

INTERIM FINANCIAL REPORT

DATASONIC GROUP BERHAD

(Company No. 809759-X)

(Incorporated in Malaysia)

The Directors are pleased to present the Interim Financial Report for the period ended 31 December 2018 as follows:

SUMMARY OF KEY INFORMATION

FOR THE THIRD QUARTER ENDED 31 DECEMBER 2018

		Individual Quarter		Cumulative Quarters	
		Current Year Quarter 31.12.2018 RM'000	Preceding Year Quarter 31.12.2017 RM'000	Current Year to-date 31.12.2018 RM'000	Preceding Year to-date 31.12.2017 RM'000
1	Revenue	56,755	60,294	162,842	193,960
2	Profit before tax	10,589	15,469	27,684	52,504
3	Profit for the year	8,986	14,618	24,830	49,736
4	Profit attributable to ordinary owners of the Company	8,997	14,651	24,906	49,834
5	Basic earnings per share (sen)	0.67	1.09	1.84	3.69
6	Diluted earnings per share (sen)	N/A	N/A	N/A	N/A
7	Proposed/Declared dividend per share (sen)	1.00	1.00	2.00	3.00
		AS AT END OF CURRENT QUARTER		AS AT PRECEDING FINANCIAL YEAR END	
8	Net assets per share attributable to ordinary owners of the Company (RM)	0.1914		0.1979	

Remarks:

Included in the proposed/declared dividend per share for the current year quarter ended 31 December 2018 is the third interim single-tier tax exempt dividend of 0.5 sen per share, in respect of the financial year ended 31 March 2019, which was declared on 28 February 2019 and the Entitlement Date will be determined and announced in due course. This dividend has not been reflected in the financial statements for the financial period ended 31 December 2018 but it will be accounted for in shareholders' equity as an appropriation of retained profits for the next quarter ending 31 March 2019.

ADDITIONAL INFORMATION

		Individual Quarter		Cumulative Quarters	
		Current Year Quarter 31.12.2018 RM'000	Preceding Year Quarter 31.12.2017 RM'000	Current Year to-date 31.12.2018 RM'000	Preceding Year to-date 31.12.2017 RM'000
1	Gross interest income	130	194	341	693
2	Gross interest expense	(2,176)	(2,071)	(6,386)	(5,913)

DATASONIC GROUP BERHAD
(Company No. 809759-X)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME
FOR THE THIRD QUARTER ENDED 31 DECEMBER 2018**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTERS	
	Current Quarter 31.12.2018 (RM'000)	Preceding Quarter 31.12.2017 (RM'000)	Current Year To Date 31.12.2018 (RM'000)	Preceding Year To Date 31.12.2017 (RM'000)
Continuing Operations				
Revenue	56,755	60,294	162,842	193,960
Operating expenses	(44,245)	(43,102)	(129,398)	(139,867)
Other income	255	348	626	4,324
Profit from operations	12,765	17,540	34,070	58,417
Finance costs	(2,176)	(2,071)	(6,386)	(5,913)
Profit before tax	10,589	15,469	27,684	52,504
Income tax expense	(1,603)	(851)	(2,854)	(2,768)
Profit after tax	8,986	14,618	24,830	49,736
Other comprehensive income, net of tax				
- Foreign currency translation differences	13	(43)	12	(46)
Total comprehensive income for the quarter	8,999	14,575	24,842	49,690
Profit after taxation attributable to:				
Owners of the Company	8,997	14,651	24,906	49,834
Non-controlling interests	(11)	(33)	(76)	(98)
	8,986	14,618	24,830	49,736
Total comprehensive income attributable to:				
Owners of the Company	9,010	14,608	24,918	49,788
Non-controlling interests	(11)	(33)	(76)	(98)
	8,999	14,575	24,842	49,690
Earnings per share (sen) attributable to owners of the Company :				
- Basic (Note B12)	0.67	1.09	1.84	3.69

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 2018 and the accompanying explanatory notes attached to these interim financial statements.

DATASONIC GROUP BERHAD
(Company No. 809759-X)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	As at 31.12.2018 (RM'000)	As at 31.03.2018 (RM'000)
NON-CURRENT ASSETS		
Property, plant and equipment	179,054	172,798
Other investment	110	110
Goodwill	4,153	4,153
Development expenditures	32,780	36,969
Trade receivables (2)	6,881	4,351
	<u>222,978</u>	<u>218,381</u>
CURRENT ASSETS		
Projects-in-progress	1,720	4,562
Inventories	48,613	34,213
Trade receivables	72,958	137,947
Other receivables, deposits and prepayments	14,899	12,397
Tax recoverable	5,079	5,193
Short-term investments	49,148	1,151
Deposits with licensed banks	6,024	7,651
Cash and bank balances	25,425	23,941
	<u>223,866</u>	<u>227,055</u>
TOTAL ASSETS	<u>446,844</u>	<u>445,436</u>
EQUITY AND LIABILITIES		
EQUITY		
Share capital	135,000	135,000
Merger deficit	(11,072)	(11,072)
Foreign exchange translation reserve	(60)	(72)
Retained profits	134,496	143,340
Equity attributable to owners of the Company	<u>258,364</u>	<u>267,196</u>
Non-controlling interests	(595)	(519)
TOTAL EQUITY	<u>257,769</u>	<u>266,677</u>
NON-CURRENT LIABILITIES		
Long-term borrowings	83,000	90,402
Deferred taxation	1,480	506
	<u>84,480</u>	<u>90,908</u>
CURRENT LIABILITIES		
Trade payables	15,476	6,935
Other payables and accruals	29,433	29,144
Short-term borrowings	52,936	51,772
Dividend payable	6,750	-
	<u>104,595</u>	<u>87,851</u>
TOTAL LIABILITIES	<u>189,075</u>	<u>178,759</u>
TOTAL EQUITY AND LIABILITIES	<u>446,844</u>	<u>445,436</u>
Net assets per share attributable to ordinary owners of the Company (RM)	0.1914	0.1979

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 2018 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.

DATASONIC GROUP BERHAD
(Company No. 809759-X)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THIRD QUARTER ENDED 31 DECEMBER 2018

	<----- Non distributable ----->			Distributable	Attributable	Non-	Total
	Share	Merger	Foreign	Retained	to Owners	controlling	Equity
	Capital	Deficit	Exchange	Profits	of the	Interests	
	RM'000	RM'000	Reserve	RM'000	Company	RM'000	RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 April 2018	135,000	(11,072)	(72)	143,340	267,196	(519)	266,677
Profit after taxation for the financial year	-	-	-	24,906	24,906	(76)	24,830
Other comprehensive income for the financial year:							
- Foreign exchange translation differences	-	-	12	-	12	-	12
Total comprehensive income for the financial year	-	-	12	24,906	24,918	(76)	24,842
Distributions to owners of the Company:							
- dividends (Note B11)	-	-	-	(33,750)	(33,750)	-	(33,750)
At 31 December 2018	135,000	(11,072)	(60)	134,496	258,364	(595)	257,769

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 2018 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 2018

	CUMULATIVE QUARTERS	
	Current Year	Preceding Year
	To Date	To Date
	31.12.2018	31.12.2017
	(RM'000)	(RM'000)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	27,684	52,504
Adjustments for :		
Depreciation of property, plant and equipment	11,822	7,830
Amortisation of development expenditure	4,247	3,384
Property, plant and equipment written off	-	18
Interest expense	6,386	5,913
Loss on disposal of property, plant and equipment	3,066	-
Unrealised gain on foreign exchange	(173)	(76)
Interest income	(341)	(693)
Writeback of impairment losses on:		
- trade receivables	-	(2,087)
Operating profit before changes in working capital	52,691	66,793
Changes in projects-in-progress	2,842	1,786
Changes in inventories	(14,403)	10,157
Changes in trade and other receivables	59,955	7,830
Changes in trade and other payables	9,115	(8,276)
Cash generated from operations	110,200	78,290
Income tax paid	(1,766)	(2,620)
Interest paid	(6,386)	(5,913)
Net cash generated from operating activities	102,048	69,757
CASH FLOWS FOR INVESTING ACTIVITIES		
Interest received	341	693
Development expenditures paid	(58)	(583)
Proceeds from disposal of property, plant and equipment	36	-
(Placement)/Proceeds from disposal of short-term investment	(47,997)	24,643
Purchase of property, plant and equipment	(21,350)	(41,020)
Withdrawal of deposits pledged to licensed banks	327	313
Net cash used in investing activities	(68,701)	(15,954)
CASH FLOWS FOR FINANCING ACTIVITIES		
Dividends paid	(27,000)	(40,500)
Drawdown of hire purchase and finance lease	100	18,747
Repayment of hire purchase and finance lease	(4,881)	(3,357)
Drawdown of trade financing	83,823	61,168
Repayment of trade financing	(83,114)	(79,995)
Drawdown of term loans	17,360	321
Repayment of term loans	(18,656)	(1,334)
Repayment of term financing	(870)	(1,473)
Net cash used in financing activities	(33,238)	(46,423)
Net increase in Cash and Cash Equivalents	109	7,380
Effects of foreign exchange translation	75	(59)
Cash and Cash Equivalents at beginning of the financial period	25,241	17,553
Cash and Cash Equivalents at end of the financial period	25,425	24,874

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THIRD QUARTER ENDED 31 DECEMBER 2018 (CONT'D)

	CUMULATIVE QUARTERS	
	Current Year	Preceding Year
	To Date	To Date
	31.12.2018	31.12.2017
	(RM'000)	(RM'000)
Cash and Cash equivalents at the end of the financial period comprise the following:		
Deposits with licensed banks	6,024	7,598
Cash and bank balances	25,425	23,576
	<u>31,449</u>	<u>31,174</u>
Less: deposits pledged to licensed banks	(6,024)	(6,300)
	<u>25,425</u>	<u>24,874</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 2018 and the accompanying explanatory notes attached to these interim financial statements.

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 2018.

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 performance of the Company and its subsidiaries ("The Group") since the financial year ended 31 March 2018.

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 2018.

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

MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)

MFRS 15 Revenue from Contracts with Customers

IC Interpretation 22 Foreign Currency Transactions and Advance Consideration

Amendment to MFRS 2 (Classification and Measurement of Share-Based Payment Transaction)

Amendment to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts

Amendments to MFRS 15: Effective Date of MFRS 15

Amendments to MFRS 15: Clarifications to MFRS 15 Revenue from Contracts with Customers

Amendments to MFRS 140 (Transfer of Investment Property)

Annual Improvements to MFRS Standards 2014-2016 Cycles:

- Amendments to MFRS 1: Deletion of Short-term Exemptions for First-time Adopters
- Amendments to MFRS 12: Clarification of the scope of the Standard
- Amendments to MFRS 128: Measuring an Associate or Joint Venture at Fair Value

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

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

The above MFRSs, IC Interpretations and amendments did not have any material impact on the financial statements of the Group upon their initial application except as follows:-

MFRS 9 Financial Instruments

MFRS 9 (IFRS 9 issued by IASB in July 2014) replaces the guidance in MFRS 139 on the classification and measurement of financial assets and financial liabilities, impairment of financial assets and on hedge accounting.

The initial application of MFRS 9 did not have any material impact to the financial statements of the Group for the current financial year and prior periods as the Group applied the standard retrospectively from 1 April 2018 with the practical expedients permitted under the standard, and that the comparatives (i.e. current period financial information) will not be restated.

Based on the assessments undertaken to date, the Group has determined the impact of its initial application of MFRS 9 as follows:-

The Group did not have a significant impact on its statements of financial position on applying the classification and measurement requirements of MFRS 9.

Loans and receivables financial assets are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group analysed the contractual cash flow characteristics of these instruments and concluded that they meet the criteria to be measured at amortised costs under MFRS 9. Therefore, the Group did not expect the standard to affect the measurement of its debt financial assets.

In addition, the Group expects to continue measuring at fair value all financial assets currently held at fair value.

MFRS 9 replaces the 'incurred loss' model in MFRS 139 with an 'expected credit loss' ("ECL") model. In view of strong creditworthiness of the Group's receivables, the Group has concluded that the expected impacts of ECL on trade and other receivables (including related party balances) are insignificant upon the initial application of MFRS 9.

MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a single comprehensive model for revenue recognition and has superseded the previous revenue recognition guidance and other related interpretations. Under MFRS 15, an entity shall recognise revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the distinct promised goods or services underlying the particular performance obligation is transferred to the customers. The amendments to MFRS 15 further clarify the concept of 'distinct' for the purposes of this accounting standard. In addition, extensive disclosures are also required by MFRS 15 about the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

Based on the assessments undertaken to date, the Group has determined that the impact on its financial statements upon the initial application of MFRS 15 is insignificant as the timing and amount of revenue to be recognised for the sale of goods or rendering of services under the new standard are unlikely to be materially different from its current practice.

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

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

The Company 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 16 Leases	1 January 2019
MFRS 17 Insurance Contracts	1 January 2021
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
Amendment to MFRS 2: Share-based Payment	1 January 2020
Amendment to MFRS 3: Business Combinations	1 January 2020
Amendment to MFRS 6: Exploration for and Evaluation of Mineral Resources	1 January 2020
Amendments to MFRS 9: Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 10 and MFRS 128 (2011): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice
Amendment to MFRS 14: Regulatory Deferral Accounts	1 January 2020
Amendment to MFRS 101: Presentation of Financial Statements	1 January 2020
Amendment to MFRS 108: Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2020
Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendment to MFRS 134: Interim Financial Reporting	1 January 2020
Amendment to MFRS 137: Provisions, Contingent Liabilities and Contingent Assets	1 January 2020
Amendment to MFRS 138: Intangible Assets	1 January 2020
Amendment to IC Interpretation 12: Service Concession Arrangements	1 January 2020
Amendment to IC Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments	1 January 2020
Amendment to IC Interpretation 20: Stripping Costs in the Production Phase of a Surface Mine	1 January 2020
Amendment to IC Interpretation 22: Foreign Currency Transactions and Advance Consideration	1 January 2020
Amendment to IC Interpretation 132: Intangible Assets- Web Site Costs	1 January 2020
Annual Improvements to MFRS Standards 2015-2017 Cycles:	
- Amendment to MFRS 3: Business Combinations	1 January 2019
- Amendment to MFRS 11: Joint Arrangements	1 January 2019
- Amendment to MFRS 112: Income Taxes	1 January 2019
- Amendment to MFRS 123: Borrowing Costs	1 January 2019

The initial application of a standard which will be applied prospectively or which requires extended disclosures is not expected to have any significant financial impact to the financial statements of the current and prior quarters upon their first adoption.

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

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 2018 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.

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

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

A7 Segmental Information

The Group is organised into the following:-

31 December 2018	Customised Solutions (RM'000)	Manufacturing (RM'000)	Investment Holding (RM'000)	Elimination (RM'000)	Consolidated (RM'000)
REVENUE					
External	137,419	25,423	-	-	162,842
Inter-segment	3,636	2,727	39,115	(45,478)	-
Total Revenue	<u>141,055</u>	<u>28,150</u>	<u>39,115</u>	<u>(45,478)</u>	<u>162,842</u>
RESULT					
Profit from operations	43,127	4,391	28,226	(41,674)	34,070
Finance costs					<u>(6,386)</u>
Profit before tax					<u>27,684</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

On 11 April 2018, the Company proposed to undertake an issuance of 675,000,000 free warrants in the Company on the basis of one (1) warrant for every two (2) existing ordinary shares in the Company held on an entitlement date to be determined later. The warrants will have a tenure of five (5) years commencing from and including the date of the issue of the warrants.

On 17 May 2018, Bursa Malaysia approved the admission to the official list and listing of up to 675,000,000 free warrants to be issued arising from the proposed free warrants exercise.

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

A9 Material Events During the Reporting Period (Cont'd)

On 14 June 2018, the shareholders of the Company at an Extraordinary General Meeting held on that date, approved the proposal of the free warrants exercise.

On 18 June 2018, the Company announced that the book closure date for the entitlement of the free warrants be fixed on 3 July 2018 and the Company also announced that the exercise price of the warrant be fixed at RM1.09.

On 12 July 2018, the Company announced that the free warrants exercise was completed following the admission of the 675,000,000 warrants to the official list of Bursa Securities and the listing of the said warrants on the Main Market of Bursa Securities.

Up to 28 February 2019, being the last practicable date from the date of the issue of this report, no warrant has yet been converted to ordinary share.

A10 Effects of changes in Composition of the Group

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

A11 Capital Commitments

	As at 31.12.2018 RM'000	As at 31.03.2018 RM'000
<u>Approved and contracted for:</u>		
Renovation	206	38
Acquisition of machineries and equipment	21	182
Acquisitions of a property ^(Note)	1,903	16,422

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. Progress payments amounting to RM14.53 million were paid by cash and term loan during the period. The factory is intended to be used for production of smart card.

A12 Changes in Contingent Liabilities

	As at 31.12.2018 RM'000	As at 31.03.2018 RM'000
Performance guarantees (secured) extended to customers	20,502	17,737
Performance guarantees (secured) extended to suppliers	20	40
	20,522	17,777

A13 Related Party Transactions

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

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

B1 Review of Performance

	Individual Quarter				Cumulative Quarters			
	Current Year Quarter	Preceding Year Quarter	Variance	%	Current Year To Date	Preceding Year To Date	Variance	%
	31.12.2018 (RM'000)	31.12.2017 (RM'000)	(RM'000)		31.12.2018 (RM'000)	31.12.2017 (RM'000)	(RM'000)	
Revenue	56,755	60,294	(3,539)	-6%	162,842	193,960	(31,118)	-16%
Profit from operations	12,765	17,540	(4,775)	-27%	34,070	58,417	(24,347)	-42%
Profit before tax	10,589	15,469	(4,880)	-32%	27,684	52,504	(24,820)	-47%
Profit after tax	8,986	14,618	(5,632)	-39%	24,830	49,736	(24,906)	-50%
Profit attributable to owners of the Company	8,997	14,651	(5,654)	-39%	24,906	49,834	(24,928)	-50%

Individual Quarter/Cumulative Quarter

The Group achieved a revenue of RM56.76 million in the current financial quarter which was lower when compared to RM60.29 million in the corresponding quarter of the preceding financial year.

RM47.13 million of the Group's revenue in the current financial quarter derived from the supply of consumables, passports and personalisation services, which was below that of RM51.89 million earned in the corresponding quarter of the preceding financial year mainly as a result of lesser supply of consumable and smart cards.

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

Assets and liabilities

The increases in total assets and total liabilities as at 31 December 2018 against balances of 31 March 2018 are as follows:

	As at 31.12.2018	As at 31.03.2018	Variance RM'000	%
Total assets	446,844	445,436	1,408	0%
Total liabilities	189,075	178,759	10,316	6%

The increase in total assets of net RM1.41 million relates to more placement on short term investments as a result of improved collections from customers and higher purchases of inventories.

The increase in total liabilities of RM10.32 million is mainly from higher amounts owing to suppliers and dividend payable to shareholders.

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 (Cont'd)

Cash flow for the ninth months ended 31 December 2018

The Group achieved a cash inflow of RM102.05 million from operating activities in the financial period under review and a sum of RM21.35 million was expended for capital expenditure on assets related to new projects.

The net cash used in financing activities was mainly from drawdown of facilities amounted to approximately RM101.28 million.

B2 Comparison with Immediate Preceding Quarter's Results

	Current Quarter 31.12.2018 (RM'000)	Immediate Preceding Quarter 30.09.2018 (RM'000)	Variance (RM'000)	%
Revenue	56,755	57,303	(548)	-1%
Profit from operations	12,765	11,306	1,459	13%
Profit before tax	10,589	9,193	1,396	15%
Profit after tax	8,986	8,481	505	6%
Profit attributable to owners of the Company	8,997	8,515	482	6%

The Group's revenue of RM56.76 million in the current financial quarter was lower than RM57.30 million reported in the immediate preceding quarter principally due to lesser deliveries for CCTV project which led to decreased profit before and after tax for the quarter under review.

B3 Commentary on Prospects

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

The order book as at 31 December 2018 was in the vicinity of RM788 million which would have a positive impact on revenue generation in future operations.

The prospects for growth are expected to be satisfactory in the financial year ending 31 March 2019, barring any unforeseen circumstances.

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 QUARTER		CUMULATIVE QUARTERS	
	Current Year	Preceding Year	Current Year	Preceding Year
	Quarter	Quarter	Year To Date	Year To Date
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Amortisation of development expenditure	1,572	1,450	4,247	3,384
Property, plant and equipment written off	-	10	-	18
Interest income	(130)	(194)	(341)	(693)
Interest expense	2,176	2,071	6,386	5,913
Depreciation of property, plant and equipment	4,296	3,734	11,822	7,830
Staff costs	9,456	9,109	29,863	30,338
Loss on disposal of property, plant and equipment	3,066	-	3,066	-
Loss/(Gain) on foreign exchange:				
- realised	75	(281)	476	(362)
- unrealised	(279)	(48)	(173)	(76)
Writeback of impairments losses on:				
- trade receivables	-	-	-	(2,087)

B6 Income Tax Expense

	INDIVIDUAL QUARTER		CUMULATIVE QUARTERS	
	Current Year	Preceding Year	Current Year	Preceding Year
	Quarter	Quarter	Year To Date	Year To Date
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Current tax:				
- for the current financial quarter	668	876	1,906	2,504
- (over)/underprovision in previous financial years	(26)	91	(26)	91
Deferred tax:				
- for the current financial quarter	569	544	763	1,140
- under/(over)provision in previous financial year	392	(660)	211	(967)
	<u>1,603</u>	<u>851</u>	<u>2,854</u>	<u>2,768</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 years from 18 May 2017 to 17 May 2022.

B7 Incorporation and Acquisition of a Company

On 10 January 2019, the Company incorporated a new subsidiary, Datasonic International W.L.L ("DIWLL") with a holding of 95% equity interest whilst the remaining 5% is held by DTSB, a wholly-owned subsidiary of the Company.

The intended principal activities of DIWLL are to undertake Information and Communications Technology solutions and services.

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

B8 Status of Corporate Proposals

There were no corporate proposals for the current financial quarter under review.

B9 Group Borrowings

31.12.2018	Effective interest rates %	Short term RM'000	Long term RM'000	Total RM'000
<u>Secured:</u>				
Hire purchase	4.53 - 4.75	151	203	354
Leasing	8.52 - 13.40	6,915	6,419	13,334
Contract Financing	5.67 - 5.70	-	36,847	36,847
Term Financing	4.60	1,086	6,435	7,521
Term Loans	4.55 - 5.80	2,721	33,096	35,817
Trade Financing	5.19 - 6.01	42,063	-	42,063
		<u>52,936</u>	<u>83,000</u>	<u>135,936</u>
31.03.2018				
<u>Secured:</u>				
Hire purchase	4.53 - 4.75	129	227	356
Leasing	8.52 - 13.40	6,447	11,666	18,113
Contract Financing	5.67 - 5.70	-	50,315	50,315
Term Financing	4.60	1,176	7,214	8,390
Term Loans	4.55 - 5.80	2,665	20,980	23,645
Trade Financing	5.20 - 6.01	41,355	-	41,355
		<u>51,772</u>	<u>90,402</u>	<u>142,174</u>

All borrowings are denominated in Ringgit Malaysia.

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.

At the case management on 17 August 2018, it was stated that our Statement of Defence would need to be filed on 28 August 2018, the Reply to Defence by the plaintiff to be submitted on or before 18 September 2018, the Interlocutory Application from both parties by 2 October 2018 and the next case management scheduled on 3 October 2018.

On 3 October 2018, The High Court Judge has advised both parties to attempt mediation for the Suit and the mediation session was held on 17 and 19 October 2018. However, both parties could not reach a resolution. The mediator had advised both parties to continue discussions for an amicable settlement and to inform the High Court Judge in the next case management on 2 November 2018 whether parties are able to settle the matter or to proceed for trial.

At the case management on 2 November 2018, the High Court took note that the parties are still keen to settle the matter without going to trial and the next case management scheduled on 7 December 2018 to inform the court on the status of the settlement.

At the case management on 7 December 2018, the High Court judge took note that DTSB was still keen to settle the matter without going to trial. As such, the court fixed the next case management on 15 January 2019 for parties to inform the court on the status of the settlement negotiation.

On 15 January 2019, the court fixed the next case management on 22 January 2019 for parties to inform the court on the status of the settlement negotiation.

On 22 January 2019, the court fixed the next case management on 14 February 2019 for parties to inform the court on the status of the settlement negotiation.

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)

At the case management on 14 February 2019, the court directed both parties are to jointly resolve the outstanding matter pertaining to Goods and Services Tax with the Royal Malaysian Customs Department before the next case management dated for 1 March 2019 pending settlement.

The Suit will not have any significant financial and operational impact on the Group for the financial year ending 31 March 2019. The Group estimated that the potential financial impact, if any, could be approximately RM5 million.

B11 Dividends

	RM'000	Date of Payment
In respect of the financial year ended 31 March 2018:		
- A fourth interim single tier tax-exempt dividend of 1.0 sen per share declared on 31 May 2018	13,500	06.07.2018
In respect of the financial year ending 31 March 2019:		
- A first interim single tier tax-exempt dividend of 1.0 sen per share declared on 24 August 2018	13,500	23.11.2018
- A second interim single tier tax-exempt dividend of 0.5 sen per share declared on 10 December 2018	6,750	08.01.2019
	<u>33,750</u>	

In respect of the financial period ended 31 December 2018, the directors had on 28 February 2019 declared a third interim single tier tax-exempt dividend of 0.5 sen per share, amounting to RM6.75 million based on the issued and paid-up share capital as at 31 December 2018 of 1,350,000,000 ordinary shares. The Entitlement Date will be determined and announced in due course. This dividend has not been reflected in the financial statements for the current financial period ended 31 December 2018 but it will be accounted for in shareholders' equity as an appropriation of retained profits for the next quarter ending 31 March 2019.

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 QUARTER		CUMULATIVE QUARTERS	
	Current Year	Preceding Year	Current Year	Preceding Year
	Quarter	Quarter	Year To Date	Year To Date
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Profit attributable to owners of the Company (RM'000)	8,997	14,651	24,906	49,834
Weighted average number of ordinary shares in issue ('000)	1,350,000	1,350,000	1,350,000	1,350,000
Basic earnings per share (sen)	<u>0.67</u>	<u>1.09</u>	<u>1.84</u>	<u>3.69</u>

(b) Diluted earnings per share were not computed as the Company does not have any dilutive potential ordinary shares in issue for the current financial quarter.

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.