

**INTERIM FINANCIAL REPORT****DATASONIC GROUP BERHAD**

Registration No. 200801008472 (809759-X)

Incorporated in Malaysia

The Directors are pleased to present the Interim Financial Report for the period ended 31 December 2019 as follows:

**SUMMARY OF KEY INFORMATION****FOR THE THIRD QUARTER ENDED 31 DECEMBER 2019**

	Individual Quarter		Cumulative Quarters	
	Current Year Quarter 31.12.2019 RM'000	Preceding Year Quarter 31.12.2018 RM'000	Current Year to-date 31.12.2019 RM'000	Preceding Year to-date 31.12.2018 RM'000
1 Revenue	74,965	56,755	196,825	162,842
2 Profit before tax	21,631	10,589	51,419	27,684
3 Profit for the year	20,193	8,986	48,113	24,830
4 Profit after tax attributable to owners of the Company	20,176	8,997	48,049	24,906
5 Basic earnings per share (sen)	1.49	0.67	3.56	1.84
6 Diluted earnings per share (sen)	1.49	0.67	3.56	1.84
7 Proposed/Declared dividend per share (sen)	1.00	1.00	2.50	2.00
	AS AT END OF CURRENT QUARTER		AS AT PRECEDING FINANCIAL YEAR END	
8 Net assets per share attributable to owners of the Company (RM)	0.2106		0.1950	

## Remarks:

In the third quarter of the current financial year ending 31 March 2020, a third interim single-tier tax exempt dividend of 1 sen per share was declared on 27 February 2020, the Entitlement Date of which will be determined and announced in due course. This dividend has not been reflected in the financial statements for the financial period under review but it will be accounted for in shareholders' equity as an appropriation of retained profits for the next quarter ending 31 March 2020.

**ADDITIONAL INFORMATION**

	Individual Quarter		Cumulative Quarters	
	Current Year Quarter 31.12.2019 RM'000	Preceding Year Quarter 31.12.2018 RM'000	Current Year to-date 31.12.2019 RM'000	Preceding Year to-date 31.12.2018 RM'000
1 Gross interest income	378	130	699	341
2 Gross interest expense	(1,700)	(2,176)	(4,990)	(6,386)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND  
OTHER COMPREHENSIVE INCOME  
FOR THE THIRD QUARTER ENDED 31 DECEMBER 2019**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTERS	
	Current Quarter 31.12.2019 (RM'000)	Preceding Quarter 31.12.2018 (RM'000)	Current Year To Date 31.12.2019 (RM'000)	Preceding Year To Date 31.12.2018 (RM'000)
<b>Continuing Operations</b>				
Revenue	74,965	56,755	196,825	162,842
Operating expenses	(52,082)	(44,245)	(141,351)	(129,398)
Other income	448	255	935	626
Profit from operations	23,331	12,765	56,409	34,070
Finance costs	(1,700)	(2,176)	(4,990)	(6,386)
<b>Profit before tax</b>	21,631	10,589	51,419	27,684
Income tax expense	(1,438)	(1,603)	(3,306)	(2,854)
<b>Profit after tax</b>	20,193	8,986	48,113	24,830
<b>Other comprehensive income, net of tax</b>				
- Foreign currency translation differences	9	13	33	12
<b>Total comprehensive income for the quarter</b>	20,202	8,999	48,146	24,842
<b>Profit after taxation attributable to:</b>				
Owners of the Company	20,176	8,997	48,049	24,906
Non-controlling interests	17	(11)	64	(76)
	20,193	8,986	48,113	24,830
<b>Total comprehensive income attributable to:</b>				
Owners of the Company	20,185	9,010	48,082	24,918
Non-controlling interests	17	(11)	64	(76)
	20,202	8,999	48,146	24,842
Earnings per share (sen) attributable to owners of the Company :				
- Basic (Note B11)	1.49	0.67	3.56	1.84
- Diluted	1.49	0.67	3.56	1.84

The unaudited 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 2019 and the accompanying explanatory notes attached to these interim financial statements.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2019**

	<b>As at 31.12.2019 (RM'000) Unaudited</b>	<b>As at 31.03.2019 (RM'000) Audited</b>
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	171,891	177,575
Other investment	110	110
Goodwill	4,162	4,153
Development expenditures	26,853	31,111
Trade receivables (2)	4,045	6,162
	<u>207,061</u>	<u>219,111</u>
<b>CURRENT ASSETS</b>		
Projects-in-progress	2,253	3,161
Inventories	45,562	49,431
Trade receivables	51,237	119,293
Other receivables, deposits and prepayments	9,051	14,418
Tax recoverable	1,192	4,806
Short-term investments	46,617	3,716
Deposits with licensed banks	6,128	6,462
Cash and bank balances	65,303	26,935
	<u>227,343</u>	<u>228,222</u>
<b>TOTAL ASSETS</b>	<u>434,404</u>	<u>447,333</u>
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY</b>		
Share capital	135,000	135,000
Merger deficit	(11,072)	(11,072)
Foreign exchange translation reserve	(47)	(56)
Retained profits	160,422	139,373
Equity attributable to owners of the Company	284,303	263,245
Non-controlling interests	(553)	(617)
<b>TOTAL EQUITY</b>	<u>283,750</u>	<u>262,628</u>
<b>NON-CURRENT LIABILITIES</b>		
Long-term borrowings	61,817	81,350
Deferred taxation	2,167	2,026
	<u>63,984</u>	<u>83,376</u>
<b>CURRENT LIABILITIES</b>		
Trade payables	6,857	12,169
Other payables and accruals	28,256	27,130
Short-term borrowings	41,432	55,280
Dividend payable	10,125	6,750
	<u>86,670</u>	<u>101,329</u>
<b>TOTAL LIABILITIES</b>	<u>150,654</u>	<u>184,705</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>434,404</u>	<u>447,333</u>
Net assets per share attributable to ordinary owners of the Company (RM)	0.2106	0.1950

Notes:

- (1) The unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 March 2019 and the accompanying explanatory notes attached to these interim financial statements.
- (2) These represent revenue earned for work performed and goods delivered but related invoices have yet to be issued in accordance with contractual terms.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE THIRD QUARTER ENDED 31 DECEMBER 2019**

	<---- Non distributable ---->			Distributable Retained Profits RM'000	Attributable to Owners of the Company RM'000	Non- controlling Interests RM'000	Total Equity RM'000
	Share Capital RM'000	Merger Deficit RM'000	Foreign Exchange Translation Reserve RM'000				
At 1 April 2019	135,000	(11,072)	(56)	139,373	263,245	(617)	262,628
Profit after taxation for the financial period	-	-	-	48,049	48,049	64	48,113
Other comprehensive income for the financial period:							
- Foreign exchange translation differences	-	-	9	-	9	-	9
Total comprehensive income for the financial period	-	-	9	48,049	48,058	64	48,122
Distributions to owners of the Company:							
- dividends (Note B10)	-	-	-	(27,000)	(27,000)	-	(27,000)
At 31 December 2019	<u>135,000</u>	<u>(11,072)</u>	<u>(47)</u>	<u>160,422</u>	<u>284,303</u>	<u>(553)</u>	<u>283,750</u>

The unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the financial year ended 31 March 2019 and the accompanying explanatory notes attached to these interim financial statements.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE THIRD QUARTER ENDED 31 DECEMBER 2019**

	<b>CUMULATIVE QUARTERS</b>	
	<b>Current Year</b>	<b>Preceding Year</b>
	<b>To Date</b>	<b>To Date</b>
	<b>31.12.2019</b>	<b>31.12.2018</b>
	<b>(RM'000)</b>	<b>(RM'000)</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	51,419	27,684
Adjustments for :		
Allowance for impairment losses on:		
- inventories	165	-
- trade receivables	124	-
Amortisation of development expenditure	4,258	4,247
Depreciation of property, plant and equipment	13,002	11,822
Interest expense	4,990	6,386
Inventories written off	83	-
(Gain)/Loss on disposal of property, plant and equipment	(9)	3,066
Interest income	(699)	(341)
Unrealised loss/(gain) on foreign exchange	18	(173)
Writeback of impairment losses on:		
- inventories	(2)	-
Operating profit before changes in working capital	73,349	52,691
Changes in projects-in-progress	2,125	2,842
Changes in inventories	3,622	(14,403)
Changes in trade and other receivables	75,324	59,955
Changes in trade and other payables	(4,368)	
Cash generated from operations	150,052	101,085
Income tax refund/(paid)	449	(1,766)
Interest paid	(4,990)	(6,386)
<b>Net cash from operating activities</b>	<b>145,511</b>	<b>92,933</b>
<b>CASH FLOWS FOR INVESTING ACTIVITIES</b>		
Investment in subsidiary	#	-
Investment in an associate	#	-
Acquisition of subsidiary, net of cash and cash equivalents	3	-
Interest received	699	341
Development expenditures paid	-	(58)
Proceeds from disposal of property, plant and equipment	9	36
Purchase of property, plant and equipment	(8,432)	(21,350)
Withdrawal of deposits pledged to licensed banks	334	327
<b>Net cash for investing activities</b>	<b>(7,387)</b>	<b>(20,704)</b>
<b>CASH FLOWS FOR FINANCING ACTIVITIES</b>		
Dividends paid	(23,625)	(27,000)
Drawdown of hire purchase and finance lease	-	100
Repayment of hire purchase and finance lease	(5,401)	(4,881)
Drawdown of trade financing	50,029	83,823
Repayment of trade financing	(62,391)	(83,114)
Drawdown of term loans	472	17,360
Repayment of term loans	(15,176)	(18,656)
Repayment of term financing	(913)	(870)
<b>Net cash for financing activities</b>	<b>(57,005)</b>	<b>(33,238)</b>
Net decrease in Cash and Cash Equivalents	81,119	38,991
Effects of foreign exchange translation	150	75
Cash and Cash Equivalents at beginning of the financial period	30,651	26,392
Cash and Cash Equivalents at end of the financial period	111,920	65,458

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE THIRD QUARTER ENDED 31 DECEMBER 2019 (CONT'D)**

	<b>CUMULATIVE QUARTERS</b>	
	<b>Current Year</b>	<b>Preceding Year</b>
	<b>To Date</b>	<b>To Date</b>
	<b>31.12.2019</b>	<b>31.12.2018</b>
	<b>(RM'000)</b>	<b>(RM'000)</b>
Cash and Cash equivalents at the end of the financial period comprise the following:		
Deposits with licensed banks	6,128	6,024
Cash and bank balances	65,303	25,425
Short-term investments	46,617	49,148
	<u>118,048</u>	<u>80,597</u>
Less: deposits pledged to licensed banks	<u>(6,128)</u>	<u>(6,024)</u>
	<u>111,920</u>	<u>74,573</u>

The unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the financial year ended 31 March 2019 and the accompanying explanatory notes attached to these interim financial statements.

Note:

# - Amount less than RM1,000.

**A EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD ("MFRS") 134: INTERIM FINANCIAL REPORTING**

**A1 Accounting Policies and Basis of Preparation**

a) Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of Malaysia Financial Reporting Standard 134: Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia") and Issuers Communication No. 1/2017 - Guidance on Disclosures in Notes to Quarterly Report issued by Bursa Malaysia. The condensed consolidated interim financial statements also complies with International Accounting Standard 34: Interim Financial Reporting issued by the International Accounting Standards Board.

These interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 March 2019.

These interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and financial performance of the Company and its subsidiaries ("The Group") since the financial year ended 31 March 2019.

b) Changes in Accounting Policies

The significant accounting policies adopted by the Group in this interim financial statements are consistent with those adopted in the financial statements as disclosed in the audited financial statements for the year ended 31 March 2019.

During the current financial period, the Group has adopted the following new accounting standards and interpretations (including the consequential amendments, if any):-

MFRS 16 Leases

IC Interpretation 23 Uncertainty Over Income Tax Treatments

Amendments to MFRS 9: Prepayment Features with Negative Compensation

Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement

Amendments to MFRS 128: Long-Term Interest in Associates and Joint Ventures

Annual improvements to MFRS Standards 2015 - 2017 Cycles

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Group upon their initial applications except as follows:-

**MFRS 16 Leases**

MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosures of leases and replaces the current 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 leased assets and the related lease obligations in the statement of financial position (with limited exceptions). The leased assets are subject to depreciation and the interest on lease liabilities are calculated using the effective interest method.

Based on the assessments undertaken to date, the Group has determined that the impact on its financial statements upon the initial applications of MFRS 16 is insignificant.

**A EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD ("MFRS") 134: INTERIM FINANCIAL REPORTING**

**A1 Accounting Policies and Basis of Preparation (Cont'd)**

b) Changes in Accounting Policies (Cont'd)

The Group has not applied in advance the following accounting standards and interpretations (including the consequential amendments) that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the current financial quarter:

<b>Malaysian Financial Reporting Standards ("MFRS") and IC Interpretations (including the Consequential Amendments)</b>	<b><u>Effective Date</u></b>
MFRS 17 Insurance Contracts	1 January 2021
Amendment to MFRS 3: Definition of a Business	1 January 2020
Amendment to MFRS 9, MFRS 139 and MFRS 7: Interest Rate Benchmark Reform	1 January 2020
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its or Joint Venture	Deferred
Amendment 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 and/or interpretations (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Group upon their initial applications.

**A2 Auditors' Report on Preceding Annual Financial Statements**

The auditors' report on the financial statements of the Group for the financial year ended 31 March 2019 was not qualified.

**A3 Comments about Seasonality or Cyclicity**

The Group did not experience any significant cyclical or seasonal sales cycle factors during the current financial quarter under review.

**A EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD ("MFRS") 134: INTERIM FINANCIAL REPORTING**

**A4 Unusual Items Due to Their Nature, Size or Incidence**

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

**A5 Changes in Estimates**

There were no changes in estimates that have a material effect on the results of the current financial quarter under review.

**A6 Debt and Equity Securities**

- (i) The Company had on 6 July 2018 issued 675,000,000 free Warrants on the basis of one (1) Warrant for every two (2) existing ordinary shares. The Warrants are constituted by a Deed Poll dated 18 June 2018.

The salient terms of the Warrants 2018/2023 are as follows:-

- (a) Each Warrant entitles the registered holder to subscribe for one (1) new ordinary share in the Company at any time on or before the maturity date, 5 July 2023, falling five (5) years from the date of issue of the Warrants. Unexercised Warrants after the exercise period will thereafter lapse and cease to be valid;
- (b) The exercise price of the Warrants is fixed at RM1.09 per Warrant;
- (c) The new ordinary shares to be issued upon the exercise of the Warrants shall rank pari passu in all respects with the existing ordinary shares of the Company; and
- (d) The Warrants were listed and quoted on the Main Market of Bursa Securities on 12 July 2018.

Up to 27 February 2020, being the last practicable date from the date of the issue of this report, 675,000,000 Warrants remained unexercised.

- (ii) The Company had on 1 August 2019 obtained the approval from its shareholders at the Eleventh Annual General Meeting to purchase shares at any time up to 10% of the total number of issued shares quoted on Bursa Malaysia Securities Berhad ("Share Buy-Back").

The Share Buy-Back shall continue to be in force until the conclusion of the next Annual General Meeting of the Company at which time the authority shall lapse unless by an ordinary resolution passed at the meeting, the authority is renewed.

The shares purchased can be retained as treasury shares, distributed as dividend, transfer, resold or subsequently cancelled.

On 26 February 2020, the Company repurchased its equity securities of 2,000,000 ordinary shares at an average price of RM1.05 per share as treasury shares.

There was no other issuance, cancellation, repurchase, resale or repayment of debt securities or any movement in the share capital for the current financial quarter under review.

**A EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD ("MFRS") 134: INTERIM FINANCIAL REPORTING**

**A7 Segmental Information**

The Group is organised into the following:-

<b>31 December 2019</b>	<b>Customised Solutions</b>	<b>Manufacturing</b>	<b>Investment Holding</b>	<b>Elimination</b>	<b>Consolidated</b>
	<b>(RM'000)</b>	<b>(RM'000)</b>	<b>(RM'000)</b>	<b>(RM'000)</b>	<b>(RM'000)</b>
<b>REVENUE</b>					
External	171,877	24,948			196,825
Inter-segment	3,931	2,684	40,375	(46,990)	-
<b>Total Revenue</b>	<u>175,808</u>	<u>27,632</u>	<u>40,375</u>	<u>(46,990)</u>	<u>196,825</u>
<b>RESULT</b>					
Profit from operations					56,409
Finance costs					<u>(4,990)</u>
Profit before tax					<u>51,419</u>

**A8 Valuations of Property, Plant and Equipment**

The Group has not revalued its property, plant and equipment for the current financial quarter under review.

**A9 Material Events**

**(a) During the Reporting Period**

The Company had on 6 December 2019, proposed to establish and implement an Employees' Share Option Scheme ("ESOS") of up to 7.5% of the total number of issued ordinary shares of Datasonic (excluding treasury shares, if any) at any point in time during the duration of the ESOS for the eligible Directors and employees of Datasonic and its subsidiaries ("Datasonic Group or Group") (excluding dormant subsidiaries).

On 24 December 2019, the additional listing application in relation to the Proposed ESOS has been submitted to Bursa Securities. On 20 January 2020, Bursa Securities approved the listing of and quotation for such number of new ordinary shares in Datasonic, representing up to 7.5% of the total number of issued shares in Datasonic (excluding treasury shares, if any), to be issued pursuant to the exercise of option under the Proposed ESOS.

The approval by Bursa Securities for the Proposed ESOS is subject to the following conditions:

- 1) An Investment Bank is required to submit a confirmation to Bursa Securities of full compliance of the Proposed ESOS pursuant to paragraph 6.43(1) of the Listing Requirements and stating the effective date of implementation together with a certified true copy of the resolution passed by the shareholders in general meeting approving the Proposed ESOS; and

**A EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD ("MFRS") 134: INTERIM FINANCIAL REPORTING**

**A9 Material Events (Cont'd)**

**(a) During the Reporting Period (Cont'd)**

- 2) Datasonic is required to furnish Bursa Securities on a quarterly basis a summary of the total number of shares listed pursuant to the exercise of options under the Proposed ESOS as at the end of each quarter together with a detailed computation of the listing fee payable.

On 5 February 2020, the Company issued the Circular to the Shareholders in relation to the Proposed Establishment of an Employees' Share Option Scheme ("ESOS") together with the Notice of Extraordinary General Meeting. The Extraordinary General Meeting of the Company was held at Cindai 1 & 2, Cyberview Resort & Spa, Persiaran Multimedia, 63000 Cyberjaya, Selangor Darul Ehsan on Thursday, 20 February 2020 for the purpose of considering and, if thought fit, to pass with or without any modification the following ordinary resolutions:

- (i) Proposed establishment of an employees' share option scheme ("ESOS") of up to 7.5% of the total number of issued ordinary shares in Datasonic Group Berhad ("Datasonic") (excluding treasury shares, if any) at any point in time during the duration of the ESOS for the Eligible Directors and Employees of Datasonic and its subsidiaries ("Datasonic Group") (excluding dormant subsidiaries).
- (ii) Proposed allocation of ESOS options to the members of Board of Directors.

At the Extraordinary General Meeting held on 20 February 2020, the shareholders had approved on the proposed establishment of ESOS of up to 7.5% of the total number of issued ordinary shares of the Company and on the proposed allocation of ESOS options to the members of Boards of Directors.

The ESOS Committee has been formed by the Board on 27 February 2020.

**(b) Subsequent to the Reporting Period**

- (i) On 16 January 2020, Datasonic Technologies Sdn. Bhd. ("DTSB"), a wholly-owned subsidiary of the Company, received and accepted the Letter of Extension ("LOE") dated 14 January 2020 from Kementerian Dalam Negeri ("KDN") for the extension of supply for the balance of 6.1 million MyKad raw cards and MyKad consumables to the National Registration Department ("NRD") for the period of one (1) year commencing from 1 January 2020 to 31 December 2020.
- (ii) On 31 January 2020, Datasonic Technologies Sdn. Bhd. ("DTSB"), a wholly-owned subsidiary of the Company, received and accepted the Letter of Change of Scope ("LOCS") dated 23 January 2020 from Kementerian Dalam Negeri ("KDN") in respect of the supply of the Malaysian Passport Chips for a period of five (5) years or 12.5 million of Passport Chips ("Contract") commencing from 1 December 2016 to 30 November 2021 with no change to the contract sum of RM318,750,000.

Under the LOCS, the total quantity of Passport Chips to be supplied would be reduced from 12.5 million chips to 11 million chips, amounting to RM280,500,000 and a new scope of works would be included for the maintenance services for hardware and software of Autogate and Chips and the maintenance services for equipment and application of Public Key Infrastructure and Public Key Directory, amounting to RM38,250,000.

On 3 February 2020, the Company provided the following additional information:-

- 1) The new scope of works for the maintenance services of hardware and software for the Autogate and Chips and the maintenance services for equipment and application of Public Key Infrastructure and Public Key Directory, amounting to RM38,250,000, commenced with effect from 10 May 2019 and valid until 30 November 2021.

**A EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD ("MFRS") 134: INTERIM FINANCIAL REPORTING**

**A9 Material Events (Cont'd)**

**(b) Subsequent to the Reporting Period (Cont'd)**

- 2) The maintenance services of hardware and software for the Autogate and Chips and the maintenance services for equipment and application of Public Key Infrastructure and Public Key Directory were previously awarded to another company under 2 different contracts and which had expired and now awarded to DTSB consolidated into the Passport Chips Contract.
  - 3) The demand of the Malaysian Passports dropped from average of 2.5 million per year to approximately 2.2 million per year since the abolishment of the 2-year validity passport option in 2015. Therefore, the reduction of number of chips from 12.5 million to 11 million for the 5-year Contract from 1 November 2016 to 30 November 2021 will not affect the financial performance of the Company as the demand of passports for the contract period of 5 years is approximately 11 million now rather than 12.5 million.
  - 4) The new scope of works amounting to RM38,250,000 with effect from 10 May 2019 until 30 November 2021 will contribute positively towards the future earnings and net assets per share of Datasonic Group for the financial year ending 31 March 2020 and the financial years thereafter.
- (iii) On 3 February 2020, Datasonic Technologies Sdn. Bhd. ("DTSB"), a wholly-owned subsidiary of the Company, won an open tender participated by 18 companies on 21 October 2019 for the supply, deliver, installation, testing, integration, commissioning and technical support of equipment, software and application for 16 units of foreigner e-gate with facial recognition system at the Malaysia-Singapore entry/exit point to the Immigration Department of Malaysia ("Contract") for a period of twelve (12) months commencing from 15 February 2020 to 14 February 2021 for a contract sum of RM6,973,125.91.

**A10 Effects of changes in Composition of the Group**

There were no changes in the composition of the Group in the current financial quarter under review except as disclosed under Note B7.

**A EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD ("MFRS") 134: INTERIM FINANCIAL REPORTING**

**A11 Capital Commitments**

	<b>As at 31.12.2019 RM'000</b>	<b>As at 31.03.2019 RM'000</b>
<u>Approved and contracted for:</u>		
Renovation	862	67
Acquisition of machineries and equipment	2,566	1,102
Acquisitions of a property <sup>(Note)</sup>	-	472

Note:

On 21 February 2018, Datasonic Manufacturing Sdn Bhd, a wholly-owned subsidiary of the Company, accepted the offer to purchase a factory with a total built up area of 46,610 square feet known as "Excellent Technology Park II Phase 2" located in Klang, Selangor and thereafter on 2 April 2018, DMSB entered into an Agreement for the purchase of the said factory at a total purchase price of RM18.88 million, of which an amount of RM0.38 million was paid as a deposit together with a further discount granted by the developer. The purchase was completed in the previous quarter. The factory is intended to be used for production of smart card.

**A12 Changes in Contingent Liabilities**

	<b>As at 31.12.2019 RM'000</b>	<b>As at 31.03.2019 RM'000</b>
Performance guarantees (secured) extended to customers	17,318	16,788
Performance guarantees (secured) extended to suppliers	20	20
	<u>17,338</u>	<u>16,808</u>

**A13 Related Party Transactions**

The Group has no transaction with related parties in the current financial quarter under review.

**B ADDITIONAL INFORMATION REQUIRED BY MAIN MARKET LISTING REQUIREMENTS OF BURSA SECURITIES (PURSUANT TO PARA 9.22 AND PART A OF APPENDIX 9B)**

**B1 Review of Performance**

	Individual Quarter				Cumulative Quarters			
	Current Year Quarter 31.12.2019 (RM'000)	Preceding Year Quarter 31.12.2018 (RM'000)	Variance		Current Year To Date 31.12.2019 (RM'000)	Preceding Year To Date 31.12.2018 (RM'000)	Variance	
			(RM'000)	%			(RM'000)	%
Revenue	74,965	56,755	18,210	32%	196,825	162,842	33,983	21%
Profit from operations	23,331	12,765	10,566	83%	56,409	34,070	22,339	66%
Profit before tax	21,631	10,589	11,042	104%	51,419	27,684	23,735	86%
Profit after tax	20,193	8,986	11,207	125%	48,113	24,830	23,283	94%
Profit after tax attributable to owners of the Company	20,176	8,997	11,179	124%	48,049	24,906	23,143	93%

**Individual Quarter/Cumulative Quarter**

The Group achieved a revenue of RM74.97 million in the current financial quarter which was higher when compared to RM56.76 million in the corresponding quarter of the preceding financial year.

RM57.7 million of the Group's revenue in the current financial quarter was derived from the supply of smart cards, passports and provision of personalisation services, higher than that of RM47.13 million earned in the corresponding quarter of the preceding financial year resulted from more supplies of the said materials and services.

Consequently, the current financial quarter recorded an improved profit from operations when compared to the corresponding quarter of the preceding financial year.

**Assets and liabilities**

The decrease in total assets and liabilities as at 31 December 2019 against balances of 31 March 2019 was as follows:

	As at	As at	Variance	
	31.12.2019	31.03.2019	RM'000	%
Total assets	434,404	447,333	(12,929)	-2.9%
Total liabilities	150,654	184,705	(34,051)	-18.4%

The decrease in total assets of RM12.93 million was mainly due to depreciation and amortisation of applicable assets.

The decrease in total liabilities of RM34.05 million was resulted from repayment of borrowings.

**Cash flow for the nine months ended 31 December 2019**

The Group achieved a cash inflow of RM145.51 million from operating activities in the financial period under review and a sum of RM8.43 million was expended for capital expenditure on assets related to projects.

The net cash used in financing activities was mainly from repayment of facilities amounted to approximately RM83.88 million.

**B ADDITIONAL INFORMATION REQUIRED BY MAIN MARKET LISTING REQUIREMENTS OF BURSA SECURITIES (PURSUANT TO PARA 9.22 AND PART A OF APPENDIX 9B)**

**B2 Comparison with Immediate Preceding Quarter's Results**

	<b>Current Quarter 31.12.2019 (RM'000)</b>	<b>Immediate Preceding Quarter 30.09.2019 (RM'000)</b>	<b>Variance</b>	
			<b>(RM'000)</b>	<b>%</b>
Revenue	74,965	63,544	11,421	18%
Profit from operations	23,331	16,901	6,430	38%
Profit before tax	21,631	15,300	6,331	41%
Profit after tax	20,193	13,918	6,275	45%
Profit after tax attributable to owners of the Company	20,176	13,864	6,312	46%

The Group's revenue of RM74.97 million in the current financial quarter was higher than RM63.54 million reported in the immediate preceding quarter principally due to greater supplies of consumables and passport which led to increased profit before tax for the quarter under review.

**B3 Commentary on Prospects**

The management continuously negotiated for better competitive pricing for purchases of the required materials and services from suppliers coupled with the prevalent cost control initiatives implemented in the administration of the group's operations.

The order book as at 31 December 2019 was in the vicinity of RM611 million which would have a positive impact on revenue generation in future operations.

Despite the economic challenges and uncertainties prevailing in the business environment with potential impact globally, the Board is cautiously optimistic that the results for the financial year ending 31 March 2020 to be better than that achieved in the previous financial year.

**B4 Variance of Actual Profit from Forecast Profit**

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

**B ADDITIONAL INFORMATION REQUIRED BY MAIN MARKET LISTING REQUIREMENTS OF BURSA SECURITIES (PURSUANT TO PARA 9.22 AND PART A OF APPENDIX 9B)**

**B5 Profit Before Taxation**

Profit before taxation is derived after taking the following into consideration:-

	INDIVIDUAL		CUMULATIVE	
	Current Year Quarter	Preceding Year Quarter	Current Year Year To Date	Preceding Year Year To Date
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Allowance for impairment losses on:				
- inventories	165	-	165	-
- trade receivables	124	-	124	-
Amortisation of development expenditure	1,668	1,572	4,258	4,247
Interest income	(378)	(130)	(699)	(341)
Interest expense	1,700	2,176	4,990	6,386
Inventories written off	83	-	83	-
Depreciation of property, plant and equipment	4,727	4,296	13,002	11,822
Staff costs	10,671	9,456	30,421	29,863
Loss/(Gain) on disposal of property, plant and equipment	-	3,066	(9)	3,066
Loss/(Gain) on foreign exchange:				
- realised	72	75	388	476
- unrealised	17	(279)	18	(173)
Writeback of impairments losses on:				
- inventories	(2)	-	(2)	-

Note:

# - Amount less than RM1,000.

**B6 Income Tax Expense**

	INDIVIDUAL		CUMULATIVE	
	Current Year Quarter	Preceding Year Quarter	Current Year Year To Date	Preceding Year Year To Date
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Current tax:				
- for the current financial quarter	1,898	668	3,373	1,906
- overprovision in previous financial years	(208)	(26)	(208)	(26)
Deferred tax:				
- for the current financial quarter	123	569	570	763
- (over)/underprovision in previous financial year	(375)	392	(429)	211
	<u>1,438</u>	<u>1,603</u>	<u>3,306</u>	<u>2,854</u>

On 6 November 2012, a wholly-owned subsidiary, Datasonic Smart Solutions Sdn Bhd was granted Multimedia Super Corridor ("MSC") status which qualifies for Pioneer Status incentive under the Promotion of Investments Act, 1986 for the period from 18 May 2012 to 17 May 2017 whereby the statutory income from approved activities are exempted from tax. The application for an extension of another five years was approved on 4 April 2018 for the extended years from 18 May 2017 to 17 May 2022.

**B ADDITIONAL INFORMATION REQUIRED BY MAIN MARKET LISTING REQUIREMENTS OF BURSA SECURITIES (PURSUANT TO PARA 9.22 AND PART A OF APPENDIX 9B)**

**B7 Incorporation and Acquisition of Company**

**Investment in subsidiaries**

- (i) On 16 August 2019, the Company entered into a Share Sale Agreement for the acquisition of 2 ordinary shares, representing 100% of the equity interest in Medicloud Malaysia Sdn. Bhd. ("MMSB") for a total cash consideration of RM2.

The acquisition of 100% shares of MMSB was completed on 12 September 2019. The intended principal activity of MMSB is for the provision of cloud solutions for medical facilities.

- (ii) On 23 October 2019, the Company entered into a Shareholders Agreement with Digent Co. Ltd ("Digent") for the purpose of incorporating a company in Malaysia known as Datasonic Digent Sdn. Bhd. ("DDSB"), to co-operate and jointly develop, introduce and exclusively market the next generation biometric applications.

DDSB was subsequently incorporated in October 2019 and the proportion of the shareholdings held by the Company and Digent comprises of 60% and 40% respectively.

**Investment in Associates**

- (i) On 28 August 2019, the Company entered into a Joint Venture Agreement with Rey Pedro Depra Viernesto and Arnold Lazarito Vegafria (as a partnership), Virginia Pinto Hilario, Chia Kok Kuang and Chandresh A/L Jitendrakumar Babulal for the purpose of establishing a Joint Venture Corporation to participate in the public bidding to be conducted by the Bids and Award committee of the Government of Philippines for the works of, or in respect of the Philippines National Identity System and Philippines Security Serveillance and Monitoring Solutions ("Project(s) and/or "Contract(s)") which may include other solution and services relevant to the Project(s) and/or Contract(s).

On 29 August 2019, a joint venture corporation known as Datasonic Business Technologies Philippines Inc ("DBTP") was established. The Company is holding 39.99% equity interest and the remaining is held by Virginia Pinto Hilario, Arnold Lazarito Vegafria, Ildebrando Depra Viernesto, Chia Kok Kuang and Chandresh A/L Jitendrakumar Babulal of 30%, 15%, 15%, 0.0004% and 0.0004% respectively.

The intended principal activities of DBTP are for system integration, registration, data encoding, data storage, printing and all services and manufacturing of secured ID cards and chips.

- (ii) On 2 December 2019, Datasonic Technologies Sdn. Bhd. ("DTSB"), a wholly-owned subsidiary of the Company, incorporated a new associate company known as Datasonic Grid Sdn. Bhd. ("DGSB"). DTSB is holding 25% equity interest and the remaining is held by Effendy Bin Akil, Nurazian Binti Ahmad Rap'ae and Manivanan A/L Kuppusamy of 35%, 35% and 0.5%, respectively.

The principal activities of DGSB are to carry on business of electrical contractor and contractor in other branches of engineering including mechanical, electronic, telecommunication, civil and importer, distributor, supplier of related equipment, goods, apparatus and appliances of all descriptions and to carry on business of supply, installation and maintenance of solar energy collector, supply of fuel gas and all appliances, tools and equipment related to the usage of gas as a source of energy.

**B ADDITIONAL INFORMATION REQUIRED BY MAIN MARKET LISTING REQUIREMENTS OF BURSA SECURITIES (PURSUANT TO PARA 9.22 AND PART A OF APPENDIX 9B)**

**B8 Group Borrowings**

	Effective interest rates %	Short term RM'000	Long term RM'000	Total RM'000
<b>31.12.2019</b>				
<u>Secured:</u>				
Hire purchase	4.33 - 4.75	202	256	458
Leasing	8.52 - 13.40	5,628	791	6,419
Contract Financing	5.42 - 5.45	-	23,556	23,556
Term Financing	4.45	1,269	5,042	6,311
Term Loans	4.30 - 5.55	2,807	32,172	34,979
Trade Financing	4.97 - 5.57	31,526	-	31,526
		41,432	61,817	103,249
<b>31.03.2019</b>				
<u>Secured:</u>				
Hire purchase	4.33 - 4.75	208	405	613
Leasing	8.52 - 13.40	7,229	4,437	11,666
Contract Financing	5.67 - 5.70	-	36,683	36,683
Term Financing	4.70	1,220	6,003	7,223
Term Loans	4.55 - 5.80	2,735	33,822	36,557
Trade Financing	5.30 - 5.92	43,888	-	43,888
		55,280	81,350	136,630

All borrowings are denominated in Ringgit Malaysia.

**B9 Material Litigation**

A wholly-owned subsidiary, Datasonic Technologies Sdn. Bhd. ("DTSB"), has on 1 August 2018 received a writ of summons together with the statement of claim dated 30 July 2018 ("Suit") filed by Percetakan Keselamatan Nasional Sdn Bhd ("PKN") against DTSB.

The Suit is in relation to a disagreement between DTSB and PKN over the price of 1,500,000 Malaysian Passport booklets supplied by PKN to DTSB as DTSB's sub-contractor for the interim period of 6 months from 1 December 2016 to 31 May 2017, before the Malaysian Passport booklets were fully printed and supplied by DTSB to the Government of Malaysia.

PKN is now claiming the following against DTSB:-

- (a) The amount of RM24,975,000.00 (inclusive of GST);
- (b) The interest at the rate of 5% per annum on the amount of RM24,975,000.00, calculated from the respective due dates until full and final payment or, alternatively, at such rate and period as the Court deems fit;
- (c) Costs; and
- (d) Any and all other reliefs as the Court deems fit.

There are several case managements fixed by the court for both parties to inform the court on the status of the settlement negotiation in the previous financial year ended 31 March 2019.

**B ADDITIONAL INFORMATION REQUIRED BY MAIN MARKET LISTING REQUIREMENTS OF BURSA SECURITIES (PURSUANT TO PARA 9.22 AND PART A OF APPENDIX 9B)**

**B9 Material Litigation (Cont'd)**

On 10 April 2019, the court has fixed next case management on 19 April 2019 for both parties to jointly resolve the outstanding matter pertaining to Goods and Services Tax with the Royal Malaysia Customs Department.

At the case management on 19 April 2019, the court has accordingly given the following trial directions:-

- (a) The case management fixed for 13 May 2019.
- (b) The parties are to file the following before the case management:-
  - (i) Joint case summary;
  - (ii) Joint issues for trial
  - (iii) Joint agreed facts
  - (iv) List of witnesses (with reasons assigned); and
  - (v) The Pleadings are deemed closed.

The hearing dates are fixed for four (4) days on 12 July 2019, 9 August 2019, 8 January 2020 and 9 January 2020. The parties are advised to continue with settlement negotiations.

At the case management on 13 May 2019, the court has given a further case management date on 31 May 2019 for compliance with the High Court's previous directions and the parties are advised to continue with settlement negotiations.

On 31 May 2019, the suit came up for case management whereby the High Court has fixed the suit for mediation before the High Court and has given the directions as follows:-

- (a) The mediation date shall be 12 July 2019.
- (b) All previous hearing date fixtures are vacated.
- (c) The case is re-fixed for hearing from the 21 to 24 January 2020.

On 12 July 2019, the suit came up for mediation whereby the High Court has fixed the suit for further mediation before the High Court and has given the directions as follows:-

- (a) The further mediation date shall be 19 July 2019.
- (b) The case remains for hearing from the 21 to 24 January 2020.

On 19 July 2019, the suit came up for mediation whereby the High Court has given the directions as follows:-

- (a) The case is fixed case management on 23 August 2019.
- (b) The case remains for hearing from the 21 to 24 January 2020.

On 23 August 2019, the suit came up for mediation whereby the High Court has given the directions as follows:-

- (a) The case is fixed case management on 26 November 2019.
- (b) The case remains for hearing from the 21 to 24 January 2020.

On 26 November 2019, the suit came up for case management whereby the High Court has given the directions as follows:-

- (a) The case is fixed for hearing of the application by Percetakan Keselamatan Nasional Sdn Bhd for their Writ of Summons and Statement of Claim on 6 April 2020.
- (b) The Suit is fixed for Case Management on 6 April 2020 for trial directions.
- (c) The Suit's hearing dates of 21 to 24 January 2020 are vacated and the Suit is re-fixed for hearing on 13, 14, 27 and 28 August 2020.
- (d) The parties are advised to continue with negotiations for a settlement.

The Suit will not have any significant financial and operational impact on the Group for the financial year ended 31 March 2020. The Group estimated that the potential financial impact, if any, could be approximately RM5 million.

**B ADDITIONAL INFORMATION REQUIRED BY MAIN MARKET LISTING REQUIREMENTS OF BURSA SECURITIES (PURSUANT TO PARA 9.22 AND PART A OF APPENDIX 9B)**

**B10 Dividends**

	RM'000	Date of Payment
In respect of the financial year ended 31 March 2019:		
- A fourth interim single tier tax-exempt dividend of 0.50 sen per share declared on 31 May 2019	6,750	30.08.2019
In respect of the financial year ending 31 March 2020:		
- A first interim single tier tax-exempt dividend of 0.75 sen per share declared on 30 August 2019	10,125	18.10.2019
- A second interim single tier tax-exempt dividend of 0.75 sen per share declared on 29 November 2019	10,125	13.01.2020
	27,000	

In respect of the financial year ending 31 March 2020, the directors had on 27 February 2020 declared a third interim single tier tax-exempt dividend of 1 sen per share, amounting to RM13.5 million based on the issued and paid-up share capital as at 31 December 2019 of 1,350,000,000 ordinary shares. The Entitlement Date will be determined and announced in due course. This dividend has not been reflected in the financial statements for the current financial period ended 31 December 2019 but it will be accounted for in shareholders' equity as an appropriation of retained profits for the next quarter ending 31 March 2020.

**B11 Earnings per Share**

(a) Basic Earnings Per Share

Basic earnings per share is calculated based on the profit after tax attributable to the equity holders of the Company divided by the share capital of 1.35 billion ordinary shares.

	INDIVIDUAL		CUMULATIVE	
	Current Year Quarter	Preceding Year Quarter	Current Year Year To Date	Preceding Year Year To Date
	31.12.2019 (RM'000)	31.12.2018 (RM'000)	31.12.2019 (RM'000)	31.12.2018 (RM'000)
Profit after tax attributable to owners of the Company (RM'000)	20,176	8,997	48,049	24,906
Weighted average number of ordinary shares in issue ('000)	1,350,000	1,350,000	1,350,000	1,350,000
Basic earnings per share (sen)	1.49	0.67	3.56	1.84

(b) The effects of potential ordinary shares arising from the conversion of Warrants are anti-dilutive and accordingly, they have been ignored in the calculation of dilutive earnings per share. As a result, the diluted earnings per ordinary share is the same as basic earnings per share.

**B12 Fair value of changes in financial liabilities**

The Group does not have any financial liabilities that are measured at fair value for the current financial quarter under review.

By order of the Board  
 Kuala Lumpur  
 27 February 2020