

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 March 2020 as follows:

SUMMARY OF KEY INFORMATION**FOR THE FOURTH QUARTER ENDED 31 MARCH 2020**

	Individual Quarter		Cumulative Quarters	
	Current Year Quarter 31.03.2020 RM'000	Preceding Year Quarter 31.03.2019 RM'000	Current Year to-date 31.03.2020 RM'000	Preceding Year to-date 31.03.2019 RM'000
1 Revenue	50,715	56,717	247,540	219,559
2 Profit before tax	11,976	12,790	63,395	40,474
3 Profit for the year	12,256	11,605	60,369	36,435
4 Profit after tax attributable to owners of the Company	12,273	11,627	60,322	36,533
5 Basic earnings per share (sen)	0.91	0.86	4.47	2.71
6 Diluted earnings per share (sen)	0.91	0.86	4.47	2.71
7 Proposed/Declared dividend per share (sen)	0.50	0.50	3.00	2.50
	AS AT END OF CURRENT QUARTER		AS AT PRECEDING FINANCIAL YEAR END	
8 Net assets per share attributable to owners of the Company (RM)	0.1901		0.1950	

Remarks:

In the fourth quarter of the current financial year ended 31 March 2020, a fourth interim single-tier tax exempt dividend of 0.5 sen per share was declared on 25 June 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 30 June 2020.

ADDITIONAL INFORMATION

	Individual Quarter		Cumulative Quarters	
	Current Year Quarter 31.03.2020 RM'000	Preceding Year Quarter 31.03.2019 RM'000	Current Year to-date 31.03.2020 RM'000	Preceding Year to-date 31.03.2019 RM'000
1 Gross interest income	604	379	1,303	720
2 Gross interest expense	(1,300)	(1,726)	(6,290)	(8,112)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME
FOR THE FOURTH QUARTER ENDED 31 MARCH 2020**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTERS	
	Current Quarter 31.03.2020 (RM'000)	Preceding Quarter 31.03.2019 (RM'000)	Current Year To Date 31.03.2020 (RM'000)	Preceding Year To Date 31.03.2019 (RM'000)
Continuing Operations				
Revenue	50,715	56,717	247,540	219,559
Operating expenses	(38,036)	(42,669)	(179,387)	(172,067)
Other income	597	468	1,532	1,094
Profit from operations	13,276	14,516	69,685	48,586
Finance costs	(1,300)	(1,726)	(6,290)	(8,112)
Profit before tax	11,976	12,790	63,395	40,474
Income tax expense	280	(1,185)	(3,026)	(4,039)
Profit after tax	12,256	11,605	60,369	36,435
Other comprehensive income, net of tax				
- Foreign currency translation differences	(244)	4	(211)	16
Total comprehensive income for the quarter	12,012	11,609	60,158	36,451
Profit after taxation attributable to:				
Owners of the Company	12,273	11,627	60,322	36,533
Non-controlling interests	(17)	(22)	47	(98)
	12,256	11,605	60,369	36,435
Total comprehensive income attributable to:				
Owners of the Company	12,029	11,631	60,111	36,549
Non-controlling interests	(17)	(22)	47	(98)
	12,012	11,609	60,158	36,451
Earnings per share (sen) attributable to owners of the Company :				
- Basic (Note B12)	0.91	0.86	4.47	2.71
- Diluted	0.91	0.86	4.47	2.71

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 MARCH 2020

	As at 31.03.2020 (RM'000)	As at 31.03.2019 (RM'000)
NON-CURRENT ASSETS		
Property, plant and equipment	138,255	177,575
Right-of-use assets	29,859	-
Other investment	110	110
Goodwill	4,162	4,153
Development expenditures	23,614	31,111
Trade receivables (2)	5,533	6,162
	<u>201,533</u>	<u>219,111</u>
CURRENT ASSETS		
Projects-in-progress	2,170	3,161
Inventories	43,313	49,431
Trade receivables	82,445	119,293
Other receivables, deposits and prepayments	9,664	14,418
Tax recoverable	2,585	4,806
Short-term investments	27,409	3,716
Deposits with licensed banks	6,117	6,462
Cash and bank balances	12,854	26,935
	<u>186,557</u>	<u>228,222</u>
TOTAL ASSETS	<u>388,090</u>	<u>447,333</u>
EQUITY AND LIABILITIES		
EQUITY		
Share capital	135,000	135,000
Treasury shares	(26,134)	-
Merger deficit	(11,072)	(11,072)
Foreign exchange translation reserve	(267)	(56)
Retained profits	158,783	139,373
Equity attributable to owners of the Company	<u>256,310</u>	<u>263,245</u>
Non-controlling interests	317	(617)
TOTAL EQUITY	<u>256,627</u>	<u>262,628</u>
NON-CURRENT LIABILITIES		
Long-term borrowings	58,439	81,350
Lease liabilities	913	-
Deferred taxation	2,294	2,026
	<u>61,646</u>	<u>83,376</u>
CURRENT LIABILITIES		
Trade payables	2,325	12,169
Other payables and accruals	27,972	27,130
Short-term borrowings	35,678	55,280
Lease liabilities	3,842	-
Dividend payable	-	6,750
	<u>69,817</u>	<u>101,329</u>
TOTAL LIABILITIES	<u>131,463</u>	<u>184,705</u>
TOTAL EQUITY AND LIABILITIES	<u>388,090</u>	<u>447,333</u>
Net assets per share attributable to ordinary owners of the Company (RM)	0.1901	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 FOURTH QUARTER ENDED 31 MARCH 2020

	<---- Non distributable ---->			Distributable		Attributable to Owners of the Company RM'000	Non-controlling Interests RM'000	Total Equity RM'000
	Share Capital RM'000	Treasury Shares RM'000	Merger Deficit RM'000	Foreign Exchange Translation Reserve RM'000	Retained Profits RM'000			
At 1 April 2019	135,000	-	(11,072)	(56)	139,373	263,245	(617)	262,628
Profit after taxation for the financial year	-	-	-	-	60,322	60,322	47	60,369
Other comprehensive income for the financial year:								
- Foreign exchange translation	-	-	-	(211)	-	(211)	-	(211)
Total comprehensive income for the financial year	-	-	-	(211)	60,322	60,111	47	60,158
Contributions by and distributions to owners of the Company								
- purchase of treasury shares	-	(26,134)	-	-	-	(26,134)	-	(26,134)
- acquisition of subsidiary	-	-	-	-	-	-	316	316
- dividends (Note B11)	-	-	-	-	(40,341)	(40,341)	-	(40,341)
- changes in subsidiary's ownership interest that do not result in loss control	-	-	-	-	(571)	(571)	571	-
Total transactions with owners	-	(26,134)	-	-	(40,912)	(67,046)	887	(66,159)
At 31 March 2020	135,000	(26,134)	(11,072)	(267)	158,783	256,310	317	256,627

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 FOURTH QUARTER ENDED 31 MARCH 2020

	CUMULATIVE QUARTERS	
	Current Year	Preceding Year
	To Date	To Date
	31.03.2020	31.03.2019
	(RM'000)	(RM'000)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	63,395	40,474
Adjustments for :		
Allowance for impairment losses on:		
- inventories	168	-
- trade receivables	1,059	-
Amortisation of development expenditure	7,497	5,916
Depreciation of property, plant and equipment	14,136	16,037
Depreciation of right-of-use assets	2,933	-
Equipment written off	11	#
(Gain)/Loss on disposal of property, plant and equipment	(8)	3,059
Interest expense:		
- interest expense on lease liabilities	921	-
- other interest expense	5,369	8,112
Inventories written off	114	-
Share of results from an associate	#	-
Interest income	(1,303)	(720)
Unrealised loss/(gain) on foreign exchange	1,172	(172)
Writeback of impairment losses on inventories	(3)	-
Operating profit before changes in working capital	<u>95,461</u>	<u>72,706</u>
Changes in projects-in-progress	992	1,401
Changes in inventories	8,913	(15,221)
Changes in trade and other receivables	40,299	14,824
Changes in trade and other payables	<u>(9,210)</u>	<u>3,373</u>
Cash generated from operations	136,455	77,083
Income tax paid	(3,813)	(2,132)
Income tax refund	3,279	-
Interest paid	<u>(6,290)</u>	<u>(8,112)</u>
Net cash from operating activities	<u>129,631</u>	<u>66,839</u>
CASH FLOWS FOR INVESTING ACTIVITIES		
Acquisition of subsidiary, net of cash and cash equivalents	3	-
Additional investment in an existing subsidiary	#	-
Investment in an associate	#	-
Investment in subsidiary	316	-
Interest received	1,303	720
Development expenditures paid	-	(58)
Proceeds from disposal of property, plant and equipment	15	42
Purchase of property, plant and equipment	(10,992)	(24,083)
Withdrawal/(Placement) of deposits pledged to licensed banks	345	(111)
Net cash for investing activities	<u>(9,010)</u>	<u>(23,490)</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FOURTH QUARTER ENDED 31 MARCH 2020 (CONT'D)

	CUMULATIVE QUARTERS	
	Current Year To Date 31.03.2020 (RM'000)	Preceding Year To Date 31.03.2019 (RM'000)
CASH FLOWS FOR FINANCING ACTIVITIES		
Dividends paid	(47,091)	(33,750)
Purchase of treasury shares	(26,134)	-
Drawdown of hire purchase and finance lease	-	400
Repayment of hire purchase and finance lease	-	(6,590)
Repayment of lease liabilities	(7,524)	-
Drawdown of trade financing	56,336	97,874
Repayment of trade financing	(69,888)	(95,341)
Drawdown of term loans	472	18,776
Repayment of term loans	(15,928)	(19,496)
Repayment of term financing	(1,226)	(1,167)
Net cash for financing activities	<u>(110,983)</u>	<u>(39,294)</u>
Net increase in Cash and Cash Equivalents	9,638	4,055
Effects of foreign exchange translation	(26)	204
Cash and Cash Equivalents at beginning of the financial period	30,651	26,392
Cash and Cash Equivalents at end of the financial period	<u>40,263</u>	<u>30,651</u>
Cash and Cash equivalents at the end of the financial year comprise the following:		
Deposits with licensed banks	6,117	6,462
Cash and bank balances	12,854	26,935
Short-term investments	27,409	3,716
	<u>46,380</u>	<u>37,113</u>
Less: deposits pledged to licensed banks	(6,117)	(6,462)
	<u>40,263</u>	<u>30,651</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 year, 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) did not have any material impact on the Group's financial statements except as follows:-

MFRS 16 Leases

The Group has adopted MFRS 16 using the modified retrospective approach under which the cumulative effect of initial application is recognised as an adjustment to the retained profits as at 1 April 2019 (date of initial application) without restating any comparative information.

The Group has applied MFRS 16 only to contracts that were previously identified as leases under MFRS 117 'Leases' and IC Interpretation 4 'Determining Whether an Arrangement Contains a Lease'. Therefore, MFRS 16 has been applied only to contracts entered into or changed on or after 1 April 2019.

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)

MFRS 16 Leases (Cont'd)

Lessee Accounting

At 1 April 2019, for leases that were classified as operating leases under MFRS 117, the Group measured the lease liabilities at the present value of the remaining lease payments, discounted using the Group's weighted average incremental borrowing rate. The right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease.

The Group has used the following practical expedients in applying MFRS 16 for the first time:-

- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Applied for the exemption not to recognise operating leases with a remaining lease term of less than 12 months as 1 April 2019;
- Excluded initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- Used hindsight in determining the lease term where the lease contract contains options to extend or terminate the lease.

For leases that were classified as finance leases, the Group has recognised the carrying amount of the leased asset and lease liability immediately before 1 April 2019 as the carrying amount of the right-of-use asset and the lease liability as at the date of initial application.

The following table explains the difference between the operating lease commitments disclosed in the last financial year (determined under MFRS 117) and the lease liabilities recognised at 1 April 2019:

	Group RM'000
Operating lease commitments as at 31 March 2019 as disclosed in last financial year	575
Add: Finance lease liabilities recognised as at 31 March 2019	12,279
Less: Recognition exemption for short-term leases	(426)
Less: Recognition exemption for low value assets	(149)
Lease liabilities recognised as at 1 April 2019	12,279

The main impacts resulting from the adoption of MFRS 16 at 1 April 2019 are summarised below:-

Group	<----- 1 April 2019 ----->		
	As Previously Reported RM'000	MFRS 16 Adjustments RM'000	As Restated RM'000
<i>Statements of Financial Position</i>			
Property, plant and equipment	32,792	(32,792)	-
Right-of-use assets	-	32,792	32,792
Lease Liabilities:			
- non-current liabilities	-	4,842	4,842
- current liabilities	-	7,437	7,437
Hire purchase and finance lease payables:			
- non-current liabilities	4,842	(4,842)	-
- current liabilities	7,437	(7,437)	-
	7,437	(7,437)	-

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:

Malaysian Financial Reporting Standards ("MFRS") and IC Interpretations (including the Consequential Amendments)	<u>Effective Date</u>
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 Associate or Joint Venture	Deferred
Amendment to MFRS 101 and MFRS 108: Definition of Material	1 January 2020
Amendments to MFRS 101: Classification of Liabilities as Current or Non-current	1 January 2022
Amendments to 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 25 June 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 in accordance with Section 127 of the Companies Act 2016.

As at 31 March 2020, the Company had repurchased its equity securities of 28,412,500 ordinary shares at an average price of RM0.92 per share as treasury shares. The total consideration paid for the purchase was RM26,133,882 including transaction costs.

None of the treasury shares were resold during the financial year.

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:-

31 March 2020	Customised	Investment	Elimination	Consolidated
	Solutions	Manufacturing	Holding	(RM'000)
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
REVENUE				
External	215,913	31,627	-	247,540
Inter-segment	4,997	3,404	56,516	(64,917)
Total Revenue	<u>220,910</u>	<u>35,031</u>	<u>56,516</u>	<u>(64,917)</u>
RESULT				
Profit from operations				69,685
Finance costs				<u>(6,290)</u>
Profit before tax				<u>63,395</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 During the Reporting Period

- 1) 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:

- i) 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 During the Reporting Period (Cont'd)

- 1) ii) 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:

- 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).
- 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. To date of this report no share option has been offered.

- 2) 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.
- 3) 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:-

- i) 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 During the Reporting Period (Cont'd)

- 3) ii) 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.
- iii) 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.
- iv) 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.
- 4) 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 Material Events Subsequent To The End of the Interim quarter

The Company made an announcement on 3 June 2019 in regard to the acceptance of the Letter of Award from Kementerian Dalam Negeri ("KDN") for the maintenance services of card personalisation centres at the National Registration Department ("Contract") for a period of two (2) years commencing from 1 June 2019 to 31 May 2021 for a contract sum of RM28,785,686.27 (inclusive of 6% SST) or RM14,392,843.14 per year, with an option to extend the Contract for another one (1) year.

On 10 June 2020 the Company announced that it received and accepted the Letter of additional spare parts scope ("LOASPS") dated 4 June 2020 from KDN in respect of the Contract mentioned in the foregoing paragraph. Under the LOASPS, the contract sum increased from RM28,785,686.27 to RM36,084,172.36 (inclusive of 6% SST) with an additional contract value of RM7,298,486.09.

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

A11 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.

A12 Capital Commitments

	As at 31.03.2020 RM'000	As at 31.03.2019 RM'000
<u>Approved and contracted for:</u>		
Renovation	120	67
Acquisition of machineries and equipment	2,738	1,102
Acquisitions of a property ^(Note)	-	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.

A13 Changes in Contingent Liabilities

	As at 31.03.2020 RM'000	As at 31.03.2019 RM'000
Performance guarantees (secured) extended to customers	17,693	16,788
Performance guarantees (secured) extended to suppliers	20	20
	<u>17,713</u>	<u>16,808</u>

A14 Related Party Transactions

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

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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 31.03.2020 (RM'000)	Preceding Year Quarter 31.03.2019 (RM'000)	Variance		Current Year To Date 31.03.2020 (RM'000)	Preceding Year To Date 31.03.2019 (RM'000)	Variance	
			(RM'000)	%			(RM'000)	%
Revenue	50,715	56,717	(6,002)	-11%	247,540	219,559	27,981	13%
Profit from operations	13,276	14,516	(1,240)	-9%	69,685	48,586	21,099	43%
Profit before tax	11,976	12,790	(814)	-6%	63,395	40,474	22,921	57%
Profit after tax	12,256	11,605	651	6%	60,369	36,435	23,934	66%
Profit after tax attributable to owners of the Company	12,273	11,627	646	6%	60,322	36,533	23,789	65%

Individual Quarter

The Group achieved a revenue of RM50.71 million in the current financial quarter which was lower when compared to RM56.72 million in the corresponding quarter of the preceding financial year.

RM43.45 million of the Group's revenue in the current financial quarter was derived from the supply of smart cards and passports, lower than that of RM46.06 million earned in the corresponding quarter of the preceding financial year resulted from lesser supplies of the said materials and services.

Consequently, the current financial quarter recorded decreased profit from operations when compared with that of the corresponding quarter of the preceding financial year.

Cumulative Quarters

The Group achieved a revenue of RM247.54 million in the current financial year which was higher compared to RM219.56 million in the preceding financial year.

RM207.35 million of the Group's revenue in the current financial year generated from the supply of smart cards, consumables, provision of personalisation services and maintenance services, which was higher than that of RM175.70 million achieved in the preceding financial year resulted from more supplies of the said materials and services.

Consequently, the current financial year reported a higher profit from operations when compared with that of the preceding financial year.

Assets and liabilities

The decrease in total assets and liabilities as at 31 March 2020 against balances of 31 March 2019 was as follows:

	As at	As at	Variance	
	31.03.2020	31.03.2019	RM'000	%
Total assets	388,090	447,333	(59,243)	-13.2%
Total liabilities	131,463	184,705	(53,242)	-28.8%

The decrease in total assets of RM59.24 million was mainly due to depreciation, amortisation of applicable assets and better collections from customers.

The decrease in total liabilities of RM53.24 million was resulted from repayment of borrowings.

Cash flow for the twelve months ended 31 March 2020

The Group achieved a cash inflow of RM129.63 million from operating activities in the financial year under review and a sum of RM10.99 million was expended for capital expenditure on assets related to projects.

The net cash used in financing activities was mainly for repayment of facilities amounted to approximately RM94.57 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

	Current Quarter 31.03.2020 (RM'000)	Immediate Preceding Quarter 31.12.2019 (RM'000)	Variance	
			(RM'000)	%
Revenue	50,715	74,965	(24,250)	-32%
Profit from operations	13,276	23,331	(10,055)	-43%
Profit before tax	11,976	21,631	(9,655)	-45%
Profit after tax	12,256	20,193	(7,937)	-39%
Profit after tax attributable to owners of the Company	12,273	20,176	(7,903)	-39%

The Group's revenue of RM50.71 million in the current financial quarter was lower than RM74.97 million reported in the immediate preceding quarter principally due to lower supplies of smart cards, consumables and passports which led to decreased profit before tax for the quarter under review.

B3 Commentary on Prospects

The existing phases of the Movement Control Orders implemented in Malaysia since 18 March 2020 as a result of the Coronavirus outbreak particularly on the issue of international travel, is expected to have an impact on the Group's operations. The uncertainties and challenges arising from the Covid-19 pandemic have also inevitably disrupted the global economic stability and commercial environment and activities. However, the pandemic also offer new business opportunities in the areas of public security, public health and also e-commerce.

The Group has taken necessary measures to address the abnormal challenges in the business environment. In these unprecedented business conditions, the Board expects the prospects for the financial year ending 31 March 2021 to be challenging.

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.

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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 To Date	Preceding Year To Date
	31.03.2020	31.03.2019	31.03.2020	31.03.2019
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Allowance for impairment losses on:				
- inventories	3	-	168	-
- trade receivables	935	-	1,059	-
Amortisation of development expenditure	3,239	1,669	7,497	5,916
Property, plant and equipment written off	11	-	11	#
Interest income	(604)	(379)	(1,303)	(720)
Interest expense:				
- interest expense on lease liabilities	190	-	921	-
- other interest expense	1,110	1,726	5,369	8,112
Inventories written off	31	-	114	-
Depreciation of property, plant and equipment	3,334	4,215	14,136	16,037
Depreciation of right-of-use assets	733	-	2,933	-
Staff costs	10,705	12,611	41,115	42,474
Gain/(Loss) on disposal of property, plant and equipment	-	(7)	(8)	3,059
Loss/(Gain) on foreign exchange:				
- realised	30	(267)	418	209
- unrealised	1,154	1	1,172	(172)
Writeback of impairments losses on inventories	(1)	-	(3)	-

Note:

- Amount less than RM1,000.

B6 Income Tax Expense

	INDIVIDUAL		CUMULATIVE	
	Current Year Quarter	Preceding Year Quarter	Current Year To Date	Preceding Year To Date
	31.03.2020	31.03.2019	31.03.2020	31.03.2019
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Current tax:				
- for the current financial quarter	(407)	639	2,966	2,545
- overprovision in previous financial years	-	-	(208)	(26)
Deferred tax:				
- for the current financial quarter	127	757	697	1,520
- overprovision in previous financial year	-	(211)	(429)	-
	(280)	1,185	3,026	4,039

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.

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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

1) 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 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 Surveillance 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.

- (iii) On 3 September 2019, the Company acquired the remaining 30% shares of Datasonic Innovation Sdn. Bhd. ("DISB") from Inforgram Sdn. Bhd. for a cash consideration of RM30.

- (iv) 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.

2) Investment in Associates

- (i) 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
31.03.2020				
<u>Secured:</u>				
Contract Financing	4.92 - 4.95	-	23,501	23,501
Term Financing	4.20	1,289	4,708	5,997
Term Loans	3.80 - 5.05	4,053	30,230	34,283
Trade Financing	3.40 - 5.54	30,336	-	30,336
		<u>35,678</u>	<u>58,439</u>	<u>94,117</u>
31.03.2019				
<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
		<u>55,280</u>	<u>81,350</u>	<u>136,630</u>

All borrowings are denominated in Ringgit Malaysia.

B9 Lease Liabilities

	Effective interest rates %	Short term RM'000	Long term RM'000	Total RM'000
31.03.2020				
<u>Secured:</u>				
Leasing	4.33 - 13.40	<u>3,842</u>	<u>913</u>	<u>4,755</u>

B10 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:-

- The amount of RM24,975,000.00 (inclusive of GST);
- 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;
- Costs; and
- 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.

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

B10 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.

In conjunction with Malaysia Prime Minister's announcement on Perintah Kawalan Pergerakan and Perintah Kawalan Pergerakan Bersyarat which effective from 18 March 2020 to 9 June 2020, the date for hearing and case management on 6 April 2020 has been postponed to 3 August 2020 via letter dated 8 May 2020 from High Court Kuala Lumpur.

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)**

B11 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
- A third interim single tier tax-exempt dividend of 1.0 sen per share declared on 27 February 2020	13,341	27.03.2020
	<u>40,341</u>	

In respect of the financial year ended 31 March 2020, the directors had on 25 June 2020 declared a fourth interim single tier tax-exempt dividend of 0.5 sen per share, 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 March 2020 but it will be accounted for in shareholders' equity as an appropriation of retained profits for the next quarter ending 30 June 2020.

B12 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 31.03.2020 (RM'000)	Preceding Year Quarter 31.03.2019 (RM'000)	Current Year Year To Date 31.03.2020 (RM'000)	Preceding Year Year To Date 31.03.2019 (RM'000)
Profit after tax attributable to owners of the Company (RM'000)	12,273	11,627	60,322	36,533
Weighted average number of ordinary shares in issue ('000)	1,348,105	1,350,000	1,348,105	1,350,000
Basic earnings per share (sen)	<u>0.91</u>	<u>0.86</u>	<u>4.47</u>	<u>2.71</u>

(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.

B13 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
25 June 2020