

SDS GROUP BERHAD

COMPANY NO. 1241117-T

(INCORPORATED IN MALAYSIA)

CONDENSED COMBINED FINANCIAL STATEMENTS

FOR THE FIRST QUARTER ENDED

30 JUNE 2019

UNAUDITED CONDENSED COMBINED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FIRST QUARTER ENDED 30 JUNE 2019 ⁽¹⁾

	Note	Individual Quarter 3 months ended		Cumulative Quarter 3 months ended	
		Unaudited 30 June 2019 RM'000	Unaudited 30 June 2018 ⁽²⁾ RM'000	Unaudited 30 June 2019 RM'000	Unaudited 30 June 2018 ⁽²⁾ RM'000
Revenue	9	45,359	N/A	45,359	N/A
Cost of sales		(31,956)	N/A	(31,956)	N/A
Gross profit		13,403	N/A	13,403	N/A
Other income		87	N/A	87	N/A
Administrative expenses		(3,111)	N/A	(3,111)	N/A
Selling and distribution expenses		(8,076)	N/A	(8,076)	N/A
Other operating expenses		(44)	N/A	(44)	N/A
Finance costs		(893)	N/A	(893)	N/A
Profit before tax		1,366	N/A	1,366	N/A
Income tax expense	19	(257)	N/A	(257)	N/A
Profit after tax	26	1,109	N/A	1,109	N/A
Other comprehensive income					
<u>Item that may be reclassified</u>					
<u>subsequently to profit or loss</u>					
Foreign currency translation differences		36	N/A	36	N/A
Total comprehensive income for the period		1,145	N/A	1,145	N/A
Profit after tax attributable to:-					
Owners of the Company		1,079	N/A	1,079	N/A
Non-controlling interests		30	N/A	30	N/A
		1,109	N/A	1,109	N/A
Total comprehensive income attributable to:-					
Owners of the Company		1,115	N/A	1,115	N/A
Non-controlling interests		30	N/A	30	N/A
		1,145	N/A	1,145	N/A
Earnings per share attributable to owners of the Company (Sen):					
- Basic / Diluted	25	0.36	N/A	0.36	N/A

SDS GROUP BERHAD
Company No: 1241117-T
(Incorporated in Malaysia)

UNAUDITED CONDENSED COMBINED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FIRST QUARTER ENDED 30 JUNE 2019 ⁽¹⁾ (CONT'D)

Notes:

- (1) The unaudited condensed combined statement of profit or loss and other comprehensive income should be read in conjunction with the Accountants' Report as disclosed in the Prospectus of the Company dated 23 August 2019 and the accompanying explanatory notes attached to these interim financial statements.
- (2) No comparative figures for the preceding year's corresponding quarter and period-to-date is available as this is the first interim financial statements announced in compliance with the ACE Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities").

N/A – Not applicable

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SDS GROUP BERHAD
Company No: 1241117-T
(Incorporated in Malaysia)

UNAUDITED CONDENSED COMBINED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019 ⁽¹⁾

	Note	Unaudited As at 30 June 2019 RM'000	Unaudited As at 30 June 2018 ⁽²⁾ RM'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		96,881	N/A
Right-of-use assets		13,035	N/A
Goodwill		162	N/A
Deferred tax assets		1,144	N/A
		111,222	N/A
CURRENT ASSETS			
Inventories		5,479	N/A
Trade receivables		9,491	N/A
Other receivables, deposits and prepayments		5,985	N/A
Current tax assets		755	N/A
Fixed deposits with a licensed bank		-	N/A
Cash and bank balances		3,691	N/A
		25,401	N/A
TOTAL ASSETS		136,623	N/A
EQUITY AND LIABILITIES			
EQUITY			
Share capital		30,572	N/A
Reserves		8,522	N/A
Equity attributable to owners of the Company		39,094	N/A
Non-controlling interests		542	N/A
TOTAL EQUITY		39,636	N/A
LIABILITIES			
NON-CURRENT LIABILITIES			
Long-term borrowings	22	39,676	N/A
Other payables		459	N/A
Lease liabilities		9,792	N/A
Deferred tax liabilities		2,020	N/A
Contract liability		75	N/A
		52,022	N/A

SDS GROUP BERHAD**Company No: 1241117-T**

(Incorporated in Malaysia)

**UNAUDITED CONDENSED COMBINED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019 ⁽¹⁾ (CONT'D)**

	Note	Unaudited As at 30 June 2019 RM'000	Unaudited As at 30 June 2018 ⁽²⁾ RM'000
CURRENT LIABILITIES			
Trade payables		23,198	N/A
Other payables and accruals		7,019	N/A
Lease liabilities		3,711	N/A
Short-term borrowings	22	9,581	N/A
Bank overdrafts	22	1,284	N/A
Contract liability		48	N/A
Current tax liabilities		124	N/A
		<u>44,965</u>	<u>N/A</u>
TOTAL LIABILITIES		<u>96,987</u>	<u>N/A</u>
TOTAL EQUITY AND LIABILITIES			
		<u>136,623</u>	<u>N/A</u>
Net assets per ordinary share attributable to owners of the Company (RM) ⁽³⁾			
		<u>0.13</u>	<u>N/A</u>

Notes:

- (1) The unaudited condensed combined statement of financial position should be read in conjunction with the Accountants' Report as disclosed in the Prospectus of the Company dated 23 August 2019 and the accompanying explanatory notes attached to these interim financial statements.
- (2) No comparative figures for the preceding year's corresponding quarter is available as this is the first interim financial statements announced in compliance with the Listing Requirements of Bursa Securities.
- (3) In calculation of net assets per ordinary shares as at 30 June 2019, it is assumed that 301,527,100 ordinary shares were in issue after completing acquisition of the Company's subsidiaries.

SDS GROUP BERHAD
Company No: 1241117-T
(Incorporated in Malaysia)

**UNAUDITED CONDENSED COMBINED STATEMENT OF CHANGES IN EQUITY
FOR THE FIRST QUARTER ENDED 30 JUNE 2019 ⁽¹⁾**

	<u>Non-distributable</u>			<u>Distributable</u>			
	Share	Merger	Foreign	Retained	Attributable to	Non-	Total Equity
	Capital	Deficit	Currency	Profits	Owners of the	Controlling	
	RM'000	RM'000	Translation	RM'000	Company	Interests	RM'000
			Reserve		RM'000	RM'000	
			RM'000				
Balance at 1 April 2019	2,750	-	454	35,018	38,222	512	38,734
Effects of adoption of MFRS 16 (see Note 2.1)	-	-	-	(243)	(243)	-	(243)
Balance at 1 April 2019, as restated	2,750	-	454	34,775	37,979	512	38,491
Profit after tax for the financial period	-	-	-	1,079	1,079	30	1,109
Other comprehensive income for the financial period:							
- Foreign currency translation differences	-	-	36	-	36	-	36
Total comprehensive income for the financial period	-	-	36	1,079	1,115	30	1,145
Transaction with owners:							
Acquisition of subsidiaries in business combination under common control	27,822	(27,760)	-	(62)	-	-	-
Balance at 30 June 2019 (Unaudited)	30,572	(27,760)	490	35,792	39,094	542	39,636

Note:

(1) The unaudited condensed combined statement of changes in equity should be read in conjunction with the Accountants' Report as disclosed in the Prospectus of the Company dated 23 August 2019 and the accompanying explanatory notes attached to these interim financial statements.

UNAUDITED CONDENSED COMBINED STATEMENT OF CASH FLOWS
FOR THE FIRST QUARTER ENDED 30 JUNE 2019 ⁽¹⁾

	3 months ended Unaudited 30 June 2019 RM'000	3 months ended Unaudited 30 June 2018 ⁽²⁾ RM'000
Cash flows from operating activities		
Profit before tax	1,366	N/A
Adjustments for:		
Depreciation of property, plant and equipment	2,855	N/A
Depreciation of right-of-use assets	1,035	N/A
Gain on disposal of property, plant and equipment	(21)	N/A
Interest expenses	893	N/A
Loss on foreign exchange - unrealised	21	N/A
Operating profit before working capital changes	6,149	N/A
Increase in inventories	(276)	N/A
Increase in trade and other receivables	(480)	N/A
Decrease in trade and other payables	(3,056)	N/A
Decrease in contract liability	(13)	N/A
Cash from operations	2,324	N/A
Income tax paid	(605)	N/A
Income tax refunded	431	N/A
Net cash from operating activities	2,150	N/A
Cash flows for investing activities		
Proceeds from disposal of property, plant and equipment	30	N/A
Purchase of property, plant and equipment	(2,541)	N/A
Net cash for investing activities	(2,511)	N/A
Cash flows for financing activities		
Interest paid	(893)	N/A
Drawdown of bankers' acceptance	1,341	N/A
Drawdown of term loans	1,242	N/A
Repayment of bankers' acceptance	(948)	N/A
Repayment of hire purchase obligations	(1,934)	N/A
Repayment of loan and other payables	(41)	N/A
Repayment of term loans	(872)	N/A
Repayment of lease liabilities	(871)	N/A
Net cash for financing activities	(2,976)	N/A

**UNAUDITED CONDENSED COMBINED STATEMENT OF CASH FLOWS
FOR THE FIRST QUARTER ENDED 30 JUNE 2019 ⁽¹⁾ (CONT'D)**

	3 months ended Unaudited 30 June 2019 RM'000	3 months ended Unaudited 30 June 2018 ⁽²⁾ RM'000
Net decrease in cash and cash equivalents	(3,337)	N/A
Cash and cash equivalents at beginning of the financial period	5,728	N/A
Effect of foreign exchange translation	16	N/A
Cash and cash equivalents at end of the financial period	<u>2,407</u>	<u>N/A</u>
Cash and cash equivalents comprise the followings:		
Cash and bank balances	3,691	N/A
Bank overdrafts	(1,284)	N/A
	<u>2,407</u>	<u>N/A</u>

Notes:

- (1) The unaudited condensed combined statement of cash flows should be read in conjunction with the Accountants' Report as disclosed in the Prospectus of the Company dated 23 August 2019 and the accompanying explanatory notes attached to these interim financial statements.
- (2) No comparative figures for the preceding year's corresponding quarter is available as this is the first interim financial statements announced in compliance with the Listing Requirements of Bursa Securities.

N/A – Not applicable

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**NOTES TO THE CONDENSED COMBINED INTERIM FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 30 JUNE 2019**

Part A: Explanatory Notes Pursuant to MFRS 134

1. Basis of Preparation

The condensed combined interim financial statements (“Condensed Report”) of SDS Group Berhad (“SDS” or “the Company”) and its subsidiaries (“the Group”) are unaudited and have been prepared in accordance with the requirements of Malaysian Financial Reporting Standards (“MFRS”) 134 Interim Financial Reporting and Rule 9.22 of the Listing Requirements of Bursa Securities.

This is the first Condensed Report on the Company’s unaudited condensed combined financial results for the first quarter ended 30 June 2019 announced by the Company in compliance with the Listing Requirements and as such, there are no comparative figures for the preceding year’s corresponding period.

The Condensed Report is prepared based on the combined results of the Group assuming that the Group has existed on or before 30 June 2019 and should be read in conjunction with the Accountants’ Report as disclosed in the Prospectus of the Company dated 23 August 2019 and the accompanying notes attached to this condensed report.

2. Significant Accounting Policies

The accounting policies adopted in the preparation of this Condensed Report are consistent with those adopted as disclosed in the Accountants’ Report in the Prospectus of the Company dated 23 August 2019, except for the adoption of the following new and revised MFRSs, Amendments to MFRS and IC interpretations.

- 1) New and revised MFRS, Amendments to MFRSs and IC Interpretations adopted during the financial period

Standards	Effective date
MFRS 16 Leases	1 January 2019
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 9 Prepayment Features with Negative Compensation	1 January 2019
Annual Improvements to MFRS Standards 2015 – 2017 Cycle	1 January 2019
Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement	1 January 2019

MFRS 16 Leases

MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and will replace the current guidance on lease accounting when it becomes effective. Under MFRS 16, the classification of leases as either finance leases or operating leases is eliminated for lessees. All lessees are required to recognise their leased assets and the related lease obligations in the combined statements of financial position (with limited exceptions). The leased assets are subject to depreciation and the interest on lease liabilities are calculated using the effective interest method.

**NOTES TO THE CONDENSED COMBINED INTERIM FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 30 JUNE 2019 (CONT'D)**

Part A: Explanatory Notes Pursuant to MFRS 134 (Cont'd)

2. Significant Accounting Policies (Cont'd)

- 1) New and revised MFRS, Amendments to MFRSs and IC Interpretations adopted during the financial period (Cont'd)

MFRS 16 Leases (Cont'd)

The Group is permitted under the practical expedient not to reassess whether a contract is, or contains, a lease at the date of initial application and the Group is permitted to apply MFRS 16 to contracts that were previously identified as leases applying MFRS 117. As allowed by the transitional provisions of MFRS 16, the Group will not restate comparative information. Instead, the Group recognises the cumulative effect as a transitional adjustment to the opening balance of retained profits (or other component of equity, as appropriate) as at 1 April 2019 (i.e. date of initial application of MFRS 16).

The impacts from the initial application of MFRS 16 are as below:

	As at 1 April 2019	Effect on adoption	As at 1 April 2019
	RM'000	of MFRS 16	(Restated)
		RM'000	RM'000
NON-CURRENT ASSETS			
Right-of-use assets	-	13,378	13,378
Deferred tax assets	1,127	1	1,128
EQUITY			
Retained profits	35,018	(243)	34,775
NON-CURRENT LIABILITIES			
Lease liabilities	-	10,130	10,130
Deferred tax liabilities	2,112	(76)	2,036
CURRENT LIABILITIES			
Lease liabilities	-	3,568	3,568

**NOTES TO THE CONDENSED COMBINED INTERIM FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 30 JUNE 2019 (CONT'D)**

Part A: Explanatory Notes Pursuant to MFRS 134 (Cont'd)

2. Significant Accounting Policies (Cont'd)

2) Standards issued but not yet effective

At the date of authorisation for issue of this Condensed Report, the new and revised Standards and Amendments, which were in issue but not yet effective and have not been early adopted by the Group are as follow:-

Standards	Effective date
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
Amendments MFRS 3 Definition of a Business	1 January 2020
Amendments MFRS 101 and MFRS 108 Definition of a Material	1 January 2020
MFRS 17 Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

3. Auditors' Report on Preceding Annual Audited Financial Statements

The audited financial statements of the Group for the financial year ended 31 March 2019 was not subject to any qualification.

4. Seasonal or Cyclical Factors

The Group generally experience higher sales during festive seasons and special occasions such as Chinese New Year, Mid-Autumn Festival, Mother's Day and Father's Day. The Group is also affected by the Muslim fasting month, where the sales of bakery, confectionery and other food and beverage ("F&B") products are typically lower than those registered outside the fasting month.

5. Material Unusual Items

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows of the Group during the current financial quarter under review.

6. Material Changes in Estimates

There were no material changes in the estimates that have a material effect to the Group in the current financial quarter under review.

**NOTES TO THE CONDENSED COMBINED INTERIM FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 30 JUNE 2019 (CONT'D)**

Part A: Explanatory Notes Pursuant to MFRS 134 (Cont'd)

7. Debt and Equity Securities

Save as disclosed in Note 20, there were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current financial quarter and financial period-to-date.

8. Dividend Paid

No dividends were paid during the current financial quarter under review.

9. Segment Information

The Group's segment information for the current financial period ended 30 June 2019 is as follows:

Analysis of revenue by business segments

	Individual Quarter 3 months ended		Cumulative Quarter 3 months ended	
	Unaudited 30 June 2019 RM'000	Unaudited 30 June 2018 ⁽¹⁾ RM'000	Unaudited 30 June 2019 RM'000	Unaudited 30 June 2018 ⁽¹⁾ RM'000
Retail segment	16,192	N/A	16,192	N/A
Wholesale segment	29,167	N/A	29,167	N/A
	45,359	N/A	45,359	N/A

Note:

- (1) No comparative figures for the preceding year's corresponding quarter and period-to-date is available as this is the first interim financial statements announced in compliance with the Listing Requirements of Bursa Securities.

N/A – Not applicable

**NOTES TO THE CONDENSED COMBINED INTERIM FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 30 JUNE 2019 (CONT'D)**

Part A: Explanatory Notes Pursuant to MFRS 134 (Cont'd)

10. Significant Related Party Transactions

	Individual Quarter 3 months ended		Cumulative Quarter 3 months ended	
	Unaudited 30 June 2019 RM'000	Unaudited 30 June 2018 ⁽¹⁾ RM'000	Unaudited 30 June 2019 RM'000	Unaudited 30 June 2018 ⁽¹⁾ RM'000
Companies in which certain directors have controlling interests				
Sales of goods	288	N/A	288	N/A
Rental of premises paid/payable	3	N/A	3	N/A
Rental of premises received /receivable	2	N/A	2	N/A
Repayment of lease liabilities	79	N/A	79	N/A

Note:

(1) No comparative figures for the preceding year's corresponding quarter and period-to-date is available as this is the first interim financial statements announced in compliance with the Listing Requirements of Bursa Securities.

N/A – Not applicable

11. Capital Commitments

	Unaudited As at 30 June 2019 RM'000	Unaudited As at 30 June 2018 ⁽¹⁾ RM'000
Purchase of property, plant and equipment	2,200	N/A

Note:

(1) No comparative figures for the preceding year's corresponding quarter is available as this is the first interim financial statements announced in compliance with the Listing Requirements of Bursa Securities.

12. Contingent Assets and Liabilities

There are no material contingent liabilities and contingent assets to be disclosed at the end of the financial period.

**NOTES TO THE CONDENSED COMBINED INTERIM FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 30 JUNE 2019 (CONT'D)**

Part A: Explanatory Notes Pursuant to MFRS 134 (Cont'd)

13. Changes in Composition of the Group

Save as disclosed in Note 20, there were no changes in the composition of the Group during the current financial quarter and financial period-to-date under review.

14. Significant Events after the Reporting Period

Save as disclosed in Note 20, there were no other significant events subsequent to the end of the current quarter and financial period-to-date under review that have not been reflected in this condensed report.

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**NOTES TO THE CONDENSED COMBINED INTERIM FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 30 JUNE 2019 (CONT'D)**

Part B: Explanatory Notes Pursuant to ACE Market Listing Requirements of Bursa Malaysia Securities Berhad

15. Review of Performance

Current and cumulative quarter (3 months):

The financial result which ended on the 30 June 2019 is the first quarter financial reporting for the Group.

The Group recorded revenue of RM45.36 million for the current quarter and cumulative financial quarter ended 30 June 2019.

The Group's revenue was principally derived from the wholesale segment accounting for approximately 64.3% of the total revenue for the current and cumulative quarter ended 30 June 2019.

Overall, the Group registered profit before tax of RM1.37 million in the current and cumulative financial quarter under review.

The principal business of the Group is in the manufacturing and distributing bakery products as well as operating F&B outlets. Its products are sold through the wholesale and retail channels. Being in the F&B business, the sales are affected by seasonal or cyclical factors such as the Muslim fasting month, as the quarterly revenue recorded are usually lower than those registered outside the fasting month. As the fasting month for year 2019 was in May, which falls within the financial quarter under review, the financial performance of the Group for the financial quarter ended 30 June 2019 was affected.

16. Comparison with Immediate Preceding Quarter's Results

There are no comparative figures for the preceding quarter available as this is the first interim financial report for the first quarter ended 30 June 2019 announcement in compliance with the Listing Requirements.

17. Commentary on Prospects

The outlook of the bakery products and restaurant, cafe/canteen market in Malaysia is expected to be positive.

As disclosed in the Prospectus of the Company dated 23 August 2019, in order to provide business growth in terms of revenue increase and earnings contribution, the Group intent to utilise RM6.0 million of the proceeds to expand the business presence for both the wholesale and retail channels within the northern and central regions of Peninsular Malaysia respectively with the additional capacity from the new manufacturing plant in Seremban in the following manner:

- (1) For the wholesales channel, the Group plans to utilise RM2.0 million to increase the fleet of 1-tonne lorries (wholesale logistics) for the northern region of Peninsular Malaysia by 16 units and to increase the number of 16-tonne lorries for the Seremban manufacturing plant by 2 units.
- (2) For the retail channel, the Group plans to utilise RM4.0 million to set-up 8 new F&B outlets in Klang Valley. The Group's strategy is to set up the F&B outlets in shophot setting located within established residential areas in the Klang Valley.

**NOTES TO THE CONDENSED COMBINED INTERIM FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 30 JUNE 2019 (CONT'D)**

**Part B: Explanatory Notes Pursuant to ACE Market Listing Requirements of Bursa Malaysia Securities Berhad
(Cont'd)**

18. Profit Forecast

The Group does not issue any profit forecast or profit guarantee during the current financial quarter under review.

19. Income Tax Expenses

	Individual Quarter 3 months ended		Cumulative Quarter 3 months ended	
	Unaudited 30 June 2019 RM'000	Unaudited 30 June 2018 ⁽³⁾ RM'000	Unaudited 30 June 2019 RM'000	Unaudited 30 June 2018 ⁽³⁾ RM'000
Income tax	289	N/A	289	N/A
Deferred tax	(32)	N/A	(32)	N/A
	257	N/A	257	N/A
Effective tax rate	18.9%	N/A	18.9%	N/A

Notes:

- (1) Income tax is calculated at the Malaysian statutory tax rate of 24% of the estimated assessable profit for the current period.
- (2) The effective tax rate of the Group for the current period were lower than the statutory tax rate mainly due to tax incentive enjoyed by its subsidiaries as these subsidiaries are entitled to reinvestment allowance incentives for qualifying capital expenditure on the acquisition of machineries and equipment.
- (3) No comparative figures for the preceding year's corresponding quarter and period-to-date is available as this is the first interim financial statements announced in compliance with the Listing Requirements of Bursa Securities.

N/A – Not applicable

**NOTES TO THE CONDENSED COMBINED INTERIM FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 30 JUNE 2019 (CONT'D)**

**Part B: Explanatory Notes Pursuant to ACE Market Listing Requirements of Bursa Malaysia Securities Berhad
(Cont'd)**

20. Status of Corporate Proposals

On 23 August 2019, the Company issued its prospectus in relation to the public issue of 104,296,800 new ordinary shares at an issue price of RM0.23 per share in conjunction with the Company's listing on the ACE Market of Bursa Securities. The listing exercise is still pending completion as the Company's enlarged share capital of 405,823,900 shares is expected to be listed on 7 October 2019.

In conjunction with and as an integral part of the Company's listing on the ACE Market of Bursa Securities, the following listing scheme was undertaken by the Company:

- 1) Acquisition
 - a) Acquisition by SDS Bakery & Cafeteria Sdn Bhd of 51% equity interest in City Cake House Sdn Bhd ("City Cake") for a purchase consideration of RM445,200 which was satisfied by the issuance of 42,890 shares in SDS Food Manufacturing Sdn Bhd ("SDS Food") at an issue price of RM10.38 per share.
 - b) Acquisition by the Company of the entire equity interest in SDS Food for a purchase consideration of RM28,994,890 after taking into consideration the acquisition of 51% equity interest in City Cake, which was satisfied by the issuance of 285,752,600 shares in the Company at an issue price of approximately RM0.10 per share.
 - c) Acquisition by the Company of the entire equity interest in SDS Enterprise Sdn Bhd for a purchase consideration of RM26,360 which was satisfied by the issuance of 263,600 shares in the Company at an issue price of RM0.10 per share.
 - d) Acquisition by the Company of the entire equity interest in Super Arrow Trading Pte Ltd for a purchase consideration of RM1,551,080 which was satisfied by the issuance of 15,510,800 shares in the Company at an issue price of RM0.10 per shares.

The acquisitions of the above companies were completed on 4 and 5 July 2019.

- 2) Initial Public Offering

The Public Issue of 104,296,800 new shares, representing approximately 25.7% of the enlarged share capital of the Company at an issue price of RM0.23 per share to be allocated in the following manner:

- 20,291,200 new shares available for application by the Malaysian Public;
- 23,132,000 new shares available for application by eligible directors, employees and business associates/persons who have contributed to the success of the Group; and
- 60,873,600 new shares by way of private placement to selected investors.

- 3) Listing

The Company's entire enlarged issued share capital of RM54,560,604 comprising of 405,823,900 shares will be listed on the ACE Market of Bursa Securities on 7 October 2019.

**NOTES TO THE CONDENSED COMBINED INTERIM FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 30 JUNE 2019 (CONT'D)**

**Part B: Explanatory Notes Pursuant to ACE Market Listing Requirements of Bursa Malaysia Securities Berhad
(Cont'd)**

21. Utilisation of Proceeds Raised from the IPO

The gross proceeds raised from the IPO of RM23.99 million are intended to be utilised in the following manner:

No.	Purpose	Proposed utilisation RM'000	Actual utilisation RM'000	Estimated timeframe for utilisation (from the date of Listing)
1.	Capital expenditure	6,000	N/A	Within 24 months
2.	Repayment of bank borrowings	7,000	N/A	Within 6 months
3.	General working capital	7,788	N/A	Within 12 months
4.	Estimated listing expenses	3,200	N/A	Immediately
		<u>23,988</u>	<u>N/A</u>	

Notes:

- (1) The utilisation of proceeds as disclosed above should be read in conjunction with the Prospectus of the Company dated 23 August 2019.
- (2) As at the date of this condensed report, the listing exercise of the Company is pending completion. Hence, there is no utilisation of proceeds by the Company yet.

N/A – Not applicable

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**NOTES TO THE CONDENSED COMBINED INTERIM FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 30 JUNE 2019 (CONT'D)**

**Part B: Explanatory Notes Pursuant to ACE Market Listing Requirements of Bursa Malaysia Securities Berhad
(Cont'd)**

22. Borrowings and Debt Securities

The Group's borrowings were as follows:

	Unaudited As at 30 June 2019 RM'000	Unaudited As at 30 June 2018 ⁽¹⁾ RM'000
Secured:		
Current liabilities		
Bank overdrafts	1,284	N/A
<u>Short-term borrowings</u>		
Bankers' acceptance	1,341	N/A
Hire purchase payables	5,753	N/A
Term loans	2,487	N/A
	<u>9,581</u>	<u>N/A</u>
	<u>10,865</u>	<u>N/A</u>
Non-current liabilities		
<u>Long-term borrowings</u>		
Hire purchase payables	11,961	N/A
Term loans	27,715	N/A
	<u>39,676</u>	<u>N/A</u>
Total Bank Borrowings	<u>50,541</u>	<u>N/A</u>

Note:

(1) No comparative figures for the preceding year's corresponding quarter is available as this is the first interim financial statements announced in compliance with the Listing Requirements of Bursa Securities.

23. Material Litigation

There was no material litigation against the Group as at the end of the current quarter and financial period-to-date under review.

24. Dividend

There were no dividends proposed for the current quarter under review.

**NOTES TO THE CONDENSED COMBINED INTERIM FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 30 JUNE 2019 (CONT'D)**

**Part B: Explanatory Notes Pursuant to ACE Market Listing Requirements of Bursa Malaysia Securities Berhad
(Cont'd)**

25. Earnings per Share ("EPS")

	Individual Quarter 3 months ended		Cumulative Quarter 3 months ended	
	Unaudited 30 June 2019	Unaudited 30 June 2018 ⁽³⁾	Unaudited 30 June 2019	Unaudited 30 June 2018 ⁽³⁾
Profit after tax attributable to owners of the Company (RM'000)	1,079	N/A	1,079	N/A
Weighted average number of ordinary shares in issue ('000)	301,527	N/A	301,527	N/A
Basic EPS (sen)	0.36	N/A	0.36	N/A
Diluted EPS (sen)	0.36	N/A	0.36	N/A

Notes:

- (1) In calculation of EPS for the financial period ended 30 June 2019, it is assumed that 301,527,100 ordinary shares were in issue after completing acquisition of the Company's subsidiaries.
- (2) The diluted EPS is equal to the basic EPS as the Company does not have any convertible options as at the end of the reporting period.
- (3) No comparative figures for the preceding year's corresponding quarter and period-to-date is available as this is the first interim financial statements announced in compliance with the Listing Requirements of Bursa Securities.

N/A – Not applicable

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**NOTES TO THE CONDENSED COMBINED INTERIM FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 30 JUNE 2019 (CONT'D)**

**Part B: Explanatory Notes Pursuant to ACE Market Listing Requirements of Bursa Malaysia Securities Berhad
(Cont'd)**

26. Profit before Tax

Included in profit for the financial period are as follows:

	Individual Quarter 3 months ended		Cumulative Quarter 3 months ended	
	Unaudited 30 June 2019 RM'000	Unaudited 30 June 2018 ⁽¹⁾ RM'000	Unaudited 30 June 2019 RM'000	Unaudited 30 June 2018 ⁽¹⁾ RM'000
Depreciation of property, plant and equipment	2,855	N/A	2,855	N/A
Depreciation of right-of-use assets	1,035	N/A	1,035	N/A
Interest expenses	893	N/A	893	N/A
Loss on foreign exchange:				
- Realised	14	N/A	14	N/A
- Unrealised	21	N/A	21	N/A
Gain on disposal of property, plant and equipment	(21)	N/A	(21)	N/A
Rental income	(18)	N/A	(18)	N/A

Note:

- (1) No comparative figures for the preceding year's corresponding quarter and period-to-date is available as this is the first interim financial statements announced in compliance with the Listing Requirements of Bursa Securities.

N/A – Not applicable

27. Authorised for Issue

The Condensed Report was authorised for issue by the Board in accordance with a resolution of the Directors on 2 October 2019.