

SDS GROUP BERHAD

COMPANY NO. 201701026951 (1241117-T)

(INCORPORATED IN MALAYSIA)

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THIRD QUARTER ENDED
31 DECEMBER 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 THIRD QUARTER ENDED 31 DECEMBER 2020

	Note	Individual Quarter 3 months ended		Cumulative Quarter 9 months ended	
		Unaudited 31 December 2020 RM'000	Unaudited 31 December 2019 RM'000	Unaudited 31 December 2020 RM'000	Unaudited 31 December 2019 RM'000
Revenue	9	44,770	48,558	129,762	143,980
Cost of sales		(30,923)	(33,737)	(89,621)	(100,756)
Gross profit		13,847	14,821	40,141	43,224
Other income		191	1,061	909	1,281
Administrative expenses		(3,064)	(3,652)	(9,250)	(10,042)
Selling and distribution expenses		(7,412)	(8,655)	(22,636)	(25,261)
Other operating expenses		(58)	(2,122)	(195)	(2,350)
Finance costs		(457)	(818)	(1,640)	(2,559)
Profit before tax	26	3,047	635	7,329	4,293
Income tax expense	19	(400)	(542)	(962)	(1,331)
Profit after tax		2,647	93	6,367	2,962
Other comprehensive income					
<u>Item that may be reclassified</u>					
<u>subsequently to profit or loss</u>					
Foreign currency translation differences		11	13	12	23
Total comprehensive income for the period		2,658	106	6,379	2,985
Profit after tax attributable to:-					
Owners of the Company		2,683	58	6,487	2,828
Non-controlling interests		(36)	35	(120)	134
		2,647	93	6,367	2,962
Total comprehensive income/ (expenses) attributable to:-					
Owners of the Company		2,694	71	6,499	2,851
Non-controlling interests		(36)	35	(120)	134
		2,658	106	6,379	2,985
Earnings per share attributable to owners of the Company (Sen):					
- Basic/ Diluted	25	0.66	0.01	1.60	0.85

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 31 DECEMBER 2020**

	Unaudited As at 31 December 2020	Audited As at 31 March 2020
Note	RM'000	RM'000
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	83,573	86,544
Right-of-use assets	22,119	26,775
Goodwill	162	162
Deferred tax assets	2,411	2,405
	108,265	115,886
CURRENT ASSETS		
Inventories	5,907	5,330
Trade receivables	7,738	9,392
Other receivables, deposits and prepayments	4,425	4,539
Current tax assets	1,037	600
Cash and bank balances	17,088	10,457
	36,195	30,318
TOTAL ASSETS	144,460	146,204
EQUITY AND LIABILITIES		
EQUITY		
Share capital	53,111	53,111
Reserves	17,986	11,487
Equity attributable to owners of the Company	71,097	64,598
Non-controlling interests	432	552
TOTAL EQUITY	71,529	65,150
LIABILITIES		
NON-CURRENT LIABILITIES		
Long-term borrowings	22	26,610
Lease liabilities	22	16,539
Deferred tax liabilities	2,635	2,659
Contract liability	174	78
	38,170	45,886

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020 (CONT'D)**

	Unaudited As at 31 December 2020	Audited As at 31 March 2020
Note	RM'000	RM'000
CURRENT LIABILITIES		
Trade payables	15,887	17,041
Other payables and accruals	6,770	6,394
Amount owing to related party	6	-
Short-term borrowings	22 2,878	2,757
Lease liabilities	22 8,482	8,380
Bank overdrafts	22 431	475
Contract liability	226	26
Current tax liabilities	81	95
	<u>34,761</u>	<u>35,168</u>
TOTAL LIABILITIES	<u>72,931</u>	<u>81,054</u>
TOTAL EQUITY AND LIABILITIES	<u>144,460</u>	<u>146,204</u>
Net assets per ordinary share attributable to owners of the Company (RM) ⁽¹⁾	<u>0.18</u>	<u>0.16</u>

Note:

- (1) Net assets per ordinary shares as at 31 December 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 THIRD QUARTER ENDED 31 DECEMBER 2020**

	<u>Non-distributable</u>			<u>Distributable</u>			
	Share Capital RM'000	Merger Deficit RM'000	Foreign Currency 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 2020	53,111	(27,760)	461	38,786	64,598	552	65,150
Profit/ (Loss) after tax for the financial period	-	-	-	6,487	6,487	(120)	6,367
Other comprehensive income for the financial period:							
- Foreign currency translation differences	-	-	12	-	12	-	12
Total comprehensive income/ (expenses) for the financial period	-	-	12	6,487	6,499	(120)	6,379
Balance at 31 December 2020 (Unaudited)	53,111	(27,760)	473	45,273	71,097	432	71,529

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THIRD QUARTER ENDED 31 DECEMBER 2020 (CONT'D)

	<u>Non-distributable</u>			<u>Distributable</u>			Total Equity RM'000
	Share Capital RM'000	Merger Deficit RM'000	Foreign Currency 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 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	-	-	-	2,828	2,828	134	2,962
Other comprehensive income for the financial period:							
- Foreign currency translation differences	-	-	23	-	23	-	23
Total comprehensive income for the financial period	-	-	23	2,828	2,851	134	2,985
Contributions by and distributions to owners of the Company							
- 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)
- Issuance of shares pursuant to public issue	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	(1,431)	-	-	-	(1,431)	-	(1,431)
Balance at 31 December 2019 (Unaudited)	53,129	(27,760)	477	37,540	63,386	548	63,934

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 THIRD QUARTER ENDED 31 DECEMBER 2020**

	9 months ended Unaudited 31 December 2020 RM'000	9 months ended Unaudited 31 December 2019 RM'000
Cash flows from operating activities		
Profit before tax	7,329	4,293
Adjustments for:		
Allowance for impairment of trade receivables	34	-
Bad debts written off	20	11
Depreciation of property, plant and equipment	6,054	5,387
Depreciation of right-of-use assets	5,993	6,372
Interest expenses	1,640	2,559
Property, plant and equipment written off	1	4
Unrealised loss on foreign exchange	10	-
Bad debts recovered	(15)	(11)
Gain on lease termination	(8)	(81)
Interest income	(128)	(88)
Net (gain)/ loss on disposal of property, plant and equipment	(430)	82
Operating profit before working capital changes	20,500	18,528
Increase in inventories	(576)	(1,418)
Decrease/ (Increase) in trade and other receivables	2,071	(1,490)
Decrease in trade and other payables	(528)	(8,967)
Increase in amount owing to related party	6	-
Increase/ (Decrease) in contract liability	296	(25)
Cash from operations	21,769	6,628
Income tax paid	(1,445)	(1,470)
Income tax refunded	-	782
Real property gain tax refunded	-	62
Withholding tax paid	-	(1)
Net cash from operating activities	20,324	6,001
Cash flows for investing activities		
Addition to right-of-use assets	-	(423)
Deposit paid for future purchase of property, plant and equipment	(542)	-
Interests received	128	88
Proceeds from disposal of property, plant and equipment:		
- current financial period	486	99
- previous financial year	33	-
Purchase of property, plant and equipment:		
- current financial period	(2,588)	(6,801)
- previous financial year	(623)	-
Net cash for investing activities	(3,106)	(7,037)

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THIRD QUARTER ENDED 31 DECEMBER 2020 (CONT'D)**

	9 months ended Unaudited 31 December 2020 RM'000	9 months ended Unaudited 31 December 2019 RM'000
Cash flows for financing activities		
Interests paid	(1,640)	(2,559)
Dividend paid	-	(98)
Drawdown of bankers' acceptance	1,654	2,348
Drawdown of term loans	75	2,214
Proceeds from issuance of ordinary shares	-	23,988
Payment of listing expenses	-	(1,431)
Repayment of bankers' acceptance	(1,654)	(3,296)
Repayment of lease liabilities	(5,882)	(13,578)
Repayment of term loans	(3,098)	(2,155)
Net cash (for)/ from financing activities	(10,545)	5,433
Net increase in cash and cash equivalents	6,673	4,397
Cash and cash equivalents at beginning of the financial period	9,982	5,728
Effect of foreign exchange translation	2	24
Cash and cash equivalents at end of the financial period	16,657	10,149
Cash and cash equivalents comprise the followings:		
Cash and bank balances	17,088	10,805
Bank overdrafts	(431)	(656)
	16,657	10,149

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

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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THIRD QUARTER ENDED 31 DECEMBER 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 THIRD QUARTER ENDED 31 DECEMBER 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 THIRD QUARTER ENDED 31 DECEMBER 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 31 December 2020 is as follows:

Analysis of revenue by business segments

	Individual Quarter 3 months ended		Cumulative Quarter 9 months ended	
	Unaudited 31 December 2020 RM'000	Unaudited 31 December 2019 RM'000	Unaudited 31 December 2020 RM'000	Unaudited 31 December 2019 RM'000
Retail segment	14,774	17,407	42,213	52,376
Wholesale segment	29,996	31,151	87,549	91,604
	44,770	48,558	129,762	143,980

10. Significant Related Party Transactions

	Individual Quarter 3 months ended		Cumulative Quarter 9 months ended	
	Unaudited 31 December 2020 RM'000	Unaudited 31 December 2019 RM'000	Unaudited 31 December 2020 RM'000	Unaudited 31 December 2019 RM'000
Sales of goods	-	-	-	288
Rental of premises paid/payable	-	-	-	3
Rental of premises received /receivable	2	2	5	5
Repayment of lease liabilities	90	89	271	254

11. Capital Commitments

	Unaudited As at 31 December 2020 RM'000
Purchase of property, plant and equipment	458

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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THIRD QUARTER ENDED 31 DECEMBER 2020 (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 THIRD QUARTER ENDED 31 DECEMBER 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 RM44.77 million (2020: RM48.56 million) and RM3.05 million (2020: RM0.63 million) respectively for the current financial quarter ended 31 December 2020. For the cumulative financial quarter ended 31 December 2020, the Group recorded revenue and profit before tax of RM129.76 million (2020: RM143.98 million) and RM7.33 million (2020: RM4.29 million) respectively.

The Group's revenue was principally derived from the wholesale segment accounting for approximately 67.00% and 67.47% of the total revenue for current and cumulative financial quarter ended 31 December 2020 respectively.

16. Comparison with Immediate Preceding Quarter's Results

The Group's revenue for the current financial quarter ended 31 December 2020 decreased by RM1.50 million (or 3.24%) from RM46.27 million to RM44.77 million as compared with the immediate preceding financial quarter.

Profit before tax for the current financial quarter under review decreased by RM1.17 million (or 27.73%) to RM3.05 million as compared to RM4.22 million in the immediate preceding financial quarter.

The third wave of COVID-19 pandemic had resulted in lower consumer traffic as consumers became more cautious, thus resulted in a decrease in revenue for current financial quarter. Besides, higher revenue in the immediate preceding financial quarter was mainly due to the sales of mid-autumn festive products.

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.

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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THIRD QUARTER ENDED 31 DECEMBER 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 9 months ended	
	Unaudited 31 December 2020 RM'000	Unaudited 31 December 2019 RM'000	Unaudited 31 December 2020 RM'000	Unaudited 31 December 2019 RM'000
Income tax	407	556	993	1,458
Deferred tax	(7)	(14)	(31)	(65)
Over provision of real property gains tax ("RPGT") in previous financial year	-	-	-	(62)
	<u>400</u>	<u>542</u>	<u>962</u>	<u>1,331</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
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(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	2,290	3,710	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>20,278</u>	<u>3,710</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 31 December 2020 RM'000	Audited As at 31 March 2020 RM'000
Secured:		
Current liabilities		
Lease liabilities	8,482	8,380
Term loans	2,878	2,757
Bank overdrafts	431	475
	<u>11,791</u>	<u>11,612</u>
Non-current liabilities		
Lease liabilities	11,895	16,539
Term loans	23,466	26,610
	<u>35,361</u>	<u>43,149</u>
Total Borrowings	<u>47,152</u>	<u>54,761</u>

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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THIRD QUARTER ENDED 31 DECEMBER 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 9 months ended	
	Unaudited 31 December 2020	Unaudited 31 December 2019	Unaudited 31 December 2020	Unaudited 31 December 2019
Profit after tax attributable to owners of the Company (RM'000)	2,683	58	6,487	2,828
Weighted average number of ordinary shares in issue ('000)	405,824	399,022	405,824	334,144
Basic EPS (sen) ⁽¹⁾	0.66	0.01	1.60	0.85
Diluted EPS (sen) ⁽²⁾	0.66	0.01	1.60	0.85

Notes:

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

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(Cont'd)****26. Profit before Tax**

Included in profit for the financial period are as follows:

	Individual Quarter 3 months ended		Cumulative Quarter 9 months ended	
	Unaudited 31 December 2020 RM'000	Unaudited 31 December 2019 RM'000	Unaudited 31 December 2020 RM'000	Unaudited 31 December 2019 RM'000
Allowance for impairment of trade receivables	-	-	34	-
Bad debts written off	1	9	20	11
Depreciation of property, plant and equipment	1,954	1,923 ⁽¹⁾	6,054	5,387 ⁽¹⁾
Depreciation of right-of-use assets	1,990	2,083 ⁽¹⁾	5,993	6,372 ⁽¹⁾
Interest expenses	457	818	1,640	2,559
Loss on disposal of property, plant and equipment	-	-	-	171
Property, plant and equipment written off	1	1	1	4
Realised loss on foreign exchange	17	11	32	36
Bad debts recovered	(6)	(6)	(15)	(11)
Gain on disposal of property, plant and equipment	(87)	(37)	(430)	(89)
Gain on lease termination	-	(81)	(8)	(81)
Interest income	(49)	(88)	(128)	(88)
Rental income	(18)	(18)	(52)	(54)
Unrealised loss on foreign exchange	17	2	10	-
Insurance compensation	-	(643)	(180)	(643)

Note:

- (1) During the preceding year, on adoption of MFRS 16, the Group has make a reclassification of RM0.93 million for current financial quarter and RM3.09 million for cumulative financial quarter 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 26 February 2021.