

SDS GROUP BERHAD

COMPANY NO. 201701026951 (1241117-T)

(INCORPORATED IN MALAYSIA)

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SECOND QUARTER ENDED

30 SEPTEMBER 2021

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 SECOND QUARTER ENDED 30 SEPTEMBER 2021

	Note	Individual Quarter 3 months ended		Cumulative Quarter 6 months ended	
		Unaudited 30 September 2021 RM'000	Unaudited 30 September 2020 RM'000	Unaudited 30 September 2021 RM'000	Unaudited 30 September 2020 RM'000
Revenue	9	43,553	46,269	83,313	84,992
Cost of sales		(31,241)	(31,417)	(60,034)	(58,698)
Gross profit		12,312	14,852	23,279	26,294
Other income		122	627	235	718
Administrative expenses		(3,219)	(3,114)	(6,255)	(6,186)
Selling and distribution expenses		(8,002)	(7,509)	(15,941)	(15,224)
Other operating expenses		(156)	(65)	(219)	(137)
Finance costs		(366)	(569)	(793)	(1,183)
Profit before tax	26	691	4,222	306	4,282
Income tax expense	19	(57)	(467)	(201)	(562)
Profit after tax		634	3,755	105	3,720
Other comprehensive (expenses)/ income					
<u>Item that will be reclassified subsequently to profit or loss</u>					
Foreign currency translation differences		(13)	(36)	(3)	1
Total comprehensive income for the period		621	3,719	102	3,721
Profit/ (Loss) after tax attributable to:-					
Owners of the Company		631	3,772	135	3,804
Non-controlling interests		3	(17)	(30)	(84)
		634	3,755	105	3,720
Total comprehensive income/ (expenses) attributable to:-					
Owners of the Company		618	3,736	132	3,805
Non-controlling interests		3	(17)	(30)	(84)
		621	3,719	102	3,721
Earnings per share attributable to owners of the Company (Sen):					
- Basic/ Diluted	25	0.16	0.93	0.03	0.94

The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 31 March 2021 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 FINANCIAL POSITION
AS AT 30 SEPTEMBER 2021**

	Unaudited As at 30 September 2021	Audited As at 31 March 2021
Note	RM'000	RM'000
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	83,229	82,927
Right-of-use assets	17,607	18,842
Goodwill	162	162
Deferred tax assets	1,558	1,447
	<u>102,556</u>	<u>103,378</u>
CURRENT ASSETS		
Inventories	6,293	5,706
Trade receivables	7,885	7,681
Other receivables, deposits and prepayments	4,596	4,274
Current tax assets	970	795
Short-term investment	3,020	-
Cash and bank balances	11,251	17,185
	<u>34,015</u>	<u>35,641</u>
TOTAL ASSETS	<u>136,571</u>	<u>139,019</u>
EQUITY AND LIABILITIES		
EQUITY		
Share capital	53,111	53,111
Reserves	17,918	18,801
Equity attributable to owners of the Company	<u>71,029</u>	<u>71,912</u>
Non-controlling interests	329	359
TOTAL EQUITY	<u>71,358</u>	<u>72,271</u>
LIABILITIES		
NON-CURRENT LIABILITIES		
Lease liabilities	22 8,849	9,633
Term loans	22 20,444	22,727
Deferred tax liabilities	2,457	2,671
Contract liabilities	191	197
	<u>31,941</u>	<u>35,228</u>

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2021 (CONT'D)**

	Note	Unaudited As at 30 September 2021 RM'000	Audited As at 31 March 2021 RM'000
CURRENT LIABILITIES			
Trade payables		16,488	14,892
Other payables and accruals		6,609	5,531
Lease liabilities	22	6,751	7,808
Term loans	22	2,945	2,900
Contract liabilities		301	278
Current tax liabilities		178	111
		<u>33,272</u>	<u>31,520</u>
TOTAL LIABILITIES		<u>65,213</u>	<u>66,748</u>
TOTAL EQUITY AND LIABILITIES		<u>136,571</u>	<u>139,019</u>
Net assets per ordinary share attributable to owners of the Company (RM) ⁽¹⁾		<u>0.18</u>	<u>0.18</u>

Note:

- (1) Net assets per ordinary shares as at 30 September 2021 and 31 March 2021 are calculated based on ordinary shares in issuance in the Company of 405,823,900 shares.

The Condensed Consolidated Statements of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 March 2021 and the accompanying explanatory notes attached to these interim financial statements.

SDS GROUP BERHAD

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2021**

	<u><---- Non-distributable ----></u>			<u>Distributable</u>			Total Equity RM'000
	Share Capital RM'000	Merger Deficit RM'000	Foreign Exchange Translation Reserve RM'000	Retained Profits RM'000	Attributable to Owners of the Company RM'000	Non- Controlling Interests RM'000	
Balance at 1 April 2021	53,111	(27,760)	504	46,057	71,912	359	72,271
Profit/ (Loss) after tax for the financial period	-	-	-	135	135	(30)	105
Other comprehensive expenses for the financial period:							
- Foreign currency translation differences	-	-	(3)	-	(3)	-	(3)
Total comprehensive (expenses)/ income for the financial period	-	-	(3)	135	132	(30)	102
Distributions to owners of the Company:							
- Dividend paid	-	-	-	(1,015)	(1,015)	-	(1,015)
Balance at 30 September 2021 (Unaudited)	53,111	(27,760)	501	45,177	71,029	329	71,358

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2021 (CONT'D)**

	<u><---- Non-distributable ----></u>			<u>Distributable</u>			Total Equity RM'000
	Share Capital RM'000	Merger Deficit RM'000	Foreign Exchange Translation Reserve RM'000	Retained Profits RM'000	Attributable to Owners of the Company RM'000	Non- Controlling Interests RM'000	
Balance at 1 April 2020	53,111	(27,760)	461	38,786	64,598	552	65,150
Profit/ (Loss) after tax for the financial period	-	-	-	3,804	3,804	(84)	3,720
Other comprehensive income for the financial period:							
- Foreign currency translation differences	-	-	1	-	1	-	1
Total comprehensive income/ (expenses) for the financial period	-	-	1	3,804	3,805	(84)	3,721
Balance at 30 September 2020 (Unaudited)	53,111	(27,760)	462	42,590	68,403	468	68,871

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Audited Financial Statements for the financial year ended 31 March 2021 and the accompanying explanatory notes attached to these interim financial statements.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2021**

	6 months ended Unaudited 30 September 2021 RM'000	6 months ended Unaudited 30 September 2020 RM'000
Cash flows from operating activities		
Profit before tax	306	4,282
Adjustments for:		
Allowance for impairment of trade receivables	-	34
Bad debts written off	50	19
Depreciation of property, plant and equipment	3,962	4,100
Depreciation of right-of-use assets	3,561	4,003
Interest expenses	793	1,183
Loss/ (Gain) on disposal of property, plant and equipment	15	(343)
Property, plant and equipment written off	80	-
Gain on lease termination	(14)	(8)
Interest income	(92)	(79)
Unrealised gain on foreign exchange	(8)	(7)
Operating profit before working capital changes	8,653	13,184
Increase in inventories	(587)	(105)
(Increase)/ Decrease in trade and other receivables	(215)	1,446
Increase/ (Decrease) in trade and other payables	2,089	(817)
Increase in contract liabilities	17	222
Cash from operations	9,957	13,930
Income tax paid	(634)	(1,013)
Net cash from operating activities	9,323	12,917
Cash flows for investing activities		
Deposit paid for future purchase of property, plant and equipment	(576)	(727)
Interest received	92	79
Proceeds from disposal of property, plant and equipment:		
- current financial period	90	372
- previous financial period	(11)	34
Purchase of property, plant and equipment:		
- current financial period	(3,218)	(958)
- previous financial period	(165)	(553)
Net cash for investing activities	(3,788)	(1,753)

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2021 (CONT'D)**

	6 months ended Unaudited 30 September 2021 RM'000	6 months ended Unaudited 30 September 2020 RM'000
Cash flows for financing activities		
Drawdown of bankers' acceptance	-	1,654
Drawdown of term loans	-	75
Interest paid	(793)	(1,183)
Dividend paid	(1,015)	-
Repayment of banker's acceptance	-	(857)
Repayment of lease liabilities	(4,408)	(3,735)
Repayment of term loans	(2,238)	(1,431)
Net cash for financing activities	(8,454)	(5,477)
Net (decrease)/ increase in cash and cash equivalents	(2,919)	5,687
Cash and cash equivalents at beginning of the financial period	17,185	9,982
Effect of foreign exchange translation	5	8
Cash and cash equivalents at end of the financial period	14,271	15,677
Cash and cash equivalents comprise the followings:		
Short-term investment	3,020	-
Cash and bank balances	11,251	15,677
	14,271	15,677

The Condensed Consolidated Statements of Cash Flows should be read in conjunction with the Audited Financial Statements for the financial year ended 31 March 2021 and the accompanying explanatory notes attached to these interim financial statements.

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

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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2021**

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 Condensed Report should be read in conjunction with the audited financial statements for the financial year ended 31 March 2021 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 in the preparation of the Group’s audited financial statement for the financial year ended 31 March 2021, except for the following:

1) New applicable accounting standards adopted during the financial period

MFRS (including the consequential amendments)	Effective date
Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16: Interest Rate Benchmark Reform – Phase 2	1 January 2021
Amendment to MFRS 16: COVID-19-Related Rent Concessions	1 June 2020
Amendment to MFRS 16: COVID-19-Related Rent Concessions beyond 30 September 2021	1 April 2021

The adoption of the above accounting standards (including the consequential amendments, if any) did not have any material impact on the Group’s financial statements.

2) New applicable accounting standards issued but not yet effective

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

MFRS (including the consequential amendments)	Effective date
Amendments to MFRS 3: Reference to the Conceptual Framework	1 January 2022
Amendments to MFRS 101: Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to MFRS 101: Disclosure of Accounting Policies	1 January 2023
Amendments to MFRS 108: Definition of Accounting Estimates	1 January 2023
Amendments to MFRS 112: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to MFRS 116: Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Annual Improvements to MFRS Standards 2018 – 2020	1 January 2022

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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2021 (CONT'D)**

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

3. Auditors' Report on Preceding Annual Audited Financial Statements

The audited financial statements of the Group for the financial year ended 31 March 2021 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.

7. Debt and Equity Securities

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

8. Dividend Paid

A first interim single tier dividend of 0.25 sen per ordinary share amounting to RM1,014,560 in respect of financial year ending 31 March 2022, was declared and paid on 27 August 2021 and 30 September 2021 respectively.

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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2021 (CONT'D)****Part A: Explanatory Notes Pursuant to MFRS 134 (Cont'd)****9. Segment Information**

The Group's segment information for the current financial period ended 30 September 2021 is as follows:

Analysis of revenue by business segments

	Individual Quarter 3 months ended		Cumulative Quarter 6 months ended	
	Unaudited 30 September 2021 RM'000	Unaudited 30 September 2020 RM'000	Unaudited 30 September 2021 RM'000	Unaudited 30 September 2020 RM'000
Retail segment	12,879	16,504	25,425	27,439
Wholesale segment	30,674	29,765	57,888	57,553
	43,553	46,269	83,313	84,992

10. Significant Related Party Transactions

	Individual Quarter 3 months ended		Cumulative Quarter 6 months ended	
	Unaudited 30 September 2021 RM'000	Unaudited 30 September 2020 RM'000	Unaudited 30 September 2021 RM'000	Unaudited 30 September 2020 RM'000
Rental of premises received /receivable	1	1	3	3
Repayment of lease liabilities	125	91	250	181

11. Capital Commitments

	Unaudited As at 30 September 2021 RM'000
Purchase of property, plant and equipment	<u>1,161</u>

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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2021 (CONT'D)**

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 financial quarter 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 SECOND QUARTER ENDED 30 SEPTEMBER 2021 (CONT'D)**

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 RM43.55 million (2020: RM46.27 million) and RM0.69 million (2020: RM4.22 million) respectively for the current financial quarter ended 30 September 2021. For the cumulative financial quarter ended 30 September 2021, the Group recorded revenue and profit before tax of RM83.31 million (2020: RM84.99 million) and RM0.31 million (2020: RM4.28 million) respectively.

The Group's revenue was principally derived from the wholesale segment accounting for approximately 70.43% and 69.48% of the total revenue for current and cumulative financial quarter ended 30 September 2021.

16. Comparison with Immediate Preceding Quarter's Results

The Group's revenue for the current financial quarter ended 30 September 2021 increased by RM3.79 million (or 9.53%) from RM39.76 million to RM43.55 million as compared with the immediate preceding financial quarter.

Profit before tax for the current financial quarter under review was RM0.69 million as compared to loss before tax of RM0.39 million in the immediate preceding financial quarter.

During the immediate preceding financial quarter, the Group's revenue and profit before tax were affected due to lower customers' traffic during the "total lockdown" period and the fasting month.

With the gradual easing of restrictions such as allowing people who have been fully vaccinated against Covid-19 for dine-ins and non-essential services to operate, coupled with the sales of mid-autumn festive products, the Group had experienced higher revenue in the current financial quarter, which resulted in higher profit before tax.

17. Commentary on Prospects

Food & beverage industry remain resilient in this challenging period due to the sustained demand. The Group will continue to take more directed strategies to mitigate the impact of COVID-19, which include expansion of food delivery channels, managing cash flow and cost effectively, and reassessment of current business plans.

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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2021 (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 6 months ended	
	Unaudited 30 September 2021 RM'000	Unaudited 30 September 2020 RM'000	Unaudited 30 September 2021 RM'000	Unaudited 30 September 2020 RM'000
Income tax	407	481	526	586
Deferred tax	(350)	(14)	(325)	(24)
	<u>57</u>	<u>467</u>	<u>201</u>	<u>562</u>

Notes:

- (1) Domestic income tax is calculated at the Malaysian statutory tax rate of 24% of the estimated assessable profit for the current period. The taxation of other jurisdiction is calculated at the rate prevailing in the respective jurisdiction.
- (2) Income tax expense is recognised based on management's best estimate.

20. Status of Corporate Proposals

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

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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2021 (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	Actual utilisation	Unutilised amount	Original timeframe for utilisation (from the date of Listing)	Revised timeframe for utilisation (from the date of Listing)
	RM'000	RM'000	RM'000		
1. Capital expenditure	6,000	4,623	1,377	Within 24 months	Within 48 months
2. Repayment of bank borrowings	7,000	7,000	-	Within 6 months	No change
3. General working capital	7,788	7,788	-	Within 12 months	No change
4. Estimated listing expenses	3,200	3,200	-	Immediately	No change
	<u>23,988</u>	<u>22,611</u>	<u>1,377</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 and the announcement dated 30 September 2021.

22. Borrowings and Debt Securities

The Group's borrowings were as follows:

	Unaudited As at 30 September 2021 RM'000	Audited As at 31 March 2021 RM'000
Secured:		
Current liabilities		
Lease liabilities	6,751	7,808
Term loans	2,945	2,900
	<u>9,696</u>	<u>10,708</u>
Non-current liabilities		
Lease liabilities	8,849	9,633
Term loans	20,444	22,727
	<u>29,293</u>	<u>32,360</u>
Total Borrowings	<u>38,989</u>	<u>43,068</u>

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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2021 (CONT'D)****Part B: Explanatory Notes Pursuant to ACE Market Listing Requirements of Bursa Malaysia Securities Berhad
(Cont'd)****23. Material Litigation**

There was no material litigation against the Group as at the end of the current financial quarter under review.

24. Dividend

Saved as disclosed below, there were no dividends proposed for the current financial quarter under review.

The Board of Directors has declared a first interim single tier dividend of 0.25 sen per ordinary share amounting to RM1,014,560 in respect of financial year ending 31 March 2022 on 27 August 2021, which had been paid on 30 September 2021.

25. Earnings per Share ("EPS")

	Individual Quarter 3 months ended		Cumulative Quarter 6 months ended	
	Unaudited 30 September 2021	Unaudited 30 September 2020	Unaudited 30 September 2021	Unaudited 30 September 2020
Profit after tax attributable to owners of the Company (RM'000)	631	3,772	135	3,804
Weighted average number of ordinary shares in issue ('000)	405,824	405,824	405,824	405,824
Basic EPS (sen) ⁽¹⁾	0.16	0.93	0.03	0.94
Diluted EPS (sen) ⁽²⁾	0.16	0.93	0.03	0.94

Notes:

(1) Basic EPS is calculated by dividing the profit after tax attributable to owners of the Company by the weighted average 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.

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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2021 (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 6 months ended	
	Unaudited 30 September 2021 RM'000	Unaudited 30 September 2020 RM'000	Unaudited 30 September 2021 RM'000	Unaudited 30 September 2020 RM'000
Allowance for impairment of trade receivables	-	34	-	34
Bad debts written off	50	-	50	19
Depreciation of property, plant and equipment	1,996	2,013	3,962	4,100
Depreciation of right-of-use assets	1,675	2,045	3,561	4,003
Interest expenses	366	569	793	1,183
Property, plant and equipment written off	80	-	80	-
Realised loss on foreign exchange	1	10	6	15
Bad debts recovered	(23)	(9)	(23)	(9)
Gain on lease termination	*	(3)	(14)	(8)
(Gain)/ Loss on disposal of property, plant and equipment	(5)	(331)	15	(343)
Interest income	(40)	(39)	(92)	(79)
Rental income	(1)	(18)	(3)	(34)
Unrealised gain on foreign exchange	(13)	(21)	(8)	(7)

* Denotes amount less than RM500.

27. Authorised for Issue

The Condensed Report was authorised for issue by the Board in accordance with a resolution of the Directors on 29 November 2021.