

SDS GROUP BERHAD

COMPANY NO. 201701026951 (1241117-T)

(INCORPORATED IN MALAYSIA)

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FIRST QUARTER ENDED

30 JUNE 2020

SDS GROUP BERHAD

Company No: 201701026951 (1241117-T)

(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FIRST QUARTER ENDED 30 JUNE 2020

	Note	Individual Quarter 3 months ended		Cumulative Quarter 3 months ended	
		Unaudited 30 June 2020 RM'000	Unaudited 30 June 2019 RM'000	Unaudited 30 June 2020 RM'000	Unaudited 30 June 2019 RM'000
Revenue	9	38,723	45,359	38,723	45,359
Cost of sales		(27,281)	(31,956)	(27,281)	(31,956)
Gross profit		11,442	13,403	11,442	13,403
Other income		91	87	91	87
Administrative expenses		(3,072)	(3,111)	(3,072)	(3,111)
Selling and distribution expenses		(7,715)	(8,076)	(7,715)	(8,076)
Other operating expenses		(72)	(44)	(72)	(44)
Finance costs		(614)	(893)	(614)	(893)
Profit before tax	26	60	1,366	60	1,366
Income tax expense	19	(95)	(257)	(95)	(257)
(Loss)/ Profit after tax		(35)	1,109	(35)	1,109
Other comprehensive income					
<u>Item that may be reclassified</u>					
<u>subsequently to profit or loss</u>					
Foreign currency translation differences		37	36	37	36
Total comprehensive income for the period		2	1,145	2	1,145
(Loss)/ Profit after tax attributable to:-					
Owners of the Company		32	1,079	32	1,079
Non-controlling interests		(67)	30	(67)	30
		(35)	1,109	(35)	1,109
Total comprehensive income/ (expenses) attributable to:-					
Owners of the Company		69	1,115	69	1,115
Non-controlling interests		(67)	30	(67)	30
		2	1,145	2	1,145
Earnings per share attributable to owners of the Company (Sen):					
- Basic/ Diluted	25	0.008	0.36	0.008	0.36

The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 31 March 2020 and the accompanying explanatory notes attached to these interim financial statements.

SDS GROUP BERHAD

Company No: 201701026951 (1241117-T)

(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020**

	Unaudited As at 30 June 2020 RM'000	Audited As at 31 March 2020 RM'000	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	84,780	86,544	
Right-of-use assets	25,525	26,775	
Goodwill	162	162	
Deferred tax assets	2,406	2,405	
	<u>112,873</u>	<u>115,886</u>	
CURRENT ASSETS			
Inventories	5,230	5,330	
Trade receivables	7,585	9,392	
Other receivables, deposits and prepayments	4,807	4,539	
Current tax assets	1,059	600	
Cash and bank balances	10,618	10,457	
	<u>29,299</u>	<u>30,318</u>	
TOTAL ASSETS	<u>142,172</u>	<u>146,204</u>	
EQUITY AND LIABILITIES			
EQUITY			
Share capital	53,111	53,111	
Reserves	11,556	11,487	
Equity attributable to owners of the Company	64,667	64,598	
Non-controlling interests	485	552	
TOTAL EQUITY	<u>65,152</u>	<u>65,150</u>	
LIABILITIES			
NON-CURRENT LIABILITIES			
Long-term borrowings	22	25,692	26,610
Lease liabilities	22	15,252	16,539
Deferred tax liabilities		2,650	2,659
Contract liability		72	78
		<u>43,666</u>	<u>45,886</u>

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

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020 (CONT'D)**

	Note	Unaudited As at 30 June 2020 RM'000	Audited As at 31 March 2020 RM'000
CURRENT LIABILITIES			
Trade payables		13,025	17,041
Other payables and accruals		6,734	6,394
Short-term borrowings	22	4,512	2,757
Lease liabilities	22	8,545	8,380
Bank overdrafts	22	391	475
Contract liability		26	26
Current tax liabilities		121	95
		<u>33,354</u>	<u>35,168</u>
TOTAL LIABILITIES		<u>77,020</u>	<u>81,054</u>
TOTAL EQUITY AND LIABILITIES		<u>142,172</u>	<u>146,204</u>
Net assets per ordinary share attributable to owners of the Company (RM) ⁽¹⁾		<u>0.16</u>	<u>0.16</u>

Notes:

- (1) Net assets per ordinary shares as at 30 June 2020 is calculated based on ordinary shares in issuance in the Company of 405,823,900 shares.

The Condensed Consolidated Statements of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 March 2020 and the accompanying explanatory notes attached to these interim financial statements.

SDS GROUP BERHAD

Company No: 201701026951 (1241117-T)

(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FIRST QUARTER ENDED 30 JUNE 2020**

	<u>Non-distributable</u>			<u>Distributable</u>			
	Share	Merger	Foreign	Retained	Attributable to	Non-	Total Equity
	Capital	Deficit	Currency	Profits	Owners of the	Controlling	
	RM'000	RM'000	Translation	RM'000	Company	Interests	RM'000
			Reserve		RM'000	RM'000	RM'000
			RM'000				
Balance at 1 April 2020	53,111	(27,760)	461	38,786	64,598	552	65,150
Profit/ (Loss) after tax for the financial period	-	-	-	32	32	(67)	(35)
Other comprehensive income for the financial period:							
- Foreign currency translation differences	-	-	37	-	37	-	37
Total comprehensive income/ (expenses) for the financial period	-	-	37	32	69	(67)	2
Balance at 30 June 2020 (Unaudited)	53,111	(27,760)	498	38,818	64,667	485	65,152

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
AS AT 30 JUNE 2020 (CONT'D)**

	<u>Non-distributable</u>			<u>Distributable</u>			
	Share	Merger	Foreign	Retained	Attributable to	Non-	Total Equity
	Capital	Deficit	Currency	Profits	Owners of the	Controlling	
	RM'000	RM'000	Translation	RM'000	Company	Interests	RM'000
			Reserve		RM'000	RM'000	RM'000
			RM'000				
Balance at 1 April 2019	2,750	-	454	35,018	38,222	512	38,734
Effects of adoption of MFRS 16	-	-	-	(244)	(244)	-	(244)
Balance at 1 April 2019, as restated	2,750	-	454	34,774	37,978	512	38,490
Profit after tax for the financial period	-	-	-	1,079	1,079	30	1,109
Other comprehensive income for the financial period:							
- Foreign currency translation differences	-	-	36	-	36	-	36
Total comprehensive income for the financial period	-	-	36	1,079	1,115	30	1,145
Transaction with owners:							
- Issuance of shares pursuant to acquisitions of subsidiaries	30,572	(27,760)	-	(62)	2,750	-	2,750
- Elimination of subsidiaries' share capital	(2,750)	-	-	-	(2,750)	-	(2,750)
	27,822	(27,760)	-	(62)	-	-	-
Balance at 30 June 2019 (Unaudited)	30,572	(27,760)	490	35,791	39,093	542	39,635

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Audited Financial Statements for the financial year ended 31 March 2020 and the accompanying explanatory notes attached to these interim financial statements.

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

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FIRST QUARTER ENDED 30 JUNE 2020**

	3 months ended Unaudited 30 June 2020 RM'000	3 months ended Unaudited 30 June 2019 RM'000
Cash flows from operating activities		
Profit before tax	60	1,366
Adjustments for:		
Bad debts written off	19	-
Depreciation of property, plant and equipment	2,087	1,770
Depreciation of right-of-use assets	1,958	2,120
Interest expenses	614	893
Loss on foreign exchange - unrealised	14	21
Net (gain)/ loss on disposal of property, plant and equipment	(12)	(21)
Gain on lease termination	(5)	-
Interest income	(40)	-
Operating profit before working capital changes	4,695	6,149
Decrease/ (Increase) in inventories	100	(276)
Decrease/ (Increase) in trade and other receivables	1,709	(480)
Decrease in trade and other payables	(3,450)	(3,056)
Decrease in contract liability	(6)	(13)
Cash from operations	3,048	2,324
Income tax paid	(539)	(605)
Income tax refunded	-	431
Net cash from operating activities	2,509	2,150
Cash flows for investing activities		
Addition to right-of-use assets	-	(238)
Deposit paid for future purchase of property, plant and equipment	(250)	-
Interest received	40	-
Proceeds from disposal of property, plant and equipment:		
- current financial period	46	30
- previous financial year	34	-
Purchase of property, plant and equipment:		
- current financial period	(96)	(2,303)
- previous financial year	(515)	-
Net cash for investing activities	(741)	(2,511)

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FIRST QUARTER ENDED 30 JUNE 2020 (CONT'D)**

	3 months ended Unaudited 30 June 2020 RM'000	3 months ended Unaudited 30 June 2019 RM'000
Cash flows for financing activities		
Interest paid	(576)	(893)
Drawdown of bankers' acceptance	1,535	1,341
Drawdown of term loans	-	1,242
Repayment of bankers' acceptance	-	(948)
Repayment of lease liabilities	(1,808)	(2,846)
Repayment of term loans	(698)	(872)
Net cash for financing activities	(1,547)	(2,976)
Net increase/ (decrease) in cash and cash equivalents	221	(3,337)
Cash and cash equivalents at beginning of the financial period	9,982	5,728
Effect of foreign exchange translation	24	16
Cash and cash equivalents at end of the financial period	10,227	2,407
Cash and cash equivalents comprise the followings:		
Cash and bank balances	10,618	3,691
Bank overdrafts	(391)	(1,284)
	10,227	2,407

The Condensed Consolidated Statements of Cash Flows should be read in conjunction with the Audited Financial Statements for the financial year ended 31 March 2020 and the accompanying explanatory notes attached to these interim financial statements.

SDS GROUP BERHAD

Company No: 201701026951 (1241117-T)

(Incorporated in Malaysia)

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 30 JUNE 2020**

Part A: Explanatory Notes Pursuant to MFRS 134

1. Basis of Preparation

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

This Condensed Report should be read in conjunction with the audited financial statements for the financial year ended 31 March 2020 and the accompanying notes attached to this Condensed Report.

2. Significant Accounting Policies

The accounting policies adopted in the preparation of this Condensed Report are consistent with those adopted in the preparation of the Group’s audited financial statement for the financial year ended 31 March 2020, except for the following:

- 1) New applicable accounting standards adopted during the financial period

MFRS (including the consequential amendments)	Effective date
Amendments to MFRS 3: Definition of a Business	1 January 2020
Amendments to MFRS 9: MFRS 139 and MFRS 7: Interest Rate Benchmark Reform	1 January 2020
Amendments 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 References to the Conceptual Framework in MFRS Standards	1 January 2020

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

- 2) New applicable accounting standards issued but not yet effective

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

MFRS (including the consequential amendments)	Effective date
Amendments to MFRS 3: Reference to the Conceptual Framework	1 January 2022
Amendments to MFRS 101: Classification of Liabilities as Current or Non-current	1 January 2022
Amendments to MFRS 116: Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Annual Improvements to MFRS Standards 2018 - 2020	1 January 2022

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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 30 JUNE 2020 (CONT'D)**

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

3. Auditors' Report on Preceding Annual Audited Financial Statements

The audited financial statements of the Group for the financial year ended 31 March 2020 was not subject to any qualification.

4. Seasonal or Cyclical Factors

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

5. Material Unusual Items

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

6. Material Changes in Estimates

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

7. Debt and Equity Securities

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

8. Dividend Paid

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

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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 30 JUNE 2020 (CONT'D)****Part A: Explanatory Notes Pursuant to MFRS 134 (Cont'd)****9. Segment Information**

The Group's segment information for the current financial period ended 30 June 2020 is as follows:

Analysis of revenue by business segments

	Individual Quarter 3 months ended		Cumulative Quarter 3 months ended	
	Unaudited 30 June 2020 RM'000	Unaudited 30 June 2019 RM'000	Unaudited 30 June 2020 RM'000	Unaudited 30 June 2019 RM'000
Retail segment	10,935	16,192	10,935	16,192
Wholesale segment	27,788	29,167	27,788	29,167
	38,723	45,359	38,723	45,359

10. Significant Related Party Transactions

	Individual Quarter 3 months ended		Cumulative Quarter 3 months ended	
	Unaudited 30 June 2020 RM'000	Unaudited 30 June 2019 RM'000	Unaudited 30 June 2020 RM'000	Unaudited 30 June 2019 RM'000
Sales of goods	-	288	-	288
Rental of premises paid/payable	-	3	-	3
Rental of premises received /receivable	2	2	2	2
Repayment of lease liabilities	90	79	90	79

11. Capital Commitments

	Unaudited As at 30 June 2020 RM'000
Purchase of property, plant and equipment	<u>349</u>

12. Contingent Assets and Liabilities

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

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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 30 JUNE 2020 (CONT'D)**

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

13. Changes in Composition of the Group

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

14. Significant Events after the Reporting Period

There were no significant events subsequent to the end of the current financial quarter under review that have not been reflected in this Condensed Report.

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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 30 JUNE 2020 (CONT'D)**

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

15. Review of Performance

The Group recorded revenue and profit before tax of RM38.72 million (2019: RM45.36 million) and RM0.06 million (2019: RM1.37 million) respectively for the current financial quarter ended 30 June 2020.

The Group's revenue was principally derived from the wholesale segment accounting for approximately 71.76% of the total revenue for the current financial quarter.

16. Comparison with Immediate Preceding Quarter's Results

The Group's revenue for the current financial quarter ended 30 June 2020 decreased by RM8.82 million (or 18.55%) from RM47.54 million to RM38.72 million as compared with the immediate preceding financial quarter.

Profit before tax for the current financial quarter under review decreased by RM0.64 million (or 91.43%) to RM0.06 million as compared to RM0.70 million in the immediate preceding financial quarter.

Four bakery-cum-café outlets, four café outlets and two bakery outlets of the Group had been temporarily closed down since the implementation of Movement Control Order ("MCO") on 18 March 2020. These outlets were then re-opened gradually from 4 May 2020 to 11 May 2020 after the implementation of Conditional MCO. At the same time, the Group had to comply with the Standard Operating Procedures to ensure social distancing for all diners. With the lower consumers' traffic during the Conditional MCO and Recovery MCO period, coupled with the fasting month which fell in the current financial quarter under review, the Group had also experienced decrease in demand for our products. Our profit was also affected by fixed overhead expenses during this period. As a result, the revenue and profit before tax for current financial period were lower as compared with the immediate preceding financial quarter.

17. Commentary on Prospects

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

The Group is optimistic about the future prospects when the COVID-19 crisis ends. Moving ahead, the Group will continue to expand.

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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 30 JUNE 2020 (CONT'D)****Part B: Explanatory Notes Pursuant to ACE Market Listing Requirements of Bursa Malaysia Securities Berhad
(Cont'd)****18. Profit Forecast**

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

19. Income Tax Expenses

	Individual Quarter 3 months ended		Cumulative Quarter 3 months ended	
	Unaudited 30 June 2020 RM'000	Unaudited 30 June 2019 RM'000	Unaudited 30 June 2020 RM'000	Unaudited 30 June 2019 RM'000
Income tax	105	289	105	289
Deferred tax	(10)	(32)	(10)	(32)
	<u>95</u>	<u>257</u>	<u>95</u>	<u>257</u>

Notes:

- (1) Income tax is calculated at the Malaysian statutory tax rate of 24% of the estimated assessable profit for the current period.
- (2) Income tax expense is recognised based on management's best estimate.

20. Status of Corporate Proposals

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

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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 30 JUNE 2020 (CONT'D)****Part B: Explanatory Notes Pursuant to ACE Market Listing Requirements of Bursa Malaysia Securities Berhad
(Cont'd)****21. Utilisation of Proceeds Raised from the IPO**

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

No. Purpose	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
	<u>23,988</u>	<u>18,801</u>	<u>5,187</u>	

Note:

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

22. Borrowings and Debt Securities

The Group's borrowings were as follows:

	Unaudited As at 30 June 2020 RM'000	Audited As at 31 March 2020 RM'000
Secured:		
Current liabilities		
Lease liabilities	8,545	8,380
Term loans	2,977	2,757
Bankers' acceptance	1,535	-
Bank overdrafts	391	475
	<u>13,448</u>	<u>11,612</u>
Non-current liabilities		
Lease liabilities	15,252	16,539
Term loans	25,692	26,610
	<u>40,944</u>	<u>43,149</u>
Total Borrowings	<u>54,392</u>	<u>54,761</u>

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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 30 JUNE 2020 (CONT'D)****Part B: Explanatory Notes Pursuant to ACE Market Listing Requirements of Bursa Malaysia Securities Berhad
(Cont'd)****23. Material Litigation**

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

24. Dividend

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

25. Earnings per Share (“EPS”)

	Individual Quarter 3 months ended		Cumulative Quarter 3 months ended	
	Unaudited 30 June 2020	Unaudited 30 June 2019	Unaudited 30 June 2020	Unaudited 30 June 2019
Profit after tax attributable to owners of the Company (RM'000)	32	1,079	32	1,079
Weighted average number of ordinary shares in issue ('000)	405,824	301,527	405,824	301,527
Basic EPS (sen)	0.008	0.36	0.008	0.36
Diluted EPS (sen) ⁽²⁾	0.008	0.36	0.008	0.36

Notes:

- (1) Basic EPS is calculated by dividing the profit after tax attributable to owners of the Company by the number of ordinary shares in issue during the financial period under review.
- (2) The diluted EPS is equal to the basic EPS as the Company does not have any convertible options as at the end of the reporting period.

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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 30 JUNE 2020 (CONT'D)****Part B: Explanatory Notes Pursuant to ACE Market Listing Requirements of Bursa Malaysia Securities Berhad
(Cont'd)****26. Profit before Tax**

Included in profit for the financial period are as follows:

	Individual Quarter 3 months ended		Cumulative Quarter 3 months ended	
	Unaudited 30 June 2020 RM'000	Unaudited 30 June 2019 RM'000	Unaudited 30 June 2020 RM'000	Unaudited 30 June 2019 RM'000
Bad debts written off	19	-	19	-
Depreciation of property, plant and equipment	2,087	1,770 ⁽¹⁾	2,087	1,770 ⁽¹⁾
Depreciation of right-of-use assets	1,958	2,120 ⁽¹⁾	1,958	2,120 ⁽¹⁾
Interest expenses	614	893	614	893
Loss on foreign exchange:				
- Realised	5	14	5	14
- Unrealised	14	21	14	21
Gain on disposal of property, plant and equipment	(12)	(21)	(12)	(21)
Gain on lease termination	(5)	-	(5)	-
Interest income	(40)	-	(40)	-
Rental income	(16)	(18)	(16)	(18)

Note:

- (1) During the first quarter of preceding year, on adoption of MFRS 16, the Group has make a reclassification of RM1.085 million from depreciation of property, plant and equipment to depreciation of right-of-use assets for assets acquired under hire purchase arrangements.

27. Authorised for Issue

The Condensed Report was authorised for issue by the Board in accordance with a resolution of the Directors on 28 August 2020.