means through TIH online at <https://tih.online> not less than twenty four (24) hours before the time appointed for holding the meeting or any adjournment thereof.



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AFFIX  
STAMP

The Share Registrar

**SAUDEE GROUP BERHAD**

**Company No. 200801036832 (838172-P)**  
Unit 32-01, Level 32, Tower A,  
Vertical Business Suite, Avenue 3,  
Bangsar South, No. 8, Jalan Kerinchi,  
59200 Kuala Lumpur

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## **SAUDEE GROUP BERHAD**

200801036832 (838172-P)

Plot 331, Taman Perindustrian Sungai Petani  
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