

**SDS GROUP BERHAD**

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

(INCORPORATED IN MALAYSIA)

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THIRD QUARTER ENDED  
31 DECEMBER 2019**

**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 THIRD QUARTER ENDED 31 DECEMBER 2019 <sup>(1)</sup>**

	Note	Individual Quarter 3 months ended		Cumulative Quarter 9 months ended	
		Unaudited 31 December 2019 RM'000	Unaudited 31 December 2018 <sup>(2)</sup> RM'000	Unaudited 31 December 2019 RM'000	Unaudited 31 December 2018 <sup>(2)</sup> RM'000
Revenue	9	48,558	N/A	143,980	N/A
Cost of sales		(33,737)	N/A	(100,756)	N/A
Gross profit		14,821	N/A	43,224	N/A
Other income		1,061	N/A	1,281	N/A
Administrative expenses		(3,652)	N/A	(10,042)	N/A
Selling and distribution expenses		(8,655)	N/A	(25,261)	N/A
Other operating expenses <sup>(3)</sup>		(2,122)	N/A	(2,350)	N/A
Finance costs		(818)	N/A	(2,559)	N/A
<b>Profit before tax</b>	26	635	N/A	4,293	N/A
Income tax expense	19	(542)	N/A	(1,331)	N/A
<b>Profit after tax</b>		93	N/A	2,962	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		13	N/A	23	N/A
<b>Total comprehensive income for the period</b>		106	N/A	2,985	N/A
<b>Profit after tax attributable to:-</b>					
Owners of the Company		58	N/A	2,828	N/A
Non-controlling interests		35	N/A	134	N/A
		93	N/A	2,962	N/A
<b>Total comprehensive income attributable to:-</b>					
Owners of the Company		71	N/A	2,851	N/A
Non-controlling interests		35	N/A	134	N/A
		106	N/A	2,985	N/A
<b>Earnings per share attributable to owners of the Company (Sen):</b>					
- Basic / Diluted	25	0.014	N/A	0.846	N/A

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE THIRD QUARTER ENDED 31 DECEMBER 2019 <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 third 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 9 months ended</b>	
	<b>Unaudited 31 December 2019 RM'000</b>	<b>Unaudited 31 December 2018 <sup>(2)</sup> RM'000</b>	<b>Unaudited 31 December 2019 RM'000</b>	<b>Unaudited 31 December 2018 <sup>(2)</sup> RM'000</b>
Profit before tax	635	N/A	4,293	N/A
Add: Listing expenses	2,082	N/A	2,082	N/A
Adjusted profit before tax	2,717	N/A	6,375	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 DECEMBER 2019 <sup>(1)</sup>**

	Unaudited As at 31 December 2019	Unaudited As at 31 December 2018 <sup>(2)</sup>
Note	RM'000	RM'000
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	97,106	N/A
Right-of-use assets	13,848	N/A
Goodwill	162	N/A
Deferred tax assets	1,145	N/A
	<u>112,261</u>	<u>N/A</u>
<b>CURRENT ASSETS</b>		
Inventories	6,621	N/A
Trade receivables	9,178	N/A
Other receivables, deposits and prepayments	7,357	N/A
Current tax assets	399	N/A
Cash and bank balances	10,805	N/A
	<u>34,360</u>	<u>N/A</u>
<b>TOTAL ASSETS</b>	<u>146,621</u>	<u>N/A</u>
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY</b>		
Share capital	53,129	N/A
Reserves	10,258	N/A
Equity attributable to owners of the Company	63,387	N/A
Non-controlling interests	548	N/A
<b>TOTAL EQUITY</b>	<u>63,935</u>	<u>N/A</u>
<b>LIABILITIES</b>		
<b>NON-CURRENT LIABILITIES</b>		
Long-term borrowings	22 33,530	N/A
Other payables	369	N/A
Lease liabilities	10,315	N/A
Deferred tax liabilities	1,988	N/A
Contract liability	85	N/A
	<u>46,287</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 DECEMBER 2019 <sup>(1)</sup> (CONT'D)**

	Note	Unaudited As at 31 December 2019 RM'000	Unaudited As at 31 December 2018 <sup>(2)</sup> RM'000
<b>CURRENT LIABILITIES</b>			
Trade payables		17,984	N/A
Other payables and accruals		6,880	N/A
Lease liabilities		4,123	N/A
Short-term borrowings	22	6,308	N/A
Bank overdrafts	22	656	N/A
Contract liability		26	N/A
Current tax liabilities		422	N/A
		<u>36,399</u>	<u>N/A</u>
<b>TOTAL LIABILITIES</b>		<u>82,686</u>	<u>N/A</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>146,621</u>	<u>N/A</u>
<b>Net assets per ordinary share attributable to owners of the Company (RM) <sup>(3)</sup></b>		<u>0.16</u>	<u>N/A</u>

**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 third interim financial statements announced in compliance with the Listing Requirements of Bursa Securities.
- (3) Net assets per ordinary shares as at 31 December 2019 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 THIRD QUARTER ENDED 31 DECEMBER 2019 <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	-	-	-	2,828	2,828	134	2,962
Other comprehensive income for the financial period:							
- Foreign currency translation differences	-	-	23	-	23	-	23
Total comprehensive income for the financial period	-	-	23	2,828	2,851	134	2,985
<b>Transaction with owners:</b>							
Issue of ordinary shares	23,988	-	-	-	23,988	-	23,988
Share issuance expenses	(1,431)	-	-	-	(1,431)	-	(1,431)
	22,557	-	-	-	22,557	-	22,557
Acquisition of subsidiaries in business combination under common control	27,822	(27,760)	-	(62)	-	-	-
Dividend paid to non-controlling interests	-	-	-	-	-	(98)	(98)
	50,379	(27,760)	-	(62)	22,557	(98)	22,459
<b>Balance at 31 December 2019 (Unaudited)</b>	53,129	(27,760)	477	37,541	63,387	548	63,935

**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 THIRD QUARTER ENDED 31 DECEMBER 2019 <sup>(1)</sup>**

	<b>9 months ended Unaudited 31 December 2019 RM'000</b>	<b>9 months ended Unaudited 31 December 2018 <sup>(2)</sup> RM'000</b>
<b>Cash flows from operating activities</b>		
Profit before tax	4,293	N/A
Adjustments for:		
Bad debts written off	11	N/A
Depreciation of property, plant and equipment	8,474	N/A
Depreciation of right-of-use assets	3,285	N/A
Interest expenses	2,559	N/A
Net loss on disposal of property, plant and equipment	82	N/A
Property, plant and equipment written off	4	N/A
Bad debts recovered	(11)	N/A
Gain on modification of lease	(81)	N/A
Interest income	(88)	N/A
<b>Operating profit before working capital changes</b>	<b>18,528</b>	<b>N/A</b>
Increase in inventories	(1,418)	N/A
Increase in trade and other receivables	(1,490)	N/A
Decrease in trade and other payables	(8,967)	N/A
Decrease in contract liability	(25)	N/A
<b>Cash from operations</b>	<b>6,628</b>	<b>N/A</b>
Income tax paid	(1,470)	N/A
Income tax refunded	782	N/A
Real property gain tax refunded	62	N/A
Withholding tax paid	(1)	N/A
<b>Net cash from operating activities</b>	<b>6,001</b>	<b>N/A</b>
<b>Cash flows for investing activities</b>		
Interest received	88	N/A
Proceeds from disposal of property, plant and equipment	99	N/A
Purchase of property, plant and equipment	(7,224)	N/A
<b>Net cash for investing activities</b>	<b>(7,037)</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 THIRD QUARTER ENDED 31 DECEMBER 2019 <sup>(1)</sup> (CONT'D)**

	<b>9 months ended Unaudited 31 December 2019 RM'000</b>	<b>9 months ended Unaudited 31 December 2018 <sup>(2)</sup> RM'000</b>
<b>Cash flows from financing activities</b>		
Interest paid	(2,559)	N/A
Dividend paid	(98)	N/A
Drawdown of bankers' acceptance	2,348	N/A
Drawdown of term loans	2,214	N/A
Proceeds from issuance of ordinary shares	22,557	N/A
Repayment of bankers' acceptance	(3,296)	N/A
Repayment of hire purchase obligations	(10,535)	N/A
Repayment of loan and other payables	(125)	N/A
Repayment of term loans	(2,155)	N/A
Repayment of lease liabilities	(2,918)	N/A
<b>Net cash from financing activities</b>	<b>5,433</b>	<b>N/A</b>
Net increase in cash and cash equivalents	4,397	N/A
Cash and cash equivalents at beginning of the financial period	5,728	N/A
Effect of foreign exchange translation	24	N/A
Cash and cash equivalents at end of the financial period	10,149	N/A
<b>Cash and cash equivalents comprise the followings:</b>		
Cash and bank balances	10,805	N/A
Bank overdrafts	(656)	N/A
	10,149	N/A

**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 third interim financial statements announced in compliance with the Listing Requirements of Bursa Securities.

*N/A – Not applicable*



**SDS GROUP BERHAD**

**Company No: 201701026951 (1241117-T)**

(Incorporated in Malaysia)

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE THIRD QUARTER ENDED 31 DECEMBER 2019**

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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 third Condensed Report on the Company’s unaudited condensed consolidated financial results for the third quarter ended 31 December 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.

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 THIRD QUARTER ENDED 31 DECEMBER 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 RM'000	Effect on adoption of MFRS 16 RM'000	As at 1 April 2019 (Restated) RM'000
<b>NON-CURRENT ASSETS</b>			
Right-of-use assets	-	13,378	13,378
Deferred tax assets	1,127	1	1,128
<b>EQUITY</b>			
Retained profits	35,018	(243)	34,775
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities	-	10,130	10,130
Deferred tax liabilities	2,112	(76)	2,036
<b>CURRENT LIABILITIES</b>			
Lease liabilities	-	3,568	3,568

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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE THIRD QUARTER ENDED 31 DECEMBER 2019 (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.

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

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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE THIRD QUARTER ENDED 31 DECEMBER 2019 (CONT'D)****Part A: Explanatory Notes Pursuant to MFRS 134 (Cont'd)****7. Debt and Equity Securities**

Save as disclosed below, there were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current financial quarter.

In conjunction with the Company's listing on the ACE Market of Bursa Securities, the Company had undertaken initial public offering by public issuance 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.

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

**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 December 2019 is as follows:

Analysis of revenue by business segments

	Individual Quarter 3 months ended		Cumulative Quarter 9 months ended	
	Unaudited 31 December 2019 RM'000	Unaudited 31 December 2018 <sup>(1)</sup> RM'000	Unaudited 31 December 2019 RM'000	Unaudited 31 December 2018 <sup>(1)</sup> RM'000
Retail segment	17,407	N/A	52,376	N/A
Wholesale segment	31,151	N/A	91,604	N/A
	48,558	N/A	143,980	N/A

**Note:**

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

N/A – Not applicable

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

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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE THIRD QUARTER ENDED 31 DECEMBER 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 9 months ended	
	Unaudited 31 December 2019 RM'000	Unaudited 31 December 2018 <sup>(1)</sup> RM'000	Unaudited 31 December 2019 RM'000	Unaudited 31 December 2018 <sup>(1)</sup> RM'000
<b>Companies in which certain directors have controlling interests</b>				
Sales of goods	-	N/A	288	N/A
Rental of premises paid/payable	-	N/A	3	N/A
Rental of premises received /receivable	2	N/A	5	N/A
Repayment of lease liabilities	89	N/A	254	N/A

**Note:**

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

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

	Unaudited As at 31 December 2019 RM'000	Unaudited As at 31 December 2018 <sup>(1)</sup> RM'000
Purchase of property, plant and equipment	676	N/A

**Note:**

- (1) No comparative figures for the preceding year's corresponding quarter is available as this is the third 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 THIRD QUARTER ENDED 31 DECEMBER 2019 (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 THIRD QUARTER ENDED 31 DECEMBER 2019 (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 RM48.56 million and RM0.63 million respectively for the current financial quarter ended 31 December 2019. For the cumulative financial quarter ended 31 December 2019, the Group recorded revenue and profit before tax of RM143.98 million and RM4.29 million respectively.

The Group's revenue was principally derived from the wholesale segment accounting for approximately 64.15% and 63.62% of the total revenue for the current and cumulative financial quarter ended 31 December 2019 respectively.

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

The Group's revenue for the current financial quarter ended 31 December 2019 decreased by RM1.50 million (or 3.00%) from RM50.06 million to RM48.56 million as compared with the immediate preceding financial quarter.

The higher revenue in preceding financial quarter was mainly due to sales of Mid-Autumn Festive products.

Profit before tax for the current financial quarter under review decreased by RM1.66 million (or 72.48%) to RM0.63 million as compared to RM2.29 million in the immediate preceding financial quarter.

As a result of the Company's listing on the ACE Market of Bursa Securities, one-off non-recurring listing expenses of RM2.08 million were expensed off in the current financial quarter. The Group's adjusted profit before tax for the current quarter after adjusting for the one-off non-recurring listing expenses is RM2.71 million, which is an increase of RM0.43 million as compared to the immediate preceding financial quarter.

**17. Commentary on Prospects**

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

In order to provide business growth in terms of revenue increase and earnings contribution, the Group intend to utilise the listing 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 as disclosed in its Prospectus dated 23 August 2019.

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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
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(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 9 months ended	
	Unaudited 31 December 2019 RM'000	Unaudited 31 December 2018 <sup>(4)</sup> RM'000	Unaudited 31 December 2019 RM'000	Unaudited 31 December 2018 <sup>(4)</sup> RM'000
Income tax	556 <sup>(3)</sup>	N/A	1,458 <sup>(3)</sup>	N/A
Deferred tax	(14)	N/A	(65)	N/A
Over provision of real property gains tax ("RPGT") in previous financial year	-	N/A	(62)	N/A
	542	N/A	1,331	N/A
Effective tax rate	85.35% <sup>(2)</sup>	N/A	31.00% <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 current and cumulative financial quarter were higher than the statutory tax rate mainly due to non-deductible expenses such as listing expenses.
- (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 third 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 THIRD QUARTER ENDED 31 DECEMBER 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:

<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	632	5,368	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>18,620</u>	<u>5,368</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 THIRD QUARTER ENDED 31 DECEMBER 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 31 December 2019 RM'000	Unaudited As at 31 December 2018 <sup>(1)</sup> RM'000
<b>Secured:</b>		
<b>Current liabilities</b>		
Bank overdrafts	656	N/A
<u>Short-term borrowings</u>		
Hire purchase payables	3,706	N/A
Term loans	2,602	N/A
	6,308	N/A
	6,964	N/A
<b>Non-current liabilities</b>		
<u>Long-term borrowings</u>		
Hire purchase payables	6,241	N/A
Term loans	27,289	N/A
	33,530	N/A
<b>Total Borrowings</b>	40,494	N/A

**Note:**

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

*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 THIRD QUARTER ENDED 31 DECEMBER 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 9 months ended	
	Unaudited 31 December 2019	Unaudited 31 December 2018 <sup>(3)</sup>	Unaudited 31 December 2019	Unaudited 31 December 2018 <sup>(3)</sup>
Profit after tax attributable to owners of the Company (RM'000)	58	N/A	2,828	N/A
Weighted average number of ordinary shares in issue ('000)	399,022	N/A	334,144	N/A
Basic EPS (sen)	0.014	N/A	0.846	N/A
Diluted EPS (sen) <sup>(2)</sup>	0.014	N/A	0.846	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 third 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 THIRD QUARTER ENDED 31 DECEMBER 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 9 months ended	
	Unaudited 31 December 2019 RM'000	Unaudited 31 December 2018 <sup>(1)</sup> RM'000	Unaudited 31 December 2019 RM'000	Unaudited 31 December 2018 <sup>(1)</sup> RM'000
Bad debts written off	9	N/A	11	N/A
Depreciation of property, plant and equipment	2,851	N/A	8,474	N/A
Depreciation of right-of-use assets	1,155	N/A	3,285	N/A
Interest expenses	818	N/A	2,559	N/A
Loss on disposal of property, plant and equipment	-	N/A	171	N/A
Loss on foreign exchange:				
- Realised	11	N/A	36	N/A
- Unrealised	2	N/A	-	N/A
Property, plant and equipment written off	1	N/A	4	N/A
Bad debts recovered	(6)	N/A	(11)	N/A
Gain on disposal of property, plant and equipment	(37)	N/A	(89)	N/A
Gain on modification of lease	(81)	N/A	(81)	N/A
Insurance compensation	(643)	N/A	(643)	N/A
Interest income	(88)	N/A	(88)	N/A
Rental income	(18)	N/A	(54)	N/A

**Note:**

- (1) No comparative figures for the preceding year's corresponding quarter and period-to-date is available as this is the third 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 24 February 2020.