

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 2020 as follows:

SUMMARY OF KEY INFORMATION**FOR THE THIRD QUARTER ENDED 31 DECEMBER 2020**

	Individual Quarter		Cumulative Quarters	
	Current Year Quarter 31.12.2020 RM'000	Preceding Year Quarter 31.12.2019 RM'000	Current Year to-date 31.12.2020 RM'000	Preceding Year to-date 31.12.2019 RM'000
1 Revenue	29,445	74,965	112,590	196,825
2 Profit before tax	627	21,631	16,093	51,419
3 Profit for the year	621	20,193	12,917	48,113
4 Profit after tax attributable to owners of the Company	627	20,176	12,929	48,049
5 Basic earnings per share (sen)	0.04	1.49	0.74	3.56
6 Diluted earnings per share (sen)	0.02	1.49	0.42	3.56
7 Proposed/Declared dividend per share (sen)	0.00	1.00	0.75	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)	0.0925		0.1939	

ADDITIONAL INFORMATION

	Individual Quarter		Cumulative Quarters	
	Current Year Quarter 31.12.2020 RM'000	Preceding Year Quarter 31.12.2019 RM'000	Current Year to-date 31.12.2020 RM'000	Preceding Year to-date 31.12.2019 RM'000
1 Gross interest income	222	378	834	699
2 Gross interest expense	(640)	(1,700)	(2,546)	(4,990)

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTERS	
	Current Quarter 31.12.2020 (RM'000)	Preceding Quarter 31.12.2019 (RM'000)	Current Year To Date 31.12.2020 (RM'000)	Preceding Year To Date 31.12.2019 (RM'000)
Continuing Operations				
Revenue	29,445	74,965	112,590	196,825
Operating expenses	(28,503)	(52,082)	(95,083)	(141,351)
Other income	325	448	1,132	935
Profit from operations	1,267	23,331	18,639	56,409
Finance costs	(640)	(1,700)	(2,546)	(4,990)
Profit before tax	627	21,631	16,093	51,419
Income tax expense	(6)	(1,438)	(3,176)	(3,306)
Profit after tax	621	20,193	12,917	48,113
Other comprehensive income, net of tax				
- Foreign currency translation differences	65	9	171	33
Total comprehensive income for the quarter	686	20,202	13,088	48,146
Profit after taxation attributable to:				
Owners of the Company	627	20,176	12,929	48,049
Non-controlling interests	(6)	17	(12)	64
	621	20,193	12,917	48,113
Total comprehensive income attributable to:				
Owners of the Company	692	20,185	13,100	48,082
Non-controlling interests	(6)	17	(12)	64
	686	20,202	13,088	48,146
Earnings per share (sen) attributable to owners of the Company :				
- Basic (Note B12a)	0.04	1.49	0.74	3.56
- Diluted (Note B12b)	0.02	1.49	0.42	3.56

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 2020 and the accompanying explanatory notes attached to these interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	As at 31.12.2020 (RM'000)	As at 31.03.2020 (RM'000)
NON-CURRENT ASSETS		
Property, plant and equipment	149,058	138,255
Right-of-use assets	13,366	29,859
Other investment	110	110
Goodwill	4,162	4,162
Development expenditures	21,318	23,614
Trade receivables (2)	3,554	5,533
	<u>191,568</u>	<u>201,533</u>
CURRENT ASSETS		
Projects-in-progress	2,605	2,170
Inventories	37,700	43,313
Trade receivables	24,836	82,445
Other receivables, deposits and prepayments	7,868	9,664
Tax recoverable	1,170	2,585
Short-term investments	64,846	27,409
Deposits with licensed banks	6,063	6,117
Cash and bank balances	4,439	12,854
	<u>149,527</u>	<u>186,557</u>
TOTAL ASSETS	<u>341,095</u>	<u>388,090</u>
EQUITY AND LIABILITIES		
EQUITY		
Share capital	135,000	135,000
Treasury shares	(32,112)	(26,134)
Merger deficit	(11,072)	(11,072)
Foreign exchange translation reserve	(96)	(267)
Retained profits	151,944	158,783
Equity attributable to owners of the Company	<u>243,664</u>	<u>256,310</u>
Non-controlling interests	302	317
TOTAL EQUITY	<u>243,966</u>	<u>256,627</u>
NON-CURRENT LIABILITIES		
Long-term borrowings	47,697	58,439
Lease liabilities	412	913
Deferred taxation	3,141	2,294
	<u>51,250</u>	<u>61,646</u>
CURRENT LIABILITIES		
Trade payables	5,262	2,325
Other payables and accruals	27,381	27,972
Short-term borrowings	12,601	35,678
Lease liabilities	635	3,842
	<u>45,879</u>	<u>69,817</u>
TOTAL LIABILITIES	<u>97,129</u>	<u>131,463</u>
TOTAL EQUITY AND LIABILITIES	<u>341,095</u>	<u>388,090</u>
Net assets per share attributable to ordinary owners of the Company (RM)	0.0925	0.1939

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 2020 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 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 2020	135,000	(26,134)	(11,072)	(267)	158,783	256,310	317	256,627
Profit after taxation for the financial year	-	-	-	-	12,929	12,929	(12)	12,917
Other comprehensive income for the financial year:								
- Foreign exchange translation	-	-	-	171	-	171	(3)	168
Total comprehensive income for the financial year	-	-	-	171	12,929	13,100	(15)	13,085
Contributions by and distributions to owners of the Company								
- purchase of treasury shares	-	(5,978)	-	-	-	(5,978)	-	(5,978)
- dividends (Note B11)	-	-	-	-	(19,768)	(19,768)	-	(19,768)
Total transactions with owners	-	(5,978)	-	-	(19,768)	(25,746)	-	(25,746)
At 31 December 2020	135,000	(32,112)	(11,072)	(96)	151,944	243,664	302	243,966

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 2020 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 2020

	CUMULATIVE QUARTERS	
	Current Year	Preceding Year
	To Date	To Date
	31.12.2020	31.12.2019
	(RM'000)	(RM'000)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	16,093	51,419
Adjustments for :		
Allowance for impairment losses on:		
- inventories	-	165
- trade receivables	-	124
Amortisation of development expenditure	2,296	4,258
Depreciation of property, plant and equipment	6,841	13,002
Depreciation of right-of-use assets	1,087	-
Gain on disposal of property, plant and equipment	(62)	(9)
Interest expense:		
- interest expense on lease liabilities	261	-
- other interest expense	2,285	4,990
Inventories written off	-	83
Interest income	(834)	(699)
Property, plant and equipment written off	#	-
Unrealised (gain)/loss on foreign exchange	(823)	18
Writeback of impairment losses on inventories	-	(2)
Operating profit before changes in working capital	27,144	73,349
Changes in projects-in-progress	(436)	2,125
Changes in inventories	5,620	3,622
Changes in trade and other receivables	62,057	75,324
Changes in trade and other payables	2,370	(4,368)
Cash generated from operations	96,755	150,052
Income tax paid	(1,938)	(2,443)
Income tax refund	1,019	2,892
Interest paid	(2,546)	(4,990)
Net cash from operating activities	93,290	145,511
CASH FLOWS FOR INVESTING ACTIVITIES		
Acquisition of subsidiary, net of cash and cash equivalents	-	3
Investment in an associate	-	#
Investment in subsidiary	-	#
Interest received	834	699
Proceeds from disposal of property, plant and equipment	249	9
Purchase of property, plant and equipment	(2,146)	(8,432)
Withdrawal of deposits pledged to licensed banks	54	334
Net cash for investing activities	(1,009)	(7,387)

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

	CUMULATIVE QUARTERS	
	Current Year To Date 31.12.2020 (RM'000)	Preceding Year To Date 31.12.2019 (RM'000)
CASH FLOWS FOR FINANCING ACTIVITIES		
Dividends paid	(19,768)	(23,625)
Purchase of treasury shares	(5,978)	-
Repayment of hire purchase and finance lease	-	(5,401)
Repayment of lease liabilities	(3,708)	-
Drawdown of trade financing	18,612	50,029
Repayment of trade financing	(42,192)	(62,391)
Drawdown of term loans	-	472
Repayment of term loans	(9,267)	(15,176)
Repayment of term financing	(973)	(913)
Net cash for financing activities	<u>(63,274)</u>	<u>(57,005)</u>
Net increase in Cash and Cash Equivalents	29,007	81,119
Effects of foreign exchange translation	15	150
Cash and Cash Equivalents at beginning of the financial period	40,263	30,651
Cash and Cash Equivalents at end of the financial period	<u>69,285</u>	<u>111,920</u>
Cash and Cash equivalents at the end of the financial year comprise the following:		
Deposits with licensed banks	6,063	6,128
Cash and bank balances	4,439	65,303
Short-term investments	64,846	46,617
	<u>75,348</u>	<u>118,048</u>
Less: deposits pledged to licensed banks	<u>(6,063)</u>	<u>(6,128)</u>
	<u>69,285</u>	<u>111,920</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 2020 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 2020.

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 2020.

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 2020.

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

Amendment to MFRS 3: Definition of a Business

Amendment to MFRS 4: Extension of the Temporary Exemption from Applying MFRS 9

Amendment to MFRS 9, MFRS 139 and MFRS 7: Interest Rate Benchmark Reform

Amendment to MFRS 101 and MFRS 108: Definition of Material

Amendments to references to the Conceptual Framework in MFRS Standards

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.

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 2023
Amendment to MFRS 3: Reference to the Conceptual Framework	1 January 2022
Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16: Interest Rate Benchmark Reform - Phase 2	1 January 2021
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 16: Covid-19 - Related Rent Concessions	1 June 2020
Amendments to MFRS 17: Insurance Contracts	1 January 2023
Amendments to MFRS 101: Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to MFRS 116: Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to MFRS 137: Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to MFRS Standards 2018 – 2020	1 January 2022

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 2020 was not qualified.

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

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.

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) Warrants

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.

Following the completion of the Bonus Issue on 2 October 2020, the exercise price and the number of outstanding Warrants 2018/2023 had been adjusted in accordance with the provisions of the Deed Poll ("Adjustments") as follows:-

- (a) Exercise price of the Outstanding Warrants 2018/2023 = RM0.54 sen;
- (b) Number of additional Warrants 2018/2023 arising from the Adjustments = 675,000,000 Warrants 2018/2023.

Up to 24 February 2021, being the last practicable date from the date of the issue of this report, 1,350,000,000 Warrants remained unexercised.

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

A6 Debt and Equity Securities (Cont'd)

(ii) Share Buy-Back

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

On 17 September 2020, the Company obtained the approval from its shareholders at the Twelfth Annual General Meeting to renew the Share Buy-Back authority.

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.

Subsequently, on 2 October 2020, the Company announced that the Bonus Issue was completed and the total repurchased equity securities amounted to 64,084,000 at an average price of RM0.48 per share held as treasury shares.

As at 31 December 2020, the Company had repurchased, in total its equity securities of 66,454,000 ordinary shares at an average price of RM0.48 per share as treasury shares, the consideration of which amounting to RM32,112,111 including transaction costs.

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

(iii) Employees' Share Option Scheme ("ESOS")

The Company had on 6 December 2019, 24 December 2019, 20 January 2020, 4 February 2020 and 5 February 2020 made an announcements in relation to the ESOS. Unless otherwise defined, the definition set out in the Announcements shall apply therein.

The Company had on 20 February 2020 obtained the approval from its shareholders at the Extraordinary General Meeting 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.

On 2 September 2020, the Company announced that Bursa Securities had, vide its letter dated 1 September 2020, approved the Company's application for an extension of time until 19 January 2021 to complete the implementation of the ESOS.

The Company had on 17 September 2020 obtained the approval from its shareholders at the Twelfth Annual General Meeting for the proposed allocation of ESOS options to Dato' Sri Sharifuddin bin Ab Ghani, Dato' Ibrahim bin Abdullah, Encik Handrianov Putra bin Abu Hanifah and Cik Noor Suhaila binti Saad who were appointed to the Board on 5 February 2020.

On 18 January 2021, the Company announced that Bursa Securities had, vide its letter 15 January 2021, approved the Company's application for a further extension of time until 19 July 2021 to complete the implementation of the ESOS.

The ESOS Committee has been formed by the Board on 27 February 2020. To date of this report no share option has been offered.

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

A6 Debt and Equity Securities (Cont'd)

(iv) Proposed Private Placement

On 20 November 2020, the Company proposed to undertake a private placement of new ordinary shares in Datasonic ("Datasonic Shares" or "Shares"), representing up to 10% of the total number of issued shares (excluding treasury shares), to independent third-party investors to be identified at a later date and at an issue price to be determined and fixed later.

The Proposed Private Placement will be implemented in accordance with the general mandate obtained from the shareholders of the Company pursuant to Sections 75 and 76 of the Companies Act 2016 ("Act") at its 12th Annual General Meeting ("AGM") convened on 17 September 2020, whereby the Board had been authorised to allot and issue new Datasonic Shares not exceeding 10% of the total number of issued shares in the Company ("General Mandate").

The Proposed Private Placement entails the issuance of up to 405,000,000 new Datasonic Shares ("Placement Shares"), representing up to 10% of the total number of issued shares as at 19 November 2020, after taking into consideration the following:

- (a) Datasonic's existing number of issued shares of 2,633,546,000 Datasonic Shares (excluding 66,454,000 Datasonic Shares held as treasury shares by the Company ("Treasury Shares")) as at the Latest Practical Date;
- (b) assuming all Treasury Shares are resold in the open market; and
- (c) assuming full exercise of the 1,350,000,000 outstanding warrants 2018/2023 of Datasonic issued pursuant to the provisions of the deed poll dated 18 June 2018 and expiring on 5 July 2023 ("Warrants A") into 1,350,000,000 new Datasonic Shares at the exercise price of RM0.54 each, prior to the implementation of the Proposed Private Placement (collectively known as "Maximum Scenario").

Under the minimum scenario, the size of the Proposed Private Placement is up to 263,354,600 Placement Shares, representing up to 10% of the existing number of issued shares of Datasonic of 2,633,546,000 (excluding Treasury Shares), assuming none of the Treasury Shares are resold and none of the Warrants A is exercised into new Datasonic Shares prior to the implementation of the Proposed Private Placement ("Minimum Scenario").

On 27 November 2020, the Company announced that an application to Bursa Securities for the listing of and quotation for the Placement Shares on the Main Market of Bursa Securities was submitted.

On 2 December 2020, the Company announced that Bursa Securities had, via its letter, approved the listing and quotation of up to 405,000,000 Placement Shares subject to the following conditions:-

- (a) Datasonic and AmInvestment Bank must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed Private Placement;
- (b) Datasonic and AmInvestment Bank to inform Bursa Securities upon the completion of the Proposed Private Placement;
- (c) Datasonic to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Private Placement is completed; and
- (d) AmInvestment Bank to furnish Bursa Securities with details of the placees in accordance with paragraph 6.15 of the Listing Requirements as soon as practicable after each tranche of placement and before the listing of the new shares to be issued pursuant to the Proposed Private Placement.

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 December 2020	Customised Solutions (RM'000)	Manufacturing (RM'000)	Investment Holding (RM'000)	Elimination (RM'000)	Consolidated (RM'000)
REVENUE					
External	110,757	1,833	-	-	112,590
Inter-segment	240	180	41,124	(41,544)	-
Total Revenue	<u>110,997</u>	<u>2,013</u>	<u>41,124</u>	<u>(41,544)</u>	<u>112,590</u>
RESULT					
Profit from operations					18,639
Finance costs					<u>(2,546)</u>
Profit before tax					<u>16,093</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

(i) During the Reporting Period

On 20 November 2020, the Company announced to undertake the Proposed Private Placement of new ordinary shares in Datasonic, representing up to 10% of the total number of issued shares in Datasonic (excluding treasury shares) ("Proposed Private Placement") as disclosed in Note A6 (iv).

(ii) Subsequent the Reporting Period

On 17 February 2021, the Company announced that Datasonic Technologies Sdn. Bhd. ("DTSB"), a wholly-owned subsidiary of the Company received and accepted the Letter of Extension ("LOE") from Kementerian Dalam Negeri ("KDN") 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") with a new contract sum of RM8,653,094.87 (an increase of RM1,679,968.96 for additional 6 units foreigner e-gate with facial recognition system from the previous contract sum of RM6,973,125.91) and an extension of contract period for one (1) year with effect from 15 February 2021 to 14 February 2022.

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

A11 Capital Commitments

	As at 31.12.2020 RM'000	As at 31.03.2020 RM'000
<u>Approved and contracted for:</u>		
Renovation	37	120
Acquisition of machineries and equipment	2,387	2,738

A12 Changes in Contingent Liabilities

	As at 31.12.2020 RM'000	As at 31.03.2020 RM'000
Performance guarantees (secured) extended to customers	17,343	17,693
Performance guarantees (secured) extended to suppliers	-	20
	17,343	17,713

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		Variance		Cumulative Quarters		Variance	
	Current Year Quarter 31.12.2020 (RM'000)	Preceding Year Quarter 31.12.2019 (RM'000)	(RM'000)	%	Current Year To Date 31.12.2020 (RM'000)	Preceding Year To Date 31.12.2019 (RM'000)	(RM'000)	%
Revenue	29,445	74,965	(45,520)	-61%	112,590	196,825	(84,235)	-43%
Profit from operations	1,267	23,331	(22,064)	-95%	18,639	56,409	(37,770)	-67%
Profit before tax	627	21,631	(21,004)	-97%	16,093	51,419	(35,326)	-69%
Profit after tax	621	20,193	(19,572)	-97%	12,917	48,113	(35,196)	-73%
Profit after tax attributable to owners of the Company	627	20,176	(19,549)	-97%	12,929	48,049	(35,120)	-73%

Individual Quarter/Cumulative Quarter

The Group achieved a revenue of RM29.45 million in the current financial quarter which was lower when compared to RM74.97 million in the corresponding quarter of the preceding financial year.

RM16.71 million of the Group's revenue in the current financial quarter was derived from the supply of passports, consumables and personalisation services which was lower than that of RM57.7 million earned in the corresponding quarter of the preceding financial year resulted from lesser supplies to customers of the said materials and services.

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

Assets and liabilities

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

	As at 31.12.2020	As at 31.03.2020	Variance RM'000	%
Total assets	341,095	388,090	(46,995)	-12.1%
Total liabilities	97,129	131,463	(34,334)	-26.1%

The decrease in total assets of RM47 million was mainly due to higher depreciation and amortisation of applicable assets and better collections from customers.

The decrease in total liabilities of RM34.33 million resulted from repayment of borrowings.

Cash flow for the nine months ended 31 December 2020

The Group achieved a cash inflow of RM93.29 million from operating activities in the financial year under review.

The net cash used in financing activities was mainly for repayment of facilities amounted to approximately RM56.14 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 31.12.2020 (RM'000)	Immediate Preceding Quarter 30.09.2020 (RM'000)	Variance	
			(RM'000)	%
Revenue	29,445	43,749	(14,304)	-33%
Profit from operations	1,267	10,098	(8,831)	-87%
Profit before tax	627	9,335	(8,708)	-93%
Profit after tax	621	7,526	(6,905)	-92%
Profit after tax attributable to owners of the Company	627	7,527	(6,900)	-92%

The Group's revenue of RM29.45 million in the current financial quarter was lower than RM43.75 million reported in the immediate preceding quarter principally due to reduced supplies of consumables and smart cards 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 Board expects the prospect for the coming quarters to be challenging as well as encouraging in line with the national economic recovery plans and new business opportunities in the areas of public security, public health and also e-commerce.

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
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Allowance for impairment losses on:				
- inventories	-	165	-	165
- trade receivables	-	124	-	124
Amortisation of development expenditure	818	1,668	2,296	4,258
Depreciation of property, plant and equipment	1,683	4,727	6,841	13,002
Depreciation of right-of-use assets	157	-	1,087	-
Gain on disposal of property, plant and equipment	-	-	(62)	(9)
Interest income	(222)	(378)	(834)	(699)
Interest expense:				
- interest expense on lease liabilities	28	-	261	-
- other interest expense	612	1,700	2,285	4,990
Inventories written off	-	83	-	83
Loss/(Gain) on foreign exchange:				
- realised	26	72	195	388
- unrealised	(188)	17	(823)	18
Property, plant and equipment written off	-	-	#	-
Staff costs	10,247	10,671	32,142	30,421
Writeback of impairments losses on inventories	-	(2)	-	(2)

Note:

- Amount less than RM1,000.

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

B6 Income Tax Expense

	INDIVIDUAL		CUMULATIVE	
	Current Year Quarter	Preceding Year Quarter	Current Year Year To Date	Preceding Year Year To Date
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Current tax:				
- for the current financial quarter	(286)	1,898	2,511	3,373
- overprovision in previous financial years	(182)	(208)	(182)	(208)
Deferred tax:				
- for the current financial quarter	205	123	704	570
- under/(over) provision in previous financial year	269	(375)	143	(429)
	<u>6</u>	<u>1,438</u>	<u>3,176</u>	<u>3,306</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.

B7 Status of Corporate Proposals

On 5 August 2020, Kenanga Investment Bank Berhad ("Kenanga IB") had, on behalf of the Board, announced that the Company proposed to undertake the Bonus Issue of up to 2,176,875,000 new ordinary shares in Datasonic Group Berhad ("Datasonic Shares") ("Bonus Shares") on the basis of 1 Bonus Share for every 1 Datasonic Share held on an entitlement date to be determined and announced later.

On 18 August 2020, Kenanga IB had, on behalf of the Board, announced that Bursa Malaysia vide its letter dated 17 August 2020, resolved to approve the listing and quotation of the following:-

- (i) up to 2,176,875,000 Bonus Shares to be issued pursuant to the Proposed Bonus Issue;
 - (ii) up to 675,000,000 Additional Warrants A; and
 - (iii) up to 675,000,000 new Datasonic Shares to be issued from the exercise of the said Additional Warrants A,
- on the Main Market of Bursa Securities.

On 2 October 2020, the Bonus Issue was completed following the listing and quotation of:-

- (i) 1,350,000,000 Bonus Shares issued pursuant to the Bonus Issue; and
 - (ii) 675,000,000 Additional Warrants A issued arising from the Adjustments,
- on the Main Market of Bursa Securities.

**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
31.12.2020				
<u>Secured:</u>				
Contract Financing	3.92 - 4.20	-	17,052	17,052
Term Financing	3.20	1,344	3,681	5,025
Term Loans	3.05 - 4.30	4,501	26,964	31,465
Trade Financing	2.08 - 4.73	6,756	-	6,756
		12,601	47,697	60,298
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
		35,678	58,439	94,117

All borrowings are denominated in Ringgit Malaysia.

B9 Lease Liabilities

	Effective interest rates %	Short term RM'000	Long term RM'000	Total RM'000
31.12.2020				
<u>Secured:</u>				
Leasing	4.33 - 10.72	635	412	1,047
		635	412	1,047
31.03.2020				
<u>Secured:</u>				
Leasing	4.33 - 13.40	3,842	913	4,755
		3,842	913	4,755

**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

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 and two mediation sessions were held in the previous financial years. However, the parties were unable to reach a mutual agreement and the case is now proceeding to trial.

For the current quarterly period under review, further developments are as follows:-

On 9 October 2020, the suit came up for Pre-Trial Case Management whereby the High Court has given the directions for trial as follows:-

- (a) The trial dates remain fixed for 9 and 10 November 2020.
- (b) That parties are to expedite the filing of the following documents:
 - (i) Case summaries by both parties;
 - (ii) Joint issued to be Tried;
 - (iii) Joint Agreed Facts;
 - (iv) List of Witnesses by both parties; and
 - (v) The Common Bundle of documents.
- (c) That the Common Bundle of Documents are to be filled with specific directions on categorisation. Parties are to agree on the categorisation of the documents in the Common Bundle of Documents and the said documents to be marked or flagged clearly.
- (d) That parties are to file the List of Witnesses and Witness Statements seven (7) days before full trial. Witnesses who are not included in the Witness Statements may be precluded from giving evidence in trial, subject to the discretion of the trial Judge.
- (e) That the Defendant's Notice of Application (Enclosure 66) to strike out the certain paragraphs of the Plaintiff's Write and Statement of Claim are given the following directions:-
 - (i) The Plaintiff is to file their Affidavit in Reply by 19 October 2020;
 - (ii) The Defendant is to file their Affidavit in Reply by 22 October 2020; and
 - (iii) The Hearing is fixed for Oral Submissions on 27 October 2020.
- (f) In the event that the appeal to the Court of Appeal fixed on 4 November 2020 is allowed then items b (i). to b (iii). are to be refiled along with amended pleadings before the trial dates.
- (g) That the Defendant is at liberty to file additional interlocutory applications but with expedition.
- (h) That the parties are to resume negotiations for settlement.

**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 27 October 2020, the suit came up for a Case Management whereby the High Court has given the directions for trial as follows:-

- (a) The Hearing on 9 November 2020 has been vacated;
- (b) On the Application to Strike Out, the High Court has directed the Defendant to file an application for leave to file Affidavit in Reply as the date to file the same on 22 October 2020 has lapsed;
- (c) The interlocutory application, that is, the leave to file Affidavit in Reply for the Application to Strike Out has to be made before 4 November 2020;
- (d) The High Court has directed that further directions on the Application to Strike Out is stayed pending the Defendant's filing of the leave application, and
- (e) All directions on interlocutory applications are to be made on the next Case Management fixed on 5 November, which will be conducted via e-mail.

On 28 October 2020, DTSB has been informed by the High Court whereby the High Court has given the directions as follows:-

- (a) Full Hearing for the Case Management is maintained on 10 November 2020;
- (b) The Hearing and Decision of the Defendant's Application to Strike Out will be on 10 November 2020;
- (c) The Case Management for Defendant's Application for Discovery is fixed on 10 November 2020;
- (d) Case Management for Defendant's Application for leave to file Affidavit in Reply for Application to Strike Out will be on 10 November 2020;
- (e) The High Court will not consider any interlocutory applications filed at the last minute, subject to the Judge's discretion;
- (f) Objections by any parties may be raised on 10 November 2020 before the Judge;
- (g) Case Management on 5 November 2020 is vacated.

On 4 November 2020, the suit came up for Hearing of Appeal in respect of the Plaintiff's Notice of Application to amend the Plaintiff's Writ of Summons and Statement of Claim and the Court of Appeal had unanimously overturned the High Court Judge's decision to dismiss the Plaintiff's Notice of Application to amend the Writ of Summons and Statement of Claim with costs of RM5,000.00 to be paid by the Defendant to the Plaintiff for the Court of Appeal and High Court proceedings.

The Court of Appeal had further directed the following:-

- (a) That the Plaintiff is to file the amended Statement of Claim by 9 November 2020;
- (b) That the Defendant is given an opportunity to file consequential amended Statement of Defence in reply to the amended portions of the Statement of Claim; and
- (c) That a Case Management is set before the High Court Judge on 10 November 2020 for the Defendant to obtain further instructions concerning the filing of the said amended Statement of Defence.

In light of the Court of Appeal's results as stated above, the High Court had on 5 November 2020 given the directions that the Hearing on 10 November 2020 has been vacated, and is now a Case Management Session for the Judge to give further directions on the case.

**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 15 December 2020, the suit came up for Case Management whereby the High Court has given the following directions:-

- (a) Case Management is fixed on 21 January 2021 to ensure that Written Submissions for both the Defendant's Discovery Application and the Defendant's Application for the Extension of Time are filed.
- (b) For the Defendant's Application for Extension of Time, the Plaintiff's Affidavit in Reply is to be filed on 18 December 2020 and the Defendant's Affidavit in Reply is to be filed on 31 December 2020. Submissions for Defendant's Application for Extension of Time is to be filed on 11 January 2021, and Submission in Reply is to be filed on 21 January 2021.
- (c) For the Defendant's Discovery Application, the Defendant's Affidavit in Reply is to be filed on 24 December 2020. Submissions for the Defendant's Discovery Application is to be filed on 7 January 2021 and Submissions in Reply is to be filed on 21 January 2021.
- (d) Hearing/Case Management on 29 January 2021 is maintained.
- (e) All directions given during the Case Management on 15 December 2020 is final and if no Affidavits and Submissions are filed by the parties on the dates fixed, the Court will deem that parties are not interested in filing the same and the Hearing will continue as it is.

That the High Court had fixed the several interlocutory applications namely the Defendant's Application for Discovery and Application to Strike Out for Hearing on 29 January 2021. New trial dates of the suit has yet to be determined by the Court.

On 29 January 2021, the suit came up for Hearing in respect of Defendant's Application for Discovery and Defendant's Application for Extension of Time to Strike Out. In respect of Defendant's Application for Discovery, the High Court had dismissed the application with costs of RM2,000 to be paid by the Defendant to the Plaintiff. The High Court had allowed the Defendant's Application for Extension of Time to Strike Out.

The suit had also came up for a Case Management whereby the High Court had further directed the following:-

- (a) Both Plaintiff and Defendant are to file their respective written submissions on 15 February 2021 in respect of Defendant's Application to Strike Out (Enclosure 70). The High Court will deliver its decision on 26 February 2021.
- (b) All other directions on the Main Suit (ie. Plaintiff's Amended Writ and Amended Statement of Claim) will be given on 26 February 2021 after the disposal of Defendant's Application to Strike Out (Enclosure 70).

The Suit will not have any significant financial and operational impact on the Group for the financial year ending 31 March 2021. 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 2020:		
- A fourth interim single tier tax-exempt dividend of 0.50 sen per share declared on 25 June 2020	6,595	27.07.2020
In respect of the financial year ended 31 March 2021:		
- A first interim single tier tax-exempt dividend of 0.50 sen per share declared on 28 August 2020	6,589	01.10.2020
- A second interim single tier tax-exempt dividend of 0.25 sen per share declared on 27 November 2020	6,584	29.12.2020
	<u>19,768</u>	

B12 Earnings per Share

(a) **Basic Earnings Per Share**

	INDIVIDUAL		CUMULATIVE	
	Current Year Quarter 31.12.2020 (RM'000)	Preceding Year Quarter 31.12.2019 (RM'000)	Current Year Year To Date 31.12.2020 (RM'000)	Preceding Year Year To Date 31.12.2019 (RM'000)
Profit after tax attributable to owners of the Company (RM'000)	627	20,176	12,929	48,049
Weighted average number of ordinary shares in issue ('000)	1,758,777	1,350,000	1,758,777	1,350,000
Basic earnings per share (sen)	<u>0.04</u>	<u>1.49</u>	<u>0.74</u>	<u>3.56</u>

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

B12 Earnings per Share (Cont'd)

(b) Diluted Earnings Per Share

	INDIVIDUAL		CUMULATIVE	
	Current Year Quarter 31.12.2020 (RM'000)	Preceding Year Quarter 31.12.2019 (RM'000)	Current Year Year To Date 31.12.2020 (RM'000)	Preceding Year Year To Date 31.12.2019 (RM'000)
Profit after tax attributable to owners of the Company (RM'000)	627	20,176	12,929	48,049
Weighted average number of ordinary shares in issue ('000)	1,758,777	1,350,000	1,758,777	1,350,000
Effect of dilution of warrants ('000)	1,350,000	-	1,350,000	-
Adjusted weighted average number of ordinary shares in issue ('000)	<u>3,108,777</u>	<u>1,350,000</u>	<u>3,108,777</u>	<u>1,350,000</u>
Diluted earnings per share (sen)	<u>0.02</u>	<u>1.49</u>	<u>0.42</u>	<u>3.56</u>

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
24 February 2021