

**SDS GROUP BERHAD**

**COMPANY NO. 201701026951 (1241117-T)**

(INCORPORATED IN MALAYSIA)

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE FOURTH QUARTER ENDED**

**31 MARCH 2020**

**SDS GROUP BERHAD**

Company No: 201701026951 (1241117-T)

(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FOURTH QUARTER ENDED 31 MARCH 2020 <sup>(1)</sup>**

	Note	Individual Quarter 3 months ended		Cumulative Quarter 12 months ended	
		Unaudited 31 March 2020 RM'000	Unaudited 31 March 2019 <sup>(2)</sup> RM'000	Unaudited 31 March 2020 RM'000	Unaudited 31 March 2019 <sup>(2)</sup> RM'000
Revenue	9	47,540	N/A	191,520	N/A
Cost of sales		(33,573)	N/A	(134,328)	N/A
Gross profit		13,967	N/A	57,192	N/A
Other income		197	N/A	1,478	N/A
Administrative expenses		(3,646)	N/A	(13,688)	N/A
Selling and distribution expenses		(9,019)	N/A	(34,280)	N/A
Other operating expenses <sup>(3)</sup>		(115)	N/A	(2,465)	N/A
Finance costs		(680)	N/A	(3,240)	N/A
<b>Profit before tax</b>	26	704	N/A	4,997	N/A
Income tax expense	19	545	N/A	(786)	N/A
<b>Profit after tax</b>		1,249	N/A	4,211	N/A
<b>Other comprehensive income</b>					
<u>Item that may be reclassified</u>					
<u>subsequently to profit or loss</u>					
Foreign currency translation differences		(16)	N/A	7	N/A
<b>Total comprehensive income for the period</b>		1,233	N/A	4,218	N/A
<b>Profit after tax attributable to:-</b>					
Owners of the Company		1,245	N/A	4,073	N/A
Non-controlling interests		4	N/A	138	N/A
		1,249	N/A	4,211	N/A
<b>Total comprehensive income attributable to:-</b>					
Owners of the Company		1,229	N/A	4,080	N/A
Non-controlling interests		4	N/A	138	N/A
		1,233	N/A	4,218	N/A
<b>Earnings per share attributable to owners of the Company (Sen):</b>					
- Basic / Diluted	25	0.31	N/A	1.16	N/A

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(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FOURTH QUARTER ENDED 31 MARCH 2020 <sup>(1)</sup> (CONT'D)****Notes:**

- (1) The unaudited condensed consolidated 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 fourth interim financial statements announced in compliance with the ACE Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities").
- (3) Other operating expenses included one-off non-recurring listing expenses of RM2.08 million. For illustration purposes only, the Group's normalised financial performance after adjusting for the one-off non-recurring listing expenses is as follows:

	<b>Individual Quarter 3 months ended</b>		<b>Cumulative Quarter 12 months ended</b>	
	<b>Unaudited 31 March 2020 RM'000</b>	<b>Unaudited 31 March 2019 <sup>(2)</sup> RM'000</b>	<b>Unaudited 31 March 2020 RM'000</b>	<b>Unaudited 31 March 2019 <sup>(2)</sup> RM'000</b>
Profit before tax	704	N/A	4,997	N/A
Add: Listing expenses	-	N/A	2,082	N/A
Adjusted profit before tax	704	N/A	7,079	N/A

*N/A – Not applicable*

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**SDS GROUP BERHAD**

Company No: 201701026951 (1241117-T)

(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2020 <sup>(1)</sup>**

	Unaudited As at 31 March 2020	Unaudited As at 31 March 2019 <sup>(2)</sup>
Note	RM'000	RM'000
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	86,544	N/A
Right-of-use assets	26,775	N/A
Goodwill	162	N/A
Deferred tax assets	2,405	N/A
	<u>115,886</u>	<u>N/A</u>
<b>CURRENT ASSETS</b>		
Inventories	5,330	N/A
Trade receivables	9,392	N/A
Other receivables, deposits and prepayments	4,539	N/A
Current tax assets	600	N/A
Cash and bank balances	10,457	N/A
	<u>30,318</u>	<u>N/A</u>
<b>TOTAL ASSETS</b>	<u>146,204</u>	<u>N/A</u>
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY</b>		
Share capital	53,111	N/A
Reserves	11,487	N/A
Equity attributable to owners of the Company	64,598	N/A
Non-controlling interests	552	N/A
<b>TOTAL EQUITY</b>	<u>65,150</u>	<u>N/A</u>
<b>LIABILITIES</b>		
<b>NON-CURRENT LIABILITIES</b>		
Long-term borrowings	22 26,610	N/A
Lease liabilities	16,539	N/A
Deferred tax liabilities	2,659	N/A
Contract liability	78	N/A
	<u>45,886</u>	<u>N/A</u>

**SDS GROUP BERHAD****Company No: 201701026951 (1241117-T)**

(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2020 <sup>(1)</sup> (CONT'D)**

	<b>Note</b>	<b>Unaudited As at 31 March 2020 RM'000</b>	<b>Unaudited As at 31 March 2019 <sup>(2)</sup> RM'000</b>
<b>CURRENT LIABILITIES</b>			
Trade payables		17,041	N/A
Other payables and accruals		6,394	N/A
Lease liabilities		8,380	N/A
Short-term borrowings	22	2,757	N/A
Bank overdrafts	22	475	N/A
Contract liability		26	N/A
Current tax liabilities		95	N/A
		<u>35,168</u>	N/A
<b>TOTAL LIABILITIES</b>		<u>81,054</u>	N/A
<b>TOTAL EQUITY AND LIABILITIES</b>			
		<u>146,204</u>	N/A
<b>Net assets per ordinary share attributable to owners of the Company (RM) <sup>(3)</sup></b>		<u>0.16</u>	N/A

**Notes:**

- (1) The unaudited condensed consolidated 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 fourth interim financial statements announced in compliance with the Listing Requirements of Bursa Securities.
- (3) Net assets per ordinary shares as at 31 March 2020 is calculated based on ordinary shares in issuance in the Company of 405,823,900 shares.

*N/A – Not applicable*

**SDS GROUP BERHAD**  
**Company No: 201701026951 (1241117-T)**  
(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FOURTH QUARTER ENDED 31 MARCH 2020 <sup>(1)</sup>**

	<u>Non-distributable</u>		<u>Distributable</u>		Attributable to Owners of the Company RM'000	Non- Controlling Interests RM'000	Total Equity RM'000
Share Capital RM'000	Merger Deficit RM'000	Foreign Currency Translation Reserve RM'000	Retained Profits RM'000				
<b>Balance at 1 April 2019</b>	2,750	-	454	35,018	38,222	512	38,734
Effects of adoption of MFRS 16 (see Note 2.1)	-	-	-	(243)	(243)	-	(243)
<b>Balance at 1 April 2019, as restated</b>	2,750	-	454	34,775	37,979	512	38,491
Profit after tax for the financial period	-	-	-	4,073	4,073	138	4,211
Other comprehensive income for the financial period:							
- Foreign currency translation differences	-	-	7	-	7	-	7
Total comprehensive income for the financial period	-	-	7	4,073	4,080	138	4,218
<b>Transaction with owners:</b>							
Issue of ordinary shares	23,988	-	-	-	23,988	-	23,988
Share issuance expenses	(1,449)	-	-	-	(1,449)	-	(1,449)
Acquisition of subsidiaries in business combination under common control	22,539	-	-	-	22,539	-	22,539
Dividend paid to non-controlling interests	27,822	(27,760)	-	(62)	-	-	-
	-	-	-	-	-	(98)	(98)
	50,361	(27,760)	-	(62)	22,539	(98)	22,441
<b>Balance at 31 March 2020 (Unaudited)</b>	53,111	(27,760)	461	38,786	64,598	552	65,150

**Note:**

- (1) The unaudited condensed consolidated 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.

**SDS GROUP BERHAD****Company No: 201701026951 (1241117-T)**

(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE FOURTH QUARTER ENDED 31 MARCH 2020 <sup>(1)</sup>**

	<b>12 months ended Unaudited 31 March 2020 RM'000</b>	<b>12 months ended Unaudited 31 March 2019 <sup>(2)</sup> RM'000</b>
<b>Cash flows from operating activities</b>		
Profit before tax	4,997	N/A
Adjustments for:		
Allowance for impairment of trade receivables	74	N/A
Bad debts written off	13	N/A
Depreciation of property, plant and equipment	7,488	N/A
Depreciation of right-of-use assets	8,328	N/A
Interest expenses	3,240	N/A
Net loss on disposal of property, plant and equipment	68	N/A
Property, plant and equipment written off	4	N/A
Gain on lease termination	(82)	N/A
Interest income	(142)	N/A
Unrealised gain on foreign exchange	(4)	N/A
<b>Operating profit before working capital changes</b>	<b>23,984</b>	<b>N/A</b>
Increase in inventories	(128)	N/A
Decrease in trade and other receivables	1,012	N/A
Decrease in trade and other payables	(9,756)	N/A
Decrease in contract liability	(32)	N/A
<b>Cash from operations</b>	<b>15,080</b>	<b>N/A</b>
Income tax paid	(2,193)	N/A
Income tax refunded	933	N/A
Real property gain tax refunded	62	N/A
<b>Net cash from operating activities</b>	<b>13,882</b>	<b>N/A</b>
<b>Cash flows for investing activities</b>		
Interest received	142	N/A
Proceeds from disposal of property, plant and equipment	128	N/A
Purchase of property, plant and equipment	(11,419)	N/A
Purchase of right-of-use assets	(450)	N/A
<b>Net cash for investing activities</b>	<b>(11,599)</b>	<b>N/A</b>

**SDS GROUP BERHAD****Company No: 201701026951 (1241117-T)**

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE FOURTH QUARTER ENDED 31 MARCH 2020 <sup>(1)</sup> (CONT'D)**

	<b>12 months ended Unaudited 31 March 2020 RM'000</b>	<b>12 months ended Unaudited 31 March 2019 <sup>(2)</sup> RM'000</b>
<b>Cash flows from financing activities</b>		
Interest paid	(3,240)	N/A
Dividend paid to non-controlling interests	(98)	N/A
Drawdown of bankers' acceptance	2,348	N/A
Drawdown of term loans	2,346	N/A
Net proceeds from issuance of ordinary shares	22,539	N/A
Repayment of bankers' acceptance	(3,296)	N/A
Repayment of term loans	(2,811)	N/A
Repayment of lease liabilities	(15,829)	N/A
<b>Net cash from financing activities</b>	<b>1,959</b>	<b>N/A</b>
Net increase in cash and cash equivalents	4,242	N/A
Cash and cash equivalents at beginning of the financial period	5,728	N/A
Effect of foreign exchange translation	12	N/A
Cash and cash equivalents at end of the financial period	<b>9,982</b>	<b>N/A</b>
<b>Cash and cash equivalents comprise the followings:</b>		
Cash and bank balances	10,457	N/A
Bank overdrafts	(475)	N/A
	<b>9,982</b>	<b>N/A</b>

**Notes:**

- (1) The unaudited condensed consolidated 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 fourth interim financial statements announced in compliance with the Listing Requirements of Bursa Securities.

*N/A – Not applicable*



**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE FOURTH QUARTER ENDED 31 MARCH 2020**

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**Part A: Explanatory Notes Pursuant to MFRS 134**

**1. Basis of Preparation**

The condensed consolidated 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 fourth Condensed Report on the Company’s unaudited condensed consolidated financial results for the fourth quarter ended 31 March 2020 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.

This Condensed Report 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

<b>Standards</b>	<b>Effective date</b>
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 consolidated 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.

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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE FOURTH QUARTER ENDED 31 MARCH 2020 (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 RM'000	Effect on adoption of MFRS 16 RM'000	Reclassification RM'000	As at 1 April 2019 (Restated) RM'000
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	95,527	-	(26,293)	69,234
Right-of-use assets	-	13,378	26,293	39,671
Deferred tax assets	1,127	1	-	1,128
<b>EQUITY</b>				
Retained profits	35,018	(243)	-	34,775
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings	40,521	-	(12,991)	27,530
Other payable	502	-	(502)	-
Lease liabilities	-	10,130	13,493	23,623
Deferred tax liabilities	2,112	(76)	-	2,036
<b>CURRENT LIABILITIES</b>				
Short-term borrowings	8,792	-	(5,542)	3,250
Other payables and accruals	7,411	-	(168)	7,243
Lease liabilities	-	3,568	5,710	9,278

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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE FOURTH QUARTER ENDED 31 MARCH 2020 (CONT'D)**

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**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:-

<b>Standards</b>	<b>Effective date</b>
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
Amendments to MFRS 3 Definition of a Business	1 January 2020
Amendments to MFRS 101 and MFRS 108 Definition of a Material	1 January 2020
Amendments to MFRS 9, MFRS 139 and MFRS 7 Interest Rate Benchmark Reform	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.

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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE FOURTH QUARTER ENDED 31 MARCH 2020 (CONT'D)****Part A: Explanatory Notes Pursuant to MFRS 134 (Cont'd)****7. Debt and Equity Securities**

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current financial quarter.

**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 31 March 2020 is as follows:

Analysis of revenue by business segments

	Individual Quarter 3 months ended		Cumulative Quarter 12 months ended	
	Unaudited 31 March 2020 RM'000	Unaudited 31 March 2019 <sup>(1)</sup> RM'000	Unaudited 31 March 2020 RM'000	Unaudited 31 March 2019 <sup>(1)</sup> RM'000
Retail segment	15,321	N/A	67,697	N/A
Wholesale segment	32,219	N/A	123,823	N/A
	47,540	N/A	191,520	N/A

**Note:**

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

*N/A – Not applicable*

**SDS GROUP BERHAD**

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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE FOURTH QUARTER ENDED 31 MARCH 2020 (CONT'D)****Part A: Explanatory Notes Pursuant to MFRS 134 (Cont'd)****10. Significant Related Party Transactions**

	Individual Quarter 3 months ended		Cumulative Quarter 12 months ended	
	Unaudited 31 March 2020 RM'000	Unaudited 31 March 2019 <sup>(1)</sup> RM'000	Unaudited 31 March 2020 RM'000	Unaudited 31 March 2019 <sup>(1)</sup> RM'000
Sales of goods	-	N/A	288	N/A
Rental of premises paid/payable	-	N/A	3	N/A
Rental of premises received /receivable	1	N/A	6	N/A
Repayment of lease liabilities	90	N/A	344	N/A

**Note:**

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

*N/A – Not applicable***11. Capital Commitments**

	Unaudited As at 31 March 2020 RM'000	Unaudited As at 31 March 2019 <sup>(1)</sup> RM'000
Purchase of property, plant and equipment	247	N/A

**Note:**

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

*N/A – Not applicable*

**SDS GROUP BERHAD**

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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE FOURTH QUARTER ENDED 31 MARCH 2020 (CONT'D)**

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

**12. Contingent Assets and Liabilities**

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

**13. Changes in Composition of the Group**

There were no changes in the composition of the Group during the current financial quarter.

**14. Significant Events after the Reporting Period**

There were no 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 CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE FOURTH QUARTER ENDED 31 MARCH 2020 (CONT'D)**

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**Part B: Explanatory Notes Pursuant to ACE Market Listing Requirements of Bursa Malaysia Securities Berhad****15. Review of Performance**

The Group recorded revenue and profit before tax of RM47.54 million and RM0.70 million respectively for the current financial quarter ended 31 March 2020. For the cumulative financial quarter ended 31 March 2020, the Group recorded revenue and profit before tax of RM191.52 million and RM5.00 million respectively.

The Group's revenue was principally derived from the wholesale segment accounting for approximately 67.77% and 64.65% of the total revenue for the current and cumulative financial quarter ended 31 March 2020 respectively.

**16. Comparison with Immediate Preceding Quarter's Results**

The Group's revenue for the current financial quarter ended 31 March 2020 decreased by RM1.02 million (or 2.10%) from RM48.56 million to RM47.54 million as compared with the immediate preceding financial quarter.

The Group's revenue in current financial quarter was slightly lower compare to the immediate preceding financial quarter. The lower revenue for the current financial quarter was mainly due to the outbreak of the COVID-19 pandemic. As a result of the implementation of Movement Control Order ("MCO") from 18 March 2020, the Group had closed some of its outlets temporarily due to shopping malls closure or low consumers traffic. Although MCO was only imposed towards the end of the current quarter, the Group had experienced decrease in revenue from the retail segment since February 2020 as consumers began to avoid crowded places. This is partially offset by the increase in revenue from wholesale segment due to a surge in demand for wholesale bakery products due to MCO.

Profit before tax for the current financial quarter under review increased by RM0.07 million (or 11.11%) to RM0.70 million as compared to RM0.63 million in the immediate preceding financial quarter.

**17. Commentary on Prospects**

The outbreak of COVID-19 has caused a significant impact to global economy and businesses. Consequently, the Group anticipates a challenging year for the first half of the next financial year. The Group is closely monitoring the development of the COVID-19 outbreak and changes in consumer behaviour, and has put the following plans in place to mitigate its impact:

- a) Adapt to changes in customer behavioural pattern
- b) Collaborate with other sale and delivery channels
- c) Ensure stability of supply chain
- d) Managing cash and liquidity position
- e) Cost control initiatives

**SDS GROUP BERHAD****Company No: 201701026951 (1241117-T)**

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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE FOURTH QUARTER ENDED 31 MARCH 2020 (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 12 months ended	
	Unaudited 31 March 2020 RM'000	Unaudited 31 March 2019 <sup>(4)</sup> RM'000	Unaudited 31 March 2020 RM'000	Unaudited 31 March 2019 <sup>(4)</sup> RM'000
Income tax	44 <sup>(3)</sup>	N/A	1,502 <sup>(3)</sup>	N/A
Deferred tax	(589)	N/A	(654)	N/A
Over provision of real property gains tax ("RPGT") in previous financial year	-	N/A	(62)	N/A
	(545)		786	N/A
Effective tax rate	-77.41%	N/A	15.73% <sup>(2)</sup>	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 rates of the Group for the cumulative financial quarter were lower than the statutory tax rate mainly due to reinvestment allowance for qualifying capital expenditure on the acquisition of machineries and equipment by its subsidiaries.
- (3) Income tax expense is recognised based on management's best estimate.
- (4) No comparative figures for the preceding year's corresponding quarter and period-to-date is available as this is the fourth interim financial statements announced in compliance with the Listing Requirements of Bursa Securities.

*N/A – Not applicable*

**20. Status of Corporate Proposals**

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



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(Incorporated in Malaysia)

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE FOURTH QUARTER ENDED 31 MARCH 2020 (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:

<b>No. Purpose</b>	<b>Proposed utilisation RM'000</b>	<b>Actual utilisation RM'000</b>	<b>Unutilised amount RM'000</b>	<b>Estimated timeframe for utilisation (from the date of Listing)</b>
1. Capital expenditure	6,000	813	5,187	Within 24 months
2. Repayment of bank borrowings	7,000	7,000	-	Within 6 months
3. General working capital	7,788	7,788	-	Within 12 months
4. Estimated listing expenses	3,200	3,200	-	Immediately
	<u>23,988</u>	<u>18,801</u>	<u>5,187</u>	

**Note:**

- (1) The utilisation of proceeds as disclosed above should be read in conjunction with the Prospectus of the Company dated 23 August 2019.

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**SDS GROUP BERHAD**

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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE FOURTH QUARTER ENDED 31 MARCH 2020 (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 31 March 2020 RM'000	Unaudited As at 31 March 2019 <sup>(1)</sup> RM'000
<b>Secured:</b>		
<b>Current liabilities</b>		
Bank overdrafts	475	N/A
Term loans	2,757	N/A
	3,232	N/A
<b>Non-current liabilities</b>		
Term loans	26,610	N/A
	29,842	N/A
<b>Total Borrowings</b>		

**Note:**

- (1) No comparative figures for the preceding year's corresponding quarter is available as this is the fourth interim financial statements announced in compliance with the Listing Requirements of Bursa Securities.
- (2) During the current financial quarter, on adoption of MFRS 16, the Group has reclassified hire purchase payables from borrowings to lease liabilities.

*N/A – Not applicable***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.

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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE FOURTH QUARTER ENDED 31 MARCH 2020 (CONT'D)****Part B: Explanatory Notes Pursuant to ACE Market Listing Requirements of Bursa Malaysia Securities Berhad  
(Cont'd)****25. Earnings per Share (“EPS”)**

	<b>Individual Quarter 3 months ended</b>		<b>Cumulative Quarter 12 months ended</b>	
	<b>Unaudited 31 March 2020</b>	<b>Unaudited 31 March 2019 <sup>(3)</sup></b>	<b>Unaudited 31 March 2020</b>	<b>Unaudited 31 March 2019 <sup>(3)</sup></b>
Profit after tax attributable to owners of the Company (RM'000)	1,245	N/A	4,073	N/A
Weighted average number of ordinary shares in issue ('000)	405,824	N/A	351,966	N/A
Basic EPS (sen)	0.31	N/A	1.16	N/A
Diluted EPS (sen) <sup>(2)</sup>	0.31	N/A	1.16	N/A

**Notes:**

- (1) Basic EPS is calculated by dividing the profit after tax attributable to owners of the Company by the number of ordinary shares in issue during the financial period under review.
- (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 fourth 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 CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE FOURTH QUARTER ENDED 31 MARCH 2020 (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 12 months ended	
	Unaudited 31 March 2020 RM'000	Unaudited 31 March 2019 <sup>(1)</sup> RM'000	Unaudited 31 March 2020 RM'000	Unaudited 31 March 2019 <sup>(1)</sup> RM'000
Allowance for impairment of trade receivables	74	N/A	74	N/A
Bad debts written off	2	N/A	13	N/A
Depreciation of property, plant and equipment	2,098	N/A	7,488 <sup>(2)</sup>	N/A
Depreciation of right-of-use assets	1,959	N/A	8,328 <sup>(2)</sup>	N/A
Interest expenses	681	N/A	3,240	N/A
Loss on disposal of property, plant and equipment	28	N/A	199	N/A
Property, plant and equipment written off	-	N/A	4	N/A
Realised (gain)/loss on foreign exchange	(24)	N/A	12	N/A
Bad debts recovered	(2)	N/A	(13)	N/A
Gain on disposal of property, plant and equipment	(42)	N/A	(131)	N/A
Gain on lease termination	(1)	N/A	(82)	N/A
Insurance compensation	-	N/A	(643)	N/A
Interest income	(54)	N/A	(142)	N/A
Rental income	(18)	N/A	(72)	N/A
Unrealised gain on foreign exchange	(4)	N/A	(4)	N/A

**Note:**

- (1) No comparative figures for the preceding year's corresponding quarter and period-to-date is available as this is the fourth interim financial statements announced in compliance with the Listing Requirements of Bursa Securities.
- (2) During the current financial quarter, on adoption of MFRS 16, the Group has make a reclassification of RM3.084 million from depreciation of property, plant and equipment to depreciation of right-of-use assets for assets acquired under hire purchase arrangements.

*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 26 June 2020.