

SDS GROUP BERHAD

COMPANY NO. 201701026951 (1241117-T)

(INCORPORATED IN MALAYSIA)

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FIRST QUARTER ENDED

30 JUNE 2022

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 2022

	Note	Individual Quarter 3 months ended		Cumulative Quarter 3 months ended	
		Unaudited 30 June 2022 RM'000	Unaudited 30 June 2021 RM'000	Unaudited 30 June 2022 RM'000	Unaudited 30 June 2021 RM'000
Revenue	9	60,878	39,760	60,878	39,760
Cost of sales		(42,314)	(28,793)	(42,314)	(28,793)
Gross profit		18,564	10,967	18,564	10,967
Other income		326	113	326	113
Administrative expenses		(3,337)	(3,036)	(3,337)	(3,036)
Selling and distribution expenses		(9,241)	(7,939)	(9,241)	(7,939)
Other operating expenses		(70)	(63)	(70)	(63)
Finance costs		(257)	(427)	(257)	(427)
Profit/ (Loss) before tax	25	5,985	(385)	5,985	(385)
Income tax expense	19	(1,381)	(144)	(1,381)	(144)
Profit/ (Loss) after tax		4,604	(529)	4,604	(529)
Other comprehensive income					
<u>Item that will be reclassified</u>					
<u>subsequently to profit or loss</u>					
Foreign currency translation differences		23	10	23	10
Total comprehensive income/ (expenses) for the period		4,627	(519)	4,627	(519)
Profit/ (Loss) after tax attributable to:-					
Owners of the Company		4,522	(496)	4,522	(496)
Non-controlling interests		82	(33)	82	(33)
		4,604	(529)	4,604	(529)
Total comprehensive income/ (expenses) attributable to:-					
Owners of the Company		4,545	(486)	4,545	(486)
Non-controlling interests		82	(33)	82	(33)
		4,627	(519)	4,627	(519)
Earnings/ (Loss) per share attributable to owners of the Company (Sen):					
- Basic/ Diluted	24	1.11	(0.12)	1.11	(0.12)

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 2022 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 2022**

	Unaudited As at 30 June 2022 RM'000	Audited As at 31 March 2022 RM'000
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	86,579	85,501
Right-of-use assets	14,670	14,634
Goodwill	162	162
Deferred tax assets	693	873
	102,104	101,170
CURRENT ASSETS		
Inventories	7,715	6,642
Trade receivables	10,089	9,459
Other receivables, deposits and prepayments	5,545	4,983
Current tax assets	352	718
Cash and bank balances	24,466	20,118
	48,167	41,920
TOTAL ASSETS	150,271	143,090
EQUITY AND LIABILITIES		
EQUITY		
Share capital	53,111	53,111
Reserves	30,932	28,416
Equity attributable to owners of the Company	84,043	81,527
Non-controlling interests	426	344
TOTAL EQUITY	84,469	81,871
LIABILITIES		
NON-CURRENT LIABILITIES		
Lease liabilities	21 8,593	7,764
Term loans	21 12,832	12,813
Deferred tax liabilities	3,947	3,772
Contract liabilities	208	205
	25,580	24,554

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022 (CONT'D)**

	Unaudited As at 30 June 2022 RM'000	Audited As at 31 March 2022 RM'000
	Note	
CURRENT LIABILITIES		
Trade payables	23,921	20,538
Other payables and accruals	8,581	7,559
Lease liabilities	21 5,268	5,557
Term loans	21 1,917	2,545
Contract liabilities	429	398
Current tax liabilities	106	68
	<u>40,222</u>	<u>36,665</u>
TOTAL LIABILITIES	<u>65,802</u>	<u>61,219</u>
TOTAL EQUITY AND LIABILITIES	<u>150,271</u>	<u>143,090</u>
Net assets per ordinary share attributable to owners of the Company (RM) ⁽¹⁾	<u>0.21</u>	<u>0.20</u>

Note:

- (1) Net assets per ordinary shares as at 30 June 2022 and 31 March 2022 are calculated based on ordinary shares in issuance in the Company of 405,823,900 shares.

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 March 2022 and the accompanying explanatory notes attached to these interim financial statements.

SDS GROUP BERHAD
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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FIRST QUARTER ENDED 30 JUNE 2022**

	<u><----- Non-distributable -----></u>			<u>Distributable</u>			
	Share Capital RM'000	Merger Deficit RM'000	Foreign Exchange Translation Reserve RM'000	Retained Profits RM'000	Attributable to Owners of the Company RM'000	Non- Controlling Interests RM'000	Total Equity RM'000
Balance at 1 April 2022	53,111	(27,760)	516	55,660	81,527	344	81,871
Profit after tax for the financial period	-	-	-	4,522	4,522	82	4,604
Other comprehensive income for the financial period:							
- Foreign currency translation differences	-	-	23	-	23	-	23
Total comprehensive income for the financial period	-	-	23	4,522	4,545	82	4,627
Distribution to owners of the Company:							
- Dividend paid	-	-	-	(2,029)	(2,029)	-	(2,029)
Balance at 30 June 2022 (Unaudited)	53,111	(27,760)	539	58,153	84,043	426	84,469

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FIRST QUARTER ENDED 30 JUNE 2022 (CONT'D)**

	<---- Non-distributable ---->			<u>Distributable</u>			Total Equity RM'000
	Share Capital RM'000	Merger Deficit RM'000	Foreign Exchange Translation Reserve RM'000	Retained Profits RM'000	Attributable to Owners of the Company RM'000	Non- Controlling Interests RM'000	
Balance at 1 April 2021	53,111	(27,760)	504	46,057	71,912	359	72,271
Loss after tax for the financial period	-	-	-	(496)	(496)	(33)	(529)
Other comprehensive income for the financial period:							
- Foreign currency translation differences	-	-	10	-	10	-	10
Total comprehensive income/ (expenses) for the financial period	-	-	10	(496)	(486)	(33)	(519)
Balance at 30 June 2021 (Unaudited)	53,111	(27,760)	514	45,561	71,426	326	71,752

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the financial year ended 31 March 2022 and the accompanying explanatory notes attached to these interim financial statements.

SDS GROUP BERHAD

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FIRST QUARTER ENDED 30 JUNE 2022**

	3 months ended Unaudited 30 June 2022 RM'000	3 months ended Unaudited 30 June 2021 RM'000
Cash flows from operating activities		
Profit/ (Loss) before tax	5,985	(385)
Adjustments for:		
Bad debts written off	-	*
Depreciation of property, plant and equipment	2,229	1,966
Depreciation of right-of-use assets	1,441	1,886
Interest expenses	256	427
Unrealised loss on foreign exchange	11	5
(Gain)/ Loss on disposal of property, plant and equipment	(21)	20
Gain on lease termination	(161)	(14)
Interest income	(57)	(52)
Operating profit before working capital changes	9,683	3,853
Increase in inventories	(1,073)	(789)
(Increase)/ Decrease in trade and other receivables	(651)	589
Increase/ (Decrease) in trade and other payables	3,694	(675)
Increase/ (Decrease) in contract liabilities	34	(11)
Cash from operations	11,687	2,967
Income tax paid	(622)	(291)
Net cash from operating activities	11,065	2,676
Cash flows for investing activities		
Deposit paid for future purchase of property, plant and equipment	(713)	(1,251)
Interest received	57	52
Proceeds from disposal of property, plant and equipment:		
- current financial period	13	5
- previous financial period	-	11
Purchase of property, plant and equipment:		
- current financial period	(996)	(303)
- previous financial period	(639)	(165)
Net cash for investing activities	(2,278)	(1,651)

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FIRST QUARTER ENDED 30 JUNE 2022 (CONT'D)**

	3 months ended Unaudited 30 June 2022 RM'000	3 months ended Unaudited 30 June 2021 RM'000
Cash flows for financing activities		
Dividend paid	(2,029)	-
Drawdown of term loans	1,300	-
Interest paid	(256)	(427)
Repayment of lease liabilities	(1,909)	(2,318)
Repayment of term loans	(1,558)	(1,513)
Net cash for financing activities	(4,452)	(4,258)
Net increase/ (decrease) in cash and bank balances	4,335	(3,233)
Cash and bank balances at beginning of the financial period	20,118	17,185
Effect of foreign exchange translation	13	4
Cash and bank balances at end of the financial period	24,466	13,956

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the financial year ended 31 March 2022 and the accompanying explanatory notes attached to these interim financial statements.

SDS GROUP BERHAD

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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 30 JUNE 2022**

Part A: Explanatory Notes Pursuant to MFRS 13

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 Malaysia Securities Berhad.

This Condensed Report should be read in conjunction with the audited financial statements for the financial year ended 31 March 2022 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 2022, 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: Reference to the Conceptual Framework	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

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 101: Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to MFRS 101: Disclosure of Accounting Policies	1 January 2023
Amendments to MFRS 108: Definition of Accounting Estimates	1 January 2023
Amendments to MFRS 112: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023

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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 30 JUNE 2022 (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 2022 was not subject to any qualification.

4. Seasonal or Cyclical Factors

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

5. Material Unusual Items

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

6. Material Changes in Estimates

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

7. Debt and Equity Securities

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

8. Dividend Paid

A second interim single tier dividend of 0.50 sen per ordinary share amounting to RM2,029,120 in respect of financial year ended 31 March 2022, was declared and paid on 27 May 2022 and 30 June 2022 respectively.

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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 30 JUNE 2022 (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 2022 is as follows:

Analysis of revenue by business segments

	Individual Quarter 3 months ended		Cumulative Quarter 3 months ended	
	Unaudited 30 June 2022 RM'000	Unaudited 30 June 2021 RM'000	Unaudited 30 June 2022 RM'000	Unaudited 30 June 2021 RM'000
Retail segment	23,253	12,546	23,253	12,546
Wholesale segment	37,625	27,214	37,625	27,214
	60,878	39,760	60,878	39,760

10. Significant Related Party Transactions

	Individual Quarter 3 months ended		Cumulative Quarter 3 months ended	
	Unaudited 30 June 2022 RM'000	Unaudited 30 June 2021 RM'000	Unaudited 30 June 2022 RM'000	Unaudited 30 June 2021 RM'000
Rental of premises received /receivable	2	2	2	2
Repayment of lease liabilities	125	125	125	125

11. Capital Commitments

	Unaudited 30 June 2022 RM'000	Audited 31 March 2022 RM'000
Purchase of property, plant and equipment	2,194	1,151

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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 30 JUNE 2022 (CONT'D)**

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

12. Contingent Assets and Liabilities

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

13. Changes in Composition of the Group

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

14. Significant Events after the Reporting Period

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

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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 30 JUNE 2022 (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 RM60.88 million (2022: RM39.76 million) and RM5.99 million (2022: loss before tax of RM0.39 million) respectively for the current and cumulative financial quarter ended 30 June 2022.

The Group's revenue was principally derived from the wholesale segment accounting for approximately 61.80% of the total revenue for current and cumulative financial quarter ended 30 June 2022.

16. Comparison with Immediate Preceding Quarter's Results

The Group's revenue for the current financial quarter ended 30 June 2022 increased by RM1.44 million (or 2.42%) from RM59.44 million to RM60.88 million as compared with the immediate preceding financial quarter.

Profit before tax for the current financial quarter under review decreased by RM1.55 million (or 20.56%) to RM5.99 million as compared to RM7.54 million in the immediate preceding financial quarter.

The increase in revenue was mainly derived from the retail segment. Following the re-opening of borders between Malaysia and Singapore, our retail outlets has experienced higher influx of customers and same-store sales growth. This is partially offset by lower sales in the fasting month and rising raw material prices in the recent months.

17. Commentary on Prospects

With Malaysia entering the "Endemic" phase of COVID-19 and the re-opening of international borders, the Group expects a gradual recovery in its retail operations due to improved mobility. However, the Group is faced with the global supply chain disruptions and the increase in raw material prices as a result of global events. Therefore, the Group will continue to monitor the situation, and adopt strategies to mitigate its impact, which include resources allocation and cost control management.

Overall, the outlook of bakery products and cafeterias in Malaysia is expected to be positive.

18. Profit Forecast

The Group does not issue any profit forecast or profit guarantee 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 2022 (CONT'D)****Part B: Explanatory Notes Pursuant to ACE Market Listing Requirements of Bursa Malaysia Securities Berhad
(Cont'd)****19. Income Tax Expenses**

	Individual Quarter 3 months ended		Cumulative Quarter 3 months ended	
	Unaudited 30 June 2022 RM'000	Unaudited 30 June 2021 RM'000	Unaudited 30 June 2022 RM'000	Unaudited 30 June 2021 RM'000
Income tax	1,025	119	1,025	119
Deferred tax	356	25	356	25
	1,381	144	1,381	144

Notes:

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

20. Status of Corporate Proposals

Saved as disclosed below, there were no other corporate proposals announced but not completed as at the date of this Condensed Report.

- a) On 8 December 2021, M&A Securities Sdn Bhd ("M&A Securities"), on behalf of the Board of Directors of SDS ("Board"), had announced that the Company proposes to implement a special issue of up to 46,400,000 new ordinary shares in the Company ("new SDS Shares") to Bumiputera investors to be identified and/or approved by Ministry of International Trade and Industry ("MITI") ("Special Issue") at an issue price to be determined later.

Subsequently, on 8 March 2022, M&A Securities, on behalf of the Board, announced that the Board resolved to increase the issuance size of the special issue from 46,400,000 new SDS Shares to 58,000,000 new SDS Shares to comply with MITI's requirement whereby SDS is required to allocate 12.50% of its enlarged share capital to Bumiputera investors to be approved by MITI, in addition to the equity interests in SDS held by Bumiputera investors at the point of listing.

The approval from Bursa Malaysia Securities Berhad for the listing of the Special Issue Shares up to 58,000,000 new ordinary shares on the ACE Market was obtained on 27 April 2022. The approval from shareholders pursuant to the Special Issue had been obtained during the extraordinary general meeting held on 9 June 2022.

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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 30 JUNE 2022 (CONT'D)****Part B: Explanatory Notes Pursuant to ACE Market Listing Requirements of Bursa Malaysia Securities Berhad
(Cont'd)****20. Status of Corporate Proposals (Cont'd)**

Pursuant to the Special Issue, a total of 3,806,865 ordinary shares has been listed on the ACE Market of Bursa Securities at the issue price of RM0.38 per ordinary share for a total gross proceed of approximately RM1.45 million on 21 July 2022.

MITI had vide their letter dated 19 August 2022 reverted that they have exhausted all avenues to allocate the remaining Special Issue shares and will not proceed to further allocate the remaining Special Issue shares, consequently, M&A Securities, on behalf of SDS, had sought approval from the SC for SDS to be deemed as having complied with the Bumiputera Equity Condition. SDS is currently waiting for a decision from the SC on this matter.

Further details of the Special Issue will be announced in due course.

- b) On 28 July 2022, M & A Securities, on behalf of the Board, had announced that SDS proposed to undertake the proposed transfer of the listing of and quotation for the entire issued share capital of the Company from the ACE Market to the Main Market of Bursa Securities (“Proposed Transfer”) and proposed amendment to the Constitution of the Company to facilitate the implementation of the Proposed Transfer (“Proposed Amendment”).

Further details of the Proposed Transfer and Proposed Amendment will be announced in due course.

21. Borrowings and Debt Securities

The Group’s borrowings were as follows:

	Unaudited 30 June 2022 RM'000	Audited 31 March 2022 RM'000
Secured:		
Current liabilities		
Lease liabilities	5,268	5,557
Term loans	1,917	2,545
	<u>7,185</u>	<u>8,102</u>
Non-current liabilities		
Lease liabilities	8,593	7,764
Term loans	12,832	12,813
	<u>21,425</u>	<u>20,577</u>
Total Borrowings	<u><u>28,610</u></u>	<u><u>28,679</u></u>

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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 30 JUNE 2022 (CONT'D)****Part B: Explanatory Notes Pursuant to ACE Market Listing Requirements of Bursa Malaysia Securities Berhad
(Cont'd)****22. Material Litigation**

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

23. Dividend

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

The Board of Directors has declared a second interim single tier dividend of 0.50 sen per ordinary share amounting to RM2,029,120 in respect of financial year ending 31 March 2022 on 27 May 2022, which had been paid on 30 June 2022.

24. Earnings/ (Loss) per Share (“EPS”/ (“LPS”))

	Individual Quarter 3 months ended		Cumulative Quarter 3 months ended	
	Unaudited 30 June 2022	Unaudited 30 June 2021	Unaudited 30 June 2022	Unaudited 30 June 2021
Profit/ (Loss) after tax attributable to owners of the Company (RM'000)	4,522	(496)	4,522	(496)
Weighted average number of ordinary shares in issue ('000)	405,824	405,824	405,824	405,824
Basic EPS/ (LPS) (sen) ⁽¹⁾	1.11	(0.12)	1.11	(0.12)
Diluted EPS/ (LPS) (sen) ⁽²⁾	1.11	(0.12)	1.11	(0.12)

Notes:

- (1) Basic EPS/ (LPS) is calculated by dividing the profit/ (loss) after tax attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial period under review.
- (2) The diluted EPS/ (LPS) 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 2022 (CONT'D)****Part B: Explanatory Notes Pursuant to ACE Market Listing Requirements of Bursa Malaysia Securities Berhad
(Cont'd)****25. 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 2022 RM'000	Unaudited 30 June 2021 RM'000	Unaudited 30 June 2022 RM'000	Unaudited 30 June 2021 RM'000
Bad debts written off	-	*	-	*
Depreciation of property, plant and equipment	2,229	1,966	2,229	1,966
Depreciation of right-of-use assets	1,441	1,886	1,441	1,886
Interest expenses	256	427	256	427
Loss on foreign exchange:				
- Realised	12	5	12	5
- Unrealised	11	5	11	5
(Gain)/ Loss on disposal of property, plant and equipment	(21)	20	(21)	20
Gain on disposal of short-term investment	(16)	-	(16)	-
Gain on lease termination	(161)	(14)	(161)	(14)
Interest income	(57)	(52)	(57)	(52)
Lease income	(2)	(2)	(2)	(2)

* Denotes amount less than RM500.

26. Authorised for Issue

The Condensed Report was authorised for issue by the Board in accordance with a resolution of the Directors on 26 August 2022.