









**SHARE • DINE • SMILE**

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# S.D.S

— SINCE 1987 —



## ABOUT US

As a Johor home-grown company, SDS Group develops our business with three subsidiary brands including retail brand, SDS and wholesale brands, Top Baker and Daily's.

Our retail segment manufactured and sold our products via outlets operated under 3 different concepts namely, bakery, cafe and bakery-cum-cafe. SDS is well-recognised in Johor region for our quality confectionery products valuable for money and excellent customer service. Since 1987, we continue to invent new creations to keep customer's excitement in SDS products. Aligned with the Share, Dine, Smile motto ~ SDS envisions to give its valued customer the most unique and enjoyable dining experience.

Top Baker and Daily's products are catered for the mass market across the Peninsular Malaysia and Singapore. Our products are sold through channels such as hypermarkets, supermarkets, convenience stores and sundry shops. Our wholesale distribution network is supported by our in-house team of logistics personnel and various distribution centers across the Peninsula Malaysia.



## > BOARD OF DIRECTORS

**LIM PANG KIAM**

Independent Non-Executive Chairman

**TAN KIM SENG**

Managing Director

**TAN KIM CHAI**

Executive Director

**TAN YON HAW**

Executive Director

**TAN KEE JIN**

Executive Director

**PHANG SZE FUI**

Independent Non-Executive Director

**AZAHAR BIN BAHARUDIN**

Independent Non-Executive Director

**DATO' ALBERT DING CHOO EARN**

Independent Non-Executive Director

## > AUDIT COMMITTEE

Phang Sze Fui (Chairperson)  
Lim Pang Kiam  
Azahar bin Baharudin  
Dato' Albert Ding Choo Earn

## > REMUNERATION COMMITTEE

Azahar bin Baharudin (Chairman)  
Lim Pang Kiam  
Dato' Albert Ding Choo Earn

## > NOMINATING COMMITTEE

Lim Pang Kiam (Chairman)  
Azahar bin Baharudin  
Dato' Albert Ding Choo Earn

## > RISK MANAGEMENT COMMITTEE

Dato' Albert Ding Choo Earn (Chairman)  
Lim Pang Kiam  
Phang Sze Fui  
Tan Kee Jin

## > COMPANY SECRETARIES

- Siew Suet Wei (MAICSA NO.: 7011254)  
SSM Practicing Certificate No. 202008001690
- Lim Yen Teng (LS0010182)  
SSM Practicing Certificate No. 201908000028

## > AUDITORS

Crowe Malaysia PLT  
(LLP0018817-LCA & AF1018)  
E-2-3 Pusat Komersial Bayu Tasek  
Persiaran Southkey 1, Kota Southkey  
80150 Johor Bahru, Johor  
Tel No.: +607-288 6627

## > WEBSITE

[www.sdsgroups.com](http://www.sdsgroups.com)

## > SPONSOR

M&A Securities Sdn Bhd  
45-11 The Boulevard  
Mid Valley City, Lingkaran Syed Putra  
59200 Kuala Lumpur  
Tel No.: +603-2284 2911  
Fax No.: +603-2284 2718

## > SHARE REGISTRAR

Tricor Investor & Issuing House Services Sdn Bhd  
Unit 32-01, Level 32, Tower A,  
Vertical Business Suite, Avenue 3  
Bangsar South, 8, Jalan Kerinchi  
59200 Kuala Lumpur  
Tel No.: +603-2783 9299  
Fax No.: +603-2783 9222

## > REGISTERED OFFICE

5-9A, The Boulevard Offices  
Mid Valley City, Lingkaran Syed Putra  
59200 Kuala Lumpur  
Tel No.: +603-2282 6331  
Fax No.: +603-2201 9331

## > BUSINESS ADDRESS

5, Jalan Selatan 8 (Off Jalan Kempas Lama)  
Kawasan Perusahaan Ringan Pulau  
81200 Johor Bahru, Johor  
Tel No.: +607-288 8305  
Fax No.: +607-556 7116  
Email: [info@sdsgroups.com](mailto:info@sdsgroups.com)

## > PRINCIPAL BANKERS

- Hong Leong Bank Berhad
- Malayan Banking Berhad
- Public Bank Berhad

## > STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad (ACE Market)  
Stock Name & Code: SDS 0212  
Sector: Consumer Products & Services

# CORPORATE STRUCTURE

# S.D.S

SINCE 1987

## SDS GROUP BERHAD

201701026951 (1241117-T)



**100%**

**SDS Enterprise  
Sdn Bhd**

201501018039 (1143371-K)



**100%**

**SDS Food Manufacturing  
Sdn Bhd**

199201011621 (243124-V)



**100%**

**Super Arrow Trading  
Pte Ltd**

200819157G



**100%**

**Daily Bakery  
Sdn Bhd**

198901013459 (190769-H)



**100%**

**SDS Bakery & Cafeteria  
Sdn Bhd**

199501030107 (359313-D)



**100%**

**SDS Top Baker  
Sdn Bhd**

200701036505 (794534-T)



**51%**

**City Cake House  
Sdn Bhd**

200001014725 (517331-P)



Wholesale Channel



Retail Channel



# FINANCIAL HIGHLIGHTS

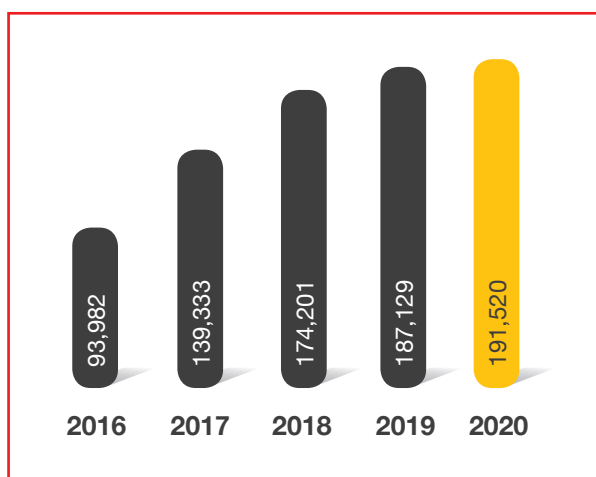
	2016	2017	2018	2019	2020
<b>Revenue (RM'000)</b>	93,982	139,333	174,201	187,129	191,520
<b>Profit After Taxation (PAT)<sup>(1)</sup> (RM'000)</b>	3,874	6,319	5,890	7,854	4,212
<b>Total Assets (RM'000)</b>	64,625	119,245	130,875	124,306	146,204
<b>Shareholders' Equity (RM'000)</b>	20,622	25,216	30,564	38,222	64,598

Note:

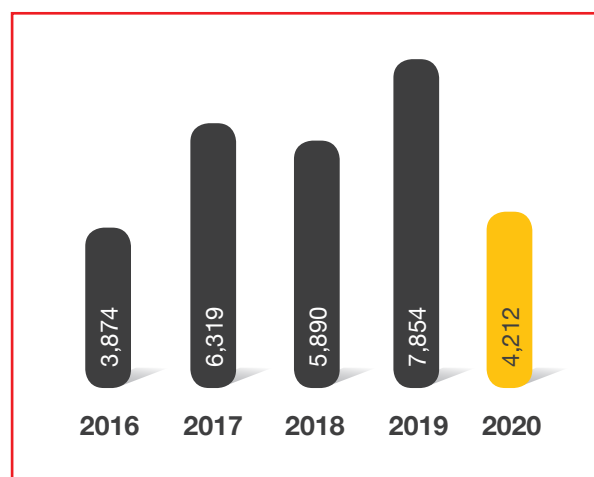
<sup>(1)</sup> Based on continuing operations.

\* Please read this section in conjunction with SDS Group Berhad's Prospectus dated 23 August 2019.

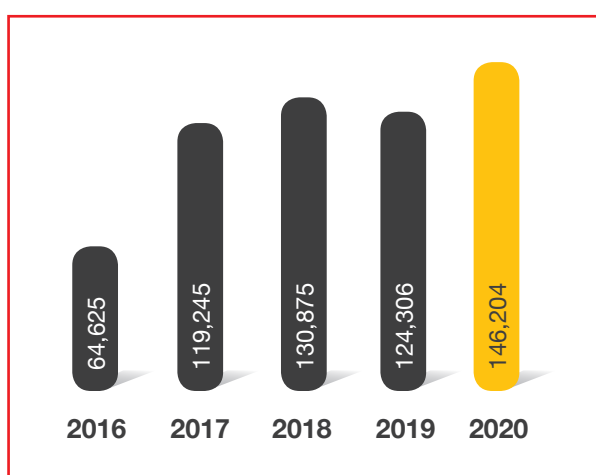
**REVENUE**  
(RM'000)



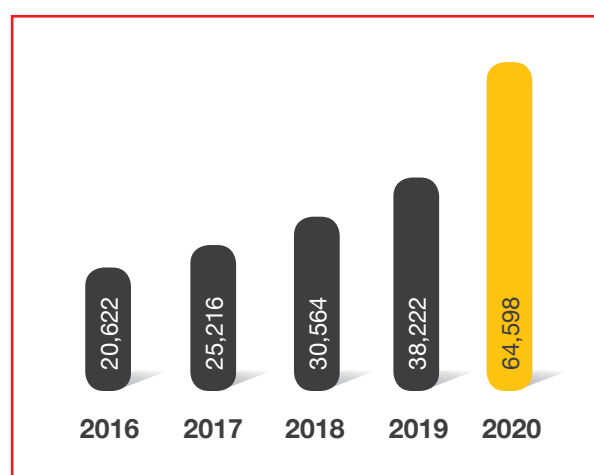
**PROFIT AFTER TAXATION (PAT)**  
(RM'000)



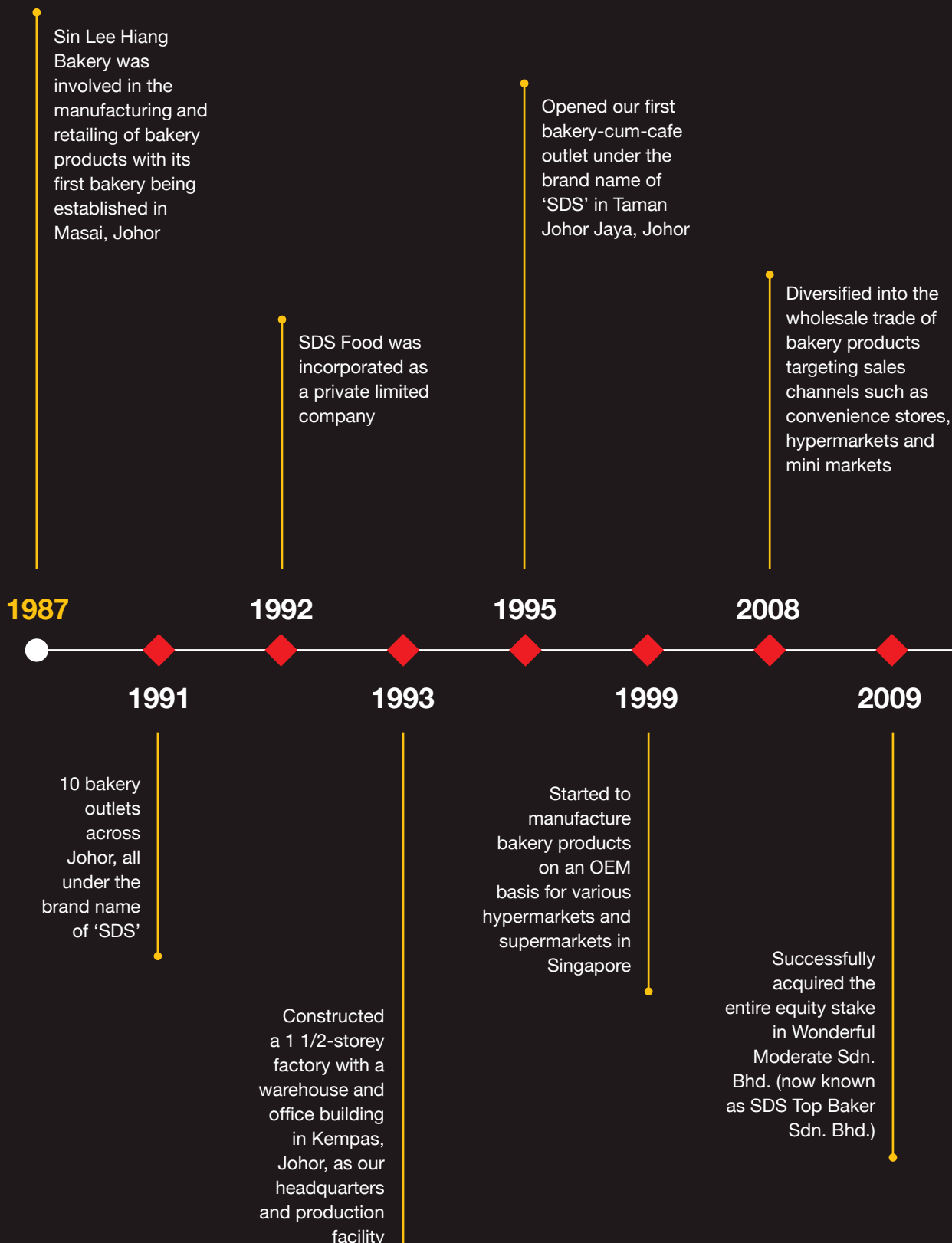
**TOTAL ASSETS**  
(RM'000)



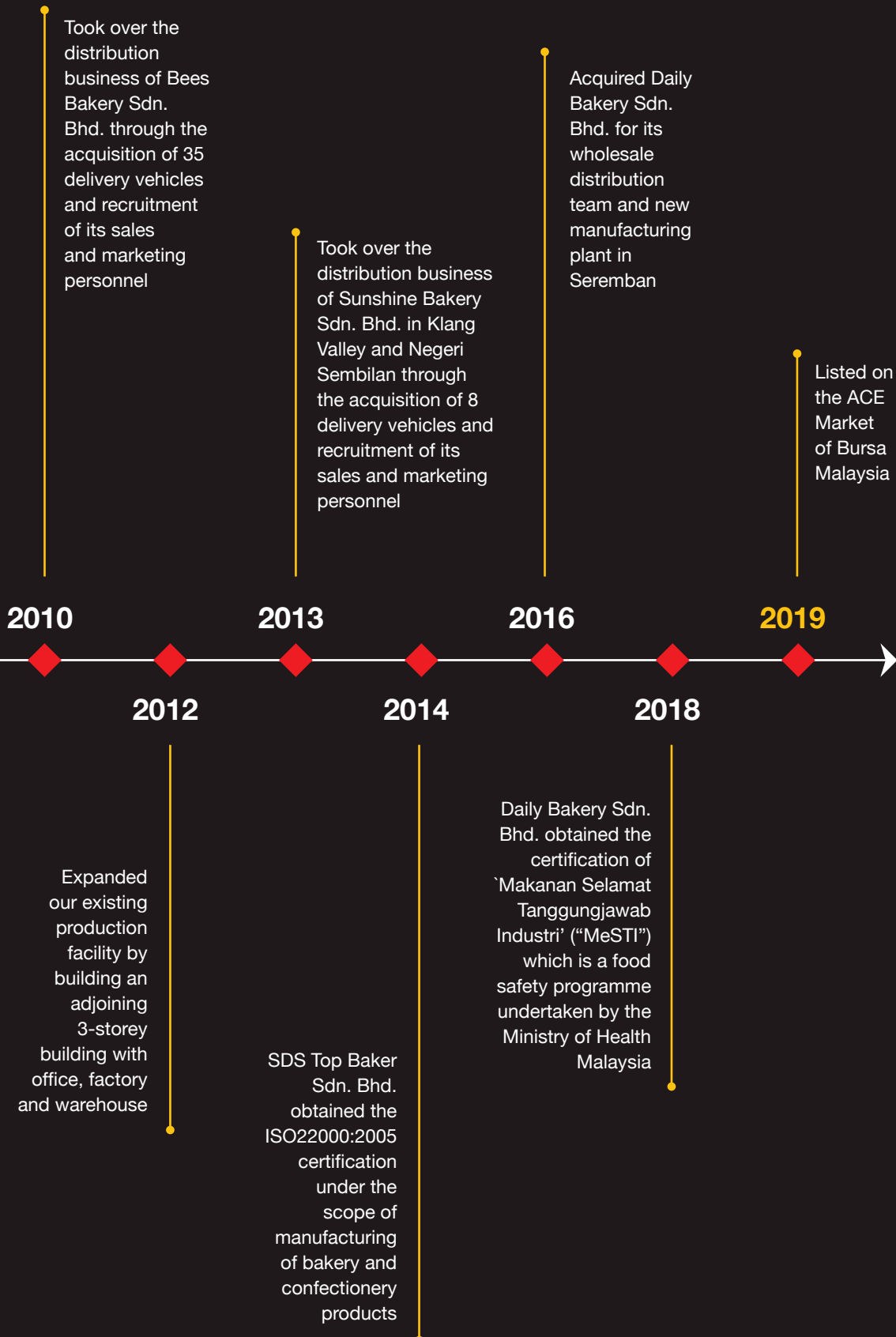
**SHAREHOLDERS' EQUITY**  
(RM'000)



# CORPORATE MILESTONES







# LISTING HIGHLIGHTS

> **Bakery products maker SDS Group to issue 104m new shares under IPO**  
The Star Online, 18 July 2019



## Bakery products maker SDS Group to issue 104m new shares under IPO

BUSINESS

Thursday, 18 July 2019 4:59 AMMYT



From left: Gary Ting, Tan Kim Chai, Tan Kim Seng, Datuk Bill Tan, Goh Hock Jin and Lim Pang Kiam at the signing of an underwriting agreement between bakery products maker SDS Group Bhd and M&A Securities Sdn Bhd on July 18, 2019.

KUALA LUMPUR: Bakery products maker SDS Group Bhd will issue 104.29 million new shares or 25.7% of the enlarged share capital under its proposed listing on the ACE Market.

The company said on Thursday 20.29 million shares would be offered to the public, 23.13 million shares to its eligible directors, employees and business associates while the remaining 60.87 million

14

> **SDS Group, the first listed baking enterprise debut on 7th October 2019**  
Nanyang Siang Pau, 22 September 2019

**新利香 下月7日登场**  
**首家挂牌烘焙企业**

新利香食品集团（SDS Group）将于10月7日在马来西亚创业板（ACE Market）上市，成为首家在本地交易所挂牌的烘焙企业。集团计划发行104.29 million新股份，其中20.29 million为公开发售，23.13 million为向特定对象配售，60.87 million为预留股份。

> **SDS Group's IPO public portion oversubscribed by 11.34 times**  
The Edge Financial Daily, 27 September 2019

## SDS Group's IPO public portion oversubscribed by 11.34 times

The home-grown bakery product maker is en route to be listed on ACE Market on Oct 7

BY DINN HERNANDEZ

KUALA LUMPUR: Home-grown bakery products maker SDS Group Bhd, set to be listed on the ACE Market of Bursa Malaysia on Oct 7, saw the public portion of its initial public offering (IPO) oversubscribed by 11.34 times, in a statement yesterday.

SDS Group, which includes the Baker and Dairy, said a total of

3,000 applications for 250.1 million shares, were received from the public, with the company having issued 25.7% of the enlarged share capital under its proposed listing on the ACE Market.

"We are certainly encouraged by the response, which is a testament to the public's confidence in SDS Group's business model," said managing director Tan Kim Seng. "I am confident that SDS Group will grow stronger, better and more competitive and we will continue to

within the northern and central regions of Peninsular Malaysia respectively, with the additional of Seremban plant in Seremban, Negeri Sembilan.

Under the listing exercise, SDS Group has issued RM21.9 million in public issue of 104.29 million new shares at 21 sen apiece. Of the total IPO proceeds, RM6 million or 25% will be used to expand its business presence for the wholesale and retail channels

within the northern and central regions of Peninsular Malaysia respectively, with the additional of Seremban plant in Seremban, Negeri Sembilan.

Under the listing exercise, SDS Group has issued RM21.9 million in public issue of 104.29 million new shares at 21 sen apiece. Of the total IPO proceeds, RM6 million or 25% will be used to expand its business presence for the wholesale and retail channels

> **SDS Group aims for ACE Market listing in October**  
The Edge Markets, 23 August 2019

IPO

## SDS Group aims for Ace Market listing in October

Arijuna Chandran Shankar / theedgemarkets.com  
August 23, 2019 14:58 pm +08



(From left) M&A Securities head of corporate finance Gary Ting, SDS executive director Tan Kee Jin, SDS executive director Tan Yon Haw, SDS director Datuk Albert Ding, SDS director Phang Sze Pui, SDS director Azahar Baharudin, SDS chairman Lim Pang Kiam, SDS executive director Tan Kim Chai, SDS managing director Tan Kim Seng and M&A Securities managing director of corporate finance Datuk Bill Tan. (Source: SDS Group)

□ A □

KUALA LUMPUR (Aug 23): Family-run SDS Group Bhd is aiming to list on Bursa Malaysia's ACE Market on Oct 7.

At the group's prospectus launch, the Johor-based bakery products manufacturer and distributor said it would be raising RM23.99 million from its initial public offering (IPO) of 23 sen a share.

Some RM6 million or 25% of the IPO proceeds will be used to expand its business presence for both its wholesale and retail channels within the northern and central regions of Peninsular Malaysia, RM7.79 million or 32.5% will be used for working capital requirements, RM7 million or 29.2% to repay bank borrowings and RM3.2 million or 13.3% to defray listing expenses associated with the IPO.

SDS managing director Tan Kim Seng said the group is looking to increase its fleet of lorries for the northern region of Peninsular Malaysia and its Seremban manufacturing plant to support the distribution of its wholesale bakery products.

In addition, the group is also aiming to set up eight new food and beverage (F&B) outlets in the

> **SDS Group IPO oversubscribed by 11 times**  
China Press, 28 September 2019



■新利香食品首发股公众部分获得超额认购11.34倍。

## 新利香食品 獲公眾超額認購11倍

(吉隆坡27日讯)计划下月7日挂牌马股创业板的新利香食品集团(SDS Group)，首发股获得超额认购11.34倍。该公司今日发文指出，供公众申购的2029万股新股，接获3065份申请，认购高达2亿5041万

股，总值5759万令吉。同时，2313万股让合格董事、雇员、对公司有贡献的人士认购的新股，也全面配售；给指定投资者的6087万股新股也已完全配售。

该公司董事经理陈金盛通过文告说“我们为超额认购感到开心，证明大众对我们业务模式有信心。我有信心，新利香食品还能更上一层楼，并努力确保不会辜负信任我们的投资者。”

此次上市筹资所得2398万8000令吉，其中600万令吉将用于扩大半岛北中部的批发和零售业务。此外，779万令吉将充作营运资本，700万令吉将充作银行借款，以及320万令吉支付上市费用。

合盛证券是上市活动的顾问、赞助、包销和配售商。





# PROFILE OF DIRECTORS



## LIM PANG KIAM

Independent Non-Executive Chairman  
Male | Aged 57 | Malaysian

**Mr. Lim Pang Kiam**, a Malaysian, aged 57, is our Independent Non-Executive Chairman. He was appointed to our Board on 4 September 2018, and is the Chairman of our Nominating Committee. He is also a member of our Audit Committee, Risk Management Committee and Remuneration Committee.

Mr. Lim Pang Kiam obtained a Bachelor of Science (Honours) in Housing, Building and Planning and a Master of Science in Planning from Universiti Sains Malaysia in 1988 and 1989 respectively. He is a Certified Financial Planner, a title by the Financial Planning Association of Malaysia which he has held since 2002. He is also a Credit Risk Management specialist whereby he was awarded the designation as a Certified Risk Professional from the Bank Administration Institute for Certification from USA in 2003. He has been a member of Council of the Asian Institute of Chartered Bankers (formerly known as Institute of Bankers Malaysia) since 1999. He is a fellow member of the Chartered Institute of Management Accountants ("CIMA") and the Institute of Corporate Directors Malaysia ("ICDM"). He is also a member of the Malaysian Institute of Accountants ("MIA"), the Chartered Global Management Accountant ("CGMA") and the ASEAN Chartered Professional Accountants ("ASEAN CPA").

He has been in the banking industry for over 15 years holding various senior positions which include banking operation, commercial and corporate banking and investment banking. He left the industry in 2004 to become business owner and held executive and non-executive directorships in public and private enterprises in Malaysia. Mr. Lim is also actively involved in NGO, serving as a Director and Council Member at Tung Shin Hospital, Kuala Lumpur, a well-known private hospital in Malaysia.

He currently sits on the Board of Directors of 3 other public companies listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") as an Independent Non-Executive Director namely Inta Bina Group Berhad, Engtex Group Berhad and K.Seng Seng Corporation Berhad.

Mr. Lim Pang Kiam attended all three (3) Board Meetings of the Company held during the financial year ended 31 March 2020.





### TAN KIM SENG

Managing Director

Male | Aged 63 | Malaysian

**Mr. Tan Kim Seng**, a Malaysian, aged 63, is our Managing Director. He was appointed to our Board on 4 September 2018. He is the co-founder of SDS Food and has spearheaded the business growth of our Group since its inception in 1987. He is responsible for formulating and implementing the overall business strategy and corporate development of our Group.

Mr. Tan Kim Seng is considered an industry veteran with 49 years of working experience in the bakery industry. In 1995, he led the Group to venture into the Café business and diversified the Group into the wholesale channel, establishing “Top Baker” branding in the year 2008. In 2016, he led the Group to expand further within the wholesale trade market, by acquiring Daily Bakery and establishing our manufacturing footprint in the central region (Seremban).

Under the leadership of Mr. Tan Kim Seng and his brother, Mr. Tan Kim Chai, our Group has grown from a small retail bakery with only 5 employees to an organisation with approximately 1,200 employees.

Mr. Tan Kim Seng attended all three (3) Board Meetings of the Company held during the financial year ended 31 March 2020.

## PROFILE OF DIRECTORS



### TAN KIM CHAI

Executive Director

Male | Aged 58 | Malaysian

**Mr. Tan Kim Chai**, a Malaysian, aged 58, is our Executive Director. He was appointed to our Board on 4 September 2018. He is the co-founder of SDS Food.

Mr. Tan Kim Chai has 40 years of working experience in the bakery industry. In 1999, he spearheaded the Group's expansion of the distribution channel into Singapore by manufacturing bakery products on an OEM basis. With the Group's diversification into the wholesale channel, he was mainly responsible for overseeing our wholesale logistic activities and establishing an extensive distribution network. In 2019, he took on the role of overseeing the Group's Sales and Marketing Division for the wholesale channel. Together with his brother, Mr. Tan Kim Seng, they transformed our Group from a small retail bakery with only 5 employees to an organisation with approximately 1,200 employees.

Mr. Tan Kim Chai attended all three (3) Board Meetings of the Company held during the financial year ended 31 March 2020.



### TAN YON HAW

Executive Director

Male | Aged 43 | Malaysian

**Mr. Tan Yon Haw**, a Malaysian, aged 43, is our Executive Director. He was appointed to our Board on 4 September 2018. Following the Group's venture into the wholesale channel, he was in-charge of the production activities for the wholesale channel. In 2008, he was promoted to Head of Production and was in-charge of the day-to-day operations of the wholesale channel, which include production, purchasing, inventory management and research and development activities. He was also in charge of establishing the food safety management system and obtaining the ISO 22000:2005 certification in 2014.

Mr. Tan Yon Haw attended all three (3) Board Meetings of the Company held during the financial year ended 31 March 2020.



## PROFILE OF DIRECTORS



### TAN KEE JIN

Executive Director

Male | Aged 36 | Malaysian

**Mr. Tan Kee Jin**, a Malaysian, aged 36, is our Executive Director. He was appointed to our Board on 4 September 2018. He is also a member of our Risk Management Committee.

Mr. Tan Kee Jin graduated from the University of Western Australia with a Bachelor of Commerce degree in 2007.

He joined the Group in 2006 and was involved in overseeing the daily invoicing operations and managing products logistics at all our retail outlets. In 2008, he was re-assigned to the Business Development Department and promoted to Business Development Manager in 2012. In 2015, he was promoted to Executive Director of SDS Food Manufacturing Sdn Bhd, and was responsible for developing and implementing strategies to drive our Group's retail revenue and growth.

Mr. Tan Kee Jin attended all three (3) Board Meetings of the Company held during the financial year ended 31 March 2020.



## PHANG SZE FUI

Independent Non-Executive Director  
Female | Aged 48 | Malaysian

**Ms. Phang Sze Fui**, a Malaysian, aged 48, is our Independent Non-Executive Director. She was appointed to our Board on 4 September 2018, and is the Chairperson of our Audit Committee and a member of our Risk Management Committee.

Ms. Phang Sze Fui obtained the Professional Accounting Qualification from the Association of Chartered and Certified Accountants (ACCA) of UK in 1998, and has been a Fellow member since 2005. She is also a member of the Malaysian Institute of Accountants (“MIA”) since 2009. She has been an audit committee member of The Institute of Internal Auditors Malaysia since November 2019.

She has over 18 years of experience in audits of small and medium size companies and public listed companies as well as Reporting Accountants for various corporate exercises for initial public offering, reverse takeover, acquisitions and disposals of assets or companies, funds raising, financial due diligence review, investigation audits and many more. Due to this, she has acquired an in-depth knowledge in auditing, accounting, taxation, Companies Act, listing requirements of Bursa Securities and the Securities Commission guidelines.

She began her career at Messrs. Baker Tilly Monteiro Heng, Kuala Lumpur in 1997, started as an Audit Assistant in Audit Division and was then subsequently promoted to the position of Senior Audit Manager in 2007. In this position, her responsibilities included leading an audit group with audit portfolios comprising small and medium size companies and public listed companies in various industries including property development, construction, manufacturing, trading and distribution amongst others. In mid-2007, she was then promoted as the Associate Director of Transaction Reporting Division, a pioneer position, and subsequently promoted to the position of Executive Director in 2011 until she left the company in 2015. During her tenure, she was responsible for leading special assignments, which included amongst others, investigation audits, financial due diligence reviews as well as audits for companies en route to listing on the ACE Market and Main Market.

Later, she joined Dolphin Applications Sdn. Bhd. as Corporate Affairs Director in 2016 where her responsibilities included managing corporate exercises and handling special projects as well as overseeing corporate compliance matters, preparation of annual report, external reporting, and the Human Resource Department, Administration Department as well as the Management Information System Department.

After her tenure in Dolphin Applications Sdn. Bhd., she established Avia Alliance Sdn. Bhd., an accounting and consultancy services firm in August 2017. She is currently involved in corporate exercises and handling special projects for local and overseas projects as well as providing accounting related services.

She currently sits on the Board of Directors of Kim Teck Cheong Consolidated Berhad and Mestron Holdings Berhad as Independent Non-Executive Director of both companies.

Ms. Phang Sze Fui attended all three (3) Board Meetings of the Company held during the financial year ended 31 March 2020.

## PROFILE OF DIRECTORS



### AZAHAR BIN BAHARUDIN

Independent Non-Executive Director  
Male | Aged 64 | Malaysian

**En. Azahar bin Baharudin**, a Malaysian, aged 64, is our Independent Non-Executive Director. He was appointed to our Board on 4 September 2018, and is the Chairman of our Remuneration Committee. He is also a member of our Audit Committee and Nominating Committee.

En. Azahar bin Baharudin obtained his Diploma in Banking Studies from MARA Institute of Technology in 1984 and has considerable experience in the banking and finance field with his tenure at two Malaysian financial institutions and subsequently as business development head and consultant in the manufacturing and financial services sector.

He currently sits on the Board of Directors of 2 other public companies listed on the Main Market of Bursa Securities as an Independent Non-Executive Director namely Gromutual Berhad and Power Root Berhad.

En. Azahar attended all three (3) Board Meetings of the Company held during the financial year ended 31 March 2020.





## DATO' ALBERT DING CHOO EARN

Independent Non-Executive Director  
Male | Aged 41 | Malaysian

**Dato' Albert Ding Choo Earn**, a Malaysian, aged 41, is our Independent Non-Executive Director. He was appointed to our Board on 4 September 2018, and is the Chairman of our Risk Management Committee. He is also a member of our Audit Committee, Remuneration Committee and Nominating Committee.

Dato' Albert Ding obtained a Bachelor of Laws from Bond University, Australia in 2002 and was called to the Malaysian Bar in 2005.

He is a lawyer by profession and has been involved in private legal practice since the start of his career. He practised civil general litigation, corporate law and conveyancing law at Messrs Dennis Nik & Wong from 2005 to 2006, Messrs Mak, Ng, Shao & Kee from 2006 to 2007 and Messrs Woon Wee Yuen & Partners from 2007 to 2010. In 2010, he co-founded Messrs Albert Ding, Chng & Co as a partner (which was dissolved in 2011). In 2011, he joined Messrs S P Lee & Associates (now known as Messrs Albert Ding, Lee & Partners) as Managing Partner.

Dato' Albert Ding attended all three (3) Board Meetings of the Company held during the financial year ended 31 March 2020.

### ADDITIONAL INFORMATION

#### Family Relationship of Directors

Save as disclosed below, none of the Directors has any family relationship with any Directors and/or major shareholders of the Company:

- 1) Tan Kim Seng and Tan Kim Chai are brothers
- 2) Tan Kee Jin is the son of Tan Kim Seng
- 3) Tan Yon Haw is the nephew of Tan Kim Seng and Tan Kim Chai
- 4) Tan Kee Jin is the nephew of Tan Kim Chai; and
- 5) Tan Yon Haw and Tan Kee Jin are cousins

#### Conflict of Interest

None of the directors has any conflict of interest with the Company.

#### Conviction of Offence

None of the directors has conviction for any offences within the past 5 years (other than traffic offences, if any) and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

#### Securities Holdings

The particulars of the directors' shareholdings are set out in page 131 of this Annual Report.

# PROFILE OF KEY SENIOR MANAGEMENT

## > TAN KEE MENG

Chief Financial Officer

Malaysian | Aged 32 | Male

**Tan Kee Meng**, a Malaysian, aged 32, is our Group Chief Financial Officer. He is responsible for overseeing our Group's finance-related functions including the execution of financial reporting, compliance of tax matters and maintenance of internal controls.

He graduated with a Bachelor of Commerce with double majors in accounting and finance from University of Queensland, Australia in 2010. He became a member of CPA Australia in 2015 and a Chartered Accountant (Singapore) of Institute of Singapore Chartered Accountants in 2016. He has been a registered member of Malaysian Institute of Accountants since 2017.

In 2011, he started his career with KPMG LLP in Singapore as an Audit Associate and was subsequently promoted to Audit Manager in 2016. During his stint there, he audited private limited companies as well as public listed companies across various different industries such as manufacturing, trading, airline and tourism. He was involved in conducting independent statutory financial audit works and special assignments such as due diligence reviews. He left the firm in 2017 and assumed his current position.

## > CHI ON KANG

Head of Corporate Planning and Marketing

Malaysian | Aged 60 | Male

**Chi On Kang**, a Malaysian, aged 60, is our Head of Corporate Planning and Marketing. He is responsible for spearheading our corporate planning, marketing efforts and driving sales for our wholesale channel.

He graduated with a Bachelor of Arts in Political Study from Lakehead University, Canada in 1983.

He started his career in 1983 with MBf Holdings Berhad as Credit Marketing Officer. In 1984, he was relocated to Johor Bahru branch where he was promoted as Branch Manager and was responsible for establishing and driving the business there. In 1989, he joined Highland Chocolate & Confectionery Sdn Bhd as General Manager responsible for executing the company's turnaround plan and driving sales growth.

He left the company in 1992 and re-joined the banking, finance and securities industry. Thereafter, he worked as Branch Manager for various banks such as Kewangan Industri Berhad, Oriental Bank Berhad and Overseas Union Bank Berhad. In 2003, he joined OSK Investment Bank Berhad as State Manager responsible for overseeing the business at the Johor Bahru branch. From 2009 to 2015, he was seconded to PT RHB OSK Securities Indonesia to assume the role of a Director where he was tasked with overseeing the retail equity operations and setting up of new branches.

In 2016, he returned to Malaysia and joined Hong Leong Bank Berhad as Assistant General Manager, responsible for managing business development activities and building business relationship with large commercial banking clients in the southern region of Peninsular Malaysia. He left the bank in 2017 and assumed his current position.

### > THONG POH LOONG

Production Manager

Malaysian | Aged 49 | Male

**Thong Poh Loong**, a Malaysian, aged 49, is our Production Manager. He is responsible for the planning, coordination and control of manufacturing processes at our production facilities and kitchens in our cafés.

He is a seasoned baking professional with more than 20 years of combined related working experience in Singapore and Malaysia. He obtained a Diploma in Civil Engineering from Politeknik Kota Bahru in 1993.

Upon graduation, he joined a construction company, Takenaka Corporation as Site Supervisor. In 1997, he joined King's Confectionery Sdn Bhd in 1997 to gain practical working experience in the baking industry. In 1999, he joined his family business in Ipoh, selling bakery products until 2002. In 2002, he co-founded Delijoy Bakery and worked as Bakery Chef until his exit from the business in 2004. Thereafter, he worked as Bakery and Pastry Chef with various companies such as Silibin Cakes & Bakery and Marina Bay Sands.

From 2012 to 2017, he worked for various F&B companies under a Singaporean investment company with F&B portfolio, Commonwealth Capital Pte Ltd. He was responsible for managing production, procurement and quality control as well as ensuring compliance to food safety and halal standards in these companies.

In 2017, he joined our Group and assumed his current position.

### > TAN SIAU LING

Project Manager

Malaysian | Aged 42 | Female

**Tan Siau Ling**, a Malaysian, aged 42, is our Project Manager and is responsible for managing our wholesale production operations and setting up new wholesale production lines.

She has 17 years of working experience in quality assurance. She graduated with a Bachelor of Science (Honours) in Industrial Science from Universiti Teknologi Malaysia in 2001.

In 2001, she started her career in URC Snack Food (Malaysia) Sdn Bhd as a Quality Assurance cum Research and Development Executive where she undertook R&D activities such as conducting market research, developing and testing new snacks, evaluating their potential for commercialisation, performing cost analysis and evaluation as well as designing new packaging. From 2004 to 2016, she was attached to Standard Confectionery Sdn Bhd (a subsidiary of High-5 Conglomerate Berhad). During her tenure there, she was Quality Assurance Manager from 2004 to 2012 and Operations Manager from 2012 to 2016 where she was responsible for purchasing and production functions.

In 2017, she joined our Group and assumed her current position.

#### ADDITIONAL INFORMATION

##### Family Relationship of Key Senior Management

Save as disclosed below, none of the Key Senior Management has any family relationship with any Directors and/or major shareholders of the Company:

- 1) Tan Kee Meng is the son of Tan Kim Seng and brother of Tan Kee Jin.
- 2) Tan Kee Meng is the nephew of Tan Kim Chai and cousin of Tan Yon Haw.

##### Conflict of Interest

None of the Key Senior Management has any conflict of interest with the Company.

##### Conviction of Offence

None of the Key Senior Management has any conviction for any offences within the past 5 years (other than traffic offences, if any) and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.



# MANAGEMENT DISCUSSION AND ANALYSIS

Dear valued shareholders, it is our pleasure to present the Annual Report and Audited Financial Statements of SDS Group Berhad (“SDS Group” or the “Group”) for the financial year ended 31 March 2020 (“FY2020”).

## OVERVIEW OF THE GROUP'S BUSINESS

### A New Milestone

It was a notable achievement for SDS Group in its milestone to announce its successful Initial Public Offer (“IPO”). On 7 October 2019, the Group was listed on the ACE Market of Bursa Malaysia Securities Berhad with an issue price of RM0.23 per share. The IPO for the Group of 104,296,800 ordinary shares comprising public issues of 20,291,200 new shares, 23,132,000 new shares were distributed among the Group’s Directors, employees, business associate or persons who have contributed to the success of the Group and 60,873,600 new shares are earmarked by way of the private placement to selected investors.



### Business Background

As a Johor home-grown company, SDS Group has developed its business with three subsidiary brands including retail brand, ‘SDS’ and wholesale brands, ‘Top Baker’ and ‘Daily’s’. SDS is reputable in the Johor region for its wide varieties of food choices ranging from western to local dishes and confectionery bakery that can meet the customers’ requirements of food quality, services, and value for money.

SDS Group has manufacturing plants in Southern and Central Region of Peninsular Malaysia in Kempas and Seremban that produce breads, buns, cream rolls, muffins, and cupcakes to cater the needs and demands to various locations in Peninsular Malaysia and Singapore. To remain resilient in its food industry, the Group continues to value its customers’ needs with its unique, enjoyable dining experience and excellent customer services. Today, the Group aims to set up new Food and Beverage (“F&B”) retail outlets in the Central Region of Peninsular Malaysia. It currently has 33 F&B retail outlets in Johor. Besides, the Group’s business strategy plans also include expansion of its wholesale distribution channel of freshly baked bread to the Northern Region of Peninsular Malaysia. During the year, the Group has set up a new distribution depot in the Northern Region of Peninsular Malaysia.

To continue to be one of the leading providers in the food industry, the Group hopes to expand its operation and presence throughout the country over the years.



## OUR STRATEGIES FOR MARKET AND PRODUCT

### Retail Channel

The Group takes initiative to strengthen its products through various platforms and action plans to gain competitive advantage and to improve its market position in its challenging business environment.

The Group continues to enhance and draw customers' attention closer to its products and services by launching its new SDS mobile application through digitalization. With this new application, customers can obtain the latest updates on their products and services. Besides, this SDS application also enables customers to monitor their membership and rewards after purchase. The unique application of SDS also facilitates customers to locate its nearest retail outlets easily.

The Group has upgraded its online ordering platform by having the online ordering system via the Group's website to cater to the needs of customers. The Group has also collaborated with external established food delivery service providers for online delivery. Moreover, during the movement control order ("MCO") period, where there are restriction of mass movement and gatherings, the Group set up an in-house delivery team to provide delivery and continue to serve customers with its products.

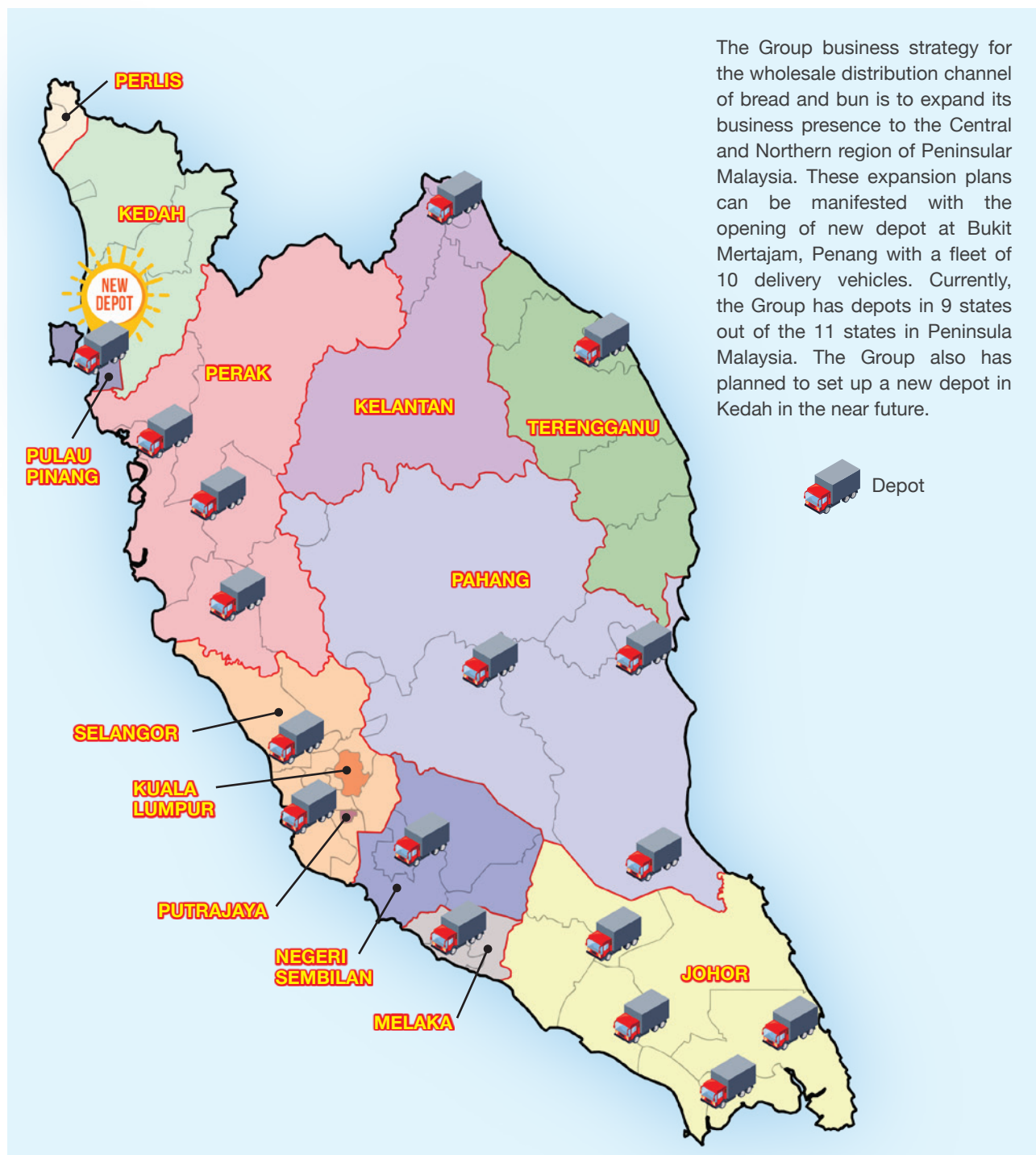
As a responsible corporate citizen, the Group has launched a straw-less campaign with the initiatives of only providing straw upon customers' requests. This campaign aims to target a more environmentally friendly business approach.





## OUR STRATEGIES FOR MARKET AND PRODUCT (CONT'D)

### Wholesale Channel



Varieties of bakery products under brands of 'Top Baker' and 'Daily's' are sold under wholesale channel through hypermarkets, supermarkets, convenience stores, some smaller grocery or sundry shops. During the year, the Group has launched new products such as white toast peeled, pizza cheese stick and custard bun to its customers to meet the demand of the customers' preference and changing taste. The Group has also expanded its customers' base by collaborating with new regional and local retail chain customers.



## YEAR ON YEAR FINANCIAL REVIEW

Financial Indicators	FY2020 RM'000	FY2019 RM'000	Difference (%)
Revenue	191,520	187,129	2.4
Gross Profit	57,193	57,100	0.2
Gross Profit Margin	29.9%	30.5%	-2.0
Profit before tax	4,998	9,302	-46.3
Profit after tax	4,212	7,854	-46.4
Net profit margin	2.2%	4.2%	-47.6
Earnings per share (Sen)	1.16	2.55	-54.5

### Revenue

The Group generated revenue of RM191.5 million in FY2020, an increase of RM4.4 million or 2.4% from RM187.1 million in FY2019 mainly due to an increase in revenue derived from the retail segment which contribute to approximately 35.4% of the Group's total revenue. The increase in revenue was mainly due to opening of 3 new outlets (1 bakery and 1 café outlets in The Mall, Mid Valley Southkey, and 1 bakery-cum-café outlet in Tesco Setia Tropika) and the introduction of new bakery and café products for customers during the year.

### Gross Profit Margin

Gross profit margin is lower by 0.6% from 30.5% in FY2019 to 29.9% in FY2020 mainly due to the change in the sales product mix and increase in certain production overheads during the year. Due to the outbreak of the COVID-19 pandemic, the Group has experienced lower revenue from the retail channel since February 2020 as consumers began to avoid crowded places. However, during this period, some of the fixed overhead expenses remained constant, thus resulting in a slightly lower gross profit margin.

### Profit Before Tax

The profit before tax has decreased by 46.3% from RM9.3 million in FY2019 to RM5.0 million in FY2020. This is mainly due to the following reasons:

- 1) One-off gain relating to the disposal of assets classified as held for sales amounting to RM2.0 million during the previous financial year; and
- 2) The listing expenses of RM2.2 million incurred during the year.

### Liquidity

The Group's cash and cash equivalents recorded RM10.0 million in FY2020 as compared to RM5.7 million in FY2019, an increase of 75.4% mainly due to the following reasons:

- 1) Net cash from operating activities of RM14.2 million in FY2020 as compared to RM19.9 million in FY2019 was mainly due to the increase in operating profit before working capital changes and offset by prompt repayment to trade payables;
- 2) During FY2020, net cash used in investing activities is RM12.0 million as compared to net cash inflow of RM4.1 million in FY2019, the cash outflow was mainly attributed to the acquisition of plant and machinery, motor vehicles, renovation and construction cost of new building during the year; and
- 3) Net cash from financing activities amounting to RM2.0 million in FY2020 as compared to net cash used in financing activities of RM22.9 million in FY2019 was mainly due to proceeds from the listing exercise, offset by the corresponding listing expenses, and repayment of lease liabilities under hire purchase arrangements and bankers' acceptance.

# MANAGEMENT DISCUSSION AND ANALYSIS

## YEAR ON YEAR FINANCIAL REVIEW (CONT'D)

### Gearing

	FY2020 RM'000	FY2019 RM'000
Total Borrowings	54,761	50,441
Total Equity	65,150	38,734
Gearing Ratio	0.84	1.30

The decrease in gearing ratio to 0.84 in FY2020 as compared to 1.30 in FY2019 was mainly due to the repayment of the lease liabilities under hire purchase arrangements and the bankers' acceptances during the year. There is also an increase in total equity as a result of issuance of new shares due to business combination activities and public listing during the year.

## RISK OVERVIEW

### Food Contamination Risk

Being in the food manufacturing industry, the Group is exposed to the risk of food contamination as its food products undergo numerous manufacturing processes during its production. The food ingredients are generally perishable and are vulnerable to contamination if not properly handled, stored or packed.

The Group arranges food handling training to raise employees' awareness of good hygiene and educate its employees on its food safety standard and management system. The Group's manufacturing facilities are also accredited with at least one food safety certifications, such as MeSTI, Halal, Hazard Analysis and Critical Control Point ("HACCP") or ISO 22000:2005.

### Foreign Labour Risk

The Group's business operations are highly dependent on the continued supply of foreign labour. Hence, it is subjected to the labour and immigration laws that govern the employment of foreign workers. Any substantial changes to the policies on the employment of foreign workers may result in a shortage in the supply of foreign workers or an increase in labour wages.

The Group continues to review its manufacturing process and aim to automate its processes at a reasonable cost to reduce reliance on manual labour.

### Downtime, Disruption or Unplanned Shutdown Risk

From an operational perspective, the Group's manufacturing division will be exposed to downtime risk. As most products are produced by its internal manufacturing facilities, any disruption in the operations or unplanned shutdown would affect the Group's ability to generate revenue.

### Competition Risk

The Group is operating in a highly competitive environment, with a lot of competitors in the market offering a great variety of similar products or services. To mitigate this risk, the Group strive to enhance its menu periodically with different new F&B products and providing excellent customer services to satisfy the consumers' changing tastes and preferences.

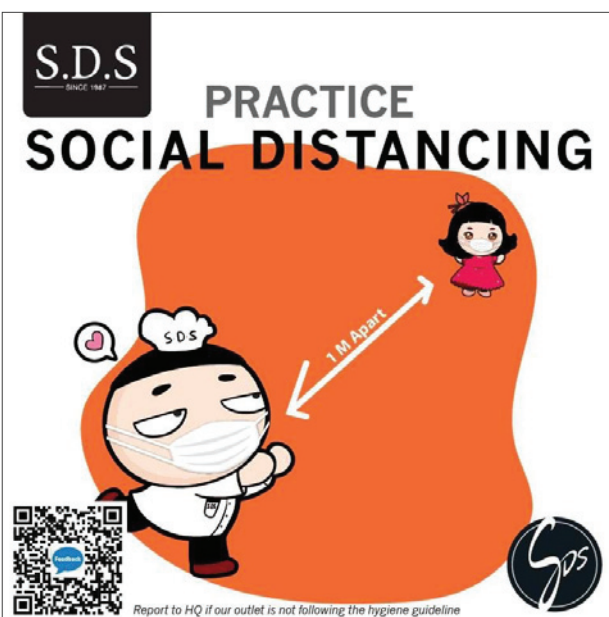
## REVIEW OF OPERATING ENVIRONMENT

The global economy experienced a sharp moderation in the first quarter of 2020. The pandemic of the COVID-19 resulted in the introduction of lockdown and social distancing measures in major economies. This has elevated volatility in the global financial market and weak growth prospects.

This impact of COVID-19 pandemic has affected most of the industries in Malaysia, especially tourism, construction, real estate, automotive, oil and gas, travel agencies, retail outlets and many more have been forced to close. In response to the significant shortfall

in economic activity, major economies have introduced large fiscal and monetary policy responses. In Malaysia, policies have been centred on alleviating cash flow challenges faced by firms and households especially loan moratorium and special credit lines, such as BNM special relief facility, addressing the critical needs of the households and firms.

During the various stages of lockdown period implemented by the Malaysian Government, SDS Group has to comply with the Standard Operating Procedures (“SOP”) for its retail outlets. For example, the slow human traffic in shopping malls and the loss of household income during MCO, the restriction in seating space for restaurants during Conditional Movement Control Order (“CMCO”) and social distancing measures during Recovery Movement Control Order (“RMCO”) have resulted in lower revenues generated by its retail outlets. Fortunately, during MCO, there was a surge of demand in its bakery products such as white loaf bread. Furthermore, the changes in customers’ spending behaviour towards online purchasing has contributed to an increase in delivery sales revenue.



# MANAGEMENT DISCUSSION AND ANALYSIS

## LOOKING AHEAD

The outbreak of the COVID-19 pandemic is an unprecedented health crisis that has generated a paradigm-shifting to trigger the economic crisis. As such, the economic front, reflective of the downturn requires policy response of a similar unprecedented nature. This policy is reflected in the Malaysia's stimulus package which ranks as one of the largest across the emerging economies and the region for both direct and indirect measures.

Moving forward, the Group will continue to implement more directive business strategies to mitigate any risks faced by the Group. To adapt to the changes in customers' behaviours, the Group expands its collaboration with other sales and delivery channels to provide food delivery services to its customers. To maintain the Group's profitability and growth, the Group shall continue to manage its cash flows and cost effectively, and re-evaluate its business plans.



The Group is optimistic about its future prospects. As such, the Group is confident to overcome the slowdown in economic and competitiveness in the market by having all these initiatives and action plans. For retail outlets, the Group will continue its expansion plan in the Central region by setting up more new retail outlets in Klang Valley. The Group also plans to establish a franchise system to attract potential franchisees. Furthermore, the Group will continue to improve their delivery services to enhance its customers' experience. For the wholesales channel, the Group will continue to expand its distribution network in the Northern region aside from broadening its existing distribution network. The Group expects the growth and improvement in the bottom lines result in years to come.

## ACKNOWLEDGEMENTS

In conclusion, we wish to convey our appreciation to our shareholders, investors, clients, suppliers, business partners, bankers, government, and regulatory bodies for their support and trust in SDS Group. We would also like to express gratitude to our loyal employees and partners who had put in their effort, hard work, and commitment in achieving remarkable results and growth for the Group through these years. Looking forward, we will continue to expand our presence throughout Malaysia and to grow the size of the Group.



# SUSTAINABILITY STATEMENT

Business sustainability is essential to the long-term prosperity of SDS Group Berhad (“SDS” or the “Group”). These sustainability principles serve to maximise our opportunities and minimise the negative impact that our core business operations have on the economy, environment and communities where we operate.

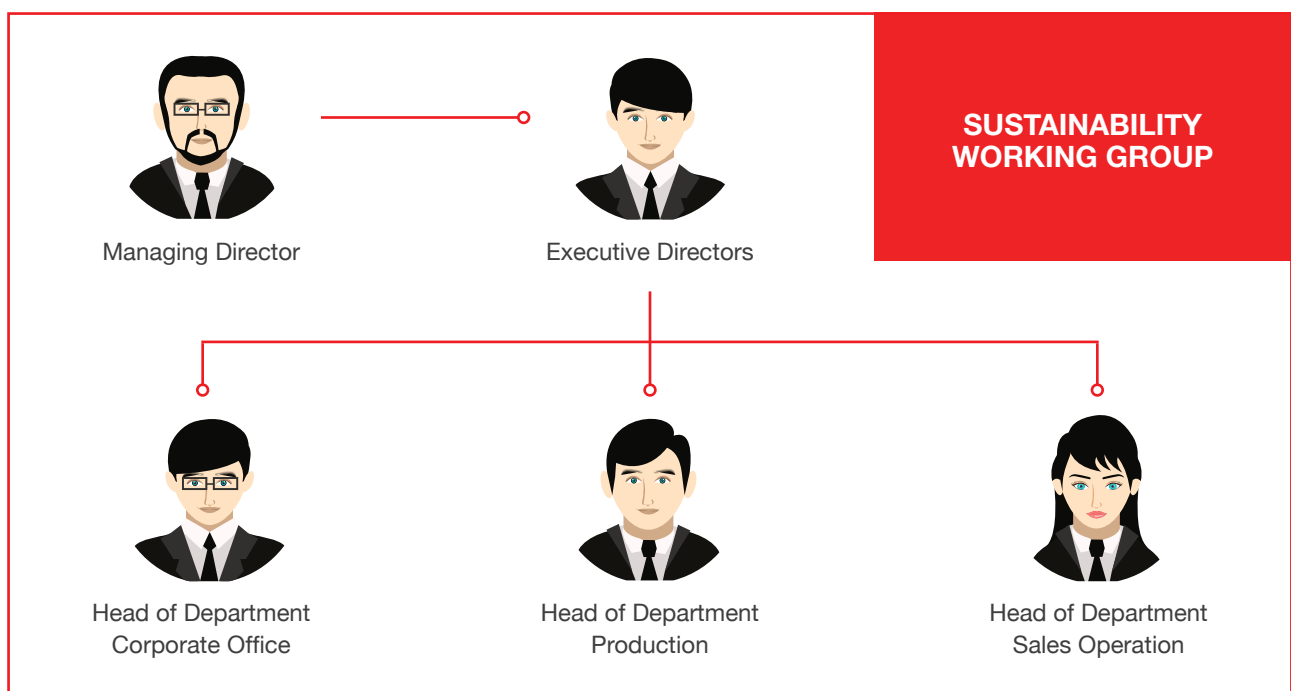
SDS focus on delivering long-term sustainable values while achieving business growth and success. We are committed to being a responsible corporate member of the community and formulating a business strategy with social and environmental concerns in mind.

Our approach towards sustainability enables us to review our performance strategically and provides insights on the business opportunities and challenges ahead. The Board recognises the importance of sustainability and works closely with the management to identify and manage sustainability matters which are material to our business and stakeholders.

Through this statement, we mapped out the development of our ongoing sustainability journey. We present to you how our Group’s business operations incorporate practices and performance concerning economic, environmental and social issues.

## SUSTAINABILITY GOVERNANCE

The Group has established a Sustainability Working Group to ensure overall accountability and oversight of sustainability matters across the organisation. The Managing Director is assisted by the Executive Directors and the Head of Departments in incorporating sustainability into the Group’s business operation. They are responsible for reviewing the Group’s sustainability strategies and performance as well as monitoring the effectiveness of business plans and making recommendations to the Board. The key roles of the Sustainability Working Group are to identify sustainability issues present within the organisation, develop and monitor sustainability initiatives and performance after implementation.



## SUSTAINABILITY GOVERNANCE (CONT'D)

### Stakeholder Engagement

SDS understands the need for active engagement with stakeholder to manage their perspective which are essential to the continuity of our success. The Group can be influenced by these stakeholders in many different ways, and achieving an optimal balance that benefit the business and stakeholders is significant to us.

Stakeholders	Engagement methods	Area of interest
 <b>Customers</b>	<ul style="list-style-type: none"> <li>Customers visit</li> <li>Corporate website and social media</li> <li>Marketing and promotional activities</li> </ul>	<ul style="list-style-type: none"> <li>Competitive pricing</li> <li>Customer service experience</li> <li>Product quality</li> </ul>
 <b>Employees</b>	<ul style="list-style-type: none"> <li>Company events and activities</li> <li>Meetings</li> <li>Performance appraisal</li> <li>Training and team building</li> <li>Whistle-blowing policy</li> </ul>	<ul style="list-style-type: none"> <li>Career development</li> <li>Competitive remuneration package</li> <li>Employee welfare</li> <li>Occupational safety</li> </ul>
 <b>Investors and shareholders</b>	<ul style="list-style-type: none"> <li>Annual general meeting</li> <li>Annual report</li> <li>Bursa announcement such as quarterly report</li> <li>Corporate website</li> </ul>	<ul style="list-style-type: none"> <li>Business strategy</li> <li>Corporate governance</li> <li>Group's financial performance</li> <li>Regulatory compliance</li> </ul>
 <b>Suppliers</b>	<ul style="list-style-type: none"> <li>Meetings</li> <li>Suppliers assessment</li> </ul>	<ul style="list-style-type: none"> <li>Fair procurement</li> <li>Product quality</li> <li>Timely payment</li> </ul>
 <b>Regulatory authorities</b>	<ul style="list-style-type: none"> <li>Policies in place to comply with relevant government law and regulations</li> <li>Seminars or information sessions held by authorities</li> </ul>	<ul style="list-style-type: none"> <li>Compliance with law and regulation</li> </ul>
 <b>Local communities</b>	<ul style="list-style-type: none"> <li>Corporate social responsibility program</li> </ul>	<ul style="list-style-type: none"> <li>Interaction with communities</li> </ul>



ECONOMIC

PROCUREMENT PRACTICES

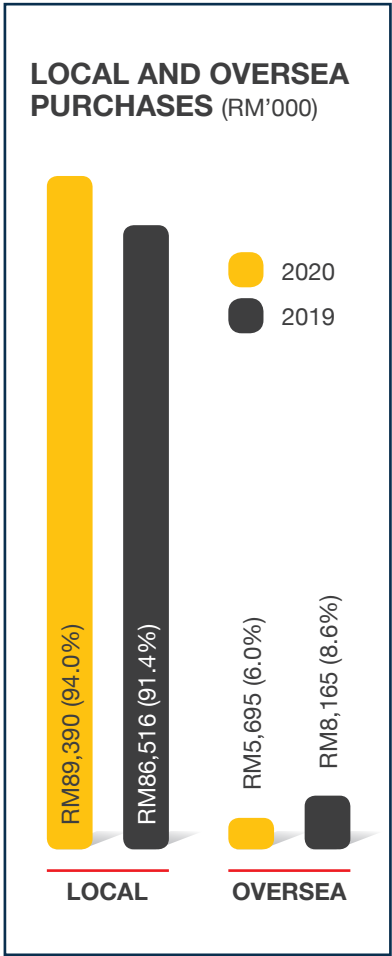
SDS adopts a procurement practice that supports sourcing or purchasing of locally manufactured products for business use. SDS was established as a homegrown bakery and confectionery manufacturing company. We are striving to step up our efforts over the years to contribute positively to the country’s economy by promoting the growth of local entities through the procurement of products from Malaysian suppliers, resonating the “Buy Malaysian Products” campaign launched in 2019. In 2020, we have sourced RM89.4 million worth of products domestically as compared to RM86.5 million in the previous financial year. This represents 94.0% of total products purchased during the year while limiting the purchase of overseas products unless in circumstances when there is no alternative substitute for similar quality products or when it is more economical to do so.

FOOD SAFETY MANAGEMENT SYSTEM

SDS emphasizes on delivering quality and safe food products for consumption. All of our manufacturing facilities are certified with either MeSTI, Hazard Analysis and Critical Control Point (“HACCP”) or ISO 22000:2005. These food safety programs ensure that the Group demonstrates compliance and aligns with the food safety control requirements while maintaining a system for food hygiene and process control, which includes food safety assurance and food traceability.

With these three credentials, SDS is committed to providing consistent and safe quality products that meet customer expectations and abide by the food safety regulations.

In addition to the above mentioned, SDS has obtained the HALAL certification for most of our products adhering to the Islamic Shariah requirements. This process involves stringent quality control and hygienic conditions before SDS can be accorded with this recognition.



SDS Top Baker  
Sdn Bhd



SDS Top Baker  
Sdn Bhd



Daily Bakery  
Sdn Bhd



SDS Food  
Manufacturing  
Sdn Bhd

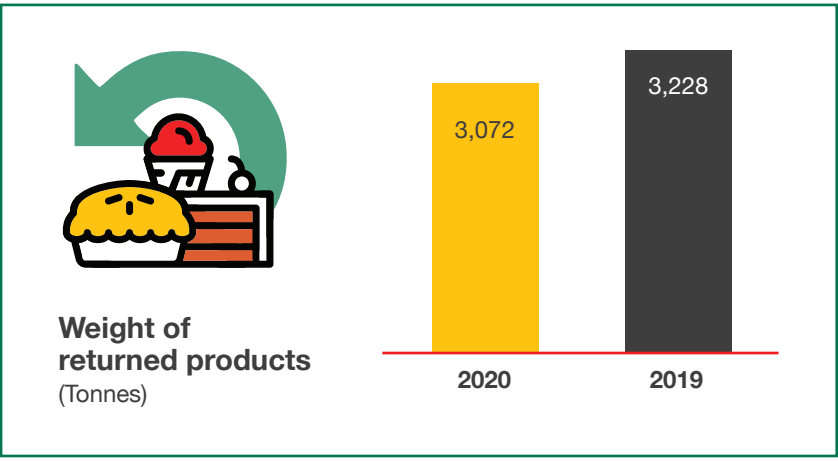




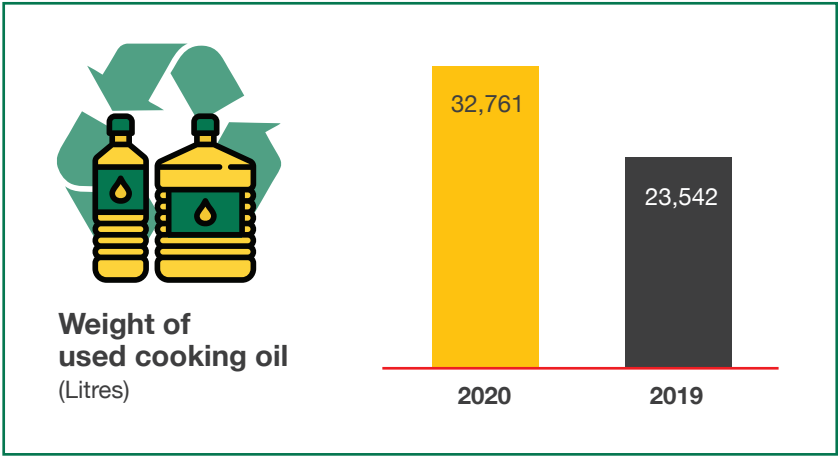
# ENVIRONMENT

## FOOD AND WASTE RECYCLING

SDS recognises the importance of shrinking our environmental footprint by recycling the returned bakery products and waste generated from our daily operations. Bakery products for our wholesale segment are generally sold on a ‘sale-or-return’ basis. Van salesman will collect any unsold products from our customers during their delivery and returned them to our manufacturing facilities. These products are then collected by certified companies, which will process them into animal feed. In 2020, SDS has recycled 3,072 tonnes of bakery products into animal feeds.



Cooking oil is part of an essential product used in the preparation of meals at our cafeterias hence used cooking oil is generated from our daily operation across all retail outlets. The Group has engaged a certified company that will collect these used cooking oil from individual outlets and recycle them to produce biodiesel instead of treating them as general waste that cause harm to the environment. Biodiesel is a form of renewable energy used in diesel vehicles which help reduces carbon and sulphur emissions.





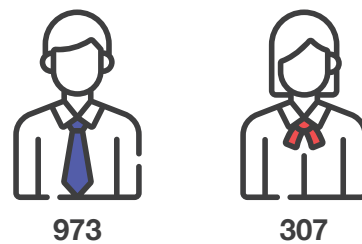


## SOCIAL: WORKPLACE

### DIVERSITY

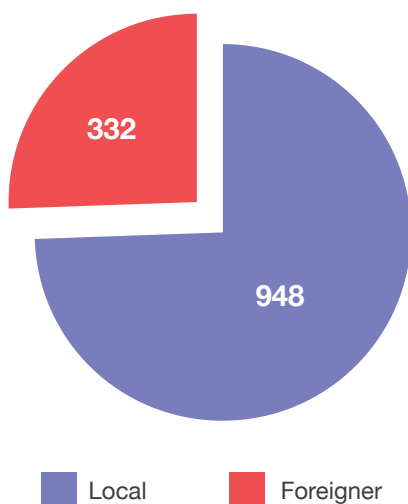
Trust and respect are the keys to promote diversity in the workplace. SDS is committed to creating a diversified workplace and providing equal employment opportunity in regardless of race, age, or gender. We continuously encourage the creation of a mutually appreciative and conducive working environment through fair employment practices. Thus, creating a workplace where different perspectives are valued and embraced and enabling us to foster productive working relationships. In SDS, we provide opportunities to optimise our people's potential by nurturing and empowering a dedicated and competent pool of talents, hoping to develop a collaborative workplace where we actively seek new perspectives and ideas from our employees to access and work together towards a common business goal or strategy.

#### WORKFORCE BREAKDOWN BY GENDER



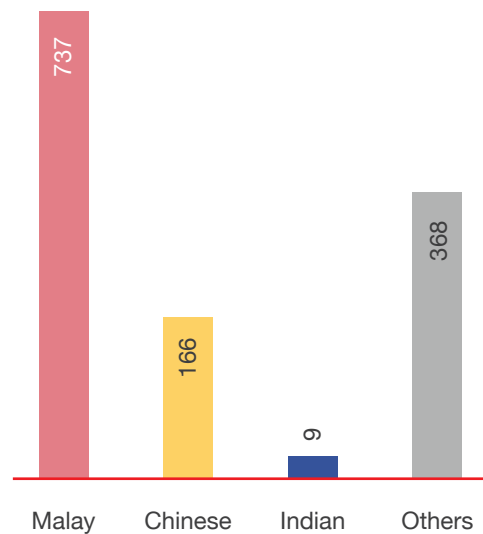
Total Employees: 1,280

#### WORKFORCE BREAKDOWN BY NATIONALITY



Total Employees: 1,280

#### WORKFORCE BREAKDOWN BY ETHNICITY



Total Employees: 1,280



## SOCIAL: COMMUNITY

### COMMUNITY INVOLVEMENT

SDS values the importance of giving back to society and willing to go above and beyond what's expected to create a difference in people's lives. During the year, SDS has engaged and participated in events organised by charities, schools and non-profit organisations. We would like to raise awareness among our workplace to encourage everyone to contribute to their means. These experiences allow SDS to deepen our connection within the community. Below are some of the activities that SDS has participated:



Magic Sense Run is a charity project organised by the JSDeaf (Johor Deaf Sports Association) in conjunction with Johor Bahru City Council (MBJB). The objective of this project is to increase public awareness among the Deaf community.



"Walk with Me" event, which is a charity family walk organised by Calvary Victory Centre to raise funds in aid of her Special Education services and a school building extension project to accommodate more classrooms and facilities.



Chinese New Year celebration at Rumah Seri Kenangan. Rumah Seri Kenangan was established to protect the well-being and improve the quality of life of the poor elderly group.

### LOOKING FORWARDS

The Group is committed to shape our business to create positive impact for long-term business growth and success. We are mindful of our responsibility to enhance our capability across our operations and accountability to our stakeholders. We seek continual improvement in executing our strategy to generate long-term sustainable value.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

THE BOARD OF DIRECTORS (“BOARD”) OF SDS GROUP BERHAD (“SDS” OR “THE COMPANY”) PRESENTS THIS STATEMENT TO PROVIDE SHAREHOLDERS AND INVESTORS WITH AN OVERVIEW OF THE CORPORATE GOVERNANCE PRACTICES OF THE COMPANY UNDER THE LEADERSHIP OF THE BOARD DURING THE FINANCIAL YEAR ENDED 31 MARCH 2020 AND UP TO THE DATE OF THIS STATEMENT. THIS OVERVIEW TAKES GUIDANCE FROM THE KEY CORPORATE GOVERNANCE PRINCIPLES AS SET OUT IN THE MALAYSIAN CODE ON CORPORATE GOVERNANCE (“MCCG”).

The Corporate Governance Overview Statement is made pursuant to Rule 15.25(1) of the ACE Market Listing Requirements (“Listing Requirements”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) and guidance was drawn from Practice Note 9 of Bursa Securities’ Listing Requirements and the Corporate Governance Guide (3rd Edition) issued by Bursa Securities.

The overview statement is to be read together with the CG Report 2020 (“CG Report”) of the Company which is available on the Company’s website at [www.sdsgroups.com](http://www.sdsgroups.com). The detailed explanation on the application of the corporate governance practices are reported under the CG Report.

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

### PART I - BOARD RESPONSIBILITIES

The Board is collectively responsible for the long-term success of the Group and delivery of sustainable value to its stakeholders. In discharging its fiduciary duties and leadership functions, the Board sets the strategic direction for the Group, and ensures effective leadership through oversight of Management and robust monitoring of the activities and performance in the Group.

The Board recognises the key role it plays in charting the strategic direction of the Group and has assumed the following principal responsibilities in discharging its fiduciary duties:

- (a) Reviewing and adopting a strategic plan for the Company, addressing the sustainability of the Group’s business;
- (b) Overseeing the conduct of the Group’s businesses and evaluating whether or not its businesses are being properly managed;
- (c) Identify principal business risks faced by the Company and ensuring the implementation of appropriate internal controls and mitigating measures to address such risks;
- (d) Reviewing the adequacy and integrity of the Company’s internal control and management information systems;
- (e) Carrying out periodic review of the Group’s financial performance and operating results and major capital commitments; and
- (f) Reviewing and approving any major corporate proposals, new business ventures or joint ventures of the Company.

The Executive Directors are responsible for implementing policies of the Board, overseeing the Group’s operations and developing the Group’s business strategies for the Board’s review and adoption. The Independent Directors fulfil a pivotal role in corporate accountability by providing independent views, advices and judgement to enable a balanced and unbiased decision-making process in safeguarding shareholders’ interest.

To ensure the effective discharge of its function and responsibilities, the Board has delegated specific responsibilities to the following Committees:

- (a) Audit Committee (“AC”)
- (b) Nominating Committee (“NC”)
- (c) Remuneration Committee (“RC”)
- (d) Risk Management Committee (“RMC”)

All committees have written terms of reference. The Chairman of the respective Committees will report to the Board the outcome of the Committees meetings for the Board’s considerations and approvals and extracts of such reports are incorporated in the minutes of the Board meetings. The Board retains full responsibility for the direction and control of the Company.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

### PART I - BOARD RESPONSIBILITIES (CONT'D)

#### Chairman and CEO

The positions of the Chairman and the Chief Executive Officer are held by different individuals to ensure an appropriate balance of roles, responsibilities and accountability. Our Chairman, Mr. Lim Pang Kiam is an Independent Non-Executive Director and manages the Board by focusing on strategy, governance and compliance. As Chairman, he is responsible for ensuring the adequacy and effectiveness of the Board's governance process and acts as a facilitator at Board meetings to ensure that contributions from Directors are forthcoming on matters being deliberated and that no Board member dominates discussion.

The Managing Director, Mr. Tan Kim Seng is assisted by three (3) Executive Directors namely Mr. Tan Kim Chai, Mr. Tan Yon Haw and Mr. Tan Kee Jin. The Managing Director is responsible for managing and supervising the day-to-day business operations in accordance with the Group's strategies, policies and business plans approved by the Board. The distinct and separate roles of the Chairman and Managing Director, with their clear division of responsibilities, ensure a balance of power and authority, such that no one individual has unfettered decision-making powers.

The Independent Non-Executive Directors, who comprise half of the Board's size, are responsible for providing insights, unbiased and independent views, advice and judgement to the Board and also ensuring effective checks and balances on Board's decisions. Independent Non-Executive Directors are essential for protecting the interests of shareholders, in particular minority shareholders, and can make significant contributions to the Company's decision making by bringing in the quality of detached impartiality.

#### Qualified and Competent Company Secretaries

Directors have unrestricted access to the advice and services of the Company Secretaries to enable them to discharge their duties effectively. The Board is regularly updated and advised by the Company Secretaries who are qualified in accordance with the requirements of the Companies Act, 2016, experienced and competent on statutory and regulatory requirements, and the resultant implications of any changes therein to the Company and Directors in relation to their duties and responsibilities.

#### Access to information and advice

The Board recognises that the decision-making process is highly contingent on the quality of information furnished. As such, all Directors have unrestricted access to any information pertaining to the Company and the Group. All the Directors are supplied with relevant information and reports on financial, operational, corporate, regulatory, business development and audit matters, by way of Board reports or upon specific requests, for decisions to be made on an informed basis and effective discharge of Board's responsibilities.

The Executive Directors and/or other relevant Board members will furnish comprehensive explanation on pertinent issues and recommendations by Management. The issues are then deliberated and discussed thoroughly by the Board prior to decision making.

External advisers are invited to attend meetings to provide insights and professional views, advice and explanation on specific items on the meeting agenda, when required. If necessary, the Board will invite the Key Senior Management team to participate at the Board meetings to enable all Board members to have equal access to the latest updates and developments of business operations of the Group.

All proceedings at the Board meetings are minuted and signed by the Chairman of the meetings. Every Director also has unhindered access to the advice and services of the Company Secretaries as and when required to enable them to discharge their duties effectively.



## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

### PART I - BOARD RESPONSIBILITIES (CONT'D)

#### Board Charter

The Board is guided by a Board Charter which sets out the principles governing the Board of Directors of the Company and adopts the principles of good governance and practice in accordance with applicable laws, rules and regulations in Malaysia. The Board Charter also sets out the respective roles and responsibilities of the Board, board committees, individual directors and Management, issues and decisions reserved for the Board.

The Board will review the Board Charter from time to time to ensure that the Board Charter remains consistent with the Board's objectives, current law and practices.

The Board Charter is published on the Company's corporate website at [www.sdsgroups.com](http://www.sdsgroups.com).

#### Whistle-Blowing Policy

The Board has in place a Whistle Blowing Policy and serve as a platform and laid out the procedures for employees to raise genuine concerns about any suspected and/or known unethical behaviour, malpractices, illegal acts or failure to comply with regulatory requirements that is taking place and/or has taken place and/or may take place in the future at the earliest opportunity, without being subject to victimisation, harassment or discriminatory treatment.

The Whistle Blowing Policy sets out the protection to any reporting individual who has made the disclosure or report in good faith, the confidentiality and safeguarding in dealing with such disclosure or report, the communication channel and the procedural flow of making the disclosure or report.

#### Anti-Bribery and Anti-Corruption Policy

The Board is mindful of the provisions of Section 17A of the MACC Act and had adopted the Anti-Bribery and Anti-Corruption Policy on 28 May 2020.

The Board Charter, Whistle-Blowing Policy and Anti-Bribery and Anti-Corruption Policy are made available for reference on the Group's website at [www.sdsgroups.com](http://www.sdsgroups.com).

### PART II - BOARD COMPOSITION

#### Board Composition and Balance

The Company is led by an experienced Board with diverse background in business and financial experience, and skills which are vital for the continued progress and success of the Group.

The Board consists of eight (8) members and comprising four (4) Executive Directors and four (4) Independent Non-Executive Directors. This composition of the Board fulfills the requirements as set out under the Listing Requirements of Bursa Securities which stipulate that at least two (2) Directors or one-third of the Board, whichever is higher must be independent.

The Directors play an active role in the Board's decision-making process, offering vast experience and knowledge as well as independence and objectivity, acting in the best interests of the Company. All Independent Non-Executive Directors are independent from the management and free from any relationship with any Director and/or major shareholder of the Group.

The Directors, with their diverse backgrounds and specialisations, collectively bring with them a wide range of experience and expertise in areas such as manufacturing, finance, accounting and audit, legislative and administration, corporate governance, risk management and internal audit, as well as marketing and operations. The profiles of the members of the Board are provided in this Annual Report.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

### PART II - BOARD COMPOSITION (CONT'D)

#### Tenure of Independent Non-Executive Directors

Currently, none of our Independent Non-Executive Directors has served the Board for a cumulative term of (9) years.

In accordance with the Company's Constitution, all the Directors shall retire from office, and at the annual general meeting in every subsequent year, one-third of the Directors for the time being or, if their number is not a multiple of three, then the number nearest to but not exceeding one-third shall retire from office and be eligible for re-election, and all Directors including, the Managing Director, shall retire from office once at least in each three (3) years but shall be eligible for re-election. A retiring Director shall retain office until the close of the meeting at which he retires.

#### Diverse Board and Senior Management Team

The appointments of our Board members and Senior Management are made based on merit, in the context of diversity in skills, experience, age, background, gender, ethnicity and other factors which is in the best interests of our Group.

The composition of the Board which comprises eight (8) members is as follows:

AGE GROUP		GENDER		ETHNICITY	
31 - 40	1	Male	7	Malay	1
41 - 50	3				
51 - 60	2	Female	1	Chinese	7
61 - 70	2				

#### Gender Diversity Policy

Although the Group does not have a written policy on the gender diversity, the Board is supportive of diversity in gender, ethnicity and age as such diversification would enlarge the pool of skills, talents, perspective and ideas within the Board. The Group is an equal opportunity employer and does not practise discrimination of any form, whether based on age, gender, race and religion, throughout the organisation.

The evaluation of the suitability of candidates as the new Board member or as a member of the workforce is based on the candidates' competency, skills, character, time commitment, knowledge, experience and other qualities in meeting the needs of the Group, regardless of gender.

#### Directors' Commitment

To facilitate the Directors' time planning, the annual meeting calendar is prepared and discussed in advance during Boards meeting. The calendar provides Directors with scheduled dates for Board meetings, Board Committees meetings and Annual General Meeting ("AGM").

The Board ordinarily meets at least four (4) times a year to review the operations, financial performance, reports from the various Board Committees and other significant matters of the Group. Additional meetings will also be convened when urgent and important decisions are required to be made in between scheduled meetings.

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

### PART II - BOARD COMPOSITION (CONT'D)

#### Directors' Commitment (cont'd)

During the financial year ended 31 March 2020, the Directors recorded full attendance at Board and Committees meetings as follows:

Executive Directors	Board	AC	NC	RC	RMC
Tan Kim Seng	3/3	-	-	-	-
Tan Kim Chai	3/3	-	-	-	-
Tan Yon Haw	3/3	-	-	-	-
Tan Kee Jin	3/3	-	-	-	-
Independent Non-Executive Directors					
Lim Pang Kiam	3/3	3/3	-	1/1	-
Phang Sze Fui	3/3	3/3	-	-	-
Azahar bin Baharudin	3/3	3/3	-	1/1	-
Dato' Albert Ding Choo Earn	3/3	3/3	-	1/1	-

 Chairman  Member

The Board is satisfied with the time commitment given by the Directors and is confident that the Directors are able to devote sufficient time commitment to their roles and responsibilities as Directors of the Company.

#### Nominating Committee

The NC is entrusted to assess the adequacy and appropriateness of the Board composition, identify and recommend suitable candidates for Board membership and also to assess annually the performance of the Directors, succession plans and Board diversity, including gender, age and ethnicity diversity, training courses for Directors and other qualities of the Board, including core-competencies, which the Independent Non-Executive Directors should bring to the Board. The Board has the ultimate responsibility of making the final decision on the appointment of new Directors.

In searching for suitable candidates, the Board may receive suggestions from existing Board Members, Management, and major shareholders. The Board is also open to referrals from external sources available, such as industry and professional associations, as well as independent search firms.

The current composition of NC comprises of three (3) members, all of whom are Independent Non-Executive Directors. The NC is chaired by Mr. Lim Pang Kiam, our Independent Non-Executive Chairman.

The terms of reference of NC are available for reference at the Company's website at [www.sdsgrgroups.com](http://www.sdsgrgroups.com).

The Board is mindful of the importance for its members to undergo continuous education and training programmes to be apprised of the changes to regulatory requirements and the impact such regulatory requirements have on the Group.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

### PART II - BOARD COMPOSITION (CONT'D)

#### Nominating Committee (cont'd)

All Directors of the Company have completed the Mandatory Accreditation Programme as required by the Listing Requirements of Bursa Securities. During the financial year under review, the trainings attended by the Directors included briefings, seminars, workshops and conferences conducted by the relevant regulatory authorities and professional bodies. Details of the training programmes attended/participated by the Directors are as follows:

Director	Programme	Date
Tan Kim Seng	Mandatory Accreditation Programme for Directors of PLCs	26-27 June 2019
Tan Kim Chai	Mandatory Accreditation Programme for Directors of PLCs	26-27 June 2019
Tan Yon Haw	Mandatory Accreditation Programme for Directors of PLCs	26-27 June 2019
Tan Kee Jin	Mandatory Accreditation Programme for Directors of PLCs	26-27 June 2019
	Session on Corporate Governance & Anti-Corruption by Bursa Malaysia and Securities Commission	31 October 2019
Lim Pang Kiam	MIA's Engagement Session with Audit Committee Members on Integrated Reporting	30 April 2019
	Technology Impact on Finance (Blockchain) – by CIMA	11 June 2019
	Stakeholder Engagement Session “Opportunities for Accountants in ASEAN” - by MIA	18 June 2019
	Bursa Malaysia Thought Leadership Series: Building Corporate Longevity by Erik Vermeulen	26 June 2019
	When Disruption Meets Tradition by Erik Vermeulen - ICDM PowerTalk #4	27 June 2019
	Sustainability by Design: Practical Steps for Malaysian Businesses organised by Digi	17 September 2019
	Session on Corporate Governance & Anti-Corruption by Bursa Malaysia and Securities Commission	31 October 2019
	Securities Commission Malaysia's Audit Oversight Board Conversation with Audit Committees	8 November 2019
	Adequate procedure: The Director's Response to Individual Liability-ICDM PowerTalk #9	9 March 2020
Phang Sze Fui	Going IPO/RTO – Why list and what does it take to get listed	26 April 2019
	JOURNEY ON BOARD - Stepping Up to Make a True Impact	2 July 2019
	Risk Management	19 August 2019
	Share Buy-back – Linking Listing Requirements, Companies Act 2016, Insider Trading Laws and Code on Take-Over & Merger 2016	18 September 2019
	Evaluating Effective Internal Audit Function – AC's Guide on how to	17 October 2019
	Key Disclosure Obligations of a Listed Company	5 December 2019
Azahar bin Baharuddin	Corporate Liability Provision - MACC Amendment Act 2018	15 November 2019
Dato' Albert Ding Choon Earn	Mandatory Accreditation Programme for Directors of PLCs	11-12 April 2019



## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

### PART II - BOARD COMPOSITION (CONT'D)

#### Annual Assessment

The Board conducted an annual assessment to evaluate the effectiveness of the Board and the Board Committees through the NC for the financial year ended 31 March 2020. Each Director completed separate evaluation questionnaires regarding the processes of the Board and its Committees, their effectiveness and where improvements could be considered.

Based on the annual assessment conducted on 26 June 2020, the NC was satisfied in its annual assessment of the effectiveness of our Board as a whole and its' Committee. Following an assessment and recommendation by the NC, the Board is of the opinion that the independence of the existing Independent Non-Executive Directors remains unimpaired and their judgement over business dealings of the Company has not been influenced by the interest of the other Directors or substantial shareholders.

All assessments and evaluations carried out will be documented and minuted by the Company Secretary. The results of all assessment and comments by Directors are summarised and deliberated at the NC meeting and thereafter reported to the Board for deliberation.

### PART III - REMUNERATION

The current composition of RC comprises of three (3) members, all of whom are Independent Non-Executive Directors and is chaired by En. Azahar bin Baharudin.

The terms of reference of RC are available for reference at the Company's website at [www.sdsgrgroups.com](http://www.sdsgrgroups.com).

The RC oversees the remuneration of directors. The remuneration for directors is in line with the Board's aim to retain, attract and reward talent based on industry benchmarks. The remuneration packages for Executive Directors and Senior Management are linked to performance, qualifications, experience and scope of responsibility. As a matter of practice, the Directors concerned abstain from deliberation and voting on their own remuneration at Board Meetings.

In accordance with the Companies Act 2016 ("the Act"), payment of directors' fees and benefits shall be approved at a general meeting. The Board shall seek shareholders' approval at the upcoming AGM for the payment of directors' fees and benefits for the directors of the Group for the financial year 31 March 2020. The total remuneration of the Directors on a named basis whose remuneration falls into each successive bands of RM50,000 are set out under Practice 7.1 of the CG Report 2020.

The Board is of the view that the disclosure of the Senior Management's remuneration components will not be in the best interest of the Group given the competitive human resources environment as such disclosure may give rise to talent recruitment and retention issue. Also premised on the confidentiality of the remuneration package of our Senior Management, the Board has adopted a disclosure of our Senior Management remuneration in bands of RM50,000 on an unnamed basis.

## PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

### PART I - AUDIT COMMITTEE

In assisting the Board to discharge its duties on financial reporting, the Board has established an AC, comprising wholly Independent Non-Executive Directors with Ms. Phang Sze Fui as the Committee Chairperson. The members of the AC collectively are financially literate and are qualified to discharge their duties and responsibilities set out in its' Terms of Reference. They constantly keep abreast of relevant changes to financial reporting standards and pertinent issues which have a significant impact on financial statements through regular updates from the external auditors and membership in professional bodies.

The AC assesses the suitability and independence of the external auditors on an annual basis. Areas of assessment including amongst others, the external auditor's objectivity and independence, audit fees, size and competency of the audit team, audit strategy, audit reporting and partner involvement. The inputs/opinions from the Company's personnel who had constantly contacted with the external audit team throughout the year would also be used as a tool in the judgement of the suitability of the external auditor.

The external auditors, in supporting their independence, will provide the AC with a written assurance confirming their independence throughout the conduct of the audit engagement in accordance with the relevant professional and regulatory requirements. The external auditors have provided such declaration in their annual audit plan presented to the AC of the Company during the financial year.

A summary of the activities carried out by the AC is set out in the Audit Committee Report of this Annual Report 2020.

### PART II - RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

The Board has ultimate responsibility for reviewing the Company's risks, approving the risk management framework and policy and overseeing the Company's strategic risk management and internal control framework to achieve its objectives within an acceptable risk profile as well as safeguarding the interest of stakeholders and shareholders and the Group's assets.

The RMC assists the Board in fulfilling its responsibility with respect to evaluating, reviewing and monitoring the Group's risk management framework and activities on on-going basis. The RMC reports to the Board regarding the Group's risk exposures, including review risk assessment model used to monitor the risk exposures and Management's view on the acceptable and appropriate level of risks faced by the Group.

Further information on the Group's risk management and internal control framework is made available in the Statement of Risk Management and Internal Control of this Annual Report 2020.

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

### PART I - COMMUNICATION WITH STAKEHOLDERS

The Board recognises the importance of being transparent and accountable to the Company's shareholders and other stakeholders.

Through its website [www.sdsgroups.com](http://www.sdsgroups.com) and its announcements on Bursa Malaysia's website, the Group shares mandatory public announcements as well as publishes its quarterly and annual results. The quarterly financial results are announced via Bursa LINK immediately after the Board's approval. This is important in ensuring equal and fair access to information by the investing public. The Company also has a dedicated electronic mail, i.e. [info@sdsgroups.com](mailto:info@sdsgroups.com) to which stakeholders can direct their queries or concerns.

The AGM also serves as a principal forum for dialogue with the shareholders where they will be given the opportunity to seek and clarify any issues on the resolutions being proposed and also matters relating to the performance, developments within and the future direction of the Group.

The Annual Report serves to provide a detailed account of SDS's performance for the financial year as well as its business plans and strategies going forward. The Annual Report is sent to shareholders 28 days prior to the AGM in fulfilment of Practice 12.1 of the MCCG. The Notice of AGM and Proxy Form is also sent 28 days prior to the AGM to enable shareholders to have sufficient time to make arrangements to attend, or to send a proxy in their stead.

The Board continues to encourage shareholders to attend and voice their opinions and concerns and to vote accordingly.

### PART II - CONDUCT OF GENERAL MEETINGS

The Company values its AGM as a key shareholder engagement channel. AGMs are conducted in a transparent manner with comprehensive disclosure of financial results, business strategies, the Group's risk factors and its prospects going forward.

Pursuant to the Listing Requirements of Bursa Securities, any resolution set out in the notice of any general meeting, or in any notice of resolution which may properly be moved and is intended to be moved at any general meeting, must be voted by poll. Hence, voting for all resolutions as set out in the Notice of the forthcoming AGM and future general meetings will be conducted by poll. An independent scrutineer will be appointed to validate the votes cast at the general meetings.

Barring unforeseen circumstances, all Directors as well as the Chairman of the respective Board Committees will be present at the forthcoming AGM of the Group to enable the shareholders to raise questions and concerns directly to those responsible.

## COMPLIANCE STATEMENT

Saved as disclosed above, the Board is satisfied that throughout the financial year ended 31 March 2020, the Company has applied the principles and recommendations of the corporate governance set out in MCCG, where necessary and appropriate.

This Statement is made by a resolution of the Directors dated 21 July 2020.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## Introduction

Pursuant to Rule 15.26(b) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, the Board of Directors (“the Board”) of SDS Group Berhad (“SDS” or “the Company”) is pleased to report on its Statement on Risk Management and Internal Control (the “Statement”), which provides an overview of the nature and state of risk management and internal controls of the Company and its subsidiaries (“the Group”) for the financial year ended 31 March 2020. This Statement is guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers and Malaysian Code on Corporate Governance 2017 (“MCCG 2017”).

## Board Responsibility

The Board recognises the importance of good risk management practices and sound internal controls as a platform to good corporate governance. The Board acknowledges its overall responsibility for maintaining a sound system of risk management and internal control, and for reviewing its adequacy and effectiveness to ensure shareholders’ interest and the Group’s assets are safeguarded. The Group’s risk management and internal controls not only covers the financial aspect of the Group, but operational and compliance aspects of the Group system.

Given the inherent limitations in any risk management and internal control system, such a system is designed to manage rather than eliminate risks that may impede the achievement of the Group’s business objectives. Therefore, the risk management and internal control system can only provide reasonable and not absolute assurance against any material misstatement, loss, fraud or irregularities.

## Risk Management

The Board recognised that risk management is an integral part of the Group’s business operation and has, through delegation to the Audit Committee (“AC”) and Risk Management Committee (“RMC”), established an on-going process for identifying, evaluating and managing the significant risks faced by the Group and this process includes enhancing the risk management and internal control system as and when there are changes to the business environment and regulatory requirements. The process is subject to regular reviews by the Board.

The duties and responsibilities of the RMC in relation to risk management are as follows:

1. To oversee and recommend the risk management policies and procedures for our Group;
2. To review and recommend changes as needed to ensure that our Group has in place at all times a risk management policy which addresses the strategic, operational, financial and compliance risks;
3. To implement and maintain a sound risk management framework which identifies, assesses, manages and monitors our Group’s business risks;
4. To set reporting guidelines for management to report to the committee on the effectiveness of our Group’s management of its business risks;
5. To review the risk profile of our Group including all our subsidiaries and to evaluate the measures taken to mitigate the business risks; and
6. To review the adequacy of management response to issues identified in risk registers, ensuring that our risks are managed within our Group’s risk appetite.

The Board has established an enterprise risk management policy which facilitates and enhance the Group’s ability to identify and manage key business risk which the Group may face during its day-to-day management of operations, processes and structures. The Management is responsible for developing procedures and processes which identify, evaluate and monitor key business risks in the operations of the Group. Discussions have been conducted during the year involving different levels of management to identify and address key business risks faced by the Group. These risks were summarised and included in the Group’s risk management assessment report.

The RMC, supported by the IA, provides an independent assessment of the effectiveness of the Group’s Risk Management framework and reports to the Board. This helps to reduce the uncertainties surrounding the Group’s internal and external environment, thus allowing it to maximise opportunities and minimise adverse incidences that may arise.



# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## Internal Audit

The Board is fully aware of the importance of the internal audit function. The Group has engaged an independent professional consulting firm, Sterling Business Alignment Consulting Sdn Bhd ("IA Firm"), which reports to the AC directly and assists the Board and AC in providing an independent assessment on the adequacy, efficiency and effectiveness of the Group's system of internal control.

The IA firm is free from any relationships or conflicts of interest, which could impair its objectivity and independence of the internal audit function. The IA firm does not have any direct operational responsibility or authority over any of the activities audited. The AC is of the opinion that the internal audit functions are effective and able to function independently.

Scheduled internal audits are carried out based on the annual audit plan approved by the AC. The internal auditors align their current internal audit practices with the Committee of Sponsoring Organizations of the Treadway Commission (COSO) internal Controls – Integrated Framework. Using this framework, all internal control assessments performed by IA are based on the internal control elements, scope and coverage.

The assessment of the adequacy and effectiveness of internal controls established in mitigating risks is carried out through interviews and discussion with the Management team, review of relevant established policies and procedures and authority limits, and observing and testing of the internal controls on a sampling basis. The IA firm has presented its audit findings and recommendation together with Management's response and action plans to the AC. Subsequent review will be carried out to follow up on the status of implementation of Management's action plans and report to the AC accordingly.

For the financial year ended 31 March 2020, one (1) internal audit review had been carried out and reported by Internal Auditors:

Name of Entity Audited	Audited Areas
<ul style="list-style-type: none"><li>Daily Bakery Sdn Bhd</li><li>SDS Food Manufacturing Sdn Bhd</li><li>SDS Top Baker Sdn Bhd</li></ul>	<ul style="list-style-type: none"><li>Production Planning Function</li><li>Production and Packing Function</li><li>Quality Assurance Function</li><li>Food Safety Management System Function</li></ul>

## Internal Control

The Board acknowledges that a sound system of internal control reduces, but cannot eliminate the possibility of poor judgement in decision-making, human error, control processes being deliberately circumvented by employees, management overriding controls, and the occurrence of unforeseeable circumstances.

The Management receives and reviews regular reports on key financial data, performance indicators and regulatory matters. This is to ensure that matters requiring the Board's attention are highlighted for review, deliberation and decision making on a timely basis. The Board will approve the appropriate responses or amendments to the Group's policies.

The internal control matters are reviewed and the Board is updated on significant control gaps, if any, for the Board's attention and action. Issues relating to the business operations are also highlighted to the Board's attention during Board meetings and any significant fluctuation or exception noted will be analysed and acted in a timely manner.

Other key elements of the Group's internal control systems are as follows:

- An organisational structure in the Group with clear lines of authority, accountability and responsibility;
- Clearly defined terms of reference, authorities and responsibilities of the various Board committees which include the AC, RMC, Nominating Committee and Remuneration Committee;
- Formalised internal policies and procedures are in place to support the Group in achieving its business objectives. These policies and procedures provide a basis for ensuring compliance with applicable laws and regulations, and also internal controls with respect to the conduct of business;

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## Internal Control (cont'd)

Other key elements of the Group's internal control systems are as follows (cont'd):

- Quarterly review of financial performance by the Board and the AC;
- Active participation and involvement by the Managing Director ("MD") and Executive Directors ("ED") in the day-to-day running of the major businesses and regular discussions with the Management of business units on operational issues;
- Review of internal audit reports and findings by the AC; and
- Monthly management meetings are conducted to review operational and financial performance.

The Group will continue to foster a risk-awareness culture in all decision making and manage all risks in a proactive and effective manner. This is to enable the Group to respond effectively to the changing business and competitive environment.

## Assurance

The Board regularly receives and reviews the report on the effectiveness of the risk management and internal control, and is of the view that it is adequate to safeguard the shareholders' interest and the Group's assets. The role of the Management is to implement the Board's policies and guidelines on risks and controls, to identify and evaluate the risks faced and to operate a suitable system of internal controls to manage these risks.

The Board has obtained assurances from the MD and Chief Financial Officer that the Group's system of Risk Management and Internal Control is operating adequately and effectively for the financial year under review and up to date as of this Statement.

## Review of the Statement by External Auditors

As required by Rule 15.23 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, the External Auditors have reviewed this Statement pursuant to the scope set out in Audit and Assurance Practice Guide ("AAPG") 3: Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysia Institute of Accounts.

AAPG 3 does not require the External Auditors to consider whether this Statement covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system.

Based on their procedures performed, the External Auditors have reported to the Board that nothing has come to their attention that cause them to believe that this Statement is not prepared, in all material aspects, in accordance with the disclosure required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers to be set out, nor is factually inaccurate.

## Conclusion

For the financial year under review, the Board is of the view that the Group's system of internal control and risk management is adequate to safeguard shareholders' investments and the Group's assets. However, the Board is also cognisant of the fact that the Group's system of internal control and risk management practices must continuously evolve to meet the changing and challenging business environment. Therefore, the Board will, when necessary, put in place appropriate action plans to further enhance the Group's system of internal control and risk management framework.

This Statement was approved by the Board on 21 July 2020.

# AUDIT COMMITTEE REPORT

## 1. Membership and Meetings

The Audit Committee (“AC”) comprises of four (4) members of which all are Independent Non-Executive Directors, in compliance with Rule 15.09 of the ACE Market Listing Requirements (“AMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The members of the AC and details of their attendance at the AC Meetings during the financial year ended 31 March 2020 are as follows:

Name	Designation	Directorship	Number of Meeting(s) Attended
Phang Sze Fui ^	Chairperson	Independent Non-Executive	3/3
Lim Pang Kiam ^	Member	Independent Non-Executive	3/3
Azahar bin Baharudin	Member	Independent Non-Executive	3/3
Dato’ Albert Ding Choo Earn	Member	Independent Non-Executive	3/3

^ Member of the Malaysian Institute of Accountants

The AC met three (3) times during the financial year. Other Board members and senior management staff attended the meetings by invitation of the AC. The representatives of internal and external auditors were also present during deliberations of the subjects which required their input and advices.

## 2. Terms of Reference

The Terms of Reference of the AC are aligned with the AMLR of Bursa Securities and recommendations of the Malaysian Code on Corporate Governance. The Terms of Reference will be revised accordingly, to cater for changes, if any. The Terms of Reference is available at the Company’s website at [www.sdsgrps.com](http://www.sdsgrps.com).

## 3. Summary of activities

During the financial year ended 31 March 2020, the AC carried out its duties as set out in its Terms of Reference which included the following:

### 3.1. Financial Reporting

- The AC had reviewed and ensured that the quarterly financial results of the Group complied with the Malaysian Financial Reporting Standards (“MRFS”) and Appendix 9B of the AMLR.
- The AC had reviewed and made recommendation to the Board in respect of the annual Audited Financial Statements of the Company and the Group for the financial year ended 31 March 2020 to ensure that it presented a true and fair view of the Company’s financial position and performance for the year and compliance with all the regulatory requirements.

### 3. Summary of activities (cont'd)

During the financial year ended 31 March 2020, the AC carried out its duties as set out in its Terms of Reference which included the following (cont'd):

#### 3.1. Financial Reporting (cont'd)

- b) The summary of the AC meetings held were as follows:

Date of Meeting	Subject
18 July 2019	Approval of the Audited Financial Statements of the Company for the financial year ended 31 March 2019
27 November 2019	Review of Second Quarter Results ended 30 September 2019
24 February 2020	Review of Third Quarter Results ended 31 December 2019

*[Note: The Company was listed on 7 October 2019]*

#### 3.2. Related Party Transactions

The AC had reviewed on quarterly basis the report of Recurrent Related Party Transactions ("RRPTs") of the Group presented by Management and ensured that these transactions are undertaken in the best interest of the Company, fair, reasonable and on normal commercial terms as well as not detrimental to the interest of the minority shareholders.

#### 3.3. Annual Reporting

The AC had reviewed the AC Report, Statement on Risk Management & Internal Control and Circular on Proposed Renewal of Shareholders' Mandate for RRPTs to ensure adherence to legal and regulatory reporting requirements and recommended the same to the Board for approval.

#### 3.4. External Audit

- a) On 24 February 2020, the AC had received and discussed the Audit Plan for the financial year ended 31 March 2020 presented by Crowe Malaysia PLT.
- b) On 26 June 2020, the AC had received and discussed the Audit Review Memorandum for the financial year ended 31 March 2020 presented by Crowe Malaysia PLT.
- c) The AC deliberated with the External Auditors the emerging financial reporting issues pursuant to the introduction of new accounting standards in particular MFRS 16 on Leases.

#### 3.5. Internal Audit

- a) On 24 February 2020, the AC had received and discussed the Internal Audit Plan for 2020-2023 presented by Sterling Business Alignment Consulting Sdn Bhd.
- b) On 26 June 2020, the AC had received and discussed the Internal Audit Report on the internal control environment of production, planning, packing, quality assurance and food safety management system functions of 3 subsidiaries. The AC had reviewed the results of Internal Audit Report together with the recommendations from the Internal Auditors. The AC considered the Internal Auditors' recommendations taking into account Management's responses.

The AC is of the opinion that it has discharged its duties in accordance with the Terms of Reference.



## 4. Internal Audit Function

The Group's Internal Audit function is outsourced to Sterling Business Alignment Consulting Sdn Bhd who assisted the AC and the Board in providing independent assessment on the adequacy, efficiency and effectiveness of the Group's internal control system. The IA audit processes were mainly:

- To review the adequacy and test the integrity of the system of internal controls;
- To assess compliance with policies and procedures and recommended best practices; and
- To review and identify any potential areas for improvement in the effectiveness and efficiency of the processes (if any).

The Internal Auditor reports directly to the AC. The Internal Auditor is guided by the Professional Practices Framework by the Institute of Internal Auditors. Observations and findings from the audit reviews, including the recommended corrective actions were discussed with the Management. The internal audit report together with the Management's response and proposed corrective action plans were then presented to the AC for their review during the quarterly meetings.

The fees incurred for the outsourcing of the internal audit function for the financial year ended 31 March 2020 was RM15,571.

# ADDITIONAL COMPLIANCE INFORMATION

## AUDIT AND NON-AUDIT FEES

The amount of audit fees and non-audit fees paid or payable to the Company's External Auditors and a firm affiliated to the External Auditors' firm by the Group and the Company for the financial year ended 31 March 2020 are as follows:

	Group RM'000	Company RM'000
Audit services rendered	170	25
Non-audit services rendered	69	5
Total	239	30

## MATERIAL CONTRACTS

There were no material contracts entered into by the Group involving Directors' and major shareholders' interest which were still subsisting as at the end of the financial year or which were entered into since the end of the previous financial period.

## MATERIAL CONTRACTS RELATING TO LOANS

There were no material contracts relating to loans entered into by the Company and its subsidiaries involving Directors', chief executive's and/or major shareholders' interests.

## UTILISATION OF PROCEEDS

The Company carried out its Initial Public Offering ("IPO") exercise in 2019 and was listed on the ACE Market of Bursa Malaysia Securities Berhad on 7 October 2019. Pursuant to the said listing, the Company had successfully raised gross proceeds of RM23.99 million from the issuance of 104,296,800 new ordinary shares in the Company at an issue price of RM0.23 per share. As at 31 March 2020, we have utilised RM18.80 million of the total IPO gross proceeds of RM23.99 million, details of which are as described in the following table:

	Details of Utilisation	Proposed Utilisation RM'000	Actual Utilisation RM'000	Unutilised Amount RM'000	Estimated Timeframe for Utilisation (from the date of listing)
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
	<b>Total</b>	<b>23,988</b>	<b>18,801</b>	<b>5,187</b>	

Note: The utilisation of proceeds disclosed above should be read in conjunction with the Prospectus of the Company dated 23 August 2019.

## RECURRENT RELATED PARTY TRANSACTIONS ("RRPT")

The breakdown of the aggregate value of the RRPT made during the financial year ended 31 March 2020 is as follows:

Nature of RRPTs		Transacting Related Parties		Relationship of Related Parties with SDS Group Berhad ("SDSG")	Aggregate value of RRPT for 31 March 2020 (RM'000)
		Provider	Recipient		
1.	Rental expense of premises	KS Tan Properties Sdn Bhd	SDS Food Manufacturing Sdn Bhd	Tan Kim Seng is Director and Substantial Shareholder of SDSG and KS Tan Properties Sdn Bhd respectively.  Tan Kee Jin is a Director of SDSG and the son of Tan Kim Seng.	46
2.	Rental income of premises	SDS Bakery & Cafeteria Sdn Bhd	KS Tan Properties Sdn Bhd		6
3.	Rental expense of premises	SDS Tan Properties Sdn Bhd	<ul style="list-style-type: none"> <li>SDS Top Baker Sdn Bhd</li> <li>SDS Bakery &amp; Cafeteria Sdn Bhd</li> <li>Daily Bakery Sdn Bhd</li> </ul>	Tan Kim Seng and Tan Kim Chai are Directors and Substantial Shareholders of SDSG and SDS Tan Properties Sdn Bhd respectively.  Tan Kee Jin is a Director of SDSG and the son of Tan Kim Seng.	294
4.	Rental expense of premises	Ng Chau Meng	SDS Top Baker Sdn Bhd	Ng Chau Meng is the spouse of Tan Kim Chai who is Director and Substantial Shareholder of SDSG.	8
5.	Sale of bakery products	Sin Lee Hiang Cake House	Super Arrow Trading Pte. Ltd.	Tan Kim Chai, Tan Kee Jin and Tan Yong Thye are partners of Sin Lee Hiang Cake House.  Tan Kim Chai and Tan Kee Jin are Directors of SDSG.  Tan Kim Chai and Tan Yong Thye are Substantial Shareholders of SDSG.	288

# DIRECTORS' RESPONSIBILITY STATEMENT FOR THE AUDITED FINANCIAL STATEMENTS

(Pursuant to Rule 15.26(a) of the ACE Market Listing Requirements)

The Directors are required by the Companies Act 2016 ("the Act") to prepare the financial statements for each financial year which have been made out in accordance with applicable approved accounting standards in Malaysia.

The Directors are responsible to ensure that the financial statements give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year, and of the results and cash flows of the Group and of the Company for the financial year.

In preparing the financial statements, the Directors have:

- (i) Adopted appropriate accounting policies and applied them consistently;
- (ii) Made judgements and estimates that are reasonable and prudent; and
- (iii) Prepared the financial statements on a going concern basis.

The Directors are responsible to ensure that the Group and the Company keep accounting records which disclose the financial position of the Group and of the Company with reasonable accuracy at any time, thus enabling the financial statements to be complied with the requirements of the Act and have been made out in accordance with applicable Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Listing Requirements of Bursa Securities.

The Directors are responsible for taking such steps as are reasonably open to them to safeguard the assets of the Group and of the Company and to detect and prevent fraud and other irregularities.





# FINANCIAL STATEMENTS

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# DIRECTORS' REPORT

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

## PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding. The principal activities of the subsidiaries are set out in Note 5 to the financial statements.

## RESULTS

	The Group RM'000	The Company RM'000
Profit/(Loss) after tax for the financial year	4,212	(1,804)
Attributable to:-		
Owners of the Company	4,074	(1,804)
Non-controlling interests	138	-
	4,212	(1,804)

## DIVIDEND

No dividend was recommended by the directors for the financial year.

## RESERVES AND PROVISIONS

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

## ISSUES OF SHARES AND DEBENTURES

During the financial year:-

(a) the Company increased its issued and paid-up share capital from RM10 to RM54,560,604 by way of:-

(i) Acquisition of SDS Food Manufacturing Sdn. Bhd. ("SDS Food")

The Company acquired the entire equity interest in SDS Food for a purchase consideration of RM28,994,890 which was wholly satisfied by the issuance of 285,752,600 new ordinary shares of the Company at an issue price of approximately RM0.10 per ordinary share.

(ii) Acquisition of SDS Enterprise Sdn. Bhd. ("SDS Enterprise")

The Company acquired the entire equity interest in SDS Enterprise for a purchase consideration of RM26,360 which was wholly satisfied by the issuance of 263,600 new ordinary shares of the Company at an issue price of RM0.10 per ordinary share.

**ISSUES OF SHARES AND DEBENTURES (CONT'D)**

During the financial year (cont'd):-

(a) the Company increased its issued and paid-up share capital from RM10 to RM54,560,604 by way of (cont'd):-

(iii) Acquisition of Super Arrow Trading Pte. Ltd. ("Super Arrow")

The Company acquired the entire equity interest in Super Arrow for a purchase consideration of RM1,551,080 which was wholly satisfied by the issuance of 15,510,800 new ordinary shares of the Company at an issue price of RM0.10 per ordinary share.

The above acquisitions were completed on 5 July 2019.

(iv) Public Issue

On 3 October 2019, the Company issued 104,296,800 new ordinary shares at an issue price of RM0.23 each per ordinary share for public issue and listing. The issuance of these new ordinary shares has increased the share capital of the Company by RM23,988,264.

The new ordinary shares issued ranked pari passu in all respects with the existing ordinary shares of the Company.

(b) there were no issues of debentures by the Company.

**OPTIONS GRANTED OVER UNISSUED SHARES**

During the financial year, no options were granted by the Company to any person to take up any unissued shares in the Company.

**BAD AND DOUBTFUL DEBTS**

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for impairment losses on receivables, and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for impairment losses on receivables.

At the date of this report, the directors are not aware of any circumstances that would require the further writing off of bad debts, or the making of additional allowance for impairment losses on receivables in the financial statements of the Group and of the Company.

**CURRENT ASSETS**

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ensure that any current assets, which were unlikely to be realised in the ordinary course of business, including their value as shown in the accounting records of the Group and of the Company, have been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements misleading.

# DIRECTORS' REPORT

## VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

## CONTINGENT AND OTHER LIABILITIES

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

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

No contingent or other liability of the Group and of the Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations when they fall due.

## CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

## ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Group and of the Company during the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

## DIRECTORS

The names of directors of the Company who served during the financial year and up to the date of this report are as follows:-

Tan Kim Chai  
Tan Kim Seng  
Azahar Bin Baharudin  
Dato' Albert Ding Choo Earn  
Lim Pang Kiam  
Phang Sze Fui  
Tan Kee Jin  
Tan Yon Haw



## DIRECTORS (CONT'D)

The names of directors of the Company's subsidiaries who served during the financial year and up to the date of this report, not including those directors mentioned above, are as follows:-

Ibrahim Bin Abd. Hamid  
Lee Mok Koon  
Tan Yong Thye  
Teou Chau Hoyk

## DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors holding office at the end of the financial year in shares of the Company and its related corporations during the financial year are as follows:-

The Company	<----- Number of Ordinary Shares ----->			
	At 1.4.2019	Bought	Sold	At 31.3.2020
<i>Direct Interests</i>				
Tan Kim Chai	50	98,885,530	-	98,885,580
Tan Kim Seng	50	99,040,730	-	99,040,780
Azahar Bin Baharudin	-	250,000	-	250,000
Dato' Albert Ding Choo Earn	-	250,000	-	250,000
Lim Pang Kiam	-	250,000	(250,000)	-
Phang Sze Fui	-	250,000	(250,000)	-
Tan Kee Jin	-	1,131,800	-	1,131,800
Tan Yon Haw	-	21,366,970	-	21,366,970
<i>Indirect Interests</i>				
Tan Kim Chai ^	-	4,451,620	-	4,451,620
Tan Kim Seng #	-	4,701,620	-	4,701,620

^ Deemed interested by virtue of his direct substantial shareholding in SDS Tan Properties Sdn. Bhd.

# Deemed interested by virtue of his direct substantial shareholding in SDS Tan Properties Sdn. Bhd. and interest through his son's direct shareholding in the Company.

By virtue of their substantial shareholding in the Company, Tan Kim Chai and Tan Kim Seng are deemed to have interests in shares in its related corporations during the financial year to the extent of the Company's interests, in accordance with Section 8 of the Companies Act 2016.

# DIRECTORS' REPORT

## DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by directors shown in the financial statements, or the fixed salary of a full-time employee of the Company or related corporations) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except for any benefits which may be deemed to arise from transactions entered into in the ordinary course of business with companies in which certain directors have substantial financial interests as disclosed in Note 34(b) to the financial statements.

Neither during nor at the end of the financial year was the Group or the Company a party to any arrangements whose object is to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## DIRECTORS' REMUNERATION

The details of the directors' remuneration paid or payable to the directors of the Group and of the Company during the financial year are disclosed in Note 33(a) to the financial statements.

## INDEMNITY AND INSURANCE COST

During the financial year, there was no indemnity given to or professional indemnity insurance effected for directors, officers or auditors of the Group and of the Company.

## SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 5 to the financial statements.

## SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The significant events during the financial year are disclosed in Note 39 to the financial statements.

## AUDITORS

The auditors, Crowe Malaysia PLT, have expressed their willingness to continue in office.

The details of the auditors' remuneration are disclosed in Note 29 to the financial statements.

Signed in accordance with a resolution of the directors dated 21 July 2020.

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Tan Kim Chai

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Tan Kim Seng

# STATEMENT BY DIRECTORS AND STATUTORY DECLARATION

## STATEMENT BY DIRECTORS

### PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, Tan Kim Chai and Tan Kim Seng, being two of the directors of SDS Group Berhad, state that, in the opinion of the directors, the financial statements set out on pages 62 to 129 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 March 2020 and of their financial performance and cash flows for the financial year ended on that date.

Signed in accordance with a resolution of the directors dated 21 July 2020.

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Tan Kim Chai

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Tan Kim Seng

## STATUTORY DECLARATION

### PURSUANT TO SECTION 251(1)(b) OF THE COMPANIES ACT 2016

I, Tan Kee Meng, MIA Membership Number: 42904, being the officer primarily responsible for the financial management of SDS Group Berhad, do solemnly and sincerely declare that the financial statements set out on pages 62 to 129 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the abovementioned  
Tan Kee Meng, at Johor Bahru  
in the State of Johor  
on this 21 July 2020

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Tan Kee Meng

Before me

**Nur Amreeta Kaur Gubachen Singh**

Commissioner for Oaths

No. J276

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SDS GROUP BERHAD

(Incorporated in Malaysia) Registration No: 201701026951 (1241117-T)

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

We have audited the financial statements of SDS Group Berhad, which comprise the statements of financial position as at 31 March 2020 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 62 to 129.

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

### Basis for Opinion

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

### Independence and Other Ethical Responsibilities

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

### Key Audit Matters

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

Right-of-use assets and lease liabilities Refer to Notes 7 and 18 to the financial statements	
Key Audit Matter	How our audit addressed the key audit matter
<p>We focused on this area due to:-</p> <ul style="list-style-type: none"><li>• Complex accounting requirements underlying the determination of adjustments on transition;</li><li>• Transition adjustments are likely to be subject to scrutiny from investors and/or regulators;</li><li>• Leasing arrangements within the scope of MFRS 16 might not be identified or appropriately included in the calculation; and</li><li>• Due to the significance of the right-of-use assets and lease liabilities and the subjectivity involved, we considered this area to be a Key Audit Matter.</li></ul>	<p>Our procedures included, amongst others:-</p> <ul style="list-style-type: none"><li>• Verifying the accuracy and relevance of the underlying lease data by agreeing a representative sample of leases to tenancy agreements, and checked the integrity and mechanical accuracy of the MFRS 16 calculations for each lease sampled through recalculation of the transition adjustments;</li><li>• Confirming our understanding of management's process and the controls implemented to determine the completeness and accuracy of the transition adjustments;</li><li>• Evaluating the reasonableness of management's key judgements and estimates made in preparing the transition adjustments; and</li><li>• Assessing the appropriateness of lease classification and recognition under MFRS 16.</li></ul>

# **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SDS GROUP BERHAD**

(Incorporated in Malaysia) Registration No: 201701026951 (1241117-T)

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

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.



# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SDS GROUP BERHAD

(Incorporated in Malaysia) Registration No: 201701026951 (1241117-T)

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

**INDEPENDENT AUDITORS' REPORT**  
**TO THE MEMBERS OF SDS GROUP BERHAD**  
(Incorporated in Malaysia) Registration No: 201701026951 (1241117-T)

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiary of which we have not acted as auditors, is disclosed in Note 5 to the financial statements.

**OTHER MATTERS**

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

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**Crowe Malaysia PLT**  
201906000005 (LLP0018817-LCA) & AF 1018  
Chartered Accountants

Johor Bahru

21 July 2020

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**Tan Lin Chun**  
02839/10/2021 J  
Chartered Accountant

# STATEMENTS OF FINANCIAL POSITION

## AT 31 MARCH 2020

	Note	The Group		The Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
ASSETS					
NON-CURRENT ASSETS					
Investments in subsidiaries	5	-	-	30,572	-
Property, plant and equipment	6	86,544	95,527	-	-
Right-of-use assets	7	26,775	-	-	-
Amount owing by subsidiaries	8	-	-	14,272	-
Goodwill	9	162	162	-	-
Deferred tax assets	10	2,405	1,127	-	-
		115,886	96,816	44,844	-
CURRENT ASSETS					
Inventories	11	5,330	5,203	-	-
Trade receivables	12	9,392	9,277	-	-
Other receivables, deposits and prepayments	13	4,539	5,826	218	17
Amount owing by subsidiaries	8	-	-	271	-
Current tax assets		600	998	-	-
Fixed deposits with a licensed bank	14	-	22	-	-
Cash and bank balances		10,457	6,164	6,094	13
		30,318	27,490	6,583	30
TOTAL ASSETS		146,204	124,306	51,427	30

# STATEMENTS OF FINANCIAL POSITION

## AT 31 MARCH 2020

		The Group		The Company	
		2020	2019	2020	2019
	Note	RM'000	RM'000	RM'000	RM'000
<b>EQUITY AND LIABILITIES</b>					
<b>EQUITY</b>					
Share capital	15	53,111	2,750	53,111	*
Reserves	16	11,487	35,472	(1,816)	(12)
Equity attributable to owners of the Company		64,598	38,222	51,295	(12)
Non-controlling interests		552	512	-	-
<b>TOTAL EQUITY</b>		<b>65,150</b>	<b>38,734</b>	<b>51,295</b>	<b>(12)</b>
<b>NON-CURRENT LIABILITIES</b>					
Long-term borrowings	17	26,610	40,521	-	-
Lease liabilities	18	16,539	-	-	-
Other payable	19	-	502	-	-
Deferred tax liabilities	20	2,659	2,112	-	-
Contract liability	21	78	87	-	-
		45,886	43,222	-	-
<b>CURRENT LIABILITIES</b>					
Trade payables	22	17,041	25,389	-	-
Other payables and accruals	19	6,394	7,411	77	42
Amount owing to subsidiaries	23	-	-	32	-
Short-term borrowings	24	2,757	8,792	-	-
Lease liabilities	18	8,380	-	-	-
Bank overdrafts	27	475	458	-	-
Contract liability	21	26	49	-	-
Current tax liabilities		95	251	23	-
		35,168	42,350	132	42
<b>TOTAL LIABILITIES</b>		<b>81,054</b>	<b>85,572</b>	<b>132</b>	<b>42</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>146,204</b>	<b>124,306</b>	<b>51,427</b>	<b>30</b>

\* Denotes amount less than RM500.

# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

	Note	The Group		The Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Revenue	28	191,520	187,129	306	-
Cost of sales		(134,327)	(130,029)	-	-
Gross profit		57,193	57,100	306	-
Other income		1,478	2,404	382	-
Administrative expenses		(13,688)	(13,283)	(284)	(8)
Selling and distribution expenses		(34,280)	(33,213)	-	-
Other operating expenses		(2,465)	(534)	(2,164)	-
Finance costs		(3,240)	(3,172)	-	-
Profit/(Loss) before tax	29	4,998	9,302	(1,760)	(8)
Income tax expense	30	(786)	(1,448)	(44)	-
Profit/(Loss) after tax		4,212	7,854	(1,804)	(8)
Other comprehensive income					
<u>Item that may be reclassified</u>					
<u>subsequently to profit or loss</u>					
Foreign currency translation differences		7	39	-	-
Total comprehensive income/(expenses) for the financial year		4,219	7,893	(1,804)	(8)
<b>PROFIT/(LOSS) AFTER TAX ATTRIBUTABLE TO:-</b>					
Owners of the Company		4,074	7,695	(1,804)	(8)
Non-controlling interests		138	159	-	-
		4,212	7,854	(1,804)	(8)
<b>TOTAL COMPREHENSIVE INCOME/ (EXPENSES) ATTRIBUTABLE TO:-</b>					
Owners of the Company		4,081	7,734	(1,804)	(8)
Non-controlling interests		138	159	-	-
		4,219	7,893	(1,804)	(8)
<b>EARNINGS PER SHARE (SEN)</b>					
Basic / Diluted	31	1.16	2.55		

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



# STATEMENTS OF CHANGES IN EQUITY

## FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

		<-- Non-Distributable -->			Distributable				
The Group	Note	Share Capital RM'000	Merger Deficit RM'000	Foreign Exchange Translation Reserve RM'000	Retained Profits RM'000	Attributable to Owners of the Company		Non-controlling Interests RM'000	Total Equity RM'000
						RM'000	RM'000		
Balance at 1.4.2019		2,750	-	454	35,018	38,222	512		38,734
Initial application of MFRS 16		-	-	-	(244)	(244)	-		(244)
Balance at 1.4.2019 (restated)		2,750	-	454	34,774	37,978	512		38,490
Profit after tax for the financial year		-	-	-	4,074	4,074	138		4,212
Other comprehensive income for the financial year:									
- Foreign currency translation differences		-	-	7	-	7	-		7
Total comprehensive income for the financial year		-	-	7	4,074	4,081	138		4,219
Contributions by and distributions to owners of the Company:									
- Issuance of shares pursuant to acquisitions of subsidiaries	15	30,572	(27,760)	-	(62)	2,750	-		2,750
- Elimination of subsidiaries' share capital	15	(2,750)	-	-	-	(2,750)	-		(2,750)
- Issuance of shares pursuant to public issue	15	23,988	-	-	-	23,988	-		23,988
- Dividends by a subsidiary to non-controlling interests		-	-	-	-	-	(98)		(98)
Total transactions with owners		51,810	(27,760)	-	(62)	23,988	(98)		23,890
Listing expenses	15	(1,449)	-	-	-	(1,449)	-		(1,449)
Balance at 31.3.2020		53,111	(27,760)	461	38,786	64,598	552		65,150

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

# STATEMENTS OF CHANGES IN EQUITY

## FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

The Group	Note	Non-Distributable					Distributable		Attributable to Owners of the Company	Non-controlling Interests	Total Equity
		Share Capital	Foreign Exchange Translation Reserve	Retained Profits	Share Capital	Foreign Exchange Translation Reserve	Retained Profits	Share Capital			
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance at 1.4.2018		2,750	415	27,399	30,564	427	30,991				
Profit after tax for the financial year		-	-	7,695	7,695	159	7,854				
Other comprehensive income for the financial year:											
- Foreign currency translation differences		-	39	-	39	-	39				
Total comprehensive income for the financial year		-	39	7,695	7,734	159	7,893				
Distributions to owners of the Company:											
- Dividends by a subsidiary prior to the acquisition		-	-	(76)	(76)	(74)	(150)				
Balance at 31.3.2019		2,750	454	35,018	38,222	512	38,734				

Merger accounting has been adopted in respect of the acquisitions of subsidiaries as disclosed in Note 39.1 to the financial statements. The Group's comparatives have been presented on the combined basis that the business had been effected from the earliest period presented.

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

## STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

The Company	Note	Share Capital RM'000	Accumulated Losses RM'000	Total Equity RM'000
Balance at 1.4.2018		*	(4)	(4)
Loss after tax/Total comprehensive expenses for the financial year		-	(8)	(8)
Balance at 31.3.2019/1.4.2019		*	(12)	(12)
Loss after tax/Total comprehensive expenses for the financial year		-	(1,804)	(1,804)
Contributions by owners of the Company:				
- Issuance of shares pursuant to:				
- acquisitions of subsidiaries	15	30,572	-	30,572
- public issue	15	23,988	-	23,988
Total transactions with owners		54,560	-	54,560
Listing expenses	15	(1,449)	-	(1,449)
Balance at 31.3.2020		53,111	(1,816)	51,295

\* Denotes amount less than RM500.

# STATEMENTS OF CASH FLOWS

## FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

	The Group		The Company	
	2020	2019	2020	2019
Note	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES				
Profit/(Loss) before tax	4,998	9,302	(1,760)	(8)
Adjustments for:-				
Allowance for impairment losses on trade receivables	74	121	-	-
Bad debts written off	13	*	-	-
Depreciation of property, plant and equipment	7,487	11,132	-	-
Depreciation of right-of-use assets	8,328	-	-	-
Impairment loss on property, plant and equipment	-	273	-	-
Interest expense on lease liabilities	1,674	-	-	-
Other interest expense	1,566	3,172	-	-
Gain on foreign exchange - unrealised	(4)	(12)	-	-
Property, plant and equipment written off	4	-	-	-
Gain on disposal of assets classified as held for sale	-	(1,972)	-	-
Loss/(Gain) on disposal of property, plant and equipment	68	(128)	-	-
Gain on lease termination	(82)	-	-	-
Interest income	(142)	(1)	(382)	-
Dividend income	-	-	(306)	-
Operating profit/(loss) before working capital changes	23,984	21,887	(2,448)	(8)
Increase in inventories	(127)	(547)	-	-
Decrease/(Increase) in trade and other receivables	1,436	(1,640)	(201)	(17)
(Decrease)/Increase in trade and other payables	(9,820)	1,501	75	(2)
Increase in amount owing to subsidiaries	-	-	32	-
Decrease in amount owing to directors	-	(1)	-	-
(Decrease)/Increase in contract liability	(32)	62	-	-
CASH FROM/(FOR) OPERATIONS	15,441	21,262	(2,542)	(27)
Income tax paid	(2,193)	(1,949)	(21)	-
Income tax refunded	995	592	-	-
NET CASH FROM/(FOR) OPERATING ACTIVITIES	14,243	19,905	(2,563)	(27)

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

# STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

		The Group		The Company	
		2020	2019	2020	2019
	Note	RM'000	RM'000	RM'000	RM'000
CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES					
Addition to right-of-use assets	32(a)	(450)	-	-	-
Advances to subsidiaries		-	-	(14,272)	
Deposit paid for future purchase of property, plant and equipment		(424)	-	-	-
Dividend received		-	-	306	-
Interest received		142	1	111	-
Proceeds from disposal of assets classified as held for sale		-	4,900	-	-
Proceeds from disposal of property, plant and equipment					
- current financial year		128	223	-	-
- previous financial year		-	4,579	-	-
Purchase of property, plant and equipment	32(a)	(11,356)	(5,700)	-	-
Withdrawal of pledged fixed deposits with a licensed bank		-	82	-	-
NET CASH (FOR)/FROM INVESTING ACTIVITIES		(11,960)	4,085	(13,855)	-
CASH FLOWS FROM/(FOR) FINANCING ACTIVITIES					
Dividend paid		(98)	(150)	-	-
Drawdown of term loans	32(b)	2,346	3,600	-	-
Drawdown of bankers' acceptance	32(b)	2,348	14,443	-	-
Interest paid		(3,240)	(3,172)	-	-
Payment of listing expenses		(1,449)	-	(1,449)	-
Proceeds from issuance of shares		23,988	-	23,988	-
Repayment of bankers' acceptance	32(b)	(3,296)	(21,324)	-	-
Repayment of hire purchase obligations	32(b)	-	(6,066)	-	-
Repayment of lease liabilities	32(b)	(15,829)	-	-	-
Repayment of loan from other payable	32(b)	-	(7,108)	-	-
Repayment of term loans	32(b)	(2,811)	(3,168)	-	-
(Repayment to)/Advances from other payable		-	-	(40)	40
NET CASH FROM/(FOR) FINANCING ACTIVITIES		1,959	(22,945)	22,499	40
Net increase in cash and cash equivalents		4,242	1,045	6,081	13
Effect of foreign exchange translation		12	49	-	-
Cash and cash equivalents at beginning of the financial year		5,728	4,634	13	*
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR		32(d)	9,982	6,094	13

\* Denotes amount less than RM500.

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



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

### 1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The registered office and principal place of business are as follows:-

Registered office	: 5-9A, The Boulevard Offices Mid Valley City Lingkaran Syed Putra 59200 Kuala Lumpur
Principal place of business	: 5, Jalan Selatan 8 Off Jalan Kempas Lama Kawasan Perusahaan Ringan Pulau 81200 Johor Bahru Johor

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 21 July 2020.

### 2. PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding. The principal activities of the subsidiaries are set out in Note 5 to the financial statements.

### 3. BASIS OF PREPARATION

The financial statements of the Group are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

- 3.1 During the current financial year, the Group has adopted the following new applicable accounting standards and/or interpretation (including the consequential amendments, if any):-

#### **MFRSs and/or IC Interpretation (Including The Consequential Amendments)**

MFRS 16 Leases

IC Interpretation 23 Uncertainty Over Income Tax Treatments

Annual Improvements to MFRS Standards 2015 – 2017 Cycles

The adoption of the above accounting standards and/or interpretation (including the consequential amendments, if any) did not have any material impact on the Group's financial statements except as follows:-

#### **MFRS 16: Leases**

MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaced the previous guidance on lease accounting. 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 lease assets and the related lease obligations in the statement of financial position (with limited exceptions) as right-of-use assets and lease liabilities respectively. The right-of-use assets are subject to depreciation and the interest on lease liabilities are calculated using the effective interest method. The impacts on the financial statements of the Group upon its initial application of MFRS 16 are disclosed in Note 40 to the financial statements.

## 3. BASIS OF PREPARATION (CONT'D)

- 3.2 The Group has not applied in advance the following applicable accounting standards (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the current financial year:-

<b>MFRSs (Including The Consequential Amendments)</b>	<b>Effective Date</b>
Amendments to MFRS 3: Definition of a Business	1 January 2020
Amendments to MFRS 3: Reference to the Conceptual Framework	1 January 2022
Amendments to MFRS 9, MFRS 139 and MFRS 7: Interest Rate Benchmark Reform	1 January 2020
Amendment to MFRS 16: COVID-19-Related Rent Concessions	1 June 2020
Amendments to MFRS 101 and MFRS 108: Definition of Material	1 January 2020
Amendments to MFRS 101: Classification of Liabilities as Current or Non-current	1 January 2022
Amendments to MFRS 116: Property, Plant and Equipment - Proceeds before Intended Use	1 January 2022
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
Annual Improvements to MFRS Standards 2018 - 2020	1 January 2022

The adoption of the above accounting standards (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Group upon their initial application.

## 4. SIGNIFICANT ACCOUNTING POLICIES

### 4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

#### *Key Sources of Estimation Uncertainty*

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year other than as disclosed below:-

#### **(a) Depreciation of Property, Plant and Equipment**

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions. The Group anticipates that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

#### **(b) Income Taxes**

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax expense and deferred tax balances in the year in which such determination is made.

#### **(c) Deferred Tax Assets**

Deferred tax assets are recognised for all unabsorbed capital allowances and reinvestment allowance to the extent that it is probable that future taxable profits would be available against which the unabsorbed capital allowances and reinvestment allowance could be utilised. Management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the assessment of the probability of the future taxable profits.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

#### *Critical Judgements Made in Applying Accounting Policies*

Management believes that there are no instances of application of critical judgement in applying the Group's accounting policies which will have a significant effect on the amounts recognised in the financial statements other than as disclosed below:-

#### **(a) Lease Terms**

Some leases contain extension options exercisable by the Group before the end of the non-cancellable contract period. In determining the lease term, management considers all facts and circumstances including the past practice and any cost that will be incurred to change the asset if an option to extend is not taken. An extension option is only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

In determining the incremental borrowing rate of the respective leases, the Group first determines the closest available borrowing rates before using significant judgement to determine the adjustments required to reflect the term, security, value or economic environment of the respective leases.

#### **(b) Coronavirus Disease 2019 (COVID-19)**

The current outbreak of COVID-19 has resulted in the occurrence of a multitude of associated events such as temporarily closing of businesses, travel restrictions and quarantine measures across the globe. These measures and policies affect supply chains and the production of goods and services and lower economic activity which is likely to result in reduced demand for the Group's goods and services. The Group exercises judgement, in light of all facts and circumstances, to assess what event in this series of events provides additional evidence about the condition that existed at the reporting date.

### 4.2 BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of the reporting period.

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

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intragroup transactions, balances, income and expenses are eliminated on consolidation. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 4.2 BASIS OF CONSOLIDATION (CONT'D)

#### (a) Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Group at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss when incurred.

In a business combination achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

#### (b) Merger Accounting for Common Control Business Combinations

A business combination involving entities under common control is a business combination in which all the combining entities or subsidiaries are ultimately controlled by the same party and parties both before and after the business combination, and that control is not transitory.

Subsidiaries acquired which have met the criteria for pooling of interest are accounted for using merger accounting principles. Under the merger method of accounting, the results of the subsidiaries are presented as if the merger had been effected throughout the current financial year.

The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. No amount is recognised in respect of goodwill and excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets and liabilities and contingent liabilities over cost at the time of the common control business combination to the extent of the continuation of the controlling party and parties' interests.

When the merger method is used, the cost of investment in the Company's books is recorded at the nominal value of shares issued. The difference between the carrying value of the investment and the nominal value of the shares of the subsidiaries is treated as a merger deficit or merger reserve as applicable. The results of the subsidiaries being merged are included for the full financial year.

#### (c) Non-controlling Interests

Non-controlling interests are presented within equity in the consolidated statements of financial position, separately from the equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

#### (d) Changes in Ownership Interests in Subsidiaries Without Change of Control

All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in the equity of the Group.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 4.2 BASIS OF CONSOLIDATION (CONT'D)

#### (e) Loss of Control

Upon the loss of control of a subsidiary, the Group recognises any gain or loss on disposal in profit or loss which is calculated as the difference between:-

- (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary; and
- (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the former subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the former subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of (i.e. reclassified to profit or loss or transferred directly to retained profits). The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value of the initial recognition for subsequent accounting under MFRS 9 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

### 4.3 GOODWILL

Goodwill is measured at cost less accumulated impairment losses, if any. The carrying value of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. The impairment value of goodwill is recognised immediately in profit or loss. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Under the acquisition method, any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interests recognised and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities at the date of acquisition is recorded as goodwill.

Where the latter amount exceeds the former, after reassessment, the excess represents a bargain purchase gain and is recognised in profit or loss immediately.

### 4.4 FUNCTIONAL AND FOREIGN CURRENCIES

#### (a) Functional and Presentation Currency

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency.

The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is the Group's functional and presentation currency and has been rounded to the nearest thousand, unless otherwise stated.

#### (b) Foreign Currency Transactions and Balances

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the exchange rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss.



## 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 4.4 FUNCTIONAL AND FOREIGN CURRENCIES (CONT'D)

#### (c) Foreign Operations

Assets and liabilities of foreign operations (including any goodwill and fair value adjustments arising on acquisition) are translated to the Group's presentation currency at the exchange rates at the end of the reporting period. Income, expenses and other comprehensive income of foreign operations are translated at exchange rates at the dates of the transactions. All exchange differences arising from translation are taken directly to other comprehensive income and accumulated in equity; attributed to the owners of the Company and non-controlling interests, as appropriate.

Goodwill and fair value adjustments arising from the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the end of the reporting period.

### 4.5 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the statements of financial position when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual arrangement and their definitions in MFRS 132. Interest, dividends, gains and losses relating to a financial instrument classified as liability are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially at its fair value (other than trade receivables without significant financing component which are measured at transaction price as defined in MFRS 15 – Revenue from Contracts with Customers at inception). Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

Financial instruments recognised in the statements of financial position are disclosed in the individual policy statement associated with each item.

#### (a) Financial Assets

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value (through profit or loss, or other comprehensive income), depending on the classification of the financial assets.

##### *Debt Instruments*

##### (i) Amortised Cost

The financial asset is held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset. When the asset has subsequently become credit-impaired, the interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 4.5 FINANCIAL INSTRUMENTS (CONT'D)

#### (a) Financial Assets (cont'd)

##### *Debt Instruments (cont'd)*

##### (i) Amortised Cost (cont'd)

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), excluding expected credit losses, through the expected life of the financial asset or a shorter period (where appropriate).

##### (ii) Fair Value through Other Comprehensive Income

The financial asset is held for both collecting contractual cash flows and selling the financial asset, where the asset's cash flows represent solely payments of principal and interest. Movements in the carrying amount are taken through other comprehensive income and accumulated in the fair value reserve, except for the recognition of impairment, interest income and foreign exchange difference which are recognised directly in profit or loss. Interest income is calculated using the effective interest rate method.

##### (iii) Fair Value through Profit or Loss

All other financial assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss.

The Group reclassifies debt instruments when and only when its business model for managing those assets change.

##### *Equity Instruments*

All equity investments are subsequently measured at fair value with gains and losses recognised in profit or loss except where the Group has elected to present the subsequent changes in fair value in other comprehensive income and accumulated in the fair value reserve at initial recognition.

The designation at fair value through other comprehensive income is not permitted if the equity investment is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise.

Dividend income from this category of financial assets is recognised in profit or loss when the Group's right to receive payment is established unless the dividends clearly represent a recovery of part of the cost of the equity investments.

#### (b) Financial Liabilities

##### (i) Financial Liabilities at Fair Value through Profit or Loss

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. The changes in fair value of these financial liabilities are recognised in profit or loss.

## **4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

### **4.5 FINANCIAL INSTRUMENTS (CONT'D)**

#### **(b) Financial Liabilities (cont'd)**

##### **(ii) Other Financial Liabilities**

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), through the expected life of the financial liability or a shorter period (where appropriate).

#### **(c) Equity Instruments**

Equity instruments classified as equity are measured initially at cost and are not remeasured subsequently.

Ordinary shares are classified as equity and recorded at the proceeds received, net of directly attributable transaction costs.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

#### **(d) Derecognition**

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the carrying amount of the asset and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of a debt instrument classified as fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity to profit or loss. In contrast, there is no subsequent reclassification of the fair value reserve to profit or loss following the derecognition of an equity investment.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

### **4.6 INVESTMENTS IN SUBSIDIARIES**

Investments in subsidiaries are stated at cost in the statement of financial position of the Company, and are reviewed for impairment at the end of the reporting period if events or changes in circumstances indicate that the carrying values may not be recoverable. The cost of the investments includes transaction costs.

On the disposal of the investments in subsidiaries, the difference between the net disposal proceeds and the carrying amount of the investments is recognised in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 4.7 PROPERTY, PLANT AND EQUIPMENT

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that are directly attributable to the acquisition of the asset and other costs directly attributable to bringing the asset to working condition for its intended use.

Subsequent to initial recognition, all property, plant and equipment, other than freehold land, are stated at cost less accumulated depreciation and any impairment losses. Freehold land is stated at cost less any impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Freehold land is not depreciated. Depreciation on other property, plant and equipment is charged to profit or loss (unless it is included in the carrying amount of another asset) on a straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:-

Leasehold land	Not applicable (2019 - Over the remaining lease period)
Buildings	2%
Motor vehicles	8.33% - 20%
Office equipment, furniture, fittings and renovation	10% - 20%
Plant, machinery and factory equipment	5% - 20%

Construction in progress included in property, plant and equipment are not depreciated as these assets are not yet available for use.

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property, plant and equipment. Any changes are accounted for as a change in estimate.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset, being the difference between the net disposal proceeds and the carrying amount, is recognised in profit or loss.

### 4.8 LEASES

The Group assesses whether a contract is or contains a lease, at the inception of the contract. The Group recognises a right-of-use asset and corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for low-value assets and short-term leases with 12 months or less. For these leases, the Group recognises the lease payments as an operating expense on a straight-line method over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

#### **4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

##### **4.8 LEASES (CONT'D)**

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use assets and the associated lease liabilities are presented as a separate line item in the statements of financial position.

The right-of-use asset is initially measured at cost. Cost includes the initial amount of the corresponding lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any incentives received.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of the lease liability. The depreciation starts from the commencement date of the lease. If the lease transfers ownership of the underlying asset to the Group or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those property, plant and equipment.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

The lease liability is subsequently measured at amortised cost using the effective interest method. It is remeasured when there is a change in the future lease payments (other than lease modification that is not accounted for as a separate lease) with the corresponding adjustment made to the carrying amount of the right-of-use asset or recognised in profit or loss if the carrying amount has been reduced to zero.

##### Accounting Policies Applied Until 31 March 2019

##### **(a) Finance Leases**

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. The corresponding liability is included in the statement of financial position as hire purchase payables.

Minimum lease payments made under finance leases are apportioned between the finance costs and the reduction of the outstanding liability. The finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the profit or loss and allocated over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each accounting period.

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

##### **(b) Operating Leases**

All leases that do not transfer substantially to the Group all the risks and rewards incidental to ownership are classified as operating leases and, the leased assets are not recognised on the statement of financial position of the Group and of the Company.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 4.8 LEASES (CONT'D)

Accounting Policies Applied Until 31 March 2019 (cont'd)

#### (b) Operating Leases (cont'd)

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

### 4.9 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost of raw materials is determined on the first-in, first-out method and comprises the purchase price, production or conversion costs and incidentals incurred in bringing the inventories to their present location and condition. Cost of finished goods includes cost of materials, labour and an appropriate proportion of production overheads.

Net realisable value represents the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

### 4.10 CONTRACT LIABILITY

A contract liability is stated at cost and represents the obligation of the Group to transfer goods or services to a customer for which consideration has been received (or the amount is due) from the customers.

### 4.11 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, bank balances and demand deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturity periods of three months or less. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts.

### 4.12 IMPAIRMENT

#### (a) Impairment of Financial Assets

The Group shall recognise a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at fair value through other comprehensive income.

The expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Group always recognises lifetime expected credit losses for trade receivables using the simplified approach. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experienced and are adjusted for forward-looking information (including time value of money where appropriate).



## 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 4.12 IMPAIRMENT (CONT'D)

#### (a) Impairment of Financial Assets (cont'd)

For all other financial instruments, the Group recognises lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

The Group shall recognise an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at fair value through other comprehensive income, for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

#### (b) Impairment of Non-financial Assets

The carrying values of assets, other than those to which MFRS 136 - Impairment of Assets does not apply, are reviewed at the end of each reporting period for impairment when an annual impairment assessment is compulsory or there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. When the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount and an impairment loss shall be recognised. The recoverable amount of an asset is the higher of the asset's fair value less costs to sell and its value-in-use, which is measured by reference to discounted future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where it is not possible to estimate the recoverable amount of an individual asset, the Group determines the recoverable amount of the cash-generating unit to which the asset belongs.

An impairment loss is recognised in profit or loss immediately. Any impairment loss recognised in respect of a cash-generating unit is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to reduce the carrying amounts of the other assets in the cash-generating unit on a pro rata basis.

In respect of assets other than goodwill, and when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately.

### 4.13 EMPLOYEE BENEFITS

#### (a) Short-term Benefits

Wages, salaries, paid annual leave and bonuses are measured on an undiscounted basis and are recognised in profit or loss in the period in which the associated services are rendered by employees of the Group.

#### (b) Defined Contribution Plans

The Group's contributions to defined contribution plans are recognised in profit or loss in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 4.14 INCOME TAXES

#### (a) Current Tax

Current tax assets and liabilities are the expected amount of income tax recoverable or payable to the taxation authorities.

Current taxes are measured using tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period and are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss (either in other comprehensive income or directly in equity).

#### (b) Deferred Tax

Deferred tax is recognised using the liability method for all temporary differences other than those that arise from goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Current and deferred tax items are recognised in correlation to the underlying transactions either in profit or loss, other comprehensive income or directly in equity. Deferred tax arising from a business combination is adjusted against goodwill or negative goodwill.

Current tax assets and liabilities or deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity (or on different tax entities but they intend to settle current tax assets and liabilities on a net basis) and the same taxation authority.

#### (c) Sales and Service Tax ("SST")

Revenues, expenses and assets are recognised net of SST.

The amount of SST incurred in a purchase of assets or services obtained is not recoverable from the taxation authority and is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.

The amount of the SST payable to the taxation authority at the end of the reporting period is included in other payables.

#### **4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

##### **4.15 OPERATING SEGMENTS**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

##### **4.16 EARNINGS PER ORDINARY SHARE**

Basic earnings per ordinary share is calculated by dividing the consolidated profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the reporting period, adjusted for own shares held.

Diluted earnings per ordinary share is determined by adjusting the consolidated profit or loss attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

##### **4.17 BORROWING COSTS**

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

##### **4.18 FAIR VALUE MEASUREMENTS**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial reporting purposes, the fair value measurements are analysed into level 1 to level 3 as follows:-

Level 1 : Inputs are quoted prices (unadjusted) in active markets for identical assets or liability that the entity can access at the measurement date;

Level 2 : Inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3 : Inputs are unobservable inputs for the asset or liability.

The transfer of fair value between levels is determined as of the date of the event or change in circumstances that caused the transfer.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 4.19 REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue is recognised by reference to each distinct performance obligation in the contract with customer and is measured at the consideration specified in the contract of which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, net of sales and service tax, returns, rebates and discounts.

The Group recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of that asset.

The Group transfers control of a good or service at a point in time unless one of the following overtime criteria is met:-

- The customer simultaneously receives and consumes the benefits provided as the Group performs.
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
- The Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

#### (a) Sale of Goods with Cash Term

Revenue from sale of goods is recognised when the Group has transferred control of the goods to the customer, being at the point when the customer purchases the goods at the retail outlet. Payment for the transaction is due immediately at the point when the customer purchases the goods and takes delivery at the retail outlet.

#### (b) Sale of Goods with Credit Term

Revenue from sale of goods is recognised when the Group has transferred control of the goods to the customer, being when the goods have been delivered to the customer and upon its acceptance.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

#### (c) Rendering of Licensing Services

Revenue from providing licensing services is recognised over time in the period in which the services are rendered. As a practical expedient, the Group recognises revenue on a straight-line method over the period of service.

#### (d) Rendering of Outlet Management and Consultancy Services

Revenue from providing outlet management and consultancy services is recognised at a point in time.

Customers are invoiced on a monthly basis and consideration is payable when invoiced.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 4.20 OTHER OPERATING INCOME

#### (a) Interest Income

Interest income is recognised on an accrual basis using the effective interest method.

#### (b) Lease Income

Lease income is accounted for on a straight-line method over the lease term.

#### (c) Dividend Income

Dividend income from investment is recognised when the right to receive dividend payment is established.

## 5. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2020 RM'000	2019 RM'000
Unquoted shares, at cost	30,572	-

The details of the subsidiaries are as follows:-

Name of Subsidiary	Principal Place of Business/Country of Incorporation	Percentage of Issued Share Capital Held by Parent		Principal Activities
		2020	2019	
		%	%	
Subsidiaries of the Company				
SDS Food	Malaysia	100	-	Manufacturing and distributing of bakery products
SDS Enterprise	Malaysia	100	-	Licensors of food & beverage ("F&B") outlets
Super Arrow ^	Singapore	100	-	Wholesale of bakery products in Singapore

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

## 5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

The details of the subsidiaries are as follows (cont'd):-

Name of Subsidiary	Principal Place of Business/Country of Incorporation	Percentage of Issued Share Capital Held by Parent		Principal Activities
		2020 %	2019 %	
Subsidiaries of SDS Food				
SDS Top Baker Sdn. Bhd. ("SDS Top Baker")	Malaysia	100	-	Manufacturing and distributing of bakery products
SDS Bakery & Cafeteria Sdn. Bhd. ("SDS B&C")	Malaysia	100	-	Operator of F&B outlets
Daily Bakery Sdn. Bhd. ("Daily Bakery")	Malaysia	100	-	Manufacturing and distributing of bakery products
Subsidiary of SDS B&C				
City Cake House Sdn. Bhd.	Malaysia	51	-	Operator of F&B outlet

^ This subsidiary was audited by a member firm of Crowe Global of which Crowe Malaysia PLT is a member.

The non-controlling interests at the end of the reporting period comprise the following:-

	Effective Equity Interest		The Group	
	2020 %	2019 %	2020 RM'000	2019 RM'000
City Cake House Sdn. Bhd.	49	49	552	512

Summarised financial information of non-controlling interests has not been presented as the non-controlling interests of the subsidiary are not material to the Group.



# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

## 6. PROPERTY, PLANT AND EQUIPMENT

<----- 1.4.2019 ----->

	As Previously Reported RM'000	Initial Application of MFRS 16 RM'000	As Restated RM'000	Additions (Note 32(a)) RM'000	Disposal RM'000	Written Off (Note 29) RM'000	Depreciation Charges (Note 29) RM'000	Reclas- sification RM'000	At 31.3.2020 RM'000
<b>The Group</b>									
<b>2020</b>									
<i>Carrying Amount</i>									
Freehold land	17,808	-	17,808	-	-	-	-	-	17,808
Leasehold land	477	(477)	-	-	-	-	-	-	-
Buildings	19,528	(626)	18,902	-	-	-	(442)	2,941	21,401
Motor vehicles	11,264	(9,244)	2,020	935	-	-	(1,503)	933	2,385
Office equipment, furniture, fittings and renovation	11,756	(124)	11,632	3,582	-	-	(2,268)	90	13,036
Plant, machinery and factory equipment	33,536	(15,822)	17,714	5,769	(230)	(4)	(3,274)	11,939	31,914
Construction in progress	1,158	-	1,158	1,783	-	-	-	(2,941)	-
	95,527	(26,293)	69,234	12,069	(230)	(4)	(7,487)	12,962	86,544

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# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

## 6. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	At 1.4.2018 RM'000	Additions (Note 32(a)) RM'000	Disposal RM'000	Impairment Loss (Note 29) RM'000	Depreciation Charges (Note 29) RM'000	At 31.3.2019 RM'000
<b>The Group</b>						
<b>2019</b>						
<i>Carrying Amount</i>						
Freehold land	17,808	-	-	-	-	17,808
Leasehold land	485	-	-	-	(8)	477
Buildings	20,223	23	-	(273)	(445)	19,528
Motor vehicles	13,489	2,575	(79)	-	(4,721)	11,264
Office equipment, furniture, fittings and renovation	10,798	2,979	-	-	(2,021)	11,756
Plant, machinery and factory equipment	34,793	2,696	(16)	-	(3,937)	33,536
Construction in progress	-	1,158	-	-	-	1,158
	97,596	9,431	(95)	(273)	(11,132)	95,527

	At Cost RM'000	Accumulated Depreciation RM'000	Accumulated Impairment Losses RM'000	Carrying Amount RM'000
<b>The Group</b>				
<b>2020</b>				
Freehold land	17,808	-	-	17,808
Buildings	25,209	(3,362)	(446)	21,401
Motor vehicles	17,618	(15,233)	-	2,385
Office equipment, furniture, fittings and renovation	27,160	(14,124)	-	13,036
Plant, machinery and factory equipment	61,236	(29,322)	-	31,914
	149,031	(62,041)	(446)	86,544

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

## 6. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The Group	At Cost RM'000	Accumulated Depreciation RM'000	Accumulated Impairment Losses RM'000	Carrying Amount RM'000
<b>2019</b>				
Freehold land	17,808	-	-	17,808
Leasehold land	499	(22)	-	477
Buildings	23,069	(3,095)	(446)	19,528
Motor vehicles	29,602	(18,338)	-	11,264
Office equipment, furniture, fittings and renovation	23,644	(11,888)	-	11,756
Plant, machinery and factory equipment	59,762	(26,226)	-	33,536
Construction in progress	1,158	-	-	1,158
	155,542	(59,569)	(446)	95,527

- (a) In the previous financial year, included in the carrying amount of the property, plant and equipment of the Group were the following assets, which were acquired under hire purchase terms. These leased assets had been pledged as security for the hire purchase payables of the Group as disclosed in Note 25 to the financial statements:-

	The Group 2019 RM'000
Buildings	570
Motor vehicles	9,244
Office equipment, furniture, fittings and renovation	124
Plant, machinery and factory equipment	15,822
	25,760

- (b) The following assets of the Group at carrying amount have been pledged to licensed banks as security for banking facilities granted to the Group as disclosed in Notes 24, 26 and 27 to the financial statements:-

	The Group 2020 RM'000	2019 RM'000
Freehold land	17,808	17,808
Leasehold land	-	477
Buildings	21,401	18,958
	39,209	37,243

## 7. RIGHT-OF-USE ASSETS

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

<-----1.4.2019----->									
The Group	As Previously Reported		As Restated		Additions (Note 32(a))		Lease Termination		Revision of Lease Liabilities (Note 18)
	RM'000	Application of MFRS 16	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
		Initial						Depreciation Charges (Note 29)	Reclassification
									At 31.3.2020
									RM'000
<b>2020</b>									
<i>Carrying Amount</i>									
Leasehold land	-	477	477	-	-	-	-	(7)	-
Buildings	-	626	626	-	-	-	-	(16)	-
Motor vehicles	-	9,244	9,244	2,167	-	-	-	(2,968)	(933)
Office equipment, furniture, fittings and renovation	-	124	124	93	-	-	-	(27)	(90)
Plant, machinery and factory equipment	-	15,822	15,822	379	-	-	-	(877)	(11,939)
Retail outlets, depots and hostels	-	13,378	13,378	6,800	(1,109)	64	(4,433)	-	14,700
	-	39,671	39,671	9,439	(1,109)	64	(8,328)	(12,962)	26,775

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# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

## 7. RIGHT-OF-USE ASSETS (CONT'D)

	The Group 2020 RM'000
Analysed by:-	
Cost	41,434
Accumulated depreciation	(14,659)
	26,775

The comparative information is not presented as the Group has applied MFRS 16 using the modified retrospective approach.

- (a) The Group leases a piece of leasehold land and building, various retail outlets, depots and hostels, motor vehicles, office equipment, furniture, fittings and renovation, and plant, machinery and factory equipment of which the leasing activities are summarised below:-

(i) Leasehold land and building      The remaining lease period of the leasehold land and building is 65 years, which is expiring in 2085.

(ii) Retail outlets, depots and hostels      The Group has leased a number of retail outlets, depots and hostels that run between 1 to 5 years, with an option to renew the lease after that date.

Some leases contain variable lease payments that are based on sales that the Group makes at the retail outlets. Any reasonably possible change in this key variable does not have a material impact on the profit after tax and other comprehensive income of the Group.

(iii) Motor vehicles, office equipment, furniture, fittings and renovation and plant, machinery and factory equipment and building      The Group has leased certain motor vehicles, office equipment, furniture, fittings and renovation, plant, machinery and factory equipment and building under hire purchase arrangements. The leases are secured by the leased assets.

- (b) The leasehold land and building have been pledged to licensed banks as security for banking facilities granted to subsidiaries of the Group as disclosed in Notes 24, 26 and 27 to the financial statements.

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# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

## 8. AMOUNT OWING BY SUBSIDIARIES

	The Company	
	2020	2019
	RM'000	RM'000
<u>Non-current</u>		
Non-trade balances	14,272	-
<u>Current</u>		
Non-trade balances	271	-
	14,543	-

- (a) The non-trade balances (non-current) represent unsecured advances which are repayable within financial year 2022 to 2030 and bore effective interest rate of 4.60% (2019 – Nil) per annum. The amounts owing are to be settled in cash.
- (b) The non-trade balances (current) represent interest charged for advances. The amounts owing are repayable on demand and are to be settled in cash.

## 9. GOODWILL

	The Group	
	2020	2019
	RM'000	RM'000
Cost:-		
At 1 April / 31 March	162	162

- (a) The carrying amount of goodwill allocated to cash-generating unit is as follows:-

	The Group	
	2020	2019
	RM'000	RM'000
SDS Top Baker	162	162

No impairment testing is done on this cash-generating unit as it is considered immaterial to the Group.



# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

## 10. DEFERRED TAX ASSETS

The Group	<-----1.4.2019----->				
	As Previously Reported RM'000	Initial Application of MFRS 16 RM'000	As Restated RM'000	Recognised in Profit or Loss (Note 30) RM'000	At 31.3.2020 RM'000
<b>2020</b>					
<i>Deferred Tax Liabilities</i>					
Property, plant and equipment	(1,078)	-	(1,078)	(206)	(1,284)
Right-of-use assets	-	(53)	(53)	(30)	(83)
	(1,078)	(53)	(1,131)	(236)	(1,367)
<i>Deferred Tax Assets</i>					
Unabsorbed reinvestment allowance	2,172	-	2,172	1,490	3,662
Contract liability	33	-	33	(8)	25
Lease liabilities	-	54	54	31	85
	2,205	54	2,259	1,513	3,772
	1,127	1	1,128	1,277	2,405

The Group	Recognised in		
	At 1.4.2018 RM'000	Profit or Loss (Note 30) RM'000	At 31.3.2019 RM'000
<b>2019</b>			
<i>Deferred Tax Liability</i>			
Property, plant and equipment	(515)	(563)	(1,078)
<i>Deferred Tax Assets</i>			
Unabsorbed reinvestment allowance	1,018	1,154	2,172
Contract liability	21	12	33
	1,039	1,166	2,205
	524	603	1,127

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

## 11. INVENTORIES

	The Group	
	2020	2019
	RM'000	RM'000
Raw materials	5,069	4,829
Finished goods	261	374
	5,330	5,203
Recognised in profit or loss:-		
Inventories recognised as cost of sales	120,308	115,982

## 12. TRADE RECEIVABLES

	The Group	
	2020	2019
	RM'000	RM'000
Trade receivables:		
- Third parties	9,484	8,513
- Related parties	-	885
	9,484	9,398
Allowance for impairment losses	(92)	(121)
	9,392	9,277
Allowance for impairment losses:-		
At 1 April	121	136
Addition during the financial year (Note 29)	74	121
Reversal during the financial year (Note 29)	(7)	-
Written off during the financial year	(96)	(136)
Translation difference	-	*
At 31 March	92	121

\* Denotes amount less than RM500.

(a) The Group's normal trade credit terms range from 15 to 60 (2019 – 15 to 60) days.

(b) The amount owing by related parties represented goods sold to companies in which certain directors of the Group have controlling interests. The trade balance was subject to the normal trade credit term of 60 days. The amount owing was recovered during the current financial year.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

## 13. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Other receivables:-				
Third parties	145	246	139	-
Related party	-	1	-	-
GST recoverable	108	147	-	-
	253	394	139	-
Deposits	2,487	2,085	-	-
Prepayments	1,799	3,347	79	17
	4,539	5,826	218	17

The amount owing by related party represented payment made on behalf of a company in which certain directors of the Group have controlling interests. The amount was recovered during the current financial year.

## 14. FIXED DEPOSITS WITH A LICENSED BANK

The fixed deposits with a licensed bank of the Group at the end of the previous reporting period bore effective interest rates of 3.20% per annum. The fixed deposits had maturity periods of 30 days.

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# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

## 15. SHARE CAPITAL

	2020 Number of Shares ('000)	2019	2020 RM'000	2019 RM'000
<b>The Group</b>				
<b>Issued and Fully Paid-Up</b>				
Ordinary Shares				
Share capital of combined entities at 1 April	2,750	2,750	2,750	2,750
Elimination of subsidiaries' share capital	(2,750)	-	(2,750)	-
Share capital of the Company	**	2,750	*	2,750
New shares issued under the listing scheme:				
- acquisitions of subsidiaries	301,527	-	30,572	-
- public issue	104,297	-	23,988	-
Listing expenses	-	-	(1,449)	-
At 31 March	405,824	2,750	53,111	2,750

### The Company

#### Issued and Fully Paid-Up

##### Ordinary Shares

At 1 April	**	**	*	*
New shares issued under the listing scheme:				
- acquisitions of subsidiaries	301,527	-	30,572	-
- public issue	104,297	-	23,988	-
Listing expenses	-	-	(1,449)	-
At 31 March	405,824	**	53,111	*

\* Denotes RM10.

\*\* Denotes 100 shares.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company and are entitled to one vote per ordinary share at meetings of the Company. The ordinary shares have no par value.

Merger accounting has been adopted in respect of the acquisitions of subsidiaries as disclosed in Note 39.1 to the financial statements. The Group's comparatives have been presented on the combined basis that the business had been effected from the earliest period presented.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

## 16. RESERVES

### (a) Merger Deficit

The merger deficit represents the difference between the carrying value of the investment in subsidiaries and the share capital of the Company's subsidiaries upon consolidation under the merger accounting principle.

### (b) Foreign Exchange Translation Reserve

The foreign exchange translation reserve arose from the translation of the financial statements of a foreign subsidiary whose functional currency is different from the Group's presentation currency.

## 17. LONG-TERM BORROWINGS

	The Group	
	2020	2019
	RM'000	RM'000
Hire purchase payables (Note 25)	-	12,991
Term loans (Note 26)	26,610	27,530
	26,610	40,521

## 18. LEASE LIABILITIES

	The Group
	2020
	RM'000
At 1 April	
- As previously reported	-
- Initial application of MFRS 16	32,902
- As restated	32,902
Acquisition of new leases	8,989
Interest expense recognised in profit or loss (Note 29)	1,674
Adjustments due to lease modification (Note 7)	64
Deposit paid offset with lease payment	(16)
Lease termination	(1,191)
Repayment of principal	(15,829)
Repayment of interest expense	(1,674)
At 31 March	24,919
Analysed by:-	
Current liabilities	8,380
Non-current liabilities	16,539
	24,919

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

## 18. LEASE LIABILITIES (CONT'D)

The comparative information is not presented as the Group has applied MFRS 16 using the modified retrospective approach.

Certain lease liabilities of the Group are secured by the Group's building, motor vehicles, office equipment, furniture, fittings and renovation and plant, machinery and factory equipment under the hire purchase arrangements as disclosed in Note 7(a)(iii) to the financial statements, with lease terms ranging from 3 to 5 years and bear effective interest rates ranging from 1.08% to 6.52% per annum.

## 19. OTHER PAYABLES AND ACCRUALS

	The Group		The Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
<u>Non-Current</u>				
Other payable - third party	-	502	-	-
<u>Current</u>				
Other payables:-				
Third parties	2,324	2,678	3	-
Related party	-	-	-	40
GST payable	2	10	-	-
SST payable	201	256	-	-
	2,527	2,944	3	40
Deposit received	147	147	-	-
Accruals	993	866	74	2
Payroll liabilities	2,727	3,454	-	-
	6,394	7,411	77	42
	6,394	7,913	77	42

- (a) Included in other payables at the end of the previous financial year was an amount of RM670,308 owing to a supplier of plant and machinery for purchase of plant and machinery. The amount bore effective interest rate of 6.00% per annum. This amount has been represented as 'lease liabilities' as shown in Note 18 to the financial statements following the application of MFRS 16 by the Group using the modified retrospective approach.
- (b) The amount owing to related party at the end of the previous financial year represented unsecured, interest-free advances granted to the Company. The amount owing was settled during the current financial year.



# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

## 20. DEFERRED TAX LIABILITIES

The Group	<-----1.4.2019----->				
	As Previously Reported RM'000	Initial Application of MFRS 16 RM'000	As Restated RM'000	Recognised in Profit or Loss (Note 30) RM'000	At 31.3.2020 RM'000
<b>2020</b>					
<i>Deferred Tax Liabilities</i>					
Property, plant and equipment *	2,791	-	2,791	644	3,435
Unrealised foreign exchange gain	3	-	3	(2)	1
Right-of-use assets	-	3,158	3,158	287	3,445
	2,794	3,158	5,952	929	6,881
<i>Deferred Tax Assets</i>					
Unabsorbed capital allowances	(23)	-	(23)	11	(12)
Unabsorbed reinvestment allowance	(659)	-	(659)	47	(612)
Lease liabilities	-	(3,234)	(3,234)	(364)	(3,598)
	(682)	(3,234)	(3,916)	(306)	(4,222)
	2,112	(76)	2,036	623	2,659

The Group			
	At 1.4.2018 RM'000	Recognised in Profit or Loss (Note 30) RM'000	At 31.3.2019 RM'000
<b>2019</b>			
<i>Deferred Tax Liabilities</i>			
Property, plant and equipment *	2,893	(102)	2,791
Unrealised foreign exchange gain	6	(3)	3
	2,899	(105)	2,794
<i>Deferred Tax Assets</i>			
Unabsorbed capital allowances	(18)	(5)	(23)
Unabsorbed reinvestment allowance	(819)	160	(659)
	(837)	155	(682)
	2,062	50	2,112

\* Includes deferred tax arising from fair value adjustment in a purchase price allocation exercise.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

## 21. CONTRACT LIABILITY

Contract liability relates to the unsatisfied performance obligation in which the Group has yet to deliver the licensing services to the customers. The contract liability is recognised to profit or loss only when the performance obligation has been fulfilled.

## 22. TRADE PAYABLES

The normal trade credit terms granted to the Group range from 30 to 150 (2019 – 30 to 120) days.

## 23. AMOUNT OWING TO SUBSIDIARIES

The non-trade balance owing to subsidiaries represents unsecured, interest-free payments made on behalf. The amount owing is repayable on demand and is to be settled in cash.

## 24. SHORT-TERM BORROWINGS

	The Group	
	2020	2019
	RM'000	RM'000
Bankers' acceptance	-	948
Hire purchase payables (Note 25)	-	5,542
Term loans (Note 26)	2,757	2,302
	2,757	8,792

The bankers' acceptance at the end of the previous financial year was drawn for a period of up to 119 days which bore interest ranging from 3.89% to 4.09% per annum.

Bankers' acceptance, terms loans and bank overdrafts are secured by:-

- legal charges over freehold land, leasehold land and buildings of the Group as disclosed in Notes 6 and 7 to the financial statements;
- legal charges over a piece of land owned by certain directors of the Group, a director of the subsidiaries, persons connected to certain directors of the Group and a third party;
- legal charges over land and building owned by a company in which certain directors of the Group have controlling interests; and
- jointly and severally guaranteed by certain directors of the Group and a director of certain subsidiaries.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

## 25. HIRE PURCHASE PAYABLES (SECURED)

	The Group 2019 RM'000
Minimum hire purchase payments:	
- not later than 1 year	6,510
- later than 1 year and not later than 5 years	13,915
	20,425
Less: Future finance charges	(1,892)
Present value of hire purchase payables	18,533
Analysed by:-	
Current liabilities (Note 24)	5,542
Non-current liabilities (Note 17)	12,991
	18,533

- (a) The hire purchase payables have been represented as 'lease liabilities' as shown in Note 18 to the financial statements following the application of MFRS 16 by the Group using the modified retrospective approach.
- (b) In the previous financial year, the hire purchase payables of the Group were secured by the Group's building, motor vehicles, office equipment, furniture, renovation, plant and machinery and factory equipment under finance leases as disclosed in Note 6(a) to the financial statements. The hire purchase arrangements of the Group were expiring from 1 to 5 years.
- (c) In the previous financial year, the hire purchase payables of the Group at the end of the reporting period bore effective interest rates ranging from 4.33% to 6.80% per annum. The interest rates were fixed at the inception of the hire purchase arrangements.

## 26. TERM LOANS (SECURED)

	The Group 2020 RM'000	2019 RM'000
Current liabilities (Note 24)	2,757	2,302
Non-current liabilities (Note 17)	26,610	27,530
	29,367	29,832

- (a) Term loans of the Group are secured in the same manner as the short-term borrowings as disclosed in Note 24 to the financial statements.
- (b) The above floating rate term loans of the Group bore effective interest rates ranging from 3.92% to 6.60% (2019 – 4.67% to 6.89%) per annum.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

## 27. BANK OVERDRAFTS (SECURED)

- (a) The bank overdrafts of the Group are secured in the same manner as the short-term borrowings as disclosed in Note 24 to the financial statements.
- (b) The bank overdrafts of the Group at the end of the reporting period bore floating interest rate of 6.72% (2019 – 7.47% to 7.90%) per annum.

## 28. REVENUE

	The Group		The Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
<u>Revenue recognised at a point in time</u>				
Sales of goods	191,282	186,959	-	-
Others	206	131	306	-
	191,488	187,090	306	-
<u>Revenue recognised over time</u>				
License fee	32	39	-	-
	191,520	187,129	306	-

## 29. PROFIT/(LOSS) BEFORE TAX

	The Group		The Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Profit/(Loss) before tax is arrived at:-				
<i>After Charging</i>				
Auditors' remuneration:				
- audit fees:				
- current financial year	209	180	25	2
- over provision in the previous financial year	-	(5)	-	-
- non-audit fee				
- auditors of the Company	5	-	5	-
Bad debts written off	13	*	-	-
Depreciation:				
- property, plant and equipment (Note 6)	7,487	11,132	-	-
- right-of-use assets (Note 7)	8,328	-	-	-
Impairment loss:				
- property, plant and equipment (Note 6)	-	273	-	-
- trade receivables (Note 12)	74	121	-	-

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

## 29. PROFIT/(LOSS) BEFORE TAX (CONT'D)

	The Group		The Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Profit/(Loss) before tax is arrived at (cont'd):-				
<i>After Charging (cont'd)</i>				
Interest expense on financial liabilities that are not at fair value through profit or loss:				
- bank overdrafts	47	76	-	-
- short-term borrowings	1,519	3,013	-	-
- imputed interest on other payable	-	83	-	-
Interest expense on lease liabilities (Note 18)	1,674	-	-	-
Lease expenses:				
- short-term leases	871	-	-	-
- low-value assets	106	-	-	-
- variable lease payments	176	-	-	-
- rental of premises	-	4,801	-	-
Loss on disposal of property, plant and equipment	199	24	-	-
Loss on foreign exchange:				
- realised	12	116	-	-
- unrealised	-	*	-	-
Property, plant and equipment written off (Note 6)	4	-	-	-
Staff costs (including other key management personnel as disclosed in Note 33):				
- short-term employee benefits	37,921	35,583	176	-
- defined contribution benefits	3,715	2,958	-	-
<i>After Crediting</i>				
Bad debts recovered	5	-	-	-
Gain on disposal of property, plant and equipment	131	152	-	-
Gain on disposal of assets classified as held for sale	-	1,972	-	-
Gain on foreign exchange:				
- realised	-	1	-	-
- unrealised	4	12	-	-
Gain on lease termination	82	-	-	-
Insurance compensation	643	-	-	-
Lease income	72	62	-	-
Reversal of impairment loss on trade receivables (Note 12)	7	-	-	-
Interest income on financial assets measured at amortised cost	142	1	382	-

\* Denotes amount less than RM500.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

## 30. INCOME TAX EXPENSE

Income tax expenses recognised in profit or loss

	The Group		The Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Income tax:				
- current financial year	1,478	1,744	44	-
- under provision in the previous financial year	24	120	-	-
	1,502	1,864	44	-
Real property gains tax	-	150	-	-
Over provision of real property gains tax in the previous financial year	(62)	(13)	-	-
	(62)	137	-	-
Deferred tax (Note 10 & 20):				
- origination and reversal of temporary differences	(1,033)	66	-	-
- additional provision for real property gains tax arising from increase in real property gains tax rate	527	-	-	-
- under provision of deferred tax assets in the previous financial year	(89)	(495)	-	-
- over provision of deferred tax liabilities in the previous financial year	(59)	(124)	-	-
	(654)	(553)	-	-
	786	1,448	44	-

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# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

## 30. INCOME TAX EXPENSE (CONT'D)

### Income tax expenses recognised in profit or loss (cont'd)

A reconciliation of tax expense/(income) applicable to the profit/(loss) before tax at the statutory tax rate to income tax expense at the effective tax rate of the Group and of the Company is as follows:-

	The Group		The Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Profit/(Loss) before tax	4,998	9,302	(1,760)	(8)
Tax expense/(income) at the statutory tax rate of 24% (2019 - 24%)	1,200	2,232	(422)	(2)
Tax effects of:-				
Non-taxable income	(72)	(479)	(73)	-
Non-deductible expenses	1,018	546	557	2
Reduction in tax rate on small scale company up to RM500,000 at 17% (2019 - 17%) in Malaysia	(44)	(32)	(18)	-
Additional provision for real property gains tax arising from increase in real property gains tax rate	527	-	-	-
Real property gains tax arising from disposal of assets classified as held for sale	-	150	-	-
Differential in tax rate of a foreign subsidiary	(52)	(47)	-	-
Reduction in tax rate on company in other jurisdiction	(53)	(69)	-	-
Tax incentives - reinvestment allowance	(1,552)	(341)	-	-
Over provision of real property gains tax in the previous financial year	(62)	(13)	-	-
Under provision of income tax in the previous financial year	24	120	-	-
Under provision of deferred tax assets in the previous financial year	(89)	(495)	-	-
Over provision of deferred tax liabilities in the previous financial year	(59)	(124)	-	-
	786	1,448	44	-

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2019 - 24%) of the estimated assessable profit for the financial year. The taxation of other jurisdiction is calculated at the rate prevailing in that jurisdiction.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

## 31. EARNINGS PER SHARE

	The Group	
	2020	2019
Profit after tax attributable to owners of the Company (RM'000)	4,074	7,695
Weighted average number of ordinary shares in issue ('000):		
- Ordinary shares at 1 April ('000)	301,527	*
- Effect of acquisitions of subsidiaries** ('000)	-	301,527
- Effect of public issue ('000)	50,439	-
Weighted average number of ordinary shares at 31 March ('000)	351,966	301,527
Basic earnings per share (Sen)	1.16	2.55

\* Denotes 100 shares.

\*\* Ordinary shares arising from the acquisitions are assumed to be issued throughout the beginning of the previous financial year on 1 April 2018 as the acquisitions of subsidiaries were accounted for under common control using the pooling interest method of consolidation.

The Company has not issued any dilutive potential ordinary shares and hence, the diluted earnings per share is equal to the basic earnings per share.

## 32. CASH FLOW INFORMATION

- (a) The cash disbursed for the purchase of property, plant and equipment and the addition of right-of-use assets is as follows:-

	The Group	
	2020	2019
	RM'000	RM'000
<b>Property, plant and equipment</b>		
Cost of property, plant and equipment purchased (Note 6)	12,069	9,431
Less: Amount financed through hire purchase (Note (b) below)	-	(3,470)
Less: Downpayment paid in the previous financial year	(90)	(261)
Less: Other payables - amount not yet due for payment	(623)	-
Cash disbursed for purchase of property, plant and equipment	11,356	5,700
<b>Right-of-use assets</b>		
Cost of right-of-use assets acquired (Note 7)	9,439	-
Less: Addition of new lease liabilities (Note (b) below)	(8,989)	-
Cash disbursed for purchase of right-of-use assets	450	-

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

## 32. CASH FLOW INFORMATION (CONT'D)

(b) The reconciliations of liabilities arising from financing activities are as follows:-

The Group	Bankers' Acceptance RM'000	Hire Purchases RM'000	Lease Liabilities RM'000	Term Loans RM'000	Other Payable RM'000	Total RM'000
<b>2020</b>						
At 1 April 2019, as previously reported	948	18,533	-	29,832	670	49,983
Effects on adoption of MFRS 16	-	(18,533)	32,902	-	(670)	13,699
At 1 April 2019, as restated	948	-	32,902	29,832	-	63,682
<b>Changes in Financing Cash Flows</b>						
Proceeds from drawdown	2,348	-	-	2,346	-	4,694
Repayment of principal	(3,296)	-	(15,829)	(2,811)	-	(21,936)
Repayment of interests	(37)	-	(1,674)	(1,482)	-	(3,193)
	(985)	-	(17,503)	(1,947)	-	(20,435)
<b>Non-cash Changes</b>						
Acquisition of new leases (Note (a) above)	-	-	8,989	-	-	8,989
Adjustments due to lease modification	-	-	64	-	-	64
Lease termination	-	-	(1,191)	-	-	(1,191)
Deposit paid offset with lease payment	-	-	(16)	-	-	(16)
Interest expense recognised in profit or loss (Note 29)	37	-	1,674	1,482	-	3,193
	37	-	9,520	1,482	-	11,039
At 31 March 2020	-	-	24,919	29,367	-	54,286

### 32. CASH FLOW INFORMATION (CONT'D)

(b) The reconciliations of liabilities arising from financing activities are as follows (cont'd):-

The Group	Bankers' Acceptance RM'000	Hire Purchases RM'000	Term Loans RM'000	Other Payable RM'000	Total RM'000
<b>2019</b>					
At 1 April 2018	7,829	21,129	29,400	7,778	66,136
<u>Changes in Financing Cash Flows</u>					
Proceeds from drawdown	14,443	-	3,600	-	18,043
Repayment of principal	(21,324)	(6,066)	(3,168)	(7,108)	(37,666)
Repayment of interests	(254)	(1,241)	(1,518)	(83)	(3,096)
	(7,135)	(7,307)	(1,086)	(7,191)	(22,719)
<u>Non-cash Changes</u>					
New hire purchase (Note (a) above)	-	3,470	-	-	3,470
Interest expense recognised in profit or loss (Note 29)	254	1,241	1,518	83	3,096
	254	4,711	1,518	83	6,566
At 31 March 2019	948	18,533	29,832	670	49,983

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# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

## 32. CASH FLOW INFORMATION (CONT'D)

(c) The total cash outflows for leases as a lessee are as follows:-

	The Group 2020 RM'000
Payment of short-term leases	871
Payment of low-value assets	106
Variable lease payments	176
Interest paid on lease liabilities	1,674
Payment of lease liabilities	15,829
	18,656

(d) The cash and cash equivalents comprise the following:-

	The Group		The Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Fixed deposits with a licensed bank	-	22	-	-
Cash and bank balances	10,457	6,164	6,094	13
Bank overdrafts	(475)	(458)	-	-
	9,982	5,728	6,094	13

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# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

## 33. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel of the Group and of the Company include executive directors and non-executive directors of the Company and certain members of senior management of the Group and of the Company.

The key management personnel compensation during the financial year are as follows:-

	The Group		The Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
<b>(a) Directors</b>				
<u>Directors of the Company</u>				
Short-term employee benefits:				
- fees	164	-	164	-
- salaries, bonuses and other benefits	1,653	1,399	12	-
	1,817	1,399	176	-
Defined contribution benefits	183	156	-	-
	2,000	1,555	176	-
<u>Directors of the Subsidiaries</u>				
Short-term employee benefits:				
- salaries, bonuses and other benefits	197	179	-	-
Defined contribution benefits	19	19	-	-
	216	198	-	-
Total directors' remuneration	2,216	1,753	176	-
<b>(b) Other Key Management Personnel</b>				
Short-term employee benefits	762	734	-	-
Defined contribution benefits	82	77	-	-
Total compensation for other key management personnel	844	811	-	-

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

## 34. RELATED PARTY DISCLOSURES

### (a) Identities of Related Parties

Parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control.

In addition to the information detailed elsewhere in the financial statements, the Group has related party relationships with its directors, key management personnel, companies in which certain directors have controlling interests and entities within the same group of companies.

### (b) Significant Related Party Transactions and Balances

Other than those disclosed elsewhere in the financial statements, the Group and the Company also carried out the following significant transactions with the related parties during the financial year:-

	2020 RM'000	2019 RM'000
<b>The Group</b>		
<b>Companies in which certain directors have controlling interests</b>		
Sales of goods	288	6,628
Lease paid/payable	336	-
Rental of premises paid/payable	3	319
Rental of premises received/receivable	6	6
<b>Director's family member</b>		
Lease paid/payable	8	-
<b>The Company</b>		
<b>Subsidiaries</b>		
Interest income received/receivable	271	-
Advances to subsidiaries	14,272	-
Payments on behalf of the Company	2,201	-
<b>Company in which certain directors have controlling interests</b>		
Payments on behalf of the Company	-	40

The significant outstanding balances of the related parties together with their terms and conditions are disclosed in the respective notes to the financial statements.

The related party transactions described above were entered into in the normal course of business carried out based on negotiated terms and conditions and are mutually agreed with respective parties.



# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

## 35. OPERATING SEGMENTS

Operating segments are prepared in a manner consistent with the internal reporting provided to the Managing Director as its chief operating decision maker in order to allocate resources to segments and to assess their performance on a monthly basis. For management purposes, the Group is organised into business units based on their products and services provided.

The Group is organised into the 3 main reportable segments as follows:-

- Retail – involved in the manufacturing of products and dealing directly with ultimate customers through the Group's retail outlets. Companies under this segment included SDS Food, SDS B&C, City Cake and SDS Enterprise.
- Wholesale – involved in the manufacturing of products and distributing to the retailer through the Group's fleet of lorries. Companies under this segment included SDS Top Baker, Daily Bakery and Super Arrow.
- Other – provide group-level management services. Company under this segment is SDS Group Berhad.

- (a) The Managing Director assesses the performance of the reportable segments based on their profit before interest expense and tax. The accounting policies of the reportable segments are the same as the Group's accounting policies.

Borrowings and investment-related activities are managed on a group basis by the central treasury function and are not allocated to reportable segments.

- (b) Each reportable segment assets is measured based on all assets (including goodwill) of the segment other than tax-related assets.
- (c) Each reportable segment liabilities is measured based on all liabilities of the segment other than borrowings and tax-related liabilities.
- (d) Assets, liabilities and expenses which are common and cannot be meaningfully allocated to the reportable segments are presented under unallocated items. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters) and head office expenses.

Transactions between reportable segments are carried out on agreed terms between both parties. Transfer prices between operating segments are at arm's length basis in a manner similar to transactions with third parties. The effects of such inter-segment transactions are eliminated on consolidation.

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# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

## 35. OPERATING SEGMENTS (CONT'D)

### 35.1 BUSINESS SEGMENTS

31.3.2020	Retail Segment RM'000	Wholesale Segment RM'000	Other Segment RM'000	Group RM'000
<b>Revenue</b>				
External revenue	67,697	123,823	-	191,520
Inter-segment revenue	10,521	1,192	306	12,019
	78,218	125,015	306	203,539
Consolidation adjustments				(12,019)
Consolidated revenue				191,520
Represented by:-				
<u>Revenue recognised at a point in time</u>				
Sales of goods	77,980	125,015	-	202,995
Others	206	-	306	512
<u>Revenue recognised over time</u>				
License fee	32	-	-	32
	78,218	125,015	306	203,539
Consolidation adjustments				(12,019)
				191,520
<b>Results</b>				
Segment profit	6,383	4,481	688	11,552
Finance costs				(3,240)
Unallocated expenses				(2,448)
Consolidation adjustments				(866)
Consolidated profit before tax				4,998
Segment profit includes the followings:-				
Depreciation of property, plant and equipment	(2,432)	(5,055)	-	(7,487)
Depreciation of right-of-use assets	(4,383)	(3,945)	-	(8,328)
Lease expenses	(521)	(632)	-	(1,153)
Listing expenses	-	-	(2,164)	(2,164)

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

## 35. OPERATING SEGMENTS (CONT'D)

### 35.1 BUSINESS SEGMENTS (CONT'D)

31.3.2020	Retail Segment RM'000	Wholesale Segment RM'000	Other Segment RM'000	Group RM'000
<b>Assets</b>				
Segment assets	79,970	84,611	51,427	216,008
Unallocated assets:				
- current tax assets				600
- deferred tax assets				2,405
Consolidation adjustments				(72,809)
Consolidated total assets				146,204
Addition to non-current assets other than financial instruments are:				
- property, plant and equipment	5,949	6,120	-	12,069
- right-of-use assets	7,193	2,246	-	9,439
<b>Liabilities</b>				
Segment liabilities	13,219	30,644	108	43,971
Unallocated liabilities:				
- current tax liabilities				95
- deferred tax liabilities				2,659
- lease liabilities				24,919
- term loans				29,367
Consolidation adjustments				(19,957)
Consolidated total liabilities				81,054

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# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

## 35. OPERATING SEGMENTS (CONT'D)

### 35.1 BUSINESS SEGMENTS (CONT'D)

31.3.2019	Retail Segment RM'000	Wholesale Segment RM'000	Other Segment RM'000	Group RM'000
<b>Revenue</b>				
External revenue	62,201	124,928	-	187,129
Inter-segment revenue	11,126	1,145	-	12,271
	73,327	126,073	-	199,400
Consolidation adjustments				(12,271)
Consolidated revenue				187,129
Represented by:-				
<u>Revenue recognised at a point in time</u>				
Sales of goods	73,157	126,073	-	199,230
Others	131	-	-	131
<u>Revenue recognised over time</u>				
License fee	39	-	-	39
	73,327	126,073	-	199,400
Consolidation adjustments				(12,271)
				187,129
<b>Results</b>				
Segment profit	11,098	6,426	-	17,524
Finance costs				(3,172)
Unallocated expenses				(8)
Consolidation adjustments				(5,042)
Consolidated profit before tax				9,302
Segment profit includes the followings:-				
Depreciation of property, plant and equipment	(2,383)	(8,749)	-	(11,132)
Gain on disposal of assets classified as held for sale	-	1,972	-	1,972
Rental expenses	(3,798)	(1,003)	-	(4,801)

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

## 35. OPERATING SEGMENTS (CONT'D)

### 35.1 BUSINESS SEGMENTS (CONT'D)

31.3.2019	Retail Segment RM'000	Wholesale Segment RM'000	Other Segment RM'000	Group RM'000
<b>Assets</b>				
Segment assets	64,511	86,318	30	150,859
Unallocated assets:				
- current tax assets				998
- deferred tax assets				1,127
Consolidation adjustments				(28,678)
Consolidated total assets				124,306
Addition to non-current assets other than financial instruments is:				
- property, plant and equipment	4,502	4,929	-	9,431
<b>Liabilities</b>				
Segment liabilities	15,981	24,907	42	40,930
Unallocated liabilities:				
- current tax liabilities				251
- deferred tax liabilities				2,112
- bankers' acceptance				948
- hire purchase payables				18,533
- term loans				29,832
Consolidation adjustments				(7,034)
Consolidated total liabilities				85,572

### 35.2 GEOGRAPHICAL INFORMATION

The Group	Revenue		Non-current Asset	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Malaysia	179,172	171,003	113,481	95,689
Singapore	11,231	13,359	-	-
Indonesia	1,117	2,767	-	-
	191,520	187,129	113,481	95,689

### 35.3 MAJOR CUSTOMERS

There is no single customer that contributed 10% or more to the Group's revenue.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

## 36. CAPITAL COMMITMENTS

	The Group	
	2020	2019
	RM'000	RM'000
Purchase of property, plant and equipment	247	2,243

## 37. OPERATING LEASE COMMITMENT

The Group has applied MFRS 16 using the modified retrospective approach. As a result, the following information were disclosures required by MFRS 117 'Leases':-

### Lease as Lessee

In the previous financial year, the Group leased a shop unit under non-cancellable operating lease. The future minimum lease payments under the non-cancellable operating leases was as follows:-

	The Group 2019 RM'000
Not more than 1 year	203
Later than 1 year and not later than 5 years	255
	458

## 38. FINANCIAL INSTRUMENTS

The Group's activities are exposed to a variety of market risks (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

### 38.1 FINANCIAL RISK MANAGEMENT POLICIES

The Group's policies in respect of the major areas of treasury activity are as follows:-

#### (a) Market Risk

##### (i) Foreign Currency Risk

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than the respective functional currencies of entities within the Group. The currency giving rise to this risk is primarily Singapore Dollar ("SGD"). Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

## 38. FINANCIAL INSTRUMENTS (CONT'D)

### 38.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

#### (a) Market Risk (cont'd)

##### (i) Foreign Currency Risk (cont'd)

The Group's exposure to foreign currency risk (a currency which is other than the functional currencies of the entities within the Group) based on the carrying amounts of the financial instruments at the end of the reporting period is summarised below:-

#### *Foreign Currency Exposure*

	The Group	
	2020	2019
	RM'000	RM'000
SGD		
<i>Financial Liability</i>		
Trade payables	(1,062)	(1,649)
Currency Exposure	(1,062)	(1,649)

#### *Foreign Currency Risk Sensitivity Analysis*

Any reasonably possible change in the foreign currency exchange rate at the end of the reporting period against the respective functional currencies of the entities within the Group does not have a material impact on the profit after tax and other comprehensive income of the Group and hence, no sensitivity analysis is presented.

##### (ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from long-term borrowings with variable rates. The Group's policy is to obtain the most favourable interest rates available and by maintaining a balanced portfolio mix of fixed and floating rate borrowings.

The Group's fixed rate borrowings are carried at amortised cost. Therefore, they are not subject to interest rate risk as in defined MFRS 7 since neither their carrying amounts nor the future cash flows will fluctuate because of a change in market interest rates.

The Group's exposure to interest rate risk based on the carrying amounts of the financial instruments at the end of the reporting period is disclosed in Notes 24, 26 and 27 to the financial statements.



## 38. FINANCIAL INSTRUMENTS (CONT'D)

### 38.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

#### (a) Market Risk (cont'd)

##### (ii) Interest Rate Risk (cont'd)

##### *Interest Rate Risk Sensitivity Analysis*

Any reasonably possible change in the interest rates of floating rate borrowings at the end of the reporting period does not have a material impact on the profit after tax and other comprehensive income of the Group and hence, no sensitivity analysis is presented.

##### (iii) Equity Price Risk

The Group does not have any quoted investments and hence, is not exposed to equity price risk.

#### (b) Credit Risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group manages its exposure to credit risk by monitoring procedures on an ongoing basis. For other financial assets (including cash and bank balances), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Company's exposure to credit risk arises principally from advances to subsidiaries. The Company monitors the results of these subsidiaries regularly and repayments made by the subsidiaries.

##### (i) Credit Risk Concentration Profile

The Group's major concentration of credit risk relates to the amount owing by 1 (2019 – Nil) customer which constituted approximately 12% (2019 – Nil) of its trade receivables (including related parties) at the end of the reporting period.

In addition, the Group also determines the concentration of credit risk by monitoring the geographical region of its trade receivables on an ongoing basis. The credit risk concentration profile of trade receivables (including related parties) at the end of the reporting period is as follows:-

	The Group	
	2020 RM'000	2019 RM'000
Malaysia	7,299	6,847
Singapore	1,841	2,147
Indonesia	252	283
	9,392	9,277

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

## 38. FINANCIAL INSTRUMENTS (CONT'D)

### 38.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

#### (b) Credit Risk (cont'd)

##### (ii) Exposure to Credit Risk

At the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position of the Group and of the Company after deducting any allowance for impairment losses (where applicable).

##### (iii) Assessment of Impairment Losses

At each reporting date, the Group assesses whether any of the financial assets at amortised cost are credit impaired.

The gross carrying amounts of financial assets are written off when there is no reasonable expectation of recovery (i.e. the debtor does not have assets or sources of income to generate sufficient cash flows to repay the debt) despite the fact that they are still subject to enforcement activities.

##### *Trade Receivables*

The Group applies the simplified approach to measure expected credit losses using a lifetime expected credit loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables has been grouped based on the months past due.

Also, the Group considers any trade receivables having financial difficulty or in default with significant balances outstanding for more than 12 months are deemed credit impaired.

The expected loss rates are computed based on the Group's historical credit losses experienced. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle their debts.

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# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

## 38. FINANCIAL INSTRUMENTS (CONT'D)

### 38.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

#### (b) Credit Risk (cont'd)

##### (iii) Assessment of Impairment Losses (cont'd)

##### *Trade Receivables (cont'd)*

The information about the exposure to credit risk and the loss allowances calculated under MFRS 9 for trade receivables are summarised below:-

The Group	Gross Amount RM'000	Lifetime Loss Allowance RM'000	Carrying Amount RM'000
<b>2020</b>			
Current (not past due)	5,366	-	5,366
Past due:			
- less than 3 months	3,770	-	3,770
- 3 to 6 months	180	-	180
- more than 6 months	66	(6)	60
- more than 1 year	102	(86)	16
	9,484	(92)	9,392
<b>2019</b>			
Current (not past due)	5,188	-	5,188
Past due:			
- less than 3 months	3,793	-	3,793
- 3 to 6 months	148	-	148
- more than 6 months	114	-	114
- more than 1 year	155	(121)	34
	9,398	(121)	9,277

The movements in the loss allowance in respect of trade receivables are disclosed in Note 12 to the financial statements.

The Group believes that no impairment allowance is necessary in respect of other trade receivables because they are companies with good collection track record and no recent history of default.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

## 38. FINANCIAL INSTRUMENTS (CONT'D)

### 38.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

#### (b) Credit Risk (cont'd)

##### (iii) Assessment of Impairment Losses (cont'd)

###### *Other Receivables*

Other receivables are also subject to the impairment requirements of MFRS 9. Based on the assessment performed, the identified impairment loss was immaterial and hence, it is not provided for.

###### *Fixed Deposits with a Licensed Bank, Cash and Bank Balances*

The Group considers these banks and financial institutions have low credit risks. In addition, some of the bank balances are insured by Government agencies. Therefore, the Group is of the view that the loss allowance is immaterial and hence, it is not provided for.

###### *Amount Owing by Subsidiaries (Non-trade Balances)*

The Company applies the 3-stage general approach to measuring expected credit losses for all inter-company balances. Generally, the Company considers loans and advances to subsidiaries have low credit risks. The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. As the Company is able to determine the timing of payments of the subsidiaries' loans and advances when they are payable, the Company considers the loans and advances to be in default when the subsidiaries are not able to pay when demanded. The Company considers a subsidiary's loan or advance to be credit impaired when the subsidiary is unlikely to repay its loan or advance in full or the subsidiary is continuously loss making or the subsidiary is having a deficit in its total equity.

The Company determines the probability of default for these loans and advances individually using internal information available.

Based on the assessment performed, the identified impairment loss was immaterial and hence, it is not provided for.

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# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

## 38. FINANCIAL INSTRUMENTS (CONT'D)

### 38.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

#### (c) Liquidity Risk

Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash and bank balances and the availability of funding through certain committed credit facilities.

#### *Maturity Analysis*

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):-

The Group	Effective Interest Rate %	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000	1 – 5 Years RM'000	Over 5 Years RM'000
<b>2020</b>						
<u>Non-derivative Financial Liabilities</u>						
Trade payables	-	17,041	17,041	17,041	-	-
Other payables and accruals	-	6,191	6,191	6,191	-	-
Lease liabilities	1.08 - 6.52	24,919	27,202	9,453	17,344	405
Term loans	3.92 - 6.60	29,367	39,704	3,991	14,668	21,045
Bank overdrafts	6.72	475	475	475	-	-
Contract liability	-	104	104	26	78	-
		78,097	90,717	37,177	32,090	21,450
<b>2019</b>						
<u>Non-derivative Financial Liabilities</u>						
Trade payables	-	25,389	25,389	25,389	-	-
Other payables and accruals	6.00	7,647	7,723	7,180	543	-
Bankers' acceptance	3.89 - 4.09	948	948	948	-	-
Hire purchase payables	4.33 - 6.80	18,533	20,425	6,510	13,915	-
Term loans	4.67 - 6.89	29,832	40,609	3,885	15,261	21,463
Bank overdrafts	7.47 - 7.90	458	458	458	-	-
Contract liability	-	136	136	49	87	-
		82,943	95,688	44,419	29,806	21,463

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

## 38. FINANCIAL INSTRUMENTS (CONT'D)

### 38.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

#### (c) Liquidity Risk (cont'd)

##### *Maturity Analysis (cont'd)*

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period) (cont'd):-

	Effective Interest Rate %	Contractual Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000	1 – 5 Years RM'000	Over 5 Years RM'000
<b>The Company</b>						
<b>2020</b>						
<u>Non-derivative Financial Liabilities</u>						
Other payables and accruals	-	77	77	77	-	-
Amount owing to subsidiaries	-	32	32	32	-	-
		109	109	109	-	-
<b>2019</b>						
<u>Non-derivative Financial Liability</u>						
Other payables and accruals	-	42	42	42	-	-

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## 38. FINANCIAL INSTRUMENTS (CONT'D)

### 38.2 CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support its businesses and maximise shareholders value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio that complies with debt covenants and regulatory, if any. The debt-to-equity ratio is calculated as net debt divided by total equity. The Group includes within net debt, loans and borrowings from third parties and financial institutions less cash and cash equivalents. Capital includes equity attributable to the owners of the parent and non-controlling interests. The debt-to-equity ratio of the Group at the end of the reporting period was as follows:-

	<b>The Group</b>	
	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Lease liabilities (Note 18)	24,919	-
Other payable (Note 19)	-	670
Hire purchase payables (Note 25)	-	18,533
Term loans (Note 26)	29,367	29,832
Bankers' acceptance (Note 24)	-	948
Bank overdrafts (Note 27)	475	458
	54,761	50,441
Less: Fixed deposits with a licensed bank (Note 14)	-	(22)
Less: Cash and bank balances	(10,457)	(6,164)
Net debt	44,304	44,255
Total equity	65,150	38,734
Debt-to-equity ratio	68%	114%

There was no change in the Group's approach to capital management during the financial year.

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# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

## 38. FINANCIAL INSTRUMENTS (CONT'D)

### 38.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS

	The Group		The Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
<b>Financial Assets</b>				
<u>Amortised Cost</u>				
Trade receivables (Note 12)	9,392	9,277	-	-
Other receivables (Note 13)	145	247	139	-
Amount owing by subsidiaries (Note 8)	-	-	14,543	-
Fixed deposits with a licensed bank (Note 14)	-	22	-	-
Cash and bank balances	10,457	6,164	6,094	13
	19,994	15,710	20,776	13
<b>Financial Liabilities</b>				
<u>Amortised Cost</u>				
Trade payables (Note 22)	17,041	25,389	-	-
Other payables and accruals (Note 19)	6,191	7,647	77	42
Amount owing to subsidiaries (Note 23)	-	-	32	-
Contract liability (Note 21)	104	136	-	-
Bankers' acceptance (Note 24)	-	948	-	-
Hire purchase payables (Note 25)	-	18,533	-	-
Term loans (Note 26)	29,367	29,832	-	-
Bank overdrafts (Note 27)	475	458	-	-
	53,178	82,943	109	42

### 38.4 GAINS OR LOSSES ARISING FROM FINANCIAL INSTRUMENTS

	The Group		The Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
<b>Financial Assets</b>				
<u>Amortised Cost</u>				
Net gains/(losses) recognised in profit or loss	67	(120)	382	-
<b>Financial liabilities</b>				
<u>Amortised Cost</u>				
Net losses recognised in profit or loss	(1,566)	(3,172)	-	-

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

## 38. FINANCIAL INSTRUMENTS (CONT'D)

### 38.5 FAIR VALUE INFORMATION

The fair values of the financial assets and financial liabilities of the Group and of the Company which are maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments or repayable on demand terms.

As the Group does not have any financial instruments carried at fair value, the following table sets out only the fair value profile of financial instruments that are not carried at fair value at the end of the reporting period:-

The Group	Fair Value of Financial Instruments not Carried At Fair Value			Total Fair Value RM'000	Carrying Amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000		
<b>2020</b>					
<u>Financial Liabilities</u>					
Term loans	-	29,367	-	29,367	29,367
<b>2019</b>					
<u>Financial Liabilities</u>					
Other payable	-	668	-	668	670
Hire purchase payables	-	18,555	-	18,555	18,533
Term loans	-	29,832	-	29,832	29,832

#### Fair Value of Financial Instruments Not Carried at Fair Value

The fair values, which are for disclosure purposes, have been determined using the following basis:-

- The fair value of the Group's term loans that carry floating interest rates approximated their carrying amounts as they are repriced to market interest rates on or near the reporting date.
- The fair values of other payable and hire purchase payables were determined by discounting the relevant future contractual cash flows using current market interest rates for similar instruments at the end of the previous reporting period. The interest rates used to discount the estimated cash flows were as follows:-

	The Group 2019 %
Other payable	6.00
Hire purchase payables	5.82 - 6.40

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

## 39. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

39.1 The approval from the Bursa Malaysia Securities Berhad for the listing on the ACE Market of Bursa Malaysia Securities Berhad of its entire issued and paid-up capital was obtained on 11 February 2019 which involved the following events:-

### (a) Acquisitions

On 21 September 2018, the Company entered into three conditional Share Sales Agreements to acquire the equity interest of the following entities for the purpose of listing on the ACE Market of Bursa Malaysia Securities Berhad:-

- (i) acquired the entire equity interest in SDS Food for a purchase consideration of RM28,994,890 which was wholly satisfied by the issuance of 285,752,600 new ordinary shares of the Company at an issue price of approximately RM0.10 per ordinary share.
- (ii) acquired the entire equity interest in SDS Enterprise for a purchase consideration of RM26,360 which was wholly satisfied by the issuance of 263,600 new ordinary shares of the Company at an issue price of RM0.10 per ordinary share.
- (iii) acquired the entire equity interest in Super Arrow for a purchase consideration of RM1,551,080 which was wholly satisfied by the issuance of 15,510,800 new ordinary shares of the Company at an issue price of RM0.10 per ordinary share.

The above acquisitions were completed on 5 July 2019.

### (b) Public Issue

On 3 October 2019, the Company had undertaken a public issue of 104,296,800 new ordinary shares of RM0.23 each, representing 25.7% of the Company's enlarged issued and paid-up capital.

### (c) Listing

The Company's entire enlarged issued and paid-up share capital of RM54,560,604 comprising 405,823,900 ordinary shares was listed on the ACE Market of Bursa Malaysia Securities Berhad on 7 October 2019.

39.2 The outbreak of COVID-19 in early 2020 has affected the business and economic environments of the Group. The governments and various private corporations have taken different measures to prevent the spread of the virus such as travel bans, quarantines, closures of non-essential services, social distancing and home quarantine requirements which impacted consumers' spending pattern and the Group's operations directly or indirectly. As a result, 4 bakery-cum-café outlets, 4 café outlets and 2 bakery outlets of the Group have been temporarily closed down since 18 March 2020 due to the COVID-19 pandemic. With the implementation of Conditional Movement Control Order from 4 May 2020 to 9 June 2020, these outlets were then re-opened progressively by 11 May 2020.

## 40. INITIAL APPLICATION OF MFRS 16

The Group has adopted MFRS 16 using the modified retrospective approach under which the cumulative effect of initial application is recognised as an adjustment to the retained profits as at 1 April 2019 (date of initial application) without restating any comparative information.

The Group has applied MFRS 16 only to contracts that were previously identified as leases under MFRS 117 'Leases' and IC Interpretation 4 'Determining Whether an Arrangement Contains a Lease'. Therefore, MFRS 16 has been applied only to contracts entered into or changed on or after 1 April 2019.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

## 40. INITIAL APPLICATION OF MFRS 16 (CONT'D)

### (a) Lessee Accounting

At 1 April 2019, for leases that were classified as operating leases under MFRS 117, the Group measured the lease liabilities at the present value of the remaining lease payments, discounted using respective subsidiary's weighted average incremental borrowing rate at that date of 4.96% to 5.49%. The right-of-use assets were measured at their carrying amount as if MFRS 16 had been applied since the commencement date, discounted using the Group's incremental borrowing rate at 1 April 2019.

The Group has used the following practical expedients in applying MFRS 16 for the first time:-

- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Applied for the exemption not to recognise operating leases with a remaining lease term of less than 12 months and leases of low-value assets as at 1 April 2019;
- Excluded initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- Used hindsight in determining the lease term where the lease contract contains options to extend or terminate the lease.

For leases that were classified as finance leases, the Group has recognised the carrying amount of the leased assets and lease liabilities immediately before 1 April 2019 as the carrying amount of the right-of-use assets and the lease liabilities as at the date of initial application.

### (b) Financial Impacts

The main impacts resulting from the adoption of MFRS 16 at 1 April 2019 are summarised below:-

	<-----1 April 2019----->		
	As Previously Reported RM'000	MFRS 16 Adjustments RM'000	As Restated RM'000
<b>The Group</b>			
<i>Statements of Financial Position</i>			
Property, plant and equipment (Note 6)	95,527	(26,293)	69,234
Right-of-use assets (Note 7)	-	39,671	39,671
Deferred tax assets (Note 10)	1,127	1	1,128
Lease liabilities (Note 18)			
- non-current liabilities	-	23,623	23,623
- current liabilities	-	9,279	9,279
Other payables and accruals (Note 19)			
- non-current liabilities	502	(502)	-
- current liabilities	7,411	(168)	7,243
Hire purchase payables (Note 25)			
- non-current liabilities	12,991	(12,991)	-
- current liabilities	5,542	(5,542)	-
Deferred tax liabilities (Note 20)	2,112	(76)	2,036
Retained profits	35,018	(244)	34,774

# LIST OF PROPERTIES

## AS AT 31 MARCH 2020

No.	Address of property	Description of property/ Existing use	Tenure/ Date of expiring of lease	Land. area/Built- up area (Sq ft)	Approximate age of the buildings (Years)	Net Book Value as at 31/3/2020 (RM'000)	Date of last revaluation/ Date of acquisition*
1	PTD 162517, No. 5 & 5A, Jalan Selatan 8, Taman Perindustrian Ringan Pulau, 81200 Johor Bahru, Johor	1 1/2 storey factory with a warehouse and office annexed to a 3-storey factory with warehouse and office and a 4-storey factory building / Warehouse, office and production	Freehold	152,385/ 165,962	23	15,479	13/4/2016
2	PTD 64574, No.62, Jalan Bukit Kempas 5/1, Taman Bukit Kempas, 81200 Johor Bahru, Johor	2-storey terrace house / Hostel	Freehold	1,302/ 1,571	25	146	16/10/2014
3	PTD 64573, No.64, Jalan Bukit Kempas 5/1, Taman Bukit Kempas, 81200 Johor Bahru, Johor	2-storey terrace house / Hostel	Freehold	1,300/ 1,571	25	146	1/5/1995*
4	Lot 18696 (PT6123), Jalan Techvalley 1, Kawasan Perindustrian Sendayan Techvalley, Bandar Sri Sendayan, 71950 Seremban, Negeri Sembilan	1 1/2 storey factory with a warehouse annexed to a 2-storey office / Warehouse, office and production	Freehold	321,292/ 74,880	4	23,439	30/4/2016
5	No.6, Jalan Niaga 2, Bandar Baru Kota Tinggi, 81900 Kota Tinggi, Johor	2-storey shophouse / Ground Floor - Outlet operation First floor - Rent to KS Tan Properties Sdn Bhd	Leasehold of 99 years expiring in 14.5.2085	1,540/ 2,460	31	521	19/11/2004

# ANALYSIS OF SHAREHOLDINGS

## AS AT 30 JUNE 2020

Number of Shares Issued : 405,823,900  
 Voting rights : One vote for one ordinary share  
 No. of Shareholders : 1,439

### DISTRIBUTION OF SHAREHOLDINGS

CATEGORY	NO. OF HOLDERS	%	NO. OF SHARES	%
Less than 100	0	0.00	0	0.00
100 - 1,000	281	19.53	121,600	0.03
1,001 - 10,000	563	39.12	3,462,700	0.85
10,001 - 100,000	480	33.36	17,517,700	4.32
100,001 to less than 5% of issued shares	111	7.71	144,038,410	35.49
5% and above of issued shares	4	0.28	240,683,490	59.31
<b>TOTAL</b>	<b>1,439</b>	<b>100.00</b>	<b>405,823,900</b>	<b>100.00</b>

SUBSTANTIAL SHAREHOLDERS		SHAREHOLDINGS			
		Direct Interest	%	Deemed interest	%
1	TAN KIM SENG	99,040,780	24.40	4,701,620 <sup>(a)</sup>	1.16
2	TAN KIM CHAI	98,885,580	24.37	4,451,620 <sup>(b)</sup>	1.10
3	TAN YONG THYE	21,390,160	5.27	-	-
4	TAN YON HAW	21,366,970	5.27	-	-

DIRECTORS' SHAREHOLDINGS		SHAREHOLDINGS			
		Direct Interest	%	Deemed interest	%
1	TAN KIM SENG	99,040,780	24.40	4,701,620 <sup>(a)</sup>	1.16
2	TAN KIM CHAI	98,885,580	24.37	4,451,620 <sup>(b)</sup>	1.10
3	TAN YON HAW	21,366,970	5.27	-	-
4	TAN KEE JIN	1,131,800	0.28	-	-
5	LIM PANG KIAM	-	-	-	-
6	PHANG SZE FUI	-	-	-	-
7	AZAHAR BIN BAHARUDIN	250,000	<0.1	-	-
8	DATO' ALBERT DING CHOO EARN	250,000	<0.1	-	-

Note:

- (a) Deemed interested by virtue of his interests in SDS Tan Properties Sdn Bhd pursuant to Section 8(4) of the Companies Act 2016 ("the Act") and his son's direct shareholding in the Company pursuant to Section 59(11)(c) of the Act.
- (b) Deemed interested by virtue of his interests in SDS Tan Properties Sdn Bhd pursuant to Section 8(4) of the Companies Act 2016.

### THIRTY (30) LARGEST SHAREHOLDERS

NO.	NAME OF SHAREHOLDER	NO. OF SHARES	%
1	TAN KIM SENG	99,040,780	24.40
2	TAN KIM CHAI	98,885,580	24.37
3	TAN YONG THYE	21,390,160	5.27

# ANALYSIS OF SHAREHOLDINGS AS AT 30 JUNE 2020

## THIRTY (30) LARGEST SHAREHOLDERS (CONT'D)

NO.	NAME OF SHAREHOLDER	NO. OF SHARES	%
4	TAN YON HAW	21,366,970	5.27
5	TEOU CHAU HOYK	18,753,470	4.62
6	TAN YONG HERNG	18,753,360	4.62
7	TAN YONG PING	18,753,360	4.62
8	M&A NOMINEE (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT MAJESTIC SALUTE SDN BHD FOR YAHYA BIN RAZALI (M&A)	6,923,000	1.71
9	AFFIN HWANG NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YONG SIEW YEE (M19)	6,146,200	1.51
10	M&A NOMINEE (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR GENTING UTAMA SDN BHD (M&A)	6,110,000	1.50
11	AFFIN HWANG NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE SOD HWA (LEE0718C)	5,102,000	1.26
12	SDS TAN PROPERTIES SDN BHD	4,451,620	1.10
13	LEE CHOON HOOI	3,200,000	0.79
14	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KHOO AI LIAN (7004725)	3,120,000	0.77
15	M&A NOMINEE (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHOW DAI YING (M&A)	3,000,000	0.74
16	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE CHOON HOOI	2,920,000	0.72
17	AFFIN HWANG NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR DYNAMIC PRESTIGE CONSULTANCY SDN BHD	2,721,400	0.67
18	LEE CHOOI BIT	2,250,000	0.55
19	TENG HENG HOCK	2,210,000	0.54
20	KOK YEW FATT	2,000,000	0.49
21	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE CHEE HOON	1,920,500	0.47
22	MAYBANK NOMINEES (TEMPATAN) SDN BHD EE YIT WAH	1,892,000	0.47
23	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KHOO AI LIAN	1,770,000	0.44
24	YONG SIEW YEE	1,580,000	0.39
25	ONG KENG SENG	1,350,000	0.33
26	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE CHEE HOON (7004712)	1,201,100	0.29
27	TAN KEE JIN	1,131,800	0.28
28	AFFIN HWANG NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YONG SIEW YEE (YON0673C)	1,000,000	0.25
29	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KOH SOO YA	1,000,000	0.25
30	KEH CHUAN SENG	1,000,000	0.25
<b>TOTAL</b>		<b>360,943,300</b>	<b>88.94</b>



# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the 3rd Annual General Meeting (“AGM”) of SDS Group Berhad will be held at Mersing Hall, 1st floor, Impiana Hotel Senai, Jalan Impian Senai Utama 2, Taman Impian Senai, 81400 Senai, Johor on Friday, 28 August 2020 at 10.00 a.m. for the following purposes:

## AGENDA

### AS ORDINARY BUSINESS

- |    |   |                                  |
|----|---|----------------------------------|
| 1. | To receive the Audited Financial Statements for the financial year ended 31 March 2020 together with the Reports of the Directors and Auditors thereon.   | (Refer to<br>Explanatory Note 1) |
| 2. | To approve the payment of Directors’ Fees to Non-Executive Directors of the Company for the financial year ended 31 March 2020.   | <b>RESOLUTION 1</b>              |
| 3. | To approve the payment of Directors’ Benefit up to an amount of RM20,000 for the period from the conclusion of the 3rd AGM of the Company scheduled on 28 August 2020 until the date of the 4th AGM of the Company. | <b>RESOLUTION 2</b>              |
| 4. | To re-elect the following Directors, who retire in accordance with Article 18.2 of the Company’s Constitution and being eligible, have offered themselves for re-election:  |                                  |
|    | (i) Mr. Tan Kee Jin   | <b>RESOLUTION 3</b>              |
|    | (ii) Ms. Phang Sze Fui  | <b>RESOLUTION 4</b>              |
|    | <i>En. Azahar bin Baharudin who holds office until the conclusion of the 3rd AGM, has expressed his intention of not to seek for re-election and shall retain office until the conclusion of the 3rd AGM.</i>       |                                  |
| 5. | To re-appoint Messrs Crowe Malaysia PLT (LLP0018817-LCA & AF1018) as Auditors of the Company and to authorise the Directors to fix their remuneration.  | <b>RESOLUTION 5</b>              |

### AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following Resolutions:

- |    |   |                     |
|----|---|---------------------|
| 6. | <b>ORDINARY RESOLUTION - AUTHORITY UNDER SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016 FOR THE DIRECTORS TO ALLOT AND ISSUE SHARES</b> | <b>RESOLUTION 6</b> |
|----|---|---------------------|

“THAT subject to the Companies Act, 2016 (“the Act”), the Constitution of the Company, the ACE Market Listing Requirements (“Listing Requirements”) of Bursa Malaysia Securities Berhad (“Bursa Securities”), Additional Temporary Relief Measures to Listed Corporations for COVID-19, issued by Bursa Securities on 16 April 2020 and subject to the approvals of the relevant governmental/ regulatory authorities, the Directors be and are hereby authorised and empowered pursuant to Sections 75 and 76 of the Act, to issue and allot shares in the Company, at any time to such persons and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed twenty per centum (20%) of the total number of issued shares of the Company at any point in time (“20% General Mandate”); AND THAT the Directors be and are hereby also empowered to obtain approval from the Bursa Securities for the listing and quotation of the additional shares so issued pursuant to the 20% General Mandate on Bursa Securities; AND THAT such authority shall commence immediately upon the passing of this resolution and continue to be in force until 31 December 2021, as empowered by Bursa Securities pursuant to their letter dated 16 April 2020 to grant additional temporary relief measures to listed corporations, notwithstanding Section 76(3) of the Act, duly varied and adopted by the Directors of the Company pursuant to Section 76(4) of the Act.”

# NOTICE OF ANNUAL GENERAL MEETING

## 7. ORDINARY RESOLUTION - PROPOSED SHAREHOLDERS' RATIFICATION AND PROPOSED NEW SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

## RESOLUTION 7

"THAT approval be and is hereby given to the Company and its subsidiary ("Group") to enter into and give effect to the recurrent related party transactions of a revenue or trading nature particulars with the specified classes of related parties as specified in Section 2.6 of the Circular to Shareholders dated 30 July 2020, provided that:

- (a) such arrangements and/or transactions are necessary for the Group's day-to-day operations;
- (b) such arrangements and/or transactions undertaken are in the ordinary course of business, at arm's length basis and on normal commercial terms which are not more favourable to the related parties than those generally available to third party;
- (c) such arrangements and/or transactions are not detrimental to the minority shareholders of the Company; and
- (d) the disclosure is made in the annual report on the aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year in relation to:
  - (i) the related transacting parties and their respective relationship with the Company; and
  - (ii) the nature of the recurrent transactions.

THAT such authority shall continue to be in force until:

- (a) the conclusion of the next AGM, unless the authority is renewed by a resolution passed at the next AGM; or
- (b) the expiration of the period within which the next AGM is required to be held pursuant to Section 340(2) of the Act (but will not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
- (c) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier.

AND THAT all Recurrent Related Party Transactions entered into by the Related Parties, from 7 October 2019, being the date of listing of the Company on the ACE Market of Bursa Malaysia Securities Berhad, up to the date of this Ordinary Resolution, particulars which are set out in Section 2.6 be and are hereby approved, confirmed and ratified;

AND THAT the Directors be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution."

8. To transact any other business for which due notice shall have been given.

BY ORDER OF THE BOARD

**SIEW SUET WEI (MAICSA 7011254)**

SSM Practicing Certificate No. 202008001690

**LIM YEN TENG (LS0010182)**

SSM Practicing Certificate No. 201908000028

Company Secretaries

Kuala Lumpur

Date: 30 July 2020

## NOTES:

1. In respect of deposited securities, only members whose names appear on the Record of Depositors on 17 August 2020 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his behalf.
2. A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy.
3. Where a member appoints more than one (1) proxy but not more than two (2) proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
4. Where a member is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act 1991, there shall be no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
5. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its Common Seal or signed by an officer or attorney so authorised.
6. The instrument appointing a proxy or proxies and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority, may be made in hard copy form or by electronic means. In case of an appointment made in hard copy form, the proxy form must be deposited at the Company's Share Registrar's office of the Company at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, Tricor Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof. In the case of electronic appointment, the proxy form must be deposited via TIIH Online at <https://tiih.online>.
7. Pursuant to Rule 8.31A(1) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("AMLR"), voting at the AGM of the Company will be conducted by poll. Poll Administrator and Independent Scrutineers will be appointed respectively to conduct the polling/e-voting process and to verify the results of the poll.

## EXPLANATORY NOTES

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

This Agenda No. 1 is meant for discussion only as under the provisions of Section 340(1)(a) of the Companies Act 2016, the audited financial statements do not require the approval of the shareholders. As such, this matter will not be put forward for voting.

### 2. Ordinary Resolution 1 & 2: Payment of Directors' Fees & Benefits

Pursuant to Section 230(1) of the Companies Act 2016, the shareholders' approval is sought for the proposed payment of Directors' Fees for financial year ended 31 March 2020 and Benefits to the Non-Executive Directors ("NEDs") for the period from 28 August 2020 until the conclusion of the next AGM of the Company. The calculation of the benefits which include meeting allowance is based on the estimated number of scheduled and/or special Board and Board Committees' meetings and on the assumption that the number of NEDs in office until the next AGM remains the same.

### 3. Ordinary Resolution 3 and 4: Re-election of Directors

Article 18.2 of the Company's Constitution provides that an election of Directors shall take place each year at the annual general meeting of the Company where one third (1/3) of the Directors for the time being, or, if their number is not three (3) or a multiple of three (3), then the number nearest to one third (1/3) shall retire from office and be eligible for re-election. PROVIDED ALWAYS THAT all Directors shall retire from office once at least in each three (3) years but shall be eligible for re-election. Hence, three (3) out of eight (8) Directors are to retire in accordance with Article 18.2 of the Constitution.

# NOTICE OF ANNUAL GENERAL MEETING

Mr. Tan Kee Jin and Mdm. Phang Sze Fui are standing for re-election as Directors of the Company and being eligible, have offered themselves for re-election. The profiles of the Directors standing for re-election are set out in the Directors' Profile of this Annual Report 2020.

En. Azahar bin Baharudin who holds office until the conclusion of the 3rd AGM, has expressed his intention of not to seek for re-election and shall retain office until the conclusion of the 3rd AGM.

## 4. **Ordinary Resolution 5: Re-appointment of Auditors**

The Board and Audit Committee had at their respective meetings on 26 June 2020 recommended the re-appointment of Messrs Crowe Malaysia PLT for the financial year ending 31 March 2021. Messrs Crowe Malaysia PLT have met the criteria prescribed under the Rule 15.21 of the ACE Listing Requirements and indicated their willingness to continue their services for the next financial year.

## 5. **Ordinary Resolution 6: Authority under Sections 75 And 76 of the Companies Act 2016 for the Directors to allot and issue shares**

The proposed Ordinary Resolution 6 is a new general mandate and if passed, will empower the Directors of the Company to allot and issue new shares in the Company at any time, to such person or persons, upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit ("General Mandate"), provided that the number of shares issued pursuant to this General Mandate, when aggregated with the total number of any such shares issued during the preceding twelve (12) months, does not exceed 20% of the total number of issued shares of the Company at the time of issue.

This General Mandate, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company. The 20% General Mandate is pursuant to directive letter from Bursa Securities dated 16 April 2020 in relation to a temporary relief measures in view of the trying and challenging times due to the COVID-19 pandemic for listed issuer to seek a higher general mandate of not more than 20% of the total number of issued shares instead of 10%.

Having considered the current economic climate arising from the global Covid-19 pandemic and future financial needs of the Group, the Board would like to procure approval for the 20% General Mandate, inclusive of the Extended Utilisation Period, pursuant to Section 76(4) of the Act, from its shareholders at the forthcoming 3rd AGM of the Company. The Board of Directors of the Company, after due consideration, is of the opinion that in the face of unprecedented challenges to the Company brought by Covid-19 pandemic, this 20% General Mandate will enable the Company further flexibility to raise funds expeditiously other than incurring additional interest costs as compared to bank borrowings, thereby allowing the Company to preserve its cash flow and achieve a more optimal capital structure. Any funds raised from this 20% General Mandate is expected be used as working capital to finance day-to-day operational expenses, ongoing projects or future projects/investments to ensure the long-term sustainability of the Company. The Board, having considered the current and prospective financial position, needs and capacity of the Company, is of the opinion that the 20% General Mandate is in the best interest of the Company and its subsidiaries.

## 6. **Ordinary Resolution 7: Proposed Shareholders' Ratification and Proposed New Shareholders' Mandate For Recurrent Related Party Transactions Of A Revenue Or Trading Nature**

For further information on the proposed Ordinary Resolution 7, please refer to the Circular to Shareholders dated 30 July 2020 accompanying the Annual Report 2020.

# STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING (PURSUANT TO RULE 8.29(2) OF THE ACE MARKET LISTING REQUIREMENTS ("AMLR") OF BURSA MALAYSIA SECURITIES BERHAD)

**1. Details of individual who are standing for election as Directors (excluding Directors standing for re-election)**

No individual is seeking election as a Director at the 3rd AGM of the Company.

**2. General mandate for issue of securities in accordance with Rule 6.04 of the Listing Requirements of Bursa Securities**

The Company will seek shareholders' approval on the general meeting for issue of securities in accordance with Rule 6.04(3) of the AMLR of Bursa Securities. Please refer to the Proposed Ordinary Resolution 6 as stated in the Notice of the 3rd AGM of the Company for details.

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# S.D.S

SINCE 1987

## SDS GROUP BERHAD

Registration No. 201701026951 (1241117-T)  
(Incorporated in Malaysia)

## PROXY FORM

No. of shares held		
CDS Account No.		
No. of shares to be represented by each proxy	Proxy 1	Proxy 2

I/We \_\_\_\_\_ of \_\_\_\_\_ being a member of **SDS GROUP BERHAD**, hereby appoint:

(1) Mr/Ms \_\_\_\_\_ (NRIC No. \_\_\_\_\_) OR failing whom,

Mr/Ms \_\_\_\_\_ (NRIC No. \_\_\_\_\_)

(the next name and address should be completed where it is desired to appoint two proxies)

\*(2) Mr/Ms \_\_\_\_\_ (NRIC No. \_\_\_\_\_) failing whom,

Mr/Ms \_\_\_\_\_ (NRIC No. \_\_\_\_\_)

OR

the CHAIRMAN OF THE MEETING, as \*my/our proxy, to vote for \*me/us and on \*my/our behalf at the 3rd Annual General Meeting ("AGM") of the Company to be held at Mersing Hall, 1st floor, Impiana Hotel Senai, Jalan Impian Senai Utama 2, Taman Impian Senai, 81400 Senai, Johor on Friday, 28 August 2020 at 10.00 a.m. and, at every adjournment thereof \*for/against the resolutions to be proposed thereat.

Please indicate with a cross (X) in the space whether you wish your votes to be cast for or against the resolution. In the absence of such specific directions, your proxy will vote or abstain as he thinks fit.

		FOR	AGAINST
<b>RESOLUTION 1</b>	To approve the payment of Directors' Fees for the financial year ended 31 March 2020		
<b>RESOLUTION 2</b>	To approve the payment of Directors' Benefit up to an amount of RM20,000 for the period from the conclusion of the 3rd AGM of the Company scheduled on 28 August 2020 until the following AGM of the Company		
<b>RESOLUTION 3</b>	To re-elect Mr. Tan Kee Jin who retires pursuant to Article 18.2 of the Company's Constitution		
<b>RESOLUTION 4</b>	To re-elect Mdm. Phang Sze Fui who retires pursuant to Article 18.2 of the Company's Constitution		
<b>RESOLUTION 5</b>	To re-appoint Messrs Crowe Malaysia PLT as Auditors and to authorise the Directors to fix their remuneration		
<b>RESOLUTION 6</b>	Authority to issue shares pursuant to Sections 75 and 76 of the Companies Act 2016		
<b>RESOLUTION 7</b>	Proposed Shareholders' Ratification and Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2020

\_\_\_\_\_  
Signature(s)/Common Seal of Member

### NOTES: -

- In respect of deposited securities, only members whose names appear on the Record of Depositors on 17 August 2020 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his behalf.
- A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy.
- Where a member appoints more than one (1) proxy but not more than two (2) proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
- Where a member is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act, 1991, there shall be no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
- The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its Common Seal or signed by an officer or attorney so authorised.
- The instrument appointing a proxy or proxies and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority, may be made in hard copy form or by electronic means. In case of an appointment made in hard copy form, the proxy form must be deposited at the Company's Share Registrar's office of the Company at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, Tricor Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof. In the case of electronic appointment, the proxy form must be deposited via TIH Online at <https://tthh.online>.



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“THIRD ANNUAL GENERAL MEETING”



**THE SHARE REGISTRAR**  
**SDS GROUP BERHAD** Registration No. 201701026951 (1241117-T)  
Unit 32-01, Level 32, Tower A  
Vertical Business Suite, Avenue 3  
Bangsar South, No. 8, Jalan Kerinchi  
59200 Kuala Lumpur

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# S.D.S

SINCE 1987

## SDS GROUP BERHAD

Registration No. 201701026951 (1241117-T)

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